

THEMATIC AUDIT

INTERNAL AUDIT REPORT

UN WOMEN'S ROLE AS THE SECRETARIAT

OF UNITED NATIONS AND UN WOMEN

TRUST FUNDS: GOVERNANCE, POLICY AND

RISK MANAGEMENT



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TRUST FUNDS: GOVERNANCE, POLICY AND  
RISK MANAGEMENT



**INDEPENDENT EVALUATION AND AUDIT SERVICES (IEAS)**

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# EXECUTIVE SUMMARY

## Audit objective and scope

The UN Women Internal Audit Service (IAS) of the Independent Evaluation and Audit Services (IEAS) conducted an audit of UN Women's Role as the Secretariat of United Nations (UN) and UN Women Trust Funds: Governance, Policy and Risk Management.

The audit's objective was to assess whether UN Women had effective governance, policy framework and risk management processes in place for the establishment of UN Women Trust Funds and the management of UN and UN Women Trust Funds, with UN Women in a Secretariat role. The scope of the audit covered the effectiveness of: (a) governance arrangements, particularly alignment with UN Women's Strategic Plan; (b) the policy and procedural framework; and (c) risk management practices at corporate and individual Trust Fund Secretariat level. The audit also covered a limited review of the governance and policy framework of grant management, a key implementation modality for most of the reviewed UN and UN Women Trust Funds, with UN Women in a Secretariat role.

UN Women was the Secretariat (and a member of multi-organizational governing bodies) for five established or *de facto* operated Trust Funds:

- *United Nations Trust Fund to End Violence Against Women (UNTF-EVAW)*, established by the United Nations Development Programme's (UNDP) Administrator and based on a UN General Assembly resolution. This Fund may be considered a UN Women Trust Fund within the meaning of UN Women's Financial Regulations and Rules (FRR).
- *Fund for Gender Equality (FGE)*, established by UNDP's Administrator as a project, based on a donor agreement with a Member State. The project was subsequently supported by other donors and *de facto* operated as a UN Women Trust Fund; however, it was not established as such according to UN Women's FRR. UN Women's senior management decided that the Fund would be financial closed by December 2020.
- Three UN Trust Funds were established under the UN Multi-Partner Trust Fund (MPTF) modality: *Women's Peace and Humanitarian Fund (WPHF)*; the

*Spotlight Initiative*; and the *Elsie Initiative Fund (EIF)*. These Funds were established based on the initiatives of relevant UN statutory bodies and Member States, and Memoranda of Understanding (MoU) between UN Women, other 'participating' or 'recipient' UN organizations, as well as the UNDP MPTF Office (MPTFO).

The audit covered these Funds' business processes and transactions primarily from 1 January 2018 to 30 April 2020 (or, where necessary, from their establishment). The review of the *Spotlight Initiative* was limited and focused on its contributions to UNTF-EVAW and WPHF.

IAS followed the *International Standards for the Professional Practice of Internal Auditing* in conducting this audit.

## Audit opinion and overall audit rating

IAS assessed the state of governance, policy framework and risk management for the establishment of UN Women Trust Funds and the management of UN and UN Women Trust Funds, with UN Women in a Secretariat role, as **Some Improvement Needed** meaning that "*The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.*" The overall assessment was mainly due to improvements needed in the following areas:

- **Governance arrangements:** (a) deciding on the strategic relevance of Trust Funds and grant-making (one of their implementation modalities) in UN Women's Strategic Plan; (b) identifying a corporate business process owner for Trust Fund corporate management; (c) establishing a corporate protocol for UN Women to engage as a Secretariat of new UN or UN Women Trust Funds; (d) streamlining monitoring, evaluation and assurance arrangements among Trust Fund Secretariats; and (e) defining the most cost-effective approach in funding of Trust Fund Secretariat management functions (at the global level or where delegated to field offices), and avoiding departures from the corporate Cost Recovery Policy in this regard.

- **Policy and procedural framework:** developing (a) a corporate policy framework on the establishment of UN Women Trust Funds and the management of UN or UN Women Trust Funds; and (b) corporate policies and procedures on Trust Fund grant management.
- **Risk management practices:** establishing a corporate risk management approach to Trust Funds and strengthening risk management among individual Trust Fund Secretariats.

IAS observed the following **achievements** in UN and UN Women Trust Funds governance and management, with UN Women in a Secretariat role:

- The latest external evaluations or mid-term reviews of longer-standing Trust Funds (e.g. UNTF-EVAW, FGE and WPHF) acknowledged the Funds' varying programmatic achievements related to each Fund's purpose and overall relevance to the needs of women; ability to deliver on mandates; and focus on women-led and women's rights organizations.
- The stakeholders interviewed acknowledged that UN Women's grant-making modalities under Trust Funds had created strong partnerships with civil society and had become one of UN Women's comparative advantages, strengthening its visibility.
- Due to the lack of corporate policies or procedures on Trust Fund and grant management, governing bodies and Secretariats of some Trust Funds had developed their own procedural frameworks in these areas. With the longest experience and broadest resources, the UNTF-EVAW Secretariat had the most advanced procedural framework, including a global grant monitoring framework and service-based funding arrangements for UN Women's field offices. A grant management system was in place, covering the entire process life cycle. It also demonstrated good practices in performing value-for-money and cost-benefit analyses to streamline its procedures and business model.
- All reviewed Trust Funds had evaluation arrangements in place, including at grants level, where applicable.
- Grants awarded by all Trust Funds were subject to financial assurance through selected financial audits.

IAS made eight recommendations to address the areas requiring improvement. Two recommendations were ranked as High priority, five as Medium priority and one as

Low priority.

The two High (Critical) priority recommendations mean that *"prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women."*

They included:

**Recommendation 1:** The Director, Policy, Programme and Intergovernmental Division (PPID), in collaboration with the Management and Administration Division (DMA), Strategy, Planning, Resources and Effectiveness Division (SPRED), IEAS and Legal Service, to develop end-to-end corporate policy and procedures on the establishment of UN Women Trust Funds and operational management of UN or UN Women Trust Funds (with UN Women in a founding, Secretariat or recipient organization's role). In particular, the corporate policy should: (i) foresee a risk-informed corporate protocol (e.g. criteria, organizational workflow) for UN Women's engagement in new Trust Funds; and (ii) standardize minimum requirements and accountability for cost-effective programmatic and financial monitoring, evaluation and other assurance arrangements for Trust Funds (with UN Women in a Secretariat role), where all parties involved in monitoring, evaluation and audit are identified to detect gaps, minimize overlaps and address high-risk areas.

**Recommendation 3:** The Director, PPID, in collaboration with DMA and SPRED, to establish corporate policy and procedures for Trust Fund grant management (also considering emergency response), and consider integrating or cross-referencing relevant procedures established at individual Trust Fund level in the corporate policy framework.

The five Medium (Important) priority recommendations mean that *"action is required to ensure that UN Women is not exposed to risks. Failure to take action could result in negative consequences for UN Women"*. They included:

**Recommendation 2:** The Deputy Director, Financial Management, to prepare a corporate training package on contribution types and revenue management (including 'frequently asked questions' [FAQ]) for delivery at headquarters and in the field.

**Recommendation 5:** The Director, PPID, in collaboration with DMA and SPRED, to assign a corporate business process owner for Trust Fund management by defining its roles, responsibilities, authority, relationship with Trust Fund Secretariats and funding mechanism.

**Recommendation 6:** The Director, SPRED, in collaboration with PPID, to advise the Executive Leadership Team on the

strategic relevance of Trust Funds and grant making as integral parts of UN Women’s next Strategic Plan.

**Recommendation 7:** The Director, PPID, with full support from SPRED in terms of risk management methodology, quality assurance and training, and in collaboration with Trust Fund Secretariats, to implement and oversee a corporate risk management process for Trust Funds, including risk management and relevant training requirements for each Secretariat, also covering fraud and crisis-related risks.


**Recommendation 8:** As part of the corporate policy and procedures (see Recommendation 1), the Director, SPRED, in collaboration with DMA, PPID and Legal Service, to define corporate standards for funding of Trust Fund Secretariat management functions (at the global level or where delegated to field offices), according to their roles and responsibilities, and through ‘direct cost’ and ‘support cost’ arrangements, as applicable.

The one Low priority recommendation means that “*action is desirable and should result in enhanced control or better value for money*”. This included:

**Recommendation 4:** The Director, PPID, in collaboration with DMA and SPRED, to explore possibilities for a corporate grant management system covering the end-to-end grant selection and implementation life cycle, while noting potential differences among various granting modalities, including those implemented through Trust Funds or other grant schemes.

## Management comments and action plan

Management accepted the above recommendations and provided action plans included in this report. Management comments have been taken into account in this report, where appropriate.



Lisa Sutton, Director

**Independent Evaluation and Audit Services**

## ACRONYMS AND ABBREVIATIONS

<b>COVID-19</b>	Coronavirus disease 2019
<b>CSO</b>	Civil Society Organization
<b>DAMS</b>	Donor Agreement Management System
<b>DMA</b>	Management and Administration Division
<b>EIF</b>	Elsie Initiative Fund
<b>ERM</b>	Enterprise Risk Management
<b>EVAW</b>	End Violence Against Women
<b>FAQ</b>	Frequently asked questions
<b>FGE</b>	Fund for Gender Equality
<b>FRR</b>	Financial Regulations and Rules
<b>GAI</b>	Global Acceleration Instrument for Women, Peace & Security and Humanitarian Action
<b>GMS</b>	Grant Management System
<b>IAS</b>	Internal Audit Service
<b>IEAS</b>	Independent Evaluation and Audit Services
<b>JIU</b>	Joint Inspection Unit
<b>M&amp;E</b>	Monitoring & Evaluation
<b>MoU</b>	Memorandum of Understanding
<b>MPTF</b>	Multi-Partner Trust Fund
<b>MPTFO</b>	Multi-Partner Trust Fund Office
<b>OAI</b>	UNDP's Office of Audit and Investigations
<b>PCA</b>	Project Cooperation Agreement
<b>PGAMS</b>	Partner and Grants Agreement Management System
<b>PPG</b>	Policy, Procedure and Guidance
<b>PPID</b>	Policy, Programme and Intergovernmental Division
<b>SPRED</b>	Strategy, Planning, Resources and Effectiveness Division
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>UN CERF</b>	United Nations Central Emergency Response Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>UN OCHA</b>	United Nations Office for the Coordination of Humanitarian Affairs
<b>UNTF-EVAW</b>	United Nations Trust Fund to End Violence Against Women
<b>UN Women</b>	United Nations Entity for Gender Equality and the Empowerment of Women
<b>US\$</b>	United States Dollar
<b>WPHF</b>	Women's Peace and Humanitarian Fund

## I. INTRODUCTION

UN Women has been increasingly involved in various UN or UN Women Trust Funds to advocate and implement its own mandate. During IAS' annual risk assessment, it identified the management of Trust Funds as an area for thematic audit due to the following risk areas:

- UN Women was involved in a number of Trust Funds with potentially different status (internal UN Women and external UN Trust Funds, under the UN MPTF modality) and had different roles – as a technical or administrative Secretariat, or as a recipient organization – and engaged in varying fiduciary risks and duties towards multiple donors. Most Funds with UN Women in a Secretariat role focused on awarding grants to UN Women's partner Civil Society Organizations (CSOs) and governments worldwide, as their characteristic implementation modality.
- Some Trust Funds received funding from other Trust Funds.
- UN Women did not have a central database or repository of all UN or UN Women Trust Funds, making it difficult to identify the total portfolio handled by UN Women at any point in time.
- Some Trust Funds were long-standing and had established procedures and systems in place. The UNDP Office of Audit and Investigations (OAI) issued 'Satisfactory' ratings for its 2013–2014 audits of UNTF-EVAW and FGE, both managed by UN Women. However, other UN Trust Funds, for which UN Women was the Secretariat (e.g. WPHF or EIF), were still streamlining their procedures and systems.
- The extent to which Trust Fund governing bodies and Secretariats had authority to establish their own policies and procedures was unclear, as was the extent to which they had to follow the policies and procedures of the hosting organizations.

## II. BACKGROUND

According to UN Women's FRR and Revenue Management Policy, key contribution types receivable by UN Women comprise:

- 'Regular Resources', including 'assessed contributions' (known as 'regular budget') 'voluntary contributions' (known to include

'institutional budget' and 'core funds') and 'miscellaneous revenue'; and

- 'Other Resources', including 'cost-sharing resources' (known as 'non-core funds' and currently UN Women's main funding source) and 'Trust Fund contributions' (to UN Women Trust Funds).

According to UN Women's Financial Regulations 6.1 and 27.2, a UN Women Trust Fund:

- *shall mean a fund or resources accepted by UN Women under the terms of its FRR to finance activities specified by the contributor, which must be consistent with the policies, aims and activities of UN Women; and*
- *may be established by the Executive Director for specified purposes. Trust Funds that directly or indirectly involve additional financial liability for UN Women shall be established only by the Executive Board.*

UN Trust Funds under the UN MPTF modality were not subject to the provisions for UN Women Trust Funds and, in terms of UN Women's FRR, fell under 'cost-sharing resources' ('non-core funds') once received by UN Women. UN Women's engagement as a Secretariat of UN Trust Funds was primarily subject to the relevant agreements with the MPTFO.

UN Women had not elaborated a corporate policy framework or guidance for UN or UN Women Trust Fund management. UN Women's Policy, Procedure and Guidance (PPG) framework included references to Trust Funds in several policies and procedures, e.g. in the Finance Manual and Standard Operating Procedures, Revenue Management Policy, Cost Recovery Policy, Delegation of Authority Policy, Strategic Notes and Annual Work Plan Guidance, Cash Advances and Other Cash Transfers to Partners Policy, Audit Approach Policy and Procedures (for Programme Partners and Grantees), Procedure for Allocation and Use of UNTF-EVAW Support Service Costs, and Funds for Grants Guidance (focusing on FGE). Different governance procedures for individual UN or UN Women Trust Funds and grant management (the key implementation modality) were established at the level of each Trust Fund (not included in the PPG).

The DMA Financial Management Section was responsible for recording received donor contributions and financial reporting for UN Women Trust Funds and individual UN Trust Fund projects (grants) for submission to donors.



However, UN Women did not have a corporate business process owner for Trust Fund management. Individual Trust Funds were managed by dedicated Secretariats, all hosted by PPID; however, their organizational status within PPID and management roles varied. UN Women's field offices also had varying responsibilities in the programmatic and financial management of Trust Fund resources.

At the time of the audit, UN Women was the Secretariat and a member of multi-organizational governing bodies for five established or *de facto* operated Trust Funds. Specifically, it was both the technical and administrative Secretariat for UNTF-EVAW and FGE:

- UNTF-EVAW was established in 1996 by UNDP's Administrator, based on a UN General Assembly resolution. Noting that UN Women's Executive Director, at the time of UN Women's establishment, took over the respective roles and responsibilities from the UNDP Administrator, UNTF-EVAW may be considered a UN Women Trust Fund within the meaning of UN Women's FRR. The Fund was governed by global and regional Programme Advisory Committees.
- FGE was established in 2009 by the UNDP Administrator as a project, based on a donor agreement with a Member State. The project was subsequently supported by other donors and *de facto* operated as a UN Women Trust Fund;<sup>1</sup> however, it was not established as such according to UN Women's FRR. A Strategic Advisory Board had an oversight role for the Fund but suspended its work in 2015. Since 2016, UN Women's senior management suggested that the Fund be closed, with its financial closure due by December 2020 (see Issue 4 in the Audit Results section for details).

UN Women was the technical Secretariat for three UN Trust Funds established under the UN MPTF modality. MPTFO was the Administrative Agent for the Funds and held the funding prior to their transfer to UN Women or other organizations for approved interventions. For WPHF, UN Women's (or potentially other UN organizations') field offices<sup>2</sup> were also the Fund's 'Management Entity' (in principle, both the technical and administrative Secretariat) at field level. Specifically:

- WPHF (originally *Global Acceleration Instrument for*

<sup>1</sup> FGE was frequently referred to as a Trust Fund (for example, in UN Women's Donor Agreement Management System [DAMS] and 'Revenue Reports' application). As in the case of UNTF-EVAW, FGE funds were recorded in Atlas under a dedicated Fund code, it was

*Women, Peace & Security and Humanitarian Action* [GAI]) was established in 2016, as welcomed by the UN Security Council and UN Secretary-General, and was based on an MoU between UN Women, UNDP and the United Nations Population Fund (UNFPA) as participating UN organizations, as well as MPTFO. The Fund was governed by a Funding Board and National Steering Committees.

- The Spotlight Initiative was established in 2017, in response to an initiative between a multi-lateral donor, UN Secretary-General, UN Women, UNDP and UNFPA, based on an MoU between the UN Deputy Secretary-General and MPTFO, and an MoU between UN Women, 10 other recipient UN organizations (other organizations could join the MoU) and MPTFO. The Fund was governed by a Governing Body, an Operational Steering Committee, and the UN Executive Office of the Secretary-General at the global level, as well as by Regional and National Steering Committees. The Fund's Secretariat included a Technical Unit (administered by UN Women) and a Management Unit (administered by MPTFO), both co-located at UN Women.
- EIF was established in 2019, as welcomed by the UN Security Council, in response to an initiative launched by a Member State (subsequently supported by other Member States), and was based on an MoU between UN Women and the UN Department of Peace Operations as participating UN organizations, as well as MPTFO. The Fund was governed by a Steering Committee.

Tables 1, 2 and 3 summarize received contributions, expenses and fund balances of Trust Funds managed by UN Women in a Secretariat role:

allocated interest income, and its Secretariat had a dedicated Section in the PPID structure.

<sup>2</sup> At the time of the audit, only UN Women's field offices were engaged in WPHF's 'Management Entity' role.

Table 1: UNTF-EVAW and FGE received contributions, expenses and fund balances in 2018–2019, US\$

Trust Fund	UNTF-EVAW <sup>3</sup>	FGE
<b>Opening balance, as of 01.01.2018</b>	<b>34,337,662</b>	<b>6,583,810</b>
Donor contributions	30,371,723	1,186,093
Interest and other revenue	865,163	85,241
Grant and other programme expenses	(19,304,812)	(4,327,797)
Direct management costs	(7,571,111)	(1,758,627)
Support costs	(2,196,470)	(87,624)
<b>Closing balance, as of 31.12.2019</b>	<b>36,502,155</b>	<b>1,681,096</b>
Advances to grantees	(7,262,251)	(406,054)
Undepreciated assets	(485)	-
Commitments	(452,369)	(17,534)
Contributions receivable	(1,033,363)	(6,553)
<b>UN Women's fund balance, as of 31.12.2019</b>	<b>27,753,687</b>	<b>1,250,955</b>

Sources: UN Women's 2018 and 2019 Certified Financial Statements, and enterprise resource planning system (Atlas)

Table 2: WPHF (in 2016–2019) and EIF (in 2019) received contributions, expenses and fund balances, US\$

Trust Fund	WPHF <sup>4</sup>	EIF
Donor contributions received by Administrative Agent	24,457,616	14,704,714
Interest and investment revenue	254,921	218,190
Administrative Agent's fees and other costs	(245,226)	(147,337)
<b>Administrative Agent's Fund balance, as of 31.12.2019</b>	<b>(8,290,007)</b>	<b>(14,525,258)</b>
<b>Contributions received by UN Women</b>	<b>16,177,304</b>	<b>250,309</b>
Grant and other programme expenses	(6,436,099)	-
Direct management costs	(1,092,804)	(106,874)
Support costs	(1,058,329)	(16,375)
Advances to grantees	(606,142)	-
Commitments	(1,949)	-
<b>UN Women's fund balance, as of 31.12.2019</b>	<b>6,981,981</b>	<b>127,060</b>

Sources: MPTFO's 'Gateway' portal, DAMS and Atlas

Table 3: Spotlight Initiative's received contributions, expenses and fund balances (in 2017-2019), US\$

Trust Fund	Spotlight Initiative	of which contributions in 2019 to grant rounds of:	
		UNTF-EVAW	WPHF
Donor contributions received by Administrative Agent	207,061,647		
Interest and investment revenue	1,408,758		
Administrative Agent's fees and other costs	(3,299,917)		
<b>Administrative Agent's Fund balance, as of 31.12.2019</b>	<b>(68,661,393)</b>		
<b>Contributions received by other UN organizations</b>	<b>(70,041,313)</b>		
<b>Contributions received by UN Women</b>	<b>66,467,782</b>	<b>26,297,170</b>	<b>7,075,142</b>
Support costs	Not reviewed in this audit	(1,720,376)	-
Advances to grantees		(1,900,239)	-
<b>UN Women's fund balance, as of 31.12.2019</b>		<b>22,676,555</b>	<b>7,075,142</b>

Sources: MPTFO's 'Gateway' portal, UN Women's DAMS and Atlas

When not in a Secretariat role, UN Women was also a recipient organization of contributions to its programmes and projects from multiple other UN Trust Funds under the UN MPTF modality.

At the time of the audit, UN Women also actively programmed and launched worldwide interventions, including partnering with CSOs, in support of women and girls affected by the COVID-19 crisis. Such interventions foresaw emergency response funding through the Spotlight Initiative, UNTF-EVAW and WPHF (with UN Women in a Secretariat role), and through *UN COVID-19 Response and Recovery MPTF* and other funding sources (with UN Women in a recipient organization's role).

<sup>3</sup> Excluding the Spotlight Initiative's contribution, related expenses and fund balances (included in Table 3).

<sup>4</sup> Excluding the Spotlight Initiative's contribution, related expenses and fund balances (included in Table 3).

### III. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The audit's objective was to assess whether UN Women had **effective governance, policy framework and risk management** processes in place for the establishment of UN Women Trust Funds and for the management of UN and UN Women Trust Funds. The audit's scope covered the following areas:

- Effectiveness of the governance arrangements and their alignment with UN Women's Strategic Plan, Internal Control Framework and Risk Management Process.
- Existence of an effective, overarching Trust Fund related policy and procedural framework designed to ensure that the risks to Trust Fund management are properly mitigated.
- Effectiveness of corporate and individual risk management practices relating to Trust Funds.

The audit covered business processes and transactions for five UN or UN Women Trust Funds (as established or *de facto* operated) with UN Women in a Secretariat role (UNTF-EVAW, FGE, WPHF, the Spotlight Initiative and EIF), primarily for the period from 1 January 2018 to 30 April 2020 or, where necessary, from the onset of each Fund. The audit included a limited review of the Spotlight Initiative's business processes and transactions and primarily focused on its contributions to UNTF-EVAW and WPHF grant rounds.

The audit also covered a limited review of governance and policy framework of grant management, considering that it was a key business process and implementation modality for most of the reviewed Trust Funds. However, **the audit did not review** risk management, controls or transactions in relation to grant management because (a) UN Women was developing its Grant Management Policy and related procedures at the time of the audit; and (b) Trust Funds are not necessarily related to the grant-making implementation modality, which could be used in any UN Women programme. Grant implementation was partially reviewed in IAS' 2019 Audit of the Implementing Partner Management Process,<sup>5</sup> as UN Women did not have a separate Grant Management Policy and partly used the Programme Partner policy framework to engage grantees. It may be reviewed again in future IAS assignments.

IAS followed the *International Standards for the Professional Practice of Internal Auditing* in conducting this audit.

The audit work consisted of: review of documents and systems; interviews with UN Women personnel at headquarters, regional and country offices, and MPTFO; analytical review of samples of individual Trust Fund transactions, based on professional judgment and focusing on key risks and state of internal controls; and benchmarking against other UN organization practices.

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<sup>5</sup> Report IEAS/IAS/2019/06: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

## IV. AUDIT RESULTS

### Issue 1: Need for a corporate policy framework on the establishment and management of Trust Funds

As indicated in the Background section, UN Women had varying roles as a Secretariat of several UN or UN Women Trust Funds, which had different legal status. UN Women was also a recipient organization from multiple other UN Trust Funds under the UN MPTF modality. However, the different status of Trust Funds was not always understood by stakeholders across the organization.

One of the main reasons for this was **the lack of a corporate policy or guidelines on the establishment of UN Women Trust Funds and UN Women's various roles in the management of UN or UN Women Trust Funds**. In particular, **no corporate protocol was in place** (e.g. risk assessment, feasibility study) for UN Women to follow **when engaging in new UN or UN Women Trust Funds**. According to UN Women's FRR, *'the Executive Director should issue guidelines for the establishment and administration of Trust Funds'*. Such guidelines had not been issued, other than the various procedures issued by the governing bodies or Secretariats of individual Trust Funds (see Issue 2).

Consequently, each UN or UN Women Trust Fund was primarily managed based on each Secretariat's institutional experience. This led to unmitigated risks when engaging in Trust Funds, such as weaknesses in monitoring frameworks or lack of funding for management functions (see Issues 6 and 7); repetition of efforts when establishing procedures; and inconsistencies in Funds' management (see Issues 2, 5, 6 and 7). Engaging in Trust Funds without a corporate protocol and risk assessment also exposes UN Women to accountability risks. While individual Trust Funds may have their own procedures and internal controls in place, a significant failure at a Trust Fund level may be perceived by donors as UN Women's failure.

IAS shared its analysis of the definitions and guidance on Trust Funds in other UN organizations, as well as related feedback received from various stakeholders obtained during this audit, with its audit clients for them to consider in addressing this audit's recommendations. For example, the UN Office for the Coordination of Humanitarian Affairs (OCHA) developed detailed guidance on the end-to-end

business process of similar Funds<sup>6</sup> that could be consulted when elaborating UN Women's policy and guidelines on the establishment and management of Trust Funds.

UN Women also has an opportunity to further clarify definitions (categorization) of its funding sources, including for its more recent and prospective funding initiatives, e.g. 'Strategic Note funding', 'strategic partnership framework funding' and 'thematic funding'. As recognized by various stakeholders interviewed, the names of various funding categories referred to across UN Women did not always conform to UN Women's FRR or other policies. The Financial Management Section highlighted that it had provided guidance and training for specific programmes in this regard; however, financial literacy remained an issue across the organization.

#### Recommendation 1 (High):

The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division, Strategy, Planning, Resources and Effectiveness Division, and Independent Evaluation and Audit Services, and the Chief, Legal, and considering other UN organizations' experience, to develop and submit for approval by senior management, end-to-end corporate policy and procedures on the establishment of UN Women Trust Funds and operational management of UN or UN Women Trust Funds (with UN Women in a founding, Secretariat or recipient organization's role). In particular, the corporate policy should: (i) foresee a risk-informed corporate protocol (e.g. criteria, organizational workflow) for UN Women's engagement in new Trust Funds; and (ii) standardize minimum requirements and accountability for cost-effective programmatic and financial monitoring, evaluation and other assurance arrangements for Trust Funds (with UN Women in a Secretariat role), where all parties involved in monitoring, evaluation and audit are identified to detect gaps, minimize overlaps and address high-risk areas.

(See also Issue 6, which is addressed through Recommendation 1).

<sup>6</sup> OCHA's Operational Handbook included guidance on Funds' establishment and its justification, governance, resource mobilization and allocation, budgeting of direct and indirect costs,

grant agreements and grant management system, risk management, monitoring, reporting, audit, evaluation and closure.

## Recommendation 2 (Medium):

The Deputy Director, Financial Management, to prepare a corporate training package on contribution types and revenue management (including 'frequently asked questions' [FAQ]) for delivery at headquarters and in the field.

## Issue 2: Need for corporate policies and procedures on Trust Fund grant management

Most Trust Funds with UN Women in a Secretariat role (UNTF-EVAW, FGE, WPHF and EIF) employed the grant-making implementation modality. In 2019, the Spotlight Initiative also awarded funds for grant making by UNTF-EVAW and WPHF. The governing bodies and Secretariats of various Trust Funds had largely developed their own procedural frameworks, including for grant management. Most of them were not included in UN Women's PPG framework and varied between the Funds. This was due to the limited exchange of experience between the Secretariats, but was primarily the result of the **lack of corporate policies and procedures for Trust Fund management** (see Issue 1) **and grant management; lack of a corporate grant management system; and lack of a corporate business process owner for Trust Fund management** (see Issue 3).

Furthermore, as indicated by the Legal Service, Trust Funds were financial instruments not organizational entities, and did not have the legal authority to devise their own policy frameworks but had to follow those of the organizations administering their funds (e.g. of UN Women or, in the case of UN MPTFs and prior to funds transfer to UN Women, of UNDP). While it was understood that Trust Fund governing bodies would define programmatic priorities and procedures and make funding decisions, these should not interfere with the administrative policies or procedures of the hosting organization. This is problematic given that the **UN Women policy framework was not comprehensive** in accommodating the main Trust Fund business processes (particularly, grant management) or in guiding their development. Specifically:

- UNTF-EVAW and FGE Secretariats each had established procedures (particularly detailed for UNTF-EVAW) for the Funds' governance, grant selection and implementation. While all other Funds followed UN Women's standard procedure and template for approval of grant advances and expenditure, the UNTF-EVAW Secretariat had established its own procedure and template

(embedded in its Grant Management System [GMS]). The UNTF-EVAW Secretariat had more centralized grant-monitoring procedures, with delegation of specific tasks to UN Women field offices (e.g. financial monitoring), while the FGE Secretariat had delegated grant monitoring functions at regional and country office level. Both Funds used the same GMS, covering the end-to-end grant selection and implementation life cycle. FGE discontinued use of GMS due to the Fund's expected closure, while UNTF-EVAW was completing a new generation system at the time of the audit.

- WPHF's Funding Board had adopted an Operations Manual guiding the Fund's governance, funds allocation, grant selection, reporting, monitoring & evaluation (M&E), revision and closure procedures. The Manual covered grant implementation procedures to a limited extent, as grant contracting and monitoring was delegated to UN Women (or other UN organization) field offices, where each organization's relevant procedures would apply.

IAS also noted that the WPHF grant selection process, although transparent overall, varied by country and, at times, decision makers could not be clearly identified from meeting minutes or evaluation reports. WPHF was the only Fund where its Secretariat (along with National Steering Committees) participated in the technical scoring of grant applications, leading to segregation of duty risks in the very small Secretariat (see Issue 7). In the Secretariat's view, this was done to ensure quality control. However, for the other Funds, applications were only scored by governing committees, independent technical committees or experts.

- The Spotlight Initiative had awarded funds for UNTF-EVAW and WPHF dedicated grant rounds, where each Fund's own procedures for grant selection and implementation applied.
- EIF was a new Fund and, at the time of the audit, its Steering Committee had adopted Terms of Reference (TOR) outlining the Fund's governance and general grant selection, reporting and M&E procedures. The Fund's Operations Manual and further procedures were being developed.
- The WPHF, Spotlight Initiative and EIF did not have grant management systems.
- Some of UN Women's field offices, which managed local (Trust Fund non-related) grant-making schemes, had also established their own local grant

governance and selection procedures.

- All Funds and UN Women field offices used UN Women's 'Project Cooperation Agreement (PCA)' (since early 2020, the 'Partner Agreement') template to contract grantees. The PCA template was partially adapted for use by UNTF-EVAW and FGE Secretariats, as approved by the Legal Service. However, it indicated that, overall, these agreements were designed under a different framework to contract Programme Partners and were less suited to contract grantees, which were selected and also largely monitored differently. At the time of the audit, **no corporate grant management policy or dedicated grantee agreement template was in place.**

At the time of the audit, a corporate working group was developing a Grant Management Policy and related procedures, with the expectation that each organizational entity managing grants would align its own grant management procedures to this policy.

UN Women did **not have a corporate grant management system covering the end-to-end grant selection and implementation life cycle.** In early 2020, UN Women's new Partner and Grants Agreement Management System (PGAMS) was launched, which could be used to register new grant agreements. However, it only covered the partner or grant agreement's life cycle. Depending on management's strategy and PGAMS' technical possibilities, its scope could be expanded, or alternatively GMS (developed and used by UNTF-EVAW for its own funding) could be upgraded for corporate use. UN Women could also adapt principles from systems used by other organizations, for example the end-to-end grant life cycle management system used by UN OCHA.

The absence of corporate policies, procedures and systems may lead to ambiguities in the application of UN Women's PPG framework by various Trust Fund Secretariats; inefficiencies; gaps in accountability; limited transparency or independence; and donor discontent. Donor agreements for contributions to Trust Funds required that the Funds be administered in accordance with the recipient organization's regulations, rules, policies and procedures. However, as noted, there were notable gaps in UN Women's regulatory framework for Trust Funds.

The stakeholders interviewed indicated that **insufficient corporate emergency policies and procedures complicated UN Women's emergency response**, including through Trust Funds, e.g. as rapid response grants or aid

from UNTF-EVAW and WPHF during the COVID-19 crisis. UN Women could adapt emergency procedures used by other organizations, e.g. those of the UN Central Emergency Response Fund (CERF).

### Recommendation 3 (High):

The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and Effectiveness Division, and considering other UN organizations' experience, to establish corporate policy and procedures for Trust Fund grant management (also considering emergency response), and consider, where applicable, integrating or cross-referencing relevant procedures established at individual Trust Fund level in the corporate policy framework.

### Recommendation 4 (Low):

The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and Effectiveness Division, and considering other UN organizations' experience, to explore possibilities for a corporate grant management system covering the end-to-end grant selection and implementation life cycle, while noting potential differences among various granting modalities, including those implemented through Trust Funds or other grant schemes.

### Issue 3: Need for a corporate business process owner for Trust Fund management

In IAS' view, **UN Women did not have a corporate business process owner for the management of Trust Funds or their key business process, grant management.** PPID indicated that it was the functional lead (business process owner) for corporate grant management policy and procedures. However, such policy or procedures were only being developed at the time of the audit.

Stakeholders highlighted that UN Women needed a lean, centralized policy hub and intelligence unit to: advise on protocols for engaging in new UN or UN Women Trust Funds and related implementation policies and procedures; provide a clear business model and standardize approaches and workstreams among individual Trust Fund Secretariats; exchange knowledge and best practices; and be responsible for corporate risk management and monitoring of Trust Funds and grant

management. To justify itself, the unit should provide synergies and economies of scale, and could be funded through Trust Fund support cost resources. Strategically, it would be best placed within PPID, which also hosted all Trust Fund Secretariats. This would also help with the alignment of Flagship Programmes and other UN Women policy themes with the Trust Funds' programme objectives. The unit should reinforce UN Women's image as a global Secretariat of grant or other programmes in support of gender equality and the empowerment of women.

UN Women had intended to establish a relevant corporate team to oversee Trust Funds. However, Trust Fund and grant-making business models were not prioritized in UN Women's Strategic Plan (see Issue 4) and there was limited donor engagement in the initiative.

At the same time, UN Women was consistently engaged in a Secretariat role for various UN Trust Funds, in response to donor initiatives, without investing in a consistent business model with corporate governance, policies, risk management and controls. This led to **limited corporate accountability in Trust Fund management, including the lack of a corporate risk management process for Trust Funds**. Without such a process, systemic risks cannot be effectively identified or mitigated in a timely manner. See also Issues 5 and 6.

### Recommendation 5 (Medium):

The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and Effectiveness Division, to assign a corporate business process owner for Trust Fund management by defining its roles, responsibilities, authority, relationship with Trust Fund Secretariats and funding mechanism.

### Issue 4: Strategic relevance of Trust Funds and grant-making implementation modality

According to the stakeholders interviewed, Trust Funds and the grant-making implementation modality were **not adequately recognized in UN Women's Strategic Plan 2018–2021**, as they 'were not considered a comparative advantage' at the time. However, UN Women was a technical or administrative Secretariat for five established or *de facto* operated Trust Funds, which awarded multi-year grants and contributed to UN Women's results. During 2018–2019, UNTF-EVAW, FGE, WPHF and EIF total revenue (including Spotlight Initiative funds awarded for UNTF-

EVAW and WPHF grant rounds) comprised US\$ 98.7 million, which was significant and compared to 11 per cent of total UN Women revenue.

The Strategic Plan briefly referred to UNTF-EVAW, FGE and WPHF as contributors to one of the Strategic Plan's Outputs, and to grant-making mechanisms as one of the means of implementation and support to civil society and women's organizations. UN Women's Resource Mobilization and Partnership Strategy 2018–2021 also referred to UNTF-EVAW, FGE and the Spotlight Initiative as 'resource mobilization partnerships', 'strategic multipliers' and sources of data. Nevertheless, there were indications that Trust Funds did not have a fully recognized strategic role and position in the organization:

- FGE had not been considered a senior management priority since 2016, due to other strategic priorities. As a result, donor contributions to the Fund significantly decreased. FGE was due for financial closure by December 2020, and the remaining Fund Secretariat staff were asked to support other UN Women initiatives. It should be noted that the closure of the Fund was proposed at the time of steady donor funding and positive 2018 evaluation results. This led to stretched implementation; reduced results in the Fund's final years; and a certain loss of institutional knowledge (six regular Fund Secretariat staff had left since 2016).
- As Trust Funds were not clearly positioned and coordinated in the Strategic Plan, they and other UN and UN Women funding initiatives competed for funding and strategic niches, leading to some duplication of efforts at global and local levels. For example:
  - UNTF-EVAW had operated since 1996. However, in 2017 the Spotlight Initiative with the same objective 'to eliminate violence against women and girls' but with much more funding was established. UN Women also managed other programmes and, at the time of the audit, was negotiating new funding in the area of EVAW.
  - As indicated by the stakeholders interviewed, some resource mobilization efforts for Trust Funds resulted in donor confusion about different UN Women programmes and fundraising models, including at a UN Women donor table conducted during the COVID-19 crisis.
- Several UN Women country offices interviewed indicated that grant management tasks assigned to

them by the UNTF-EVAW Secretariat were fragmented 'additional duties' and were not easy to link with their Strategic Notes and Annual Work Plans.

According to the stakeholders interviewed, **UN Women's grant-making** and Programme Partner **implementation modalities** had created strong partnerships with civil society and had **become one of UN Women's comparative advantages, strengthening its visibility**. Therefore, Trust Funds and grant making, if implemented in UN Women, need a stronger role and position in its Strategic Plan. The 2020 mid-term review of the Strategic Plan 2018–2021 indicated a need for better incorporation of Trust Funds and grant making in the new Strategic Plan. The need for the strategic alignment of Trust Funds in UN organizations was also raised in an earlier UN Joint Inspection Unit (JIU) report.<sup>7</sup>

### Recommendation 6 (Medium):

The Director, Strategy, Planning, Resources and Effectiveness Division, in collaboration with the Director, Policy, Programme and Intergovernmental Division, to advise the Executive Leadership Team on the strategic relevance of Trust Funds and grant making as integral parts of UN Women's next Strategic Plan.

### Issue 5: Need for a corporate risk management approach to Trust Funds

Risk management practices and maturity varied among Trust Fund Secretariats due to differences in the Funds' age, governance, and the Secretariats' status and management roles (UNTF-EVAW and FGE Secretariats were separate sections in UN Women's structure, while other Secretariats were part of larger sections). However, the primary cause was the lack of a corporate business process owner for Trust Fund management. Consequently, there was **no corporate risk management process in this area**, other than the inclusion of some individual Secretariat risk registers in the corporate Enterprise Risk Management (ERM) system and overall financial risk management by the Financial Management Section. Systematic, cross-cutting risks and their causes were not identified or considered to inform corporate decision-making or to make necessary changes to policies and procedures. Comprehensive risk registers for sharing with

donors were not available for every Trust Fund. Specifically:

- The UNTF-EVAW Secretariat updated its risk register on a yearly basis and had a risk mitigation strategy for the grant-management life cycle.
- The FGE Secretariat's earlier risk-based monitoring system was no longer updated due to the Fund's expected closure. The Secretariat updated a brief register of business continuity risks on a yearly basis.
- The Peace, Security and Humanitarian Section, which hosted the WPHF and EIF Secretariats, included a few risks referring to EIF in its risk register but none referring to WPHF.
- The WPHF TOR included a brief risk mitigation matrix but this was not comprehensive to the Fund's entire business process. It was not updated or used as a risk mitigation tool. The Fund's Operations Manual included guidelines on risk management and strategy, but it was not apparent how they were implemented.
- EIF was newly established. The Fund's TOR included a risk mitigation matrix and strategies.
- The EVAW Section, which hosted the Spotlight Initiative's Secretariat Technical Unit, did not include any risks referring to the Spotlight Initiative in the Section's risk register. As indicated by the Secretariat, this was not practical given the nature of the large Fund serving multiple UN organizations. The Spotlight Initiative's project document included guidelines on a risk management strategy, which the Secretariat was yet to develop.

At the time of the audit, most of the risks in the latest registers uploaded in ERM were 'pending approval' by Risk Owners (Heads of Sections or Secretariats). None of the Trust Fund Secretariats had developed a mandatory fraud risk register, and their personnel had not attended the corporate training on fraud risk assessments.

The COVID-19 crisis (ongoing at the time of the audit) emphasized crisis-related risks, e.g. in resource mobilization, business continuity, programme interventions, sexual exploitation and abuse, and operations, including increased fraud risks. The Secretariats needed to incorporate such risks in their risk management. In June 2020, UN Women issued guidance

<sup>7</sup> JIU report JIU/REP/2010/7 (2010) on Policies and Procedures for the Administration of Trusts Funds in UN System Organizations:

[https://www.unjiu.org/sites/www.unjiu.org/files/jiu\\_document\\_files/products/en/reports-notes/JIU%20Products/JIU\\_REP\\_2010\\_7\\_English.pdf](https://www.unjiu.org/sites/www.unjiu.org/files/jiu_document_files/products/en/reports-notes/JIU%20Products/JIU_REP_2010_7_English.pdf)



on reprogramming of the 2020 Annual Work Plans, which also required COVID-19 crisis-related risk assessments.

### Recommendation 7 (Medium):

The Director, Policy, Programme and Intergovernmental Division, with full support from the Director, Strategy, Planning, Resources and Effectiveness Division (in the role of the Chief Risk Officer) in terms of risk management methodology, quality assurance and training, and in collaboration with Trust Fund Secretariats, to implement and oversee a corporate risk management process for Trust Funds, including risk management and relevant training requirements for each Secretariat, also covering fraud and crisis-related risks.

### Issue 6: Opportunities to streamline and strengthen monitoring, evaluation and assurance arrangements among Trust Fund Secretariats

Financial and programmatic monitoring, and evaluation arrangements varied among Trust Fund Secretariats due to differences in the Funds' governance, design and management set-up; roles of the Secretariats; and cost-recovery arrangements. For longer-standing Secretariats, these arrangements had improved over time. However, each Secretariat's M&E arrangements had evolved mostly based on their own institutional experience, rather than through following a consistent organization-wide approach. This was due to the lack of a corporate business model or process owner for Trust Fund management and resulted in **varying degrees of financial and programmatic assurance among Trust Fund Secretariats**. However, grants awarded by all Trust Funds (likewise as UN Women's agreements with Programme Partners) were subject to *post factum* financial assurance through outsourced financial audits coordinated by UN Women's Programme Support Management Unit, in collaboration with Fund Secretariats, which also followed up on recommendations from financial audits. With regard to evaluation arrangements, all Secretariats committed to the UN Evaluation Group's Norms and Standards, and Ethical Guidelines. Specifically:

- The UNTF-EVAW Secretariat had the most advanced global grant monitoring framework, including dedicated personnel, guidelines and criteria, and monitoring planning and tracking tools. It performed biannual financial and programmatic portfolio assessments, rating each grant in five areas, and

tracked grantee deliverables in GMS. Programmatic monitoring was centralized at the Secretariat level, while financial monitoring was either delegated to UN Women's regional or country offices, or remained centralized. The Secretariat aimed to conduct one programmatic monitoring and training field mission during each grant's life cycle.

The Secretariat's monitoring framework was commended in the Fund's 2019 mid-term review, donor assessments and by the field offices interviewed. However, **several field offices highlighted their limited role in programmatic monitoring or understanding of grant activities**; the difficulty of linking them with their strategic and work priorities; and uncertainty as to whether the Secretariat's rare field missions were sufficient for the substantial grants awarded (between US\$ 50,000 and US\$ 1 million) without continuous programmatic monitoring at local level. The grantees interviewed also indicated some confusion about the roles of the Secretariat and field offices. The Secretariat highlighted the paradox between the field offices' limited availability versus their interest in greater involvement in grant management, primarily due to the Fund's weak link with UN Women's Strategic Plan and therefore field offices' strategic priorities. As a result, UN Women's local monitoring resources were not fully used, and programmatic assurance and accountability over grants could be impaired.

The Fund had the most advanced decentralized evaluation arrangements, including an evaluation library and guidance for grantees. The Fund had commissioned multiple external assessments, including its latest 2019 mid-term review based on the Fund's Strategic Plan 2015–2020, with a final decentralized evaluation expected at the end of this period. The Fund's Strategic Plan included performance measures based on individual decentralized grant evaluations. These were required for grants over US\$ 150,000, managed by grantees with the Secretariat's quality assurance. Evaluations for smaller grants were selected and managed by the Secretariat in partnership with grantees. In 2016, the Fund produced its latest meta-analysis of 23 individual grant evaluations, with a new analysis planned for 2020. It had also undergone periodic assessments by at least two of its donors.

- The FGE Secretariat (prior to the Fund's expected closure) had monitoring and reporting specialists in

regional offices; a risk-based monitoring matrix; financial monitoring guidelines and tools; and evaluation guidance and planning tools. It used the same GMS but had different monitoring tools. Programmatic monitoring, including field missions, was largely delegated to UN Women's country offices and was overseen by the Secretariat's regional specialists. Financial monitoring tasks were shared between country offices and the Secretariat's regional and headquarters specialists.

The Fund commissioned an external evaluation in 2018. The Secretariat's regional specialists, in consultation with country offices, also selected individual decentralized grant evaluations. In 2015, the Fund produced a meta-analysis of 22 individual grant evaluations.

- The WPHF Secretariat had overall monitoring responsibilities for the Fund's results. However, grant management, including programmatic and financial monitoring, was entirely delegated to UN Women (or other UN organization) field offices, which provided regular updates, grant progress reports and grant evaluation reports to the Secretariat and Administrative Agent through the online portal 'Gateway'. The Secretariat itself could only undertake field missions to two of seven countries and one country group, which had received grants between the Fund's establishment in 2016 and the audit. The Fund's Operations Manual included brief M&E guidance but no further programmatic monitoring guidance or criteria for consistency among field offices, and relied on the organization and field offices' overall M&E practices. Field offices followed organizational procedures in financial monitoring.

The WPHF's Funding Board had previously indicated the need for stronger M&E. The Secretariat had very limited personnel resources (see Issue 7) and initially none dedicated to M&E. In April 2020, it recruited an M&E consultant for an initial six-month period.

The Fund's 2019 mid-term review also identified the need to strengthen M&E across all reviewed field offices, whose limited resources (see Issue 7) caused significant implications for monitoring and reporting (e.g. uneven quality of reporting). It also noted that the Secretariat was under-resourced and needed to focus more on capacity building of field offices and CSOs, including in quality M&E functions. In IAS' view, the Secretariat's limited role and lack of resources in M&E could impair the Fund's global programmatic

assurance and accountability over grants. The mid-term review made recommendations to strengthen M&E and resource investment, which were being implemented at the time of the audit.

In addition to the Fund's commissioned external mid-term review, a final decentralized evaluation was expected at its closure. Individual decentralized grant evaluations were also supposed to be undertaken. The Fund had also undergone periodic assessments by at least one of its donors.

- EIF was newly established. The Secretariat was responsible for the Fund's M&E. The Fund's TOR included minimal M&E guidance, and the Secretariat had to develop detailed procedures. At the time of the audit, the Fund had not awarded any grants and the Secretariat had no M&E personnel. M&E resources were approved in the Secretariat's 2020 budget. The Fund planned decentralized mid-term review and evaluation after 2.5 and 5 years of the Fund's activity, respectively.
- According to the MoUs establishing the UN MPTFs (e.g. WPHF, EIF and Spotlight Initiative) and donor agreements, donors may also undertake evaluations of their cooperation with the Administrative Agent and participating UN organizations (e.g. UN Women). Each Fund's relevant governing body or participating UN organizations may recommend joint evaluations, involving participating UN organizations, donors, host governments or other partners.

As mentioned above, the COVID-19 crisis emphasized crisis-related risks, including in programme interventions and financial management, particularly due to possible exceptions to organizational procedures and the use of rapid-response procedures with higher risk appetite. This operational environment warranted increased clear accountability for *post factum* monitoring and assurance arrangements, which needed to be defined and put in place.

See **Recommendation 1**.

### **Issue 7: Need for a consistent approach in funding of Trust Fund Secretariat management functions at global and local levels, and in line with the corporate Cost Recovery Policy**

Funding arrangements for Trust Fund Secretariats and UN Women field offices involved in the Funds' grant management were not consistent (e.g. 'direct cost' versus

‘support cost’ funding, ‘service-based’ versus ‘percentage-based’ funding, and funding according to policy versus waivers from policy). Such arrangements depended on each Fund’s governance, design, management set-up, donor negotiations and cost-recovery arrangements. There was **no systemic approach to budget the expected direct cost and required funding for such management functions** at the time of the establishment of, or the engagement in the Funds and there were **departures from the corporate Cost Recovery Policy** through established waivers as a funding solution. This occurred because of the competitive environment during UN Women’s early negotiations with donors and UN partner organizations, which may have focused on securing UN Women’s role in the Funds. **Ultimately, the lack of a corporate Trust Fund business model and process owner made it difficult to advocate with donors for consistent and favourable funding arrangements of management functions.**

This resulted in management functions of some Funds being in a better funding situation, while others had stretched capacity at global and local levels. At times, this impacted performance, segregation of duties (lack of adequate ‘firewalls’) and sound management of the Funds’ resources in compliance with donor expectations. Such capacity gaps, as well as UN Women’s other support functions not being reimbursed through adequate cost recovery from Trust Funds, **were ultimately subsidized from UN Women’s other budget resources.** Insufficient cost-recovery and cross-subsidization of Trust Fund activities by regular budget resources in UN organizations were also raised in an earlier JIU report.<sup>8</sup>

Positively, the Secretariats of all five established or *de facto* operated Trust Funds were primarily funded from each Fund’s budget through a ‘direct cost’ arrangement. In accordance with the Cost Recovery Policy for UN Women’s support functions, in the case of UNTF-EVAW and FGE, an 8 per cent support cost rate was also applied to donor contributions to the Funds. Half of the ‘support cost’ funds (4 per cent) was retained by UN Women for use at headquarters (not for the Fund Secretariats) and the other half (4 per cent) was retained by each Secretariat to finance each Fund’s support services provided by field offices. In the case of all UN MPTFs (including WPHF, Spotlight Initiative and EIF), a 7 per cent support cost rate was applied to contributions received by UN Women from the Administrative Agent. The Agent also charged an administrative fee of 1 per cent

of donor contributions to WPHF and EIF, and assessed a specific fee for the Spotlight Initiative. However, IAS noted further differences in funding of the management functions for various Funds.

Direct management costs (‘direct cost’ arrangement) were as follows:

- In 2018–2019 for the UNTF-EVAW Secretariat, US\$ 7.6 million or 26.0 per cent of the Fund’s total costs. As of 30 April 2020, the Secretariat had 16 international and 2 local staff, 10 consultants and 1 intern. The Secretariat had assessed that its funding was steadily ‘10–11 per cent of the Fund’s total grants opening balance each year’ – below the average overheads for various foundations. This was accurate as the Secretariat managed multi-year grants but, in IAS’ view, such assessment understated total management costs. However, two donor assessments indicated that the Fund was competitive and that contributions towards support costs were favourable, compared to other UN Funds.
- In 2018–2019 for the FGE Secretariat, US\$ 1.8 million or 28.5 per cent of the Fund’s total costs. Due to its expected closure, as of 30 April 2020, the Secretariat only had 4 international and 1 local staff. The Fund’s 2018 evaluation assessed that the Secretariat’s funding was within a range (20–30 per cent for direct management costs) of various grant-making foundations with extended management functions as was the Fund’s Secretariat.
- In 2016–2019 (from the Fund’s establishment) for the WPHF Secretariat, US\$ 1.1 million or 12.4 per cent of the Fund’s total costs to date (or 6.8 per cent of contributions received by UN Women). The Secretariat’s funding was subject to a 5 per cent ceiling in the Fund’s budget (increased to 7 per cent based on a recommendation of the Fund’s 2019 mid-term review). It should be noted that the Secretariat had fewer responsibilities (compared to other Funds) due to all grant management functions being delegated to field offices. As of 30 April 2020, the Secretariat had 2 international staff, supported by 1 local staff part-time (10–20 per cent) and 5 consultants (full or part time). This was an increase since mid-2019, when it had only 1 international staff member, supported part-time (10–30 per cent) by 1 local staff and 2 consultants. It was recruiting

<sup>8</sup> JIU report JIU/REP/2010/7 (2010) on Policies and Procedures for the Administration of Trusts Funds in UN System Organizations:

[https://www.unjiu.org/sites/www.unjiu.org/files/jiu\\_document\\_files/products/en/reports-notes/JIU%20Products/JIU\\_REP\\_2010\\_7\\_English.pdf](https://www.unjiu.org/sites/www.unjiu.org/files/jiu_document_files/products/en/reports-notes/JIU%20Products/JIU_REP_2010_7_English.pdf)

additional personnel during 2020.

- In 2019 for the EIF Secretariat, US\$ 0.1 million. The Fund was in its inception stage and had no programme expenses. As of 30 April 2020, the Secretariat had only 1 international staff member, supported part-time (70 per cent) by 1 local staff. It intended to recruit additional personnel in 2020.

‘Support cost’ and other arrangements were as follows:

- As a good practice (that could be used by other Funds or programmes), in 2019 the UNTF-EVAW Secretariat established a procedure (included in UN Women’s PPG framework) to distribute the retained ‘support cost’ funds (4 per cent) to field offices based on their provided services and cost methodology in the procedure (‘service-based’ funding), rather than proportionally to their supported grants (earlier ‘percentage-based’ funding). Some offices highlighted that the new funding was nevertheless small compared to their involvement, and that the procedure focused on monitoring support services but not on their involvement during grant selection.

The Secretariat also undertook various value-for-money and cost–benefit analyses and continued to streamline its procedures and the Fund’s management model among the stakeholders involved. Subject to UN Women senior management approval, the Secretariat planned to relocate to UN Women’s regional office for Europe and Central Asia to achieve cost savings and to be closer to the regions with most of the Fund’s grants.

- The FGE Secretariat distributed the retained ‘support cost’ funds (4 per cent) to field offices proportionally to their supported grants (‘percentage-based’ funding).
- For WPHF, based on UN Women’s waiver (without full consultation with relevant services according to UN Women procedures) granted at the establishment of the Fund in 2016, all retained ‘support cost’ funds (7 per cent) were distributed to field offices and proportionally to the grants managed by the offices (‘percentage-based’ funding). This was also because their role in managing WPHF grants was substantially broader compared to UNTF-EVAW or FGE (see also Issue 6). This waiver did not consider the assistance provided by UN Women’s other support functions (e.g. headquarters and regional offices), which was ultimately subsidized

from these functions’ other budget resources. At the same time, the Fund’s mid-term review indicated that all field offices were significantly underfunded for their management functions and recommended that part of grant allocations be directed towards capacity building for the offices and CSOs. This was being implemented at the time of the audit.

- For the Spotlight Initiative’s contributions to UNTF-EVAW and WPHF grant rounds, in 2018–2019 UN Women granted waivers to direct all retained ‘support cost’ funds (7 per cent: ‘percentage-based’ funding) as follows:
  - for UNTF-EVAW, all funds for use by its Secretariat (the Secretariat intended to distribute part of the funds based on its procedure for field office support services); and
  - for WPHF, a 5 per cent share for use by field offices proportionate to their managed grants and a 2 per cent share for the WPHF Secretariat.

These waivers were made considering the donor’s stringent limitations for support costs and because direct operational costs had to be absorbed by the recipient organization as its ‘co-financing’. However, the waivers did not consider the assistance provided by UN Women’s other support functions. ‘Support cost’ shares approved for use by the Secretariats and field offices were also lower compared to the regular funding arrangements of UNTF-EVAW and WPHF management functions. Finally, UN Women’s agreement to ‘co-finance’ the operational costs was not backed with estimates on whether it had resources for this purpose. The stakeholders interviewed indicated that the Spotlight Initiative’s funding arrangements, particularly for field offices and the WPHF grant round, were too low, and there was no assurance at the time of the audit how these arrangements would work.

- For EIF, all ‘support cost’ funds were retained by UN Women and distributed in accordance with the Cost Recovery Policy.

The stakeholders interviewed also indicated that:

- ‘Percentage-based’ funding was generally not adequate. For example, it was not fair to field offices managing smaller grants but performing the same management functions. UN Women needed a corporate business model of ‘direct cost’ arrangements for such functions, with defined roles, responsibilities and service-level arrangements.

'Direct costs' had to be budgeted early in the process and explained to donors. Any initial programme design investments had to be demonstrated as UN Women's 'co-financing'.

- Based on an Executive Board requirement, by January 2022 UN Women needed to discontinue the existing 'support cost' allocations distribution and to identify alternative mechanisms for functions funded through 'support cost' allocations.
- Larger UN organizations received more donor funds, including for 'support costs', and benefit from economies of scale in their management functions. 'Percentage-based' 'support costs' were less advantageous for a smaller organization such as UN Women. Therefore, UN Women could consider a staggered Cost Recovery Policy, suggesting a decreasing support cost rate for larger donor contributions.

### Recommendation 8 (Medium):

As part of the corporate policy and procedures (see Recommendation 1), the Director, Strategy, Planning, Resources and Effectiveness Division, in collaboration with the Directors, Management and Administration Division and Policy, Programme and Intergovernmental Division, and the Chief, Legal, to define corporate standards (and seek approval by senior management and UN Women's governing bodies, if applicable) for funding of Trust Fund Secretariat management functions (at the global level or where delegated to field offices), according to their roles and responsibilities, and through 'direct cost' and 'support cost' arrangements, as applicable.

### Issue 8: Need for dedicated coding in Atlas for Trust Funds with UN Women in a Secretariat role

As there was no corporate protocol for UN Women to follow when engaging in new UN or UN Women Trust Funds (see Issue 1), the Financial Management Section was not always informed in a timely manner of the expected nature of such Funds and UN Women's role in them. Consequently, the received Trust Fund contributions were, at times, recorded differently in Atlas. This somewhat complicated their tracking by users across the organization, including the Financial Management Section and IAS, and in estimating the complete portfolio. The stakeholders interviewed indicated that

categorization of funding was often a reactive process that started once the funds had been received:

- UNTF-EVAW, FGE and Spotlight Initiative funds were recorded in Atlas under dedicated Fund codes. Dedicated project codes were created under each Fund code for grant management purposes.
- However, the Financial Management Section was not aware of WPHF's nature when it was established in 2016. Initial contributions to the Fund were recorded under dedicated project codes; however, under a single Fund code W3003 together with contributions from other UN Joint Programmes. At the time of the audit, the Financial Management Section could not identify all contributions pertaining to WPHF. These were traced by IAS. A dedicated Fund code W3041 for new contributions to the Fund was created in late 2018. At the time of the audit, both Fund codes were in use for the Fund's portfolio.
- Initial contributions to EIF were also recorded under a dedicated project code; however, under a single Fund code W3003 together with contributions from other UN Joint Programmes. Once contributions increase and separate project codes need to be created for the Fund's grant portfolios, tracking of contributions will become more complex under the same Fund code.

This issue should be addressed as part of **Recommendation 1**, a corporate protocol for UN Women's engagement in new Trust Funds, which would require programme managers to engage the Financial Management Section in a timely manner, permitting timely financial management guidance and assignment of dedicated Fund codes to any new UN or UN Women Trust Funds.

## V. RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Implementation date
<p>1. Need for a corporate policy framework on the establishment and management of Trust Funds and</p> <p>6. Opportunities to streamline and strengthen monitoring, evaluation and assurance arrangements among Trust Fund Secretariats</p>	<p>1. The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division, Strategy, Planning, Resources and Effectiveness Division, and Independent Evaluation and Audit Services, and the Chief, Legal, and considering other UN organizations' experience, to develop and submit for approval by senior management, end-to-end corporate policy and procedures on the establishment of UN Women Trust Funds and operational management of UN or UN Women Trust Funds (with UN Women in a founding, Secretariat or recipient organization's role). In particular, the corporate policy should: (i) foresee a risk-informed corporate protocol (e.g. criteria, organizational workflow) for UN Women's engagement in new Trust Funds; and (ii) standardize minimum requirements and accountability for cost-effective programmatic and financial monitoring, evaluation and other assurance arrangements for Trust Funds (with UN Women in a Secretariat role), where all parties involved in monitoring, evaluation and audit are identified to detect gaps, minimize overlaps and address high-risk areas.</p>	<p>Director, PPID</p>	<p>High</p>	<p><b>PPID:</b> UN Women management accepts this recommendation and will address this through the development of a corporate policy and procedure on the establishment of UN Women Trust Funds, through risk-informed corporate protocol for UN Women's engagement in new Trust Funds. PPID will work closely with SPRED to ensure a risk informed corporate protocol is established.</p> <p><b>Financial Management Section:</b> This is in accordance with Financial Rule 601: <i>"The Under-Secretary-General/Executive Director shall issue guidelines for the establishment and administration of Trust Funds. To ensure cost-effective administration of Trust Funds, the Under-Secretary-General/Executive Director may determine a minimum contribution level below which he or she may refuse the establishment of a Trust Fund."</i></p>	<p>31 December 2021</p>

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Implementation date
	2. The Deputy Director, Financial Management, to prepare a corporate training package on contribution types and revenue management (including 'frequently asked questions' [FAQ]) for delivery at headquarters and in the field.	Deputy Director, Financial Management	Medium	<b>Financial Management Section:</b> We will bring in regional offices, Strategic Partnerships Division, Programme Support Management Unit and Legal Service (if necessary) on this corporate training material, with headquarters and regional trainings to commence potentially in December 2020.	30 November 2020
2. Need for corporate policies and procedures on Trust Fund grant management	3. The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and Effectiveness Division, and considering other UN organizations' experience, to establish corporate policy and procedures for Trust Fund grant management (also considering emergency response), and consider, where applicable, integrating or cross-referencing relevant procedures established at individual Trust Fund level in the corporate policy framework.	Director, PPID	High	<b>PPID:</b> UN Women management accepts this recommendation and will incorporate in the current zero draft over-arching grant management policies and procedures the specific elements relating to grant management, when a grants mechanism is included as part of a Trust Fund financing modality, including aspects relating to emergency response.	31 December 2021
	4. The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and Effectiveness Division, and considering other UN organizations' experience, to explore possibilities for a corporate grant management system covering the end-to-end grant selection and implementation life cycle, while noting potential differences among various granting modalities, including those implemented through Trust Funds or other grant schemes.	Director, PPID	Low	<b>PPID:</b> UN Women management accepts this recommendation to explore the possibilities for a corporate end-to-end grant management system. Possibilities through the recently launched new cloud-based ERP solution being explored by UN Women and some other UN Agencies will be considered as well as learning from existing systems.	31 December 2021
3. Need for a corporate business process owner	5. The Director, Policy, Programme and Intergovernmental Division, in collaboration with the Directors, Management and Administration Division and Strategy, Planning, Resources and	Director, PPID	Medium	<b>PPID:</b> UN Women management accepts this recommendation and will address it as part of the development of the corporate policy and procedures on the establishment of UN Women Trust Funds.	31 December 2021

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Implementation date
for Trust Fund management	Effectiveness Division, to assign a corporate business process owner for Trust Fund management by defining its roles, responsibilities, authority, relationship with Trust Fund Secretariats and funding mechanism.				
4. Strategic relevance of Trust Funds and grant-making implementation modality	6. The Director, Strategy, Planning, Resources and Effectiveness Division, in collaboration with the Director, Policy, Programme and Intergovernmental Division, to advise the Executive Leadership Team on the strategic relevance of Trust Funds and grant making as integral parts of UN Women's next Strategic Plan.	Director, SPRED	Medium	<p><b>SPRED:</b> UN Women management accepts this Recommendation and will address this through the development of the next Strategic Plan 2022-2025.</p> <p>Through the Mid-Term Review of UN Women's Strategic Plan 2018-2021, the need to better measure and communicate development results realized through grant-making modalities as well as other, was also identified. As a part of the adjustment to the current Integrated Results and Resources Framework of the Strategic Plan under the Mid-Term Review exercise, one indicator to measure the result of the UNTF-EVAW was added under the EVAW Output 11.</p> <p>UN Women is currently initiating the preparatory work to develop the next Strategic Plan 2022-2025 which needs to be finalized and approved by the Executive Board at the September session in 2021. UN Women will ensure to cover Trust Funds and grant-making modalities throughout the process, so that they will be integral part of the next Strategic Plan 2022-2025, including Theory of Change and results framework.</p>	30 September 2021
5. Need for a corporate risk management approach to Trust Funds	7. The Director, Policy, Programme and Intergovernmental Division, with full support from the Director, Strategy, Planning, Resources and Effectiveness Division (in the role of the Chief Risk Officer) in terms of risk management methodology, quality assurance and training, and in collaboration with Trust Fund Secretariats, to implement and oversee a corporate risk management process for Trust Funds, including risk management and relevant training requirements for each Secretariat, also covering fraud and crisis-related risks.	Director, PPID	Medium	<p><b>PPID:</b> Agree with SPRED comments. While there is a key role for PPID, we would like to propose that this recommendation be co-owned between PPID and SPRED due to the nature of the recommendation.</p> <p>IAS comment: This recommendation is also to be implemented through corporate business process owner's role, agreed by PPID (Recommendation 5).</p> <p><b>SPRED:</b> In line with the existing policy and procedure, the responsibility for risk management processes is owned by each unit/unit head. The Risk Management Team within SPRED can provide technical support to Trust Fund Secretariats, as and when needed, but the ultimate accountability for risk management must reside with Trust Fund Secretariats (business process owners).</p> <p>The Risk Management Team will support Trust Fund Secretariats to carry out risk and fraud risk assessments as part of the future 2021 Annual Work Planning processes. As part of this support, the Risk Management Team will provide training</p>	31 December 2021



Issue	Recommendation	Responsible Unit	Priority	Action Plan	Implementation date
				to both Risk Owners and Risk Focal Points within Trust Fund Secretariats. For 2020, support on this process has already been provided to UNTF-EVAW Secretariat.	
7. Need for a consistent approach in funding of Trust Fund Secretariat management functions at global and local levels, and in line with the corporate Cost Recovery Policy	8. As part of the corporate policy and procedures (see Recommendation 1), the Director, Strategy, Planning, Resources and Effectiveness Division, in collaboration with the Directors, Management and Administration Division and Policy, Programme and Intergovernmental Division, and the Chief, Legal, to define corporate standards (and seek approval by senior management and UN Women’s governing bodies, if applicable) for funding of Trust Fund Secretariat management functions (at the global level or where delegated to field offices), according to their roles and responsibilities, and through ‘direct cost’ and ‘support cost’ arrangements, as applicable.	Director, SPRED	Medium	<p><b>SPRED:</b> Trust Funds fall under ‘non-core’ funding modality. Similar to the funding of programmatic and support requirements related to ‘non-core’ projects, corporate standards on the funding of management functions (‘direct and indirect costs’) are already part of the Cost Recovery Policy and depend on the TOR of the respective Trust Funds.</p> <p>To best ensure the corporate standards for funding of management functions of Trust Funds are fully integrated, it is suggested that Recommendation 8 is embedded as a sub-point under Recommendation 1 and Responsible Unit adjusted accordingly. This approach will ensure that the overall policy framework adequately includes the funding framework as well.</p> <p>The Budget Team will support the corporate business process owner for Trust Fund management to properly and adequately include the corporate standards as dictated under the cost recovery policy for funding of management functions of Trust Funds in the overall policy framework on Trust Funds.</p> <p>IAS comment: It was agreed to maintain this as a separate recommendation, considering its primary ownership by SPRED, while understanding that it will be implemented together with Recommendation 1.</p>	31 December 2021

# Annex 1: DEFINITIONS OF AUDIT TERMS, RATINGS AND PRIORITIES

## A. AUDIT RATINGS

<b>Satisfactory</b>	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
<b>Some Improvement Needed</b>	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
<b>Major Improvement Needed</b>	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
<b>Unsatisfactory</b>	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

## B. PRIORITIES OF AUDIT RECOMMENDATIONS

<b>High (Critical)</b>	Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women.
<b>Medium (Important)</b>	Action is required to ensure that UN Women is not exposed to risks. Failure to take action could result in negative consequences for UN Women.
<b>Low</b>	Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, in most cases, are dealt with by the audit team directly with the management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore in most cases, low priority recommendations are not included in this report.

UN WOMEN IS THE UN ORGANIZATION  
DEDICATED TO GENDER EQUALITY AND THE  
EMPOWERMENT OF WOMEN. A GLOBAL  
CHAMPION FOR WOMEN AND GIRLS, UN  
WOMEN WAS ESTABLISHED TO ACCELERATE  
PROGRESS ON MEETING THEIR NEEDS  
WORLDWIDE.

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to implement these standards. It stands behind women's equal participation in all aspects of life, focusing on five priority areas: increasing women's leadership and participation; ending violence against women; engaging women in all aspects of peace and security processes; enhancing women's economic empowerment; and making gender equality central to national development planning and budgeting. UN Women also coordinates and promotes the UN system's work in advancing gender equality.



220 East 42<sup>nd</sup> Street  
New York, New York 10017, USA  
Tel: 212-906-6400  
Fax: 212-906-6705

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