



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

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**Audit matters**

## **Report on internal audit and investigation activities for the period 1 January to 31 December 2012**

### *Summary*

The present report provides information on the internal audit and investigation function of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the period from 1 January to 31 December 2012. The internal audit and investigation function for UN-Women is performed by the UN-Women Audit Unit of the Office of Audit and Investigations of the United Nations Development Programme (UNDP) on the basis of the financial regulations and rules of UN-Women ([UNW/2012/6](#), annex I). Information on the actions undertaken and the management response to the present report are annexed to the report and available on the website of UN-Women. The report of the Audit Advisory Committee for UN-Women and the management response thereto is contained in the addendum to the present report ([UNW/2013/9/Add.1](#)).

The Executive Board may wish to: (a) take note of the present report; (b) express its support for strengthening the capacity of the audit and investigation function provided by the Office of Audit and Investigations; and (c) take note of the report of the Audit Advisory Committee and the management response thereto.



## **I. Introduction**

1. The Office of Audit and Investigations of the United Nations Development Programme (UNDP) hereby submits to the Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) its report on internal audit and investigation activities for the year ended 31 December 2012.
2. The report describes the internal audit and investigation function and its activities, as well as the main audit results that provide insight into the utilization and management of UN-Women resources.

## **II. Internal audit function**

3. The internal audit function for UN-Women is carried out by the Office of Audit and Investigations of UNDP. In January 2012, a dedicated UN-Women Audit Unit was established based on a service level agreement dated 5 December 2011. The Audit Unit became functional in March 2012 when two posts were encumbered. The service level agreement was amended in December 2012, pursuant to Executive Board decision 2012/10 (see [UNW/2012/16](#)), to increase the number of the audit staff to four persons.
4. The Office of Audit and Investigations confirms to the Executive Board that it conducts its audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors, which have been adopted by the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. In addition, the Office of Audit and Investigations confirms that it is operationally independent of the management of UN-Women and free to determine the scope of its audits and investigations in accordance with international standards.

### **Independent external oversight**

5. UN-Women established an Audit Advisory Committee to provide the Under-Secretary-General/Executive Director with independent external advice on good practices regarding the Entity's accountability framework and systems, including risk management. The Committee reviewed the work of the Audit Unit, including the audit strategy, annual work plan and budget, the proposed standard operating procedures for public disclosure, the audit risk assessment models and the progress report for 2012. The Committee provided comments on the draft report to the Executive Board.
6. The Audit Unit coordinates its work with the United Nations Board of Auditors. The Board of Auditors also conducts ongoing monitoring of the Audit Unit's implementation of the Board's recommendations aimed at improving the internal audit services provided to UN-Women.
7. The 2011 long-form report of the Board of Auditors ([A/67/5/Add.13](#) and Corr.1) recommended that the Audit Unit develop its internal audit plan based on a risk assessment that takes into account the risks across the Entity, including for the units at headquarters. This recommendation was implemented by means of the risk

assessment process which was carried out in June and July 2012 and resulted in the development of risk-based models for the headquarters and field offices, which were used to prepare the risk-based audit plan for 2013.

8. The Director of the Office of Audit and Investigations met with the Controller and Auditor-General of the National Audit Office of the United Republic of Tanzania when the Auditor-General was appointed to the Board of Auditors, effective 1 July 2012, in order to continue the strong working relationship between the Office of Audit and Investigations and the Board of Auditors.

### **Basis for providing independent assurance to the Under-Secretary-General/Executive Director**

9. To achieve the goal of providing assurance on governance, risk management and control systems, audits of the Audit Unit should cover an appropriate mix of business units and functions at headquarters and at the regional and country levels.

10. In 2012, the Audit Unit planned and conducted three country office audits. The final audit reports were issued on 11 April (country office in Afghanistan), 7 June (subregional office in India) and 28 June 2013 (subregional office in Kenya) and are available from <http://audit-public-disclosure.unwomen.org/>.

11. Although the audit reports were not issued in 2012, the Audit Unit added value by providing a comprehensive and detailed feedback to senior management of UN-Women at headquarters at the end of each field visit. During the meetings, the Audit Unit highlighted significant risks that could have an impact on the operations of UN-Women and this permitted UN-Women to address critical issues in a timely manner.

12. The three full-scope audits covered all programmatic and operational activities of UN-Women offices from 1 January 2011 to 30 September 2012 and represent expenditure of approximately \$29 million, or 11 per cent, of \$272 million in expenditure as recorded in the UN-Women enterprise resource planning system, Atlas. Considering existing resources (see section V on staffing and budget), the Audit Unit provides assurance at the minimum level, with regard to the internal controls, governance and risk management processes of UN-Women.

### **III. Disclosure of internal audit reports**

13. In order to implement Board decision 2012/10, the Audit Unit ensured that the public website for internal audit reports was fully functional. This involved providing the content for the webpages and leading the process with the assistance of personnel in the Office of Information Systems and Technology of UNDP and the Communications and Advocacy Section of UN-Women.

14. Pursuant to the same decision, the Audit Unit prepared standard operating procedures that allowed copies of internal audit reports to be shared with the concerned Member States. The standard procedures allow the Member State 30 days to review and comment on the audit report prior to public disclosure of the report on the website.

15. Additionally, in order to ensure the integrity and quality of the information disclosed and to maintain the confidentiality of any information deemed particularly sensitive or that could negatively reflect on a third party, the Office of Audit and Investigations has strengthened its quality assurance procedures.

16. Since the public disclosure website became operational on 7 May 2013, two of the audit reports for 2012 were posted, on 11 May 2013 and 7 July 2013, respectively, with the third audit report to be published on 28 July 2013.

17. The public disclosure of the internal audit reports attests to the commitment of UN-Women to organizational transparency.

#### **IV. Risk-based audit planning**

18. For 2012, in accordance with Institute of Internal Auditors standard 2010, the Audit Unit used a risk-based approach to audit planning in order to ensure that its priorities were consistent with the goals of UN-Women and that its resources were focused on those areas which present the greatest risk of having a negative impact on the attainment of those goals. The audits of the three field-based UN-Women offices were selected using the risk assessment model for field-based offices. This model was reviewed and amended to reflect the expanded operations of UN-Women field offices as per the regional architecture.

19. As no corporate and headquarters risk assessment model existed prior to 2012, the Audit Unit conducted a corporate audit risk assessment during 2012 to identify headquarters functions to be included in the short- to medium-term audit plans.

#### **V. Staffing and budget**

20. At 31 December 2012, the Office of Audit and Investigations had two posts dedicated to UN-Women audits.

21. In 2012, the approved budget was \$574,678, of which \$492,826 or 86 per cent was utilized.

22. As reported to the Executive Board in 2012, the resource levels for 2012 only provided for the minimum capacity necessary for internal audits and investigations to be conducted. In line with available financial resources for UN-Women, approval was given for an increase in the number of posts from two to four.

23. The issue of lack of internal audit resources was raised by the Board of Auditors in the report for the year ended 31 December 2012 ([A/68/5/Add.13](#)). The Board of Auditors expressed its concerns over the ability of the Audit Unit to provide reasonable assurance given the lack of capital and financial resources applied to the function when compared with the overall mandate to adequately cover the whole of UN-Women operations.

#### **VI. Significant internal audit results**

24. During 2012, the Office of Audit and Investigations conducted three field-based audits. The scope generally covered activities relating to governance and

strategic management; programme activities (programme and project activities, and partnerships and resource mobilization); and operations (human resources, finance, procurement, information and communications technology, asset management and general administration, UNDP support to UN-Women offices, and safety and security).

(a) Audit of the country office in Afghanistan (Report No. 982), conducted from 27 April to 18 May 2012. The audit rating was “partially satisfactory”, which means that internal controls, governance and risk management processes were generally established and functioning, but needed improvement. The audit made nine recommendations, of which six (67 per cent) were ranked high priority and aimed at addressing:

- (i) Weaknesses in the operating environment, the lack of an approved strategic note/annual work plan, the lack of sub-delegations of authority and high levels of vacant posts;
- (ii) Low programme delivery rates;
- (iii) Inadequate and late donor reporting;
- (iv) Weak administration of benefits and entitlements;
- (v) Improper expense allocations;
- (vi) Deficiencies in asset management.

(b) Audit of the subregional office in Kenya (East and Horn of Africa) (Report No. 1077), conducted from 17 September to 5 October 2012. The audit rating was “partially satisfactory”. The audit made 16 recommendations, of which five (31 per cent) were ranked high priority. The high priority recommendations included two that were aimed at addressing corporate weaknesses due to the inadequate segregation of financial and performance data in Atlas relating to the activities of the various UN-Women offices and the lack of corporate risk management policies and procedures. The remaining three high priority recommendations targeted:

- (i) The inadequacy of regional programme activities as well as inadequate oversight of the regional programme activities being undertaken;
- (ii) The absence of a resource mobilization strategy and limited capacity to mobilize resources;
- (iii) Inadequate oversight and management of assets.

(c) Audit of the subregional office in India (Report No. 1121), conducted from 29 October to 16 November 2012: The audit rating was “partially satisfactory”. The audit made nine recommendations, of which four (44 per cent) were ranked high priority. The high priority recommendations aimed at addressing:

- (i) Insufficient planning to address conversion to a multi-country office;
- (ii) Inadequate project design and planning;
- (iii) Lack of resource mobilization strategy;
- (iv) Inadequate financial management.

## **VII. Follow-up on audit recommendations**

25. Of the 107 audit recommendations issued prior to 1 January 2012, 4 had been withdrawn as they were no longer relevant owing to the changes in UN-Women operations, 17 were in progress and 86 had been fully implemented as at 31 December 2012. The overall recommendation implementation status was 83 per cent as at 31 December 2012.

26. Of the 17 recommendations that were in progress, 15 recommendations had been outstanding for more than 18 months without being fully implemented (which represented 15 per cent of all recommendations issued to date) as of 31 December 2012.

27. However, of the 15 long outstanding recommendations, only three (20 per cent) were ranked high priority. The three recommendations related to: a lack of control over vendor creation and maintenance at the corporate level; the lack of control over the use and administration of special service agreements in one field office; and inadequate review of procurement activities in another field office.

28. Since the last report to the Executive Board, UN-Women has intensified its efforts to implement outstanding audit recommendations, increasing the implementation rate from 56 per cent to 83 per cent. However, additional efforts will be required to achieve the corporate benchmark of 90 per cent.

## **VIII. Advisory services**

29. The Office of Audit and Investigations continued to provide, upon request, advice to UN-Women managers at headquarters and field offices. The advice covered a range of topics, including: donor requests for information; non-renewal of the lease agreement; detailed assignments; write-off of receivables; audits of projects implemented by national Governments or non-governmental organizations; determination of useful life of assets; audit/investigation clauses in donor agreements; and reporting against the System-wide Action Plan on Gender Equality and the Empowerment of Women.

## **IX. Investigations**

30. In accordance with the service level agreement, the Office of Audit and Investigations provides investigation services covering allegations of fraud, corruption or other wrongdoing, including workplace harassment, abuse of authority or retaliation against whistle-blowers, by UN-Women staff members, non-staff personnel and contractors. In November 2012, the UN-Women fraud hotline became fully operational and one investigation specialist was designated as the focal person for all matters relating to UN-Women investigations.

31. As of 31 December 2012, the Office of Audit and Investigations had received three complaints of alleged wrongdoing by UN-Women staff members. The allegations of one case were not substantiated and the case was closed after an initial assessment. The follow-up on the two remaining cases was ongoing and rolled over to the first quarter of 2013.

## **X. Overall conclusion**

32. The results of the three audits indicated that the internal controls, governance and risk management processes were generally functioning, but needed improvement. The continuing support of senior management, the Audit Advisory Committee and the Executive Board will enable the Office of Audit and Investigations to effectively carry out its audit and investigation function for UN-Women.

33. The public availability of the internal audit reports enables the UN-Women Audit Unit to contribute to furthering the accountability, transparency and credibility of UN-Women.

## Annex

### **Management response to the report on internal audit and investigations activities for the period 1 January to 31 December 2012**

1. UN-Women is pleased to present its management response to the report of the Director of the Office of Audit and Investigations of the United Nations Development Programme (UNDP) on internal audit and investigation activities for the year ended 31 December 2012. The response should be read in conjunction with the addendum ([UNW/2013/9/Add.1](#)), which contains the report of the Audit Advisory Committee and the management response thereto.
2. UN-Women acknowledges the findings and is addressing the key issues identified during the three field-based audits performed in Afghanistan, India and Kenya during 2012, under the following headings, to highlight the improvements which are being made.

#### **Governance and strategic management**

3. The issues raised for the three offices audited vary. In the cases of Afghanistan and India the primary issues identified relate to strategic planning, and UN-Women recognizes that issues have been arisen in the past. These have been addressed at the corporate level by improvements in the work planning process. Guidance on that process, including a timeline which ensures completion of all strategic planning for 2014 onwards, has been sent to the field. With regard to other issues raised, the offices in Afghanistan and India have both taken required action on segregation of activities in Atlas. The office in Afghanistan completed its workplan and this is now the basis for its ongoing work.
4. With regard to the need to plan for the change of the office in India from subregional office to multi-country office, UN-Women undertook an assessment mission and transition exercise shortly after approval of the new regional architecture by the Executive Board in its decision 2012/6, which included a functional analysis and agreement on a new staffing structure. In the case of Kenya, the audit also raised concerns about preparedness for the transition from subregional office to regional office. As in India, UN-Women undertook an assessment mission and transition exercise shortly after approval of the new regional architecture by the Executive Board, including a functional analysis and agreement on a new staffing structure. UN-Women made a decision not to begin detailed planning processes, including consultations with staff, for transition of subregional offices to regional, multi-country or country offices until approval of the new regional architecture by the Executive Board in November 2012. On that basis, UN-Women does not believe that these processes were unduly delayed.
5. The issue on segregation of activities in Atlas is being addressed, with separate budget departments now created. At the corporate level, the Division of Management and Administration is implementing the creation of business units. The corporate risk management policy is not yet finalized.

## **Programme and project activities**

6. UN-Women agrees that there have been issues in the past relating to the quality of project design and planning. UN-Women has (a) increased support and quality assurance capacity through the appointment of regional planning and coordination specialists, (b) moved forward the timeline for workplan development to ensure adequate time for quality assurance, and (c) provided detailed guidance to country, multi-country and regional offices for the production of workplans for 2014 onwards.

7. With regard to delivery, the strategic plan, 2011-2013 (UNW/2011/9) includes a target of achieving 90 per cent delivery by the end of 2013. That target was developed with an understanding that it would be for delivery including advances. However, since the strategic plan, 2011-2013 was developed, UN-Women has moved to calculating delivery excluding advances, in line with other United Nations entities, as a result of the adoption of the International Public Sector Accounting Standards (IPSAS). As a result it has become more difficult to compare the delivery rate of UN-Women with the target in the strategic plan, 2011-2013. The corporate delivery rate for 2012, excluding advances, was 70 per cent.

8. In order to ensure clarity in the future, the strategic plan, 2014-2017 (UNW/2013/6) includes a clear target of 75 per cent delivery excluding advances. UN-Women put in place measures in 2012 to accelerate delivery in the fourth quarter of 2012. Lessons learned from 2012 were incorporated into new practices in 2013 which are intended to improve delivery rates. These include: (a) fortnightly tracking of delivery rates by region, moving to weekly in the fourth quarter 4; (b) strengthened operational capacity at the country and regional levels; (c) delegation of authority to the country level to accelerate transactions relating to delivery; (d) early approval of workplans and budgets to allow earlier access to funds; and (e) operations training for UN-Women staff and partners.

9. On specific points raised, the issue of the absence of baseline data in the annual workplan for Kenya was addressed in the revised workplan by the end of December 2012. In the case of India, the mid-term review process for the annual workplan at the end of 2012 was used to further refine the results framework. The use of annual workplans to receive funds and manage programmes is in line with the programme and operations manual.

## **Partnerships and resource mobilization**

10. At the corporate level, the Resource Mobilization Section has started negotiating standard cost-sharing agreement templates with large donors which address accountability issues, including timeframes for narrative and financial reporting. This will save time and bring efficiency to the non-core resource mobilization process.

11. The Resource Mobilization Section at headquarters has been providing support through guidance, coaching, one-on-one calls, templates and quality control to ensure timely reporting of high quality. Together with the Programme Division, the Resource Mobilization Section has conducted resource mobilization webinars to build staff capacities in fundraising.

12. The offices in Kenya and India have developed and finalized a resource mobilization action plan, which sets out responsibilities and priority actions, as well as specific resource mobilization activities and timelines.

## **Operations**

### **Human resource management**

13. UN-Women has put in place a number of measures to address the deficiencies regarding human resource management noted by the Office of Audit and Investigations. These measures include: (a) issuance of a human resources manual to provide the policies and guidelines for proper, efficient and effective human resource management; (b) strengthening the capacity at the regional level and in some large country offices through the recruitment of seasoned international operations managers at the P-4 and/or P-3 levels and of regional human resources specialists at the P-3 level and/or a National Professional Officer with a minimum of five years experience (NO-C level), in order to support the robust implementation of the prescribed human resources policies and guidelines; (c) human resources management trainings were given to 176 senior- to middle-level staff members; (d) webinar trainings and online support were provided to the regional and country offices to reinforce their human resources management practices; and (e) new payroll validation and monitoring by headquarters were introduced.

### **Financial management**

14. In the area of financial management, UN-Women has taken an integrated approach to address the systemic issues of improper allocation of expenditures. The new internal control framework was globally released on 26 November 2012 to anchor the responsibility for financial management of projects to project managers. This effectively reinforces the authority and clarifies the accountability of project managers to include the financial management of projects. In addition, the new internal control framework has strengthened financial management through the adequate segregation of duties between all functions of the organization. A corporate instruction has also been issued to require the use and submission of forms for funding authorizations and certificates of expenditure to standardize the reporting of project expenditure and liquidation of advances made to partners. The use of those forms, with the standard general ledger codes that are in line with the approved project budget, will ensure that project expenditure is charged to the correct account and funding codes.

15. Significant improvements were made in 2012 in the overall financial management processes, which supported the compilation of the first set of IPSAS compliant financial statements, resulting from the important accomplishments of: (a) the reconciliation of the legacy general ledger balances from 2004 to 2011; (b) the implementation of comprehensive year-end and month-end closure instructions; and (c) the release of a detailed finance manual.

16. Since mid-2012, capacity-building trainings have been carried out for staff at headquarters and in country offices. Leadership and operational management trainings, including on financial management, were given to 176 senior- to middle-level staff members. UN-Women established a dedicated Field Support Unit within the Finance Section at headquarters. The Unit give continuous guidance and

training, through webinars for staff at headquarters and in regional and country offices, on standard operating procedures and key controls for proper and effective financial management. In addition, under the regional architecture implemented in 2012, the financial management capacity at the regional level has been strengthened to provide immediate support to country offices within the region.

#### **Asset management**

17. UN-Women has considerably strengthened its asset management at headquarters and at regional and country offices. The recently issued programme and operations manual includes elaborate policies and procedures for the management of assets, from acquisition to proper use and disposal. The guidelines for the mandatory controls over assets, which include periodic physical verification of assets and the reconciliation of pertinent asset records, have been drawn up. The implementation of these controls is regularly monitored from headquarters through the monthly closure procedures of accounts, in line with IPSAS.

18. UN-Women recruited an asset management specialist at headquarters to provide regular guidance and support to headquarters and the regional and country offices. The designation of an asset manager and asset focal point for each office has been ensured.

19. Training on asset management has been conducted for 26 asset managers and 71 asset focal points in regional and country offices, and continues to be conducted through webinars. UN-Women continues to strengthen its asset management not only through the enactment of policies and standard operating procedures, but also through proactively building the capacity of staff. Additional hands-on training on the use of the asset management module of Atlas is planned for the third quarter of 2013.

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