



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

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Audit matters

Report of the Audit Advisory Committee for the period 25 October 2012 to 31 May 2013

Background

1. In May 2012, the Under-Secretary-General/Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) approved the terms of reference of an oversight committee, to be known as the Audit Advisory Committee. The approved terms of reference are available from www.unwomen.org/en/about-us/accountability-and-evaluation/audit.

2. Item 1 of the terms of reference describes the Committee as having been established to provide the Under-Secretary-General/Executive Director with independent, external advice based on good practice regarding the organization's accountability framework and systems, including risk management. The Committee assists the Head of the Entity in fulfilling her oversight responsibilities in accordance with relevant best practices. The terms of reference are approved by the Under-Secretary-General/Executive Director and may be modified from time to time, as necessary. The Committee has an advisory role and is not a governance body; no language or clauses in the terms of reference are intended to imply otherwise.

3. In September 2012, the Head of UN-Women formally constituted the Audit Advisory Committee to further enhance accountability and "promote proper governance and high ethical standards, as well as the adoption and use by management of best practices in risk and financial management" within UN-Women, in accordance with item 2 of the terms of reference.

4. The Under-Secretary-General/Executive Director appointed the following five members: Catherine Bertini (United States of America), William Fowler (United States), Elizabeth MacRae (Canada), Yuen Teen Mak (Singapore) and Frank Sap (Belgium). In accordance with items 6 and 7 of the terms of reference, all Committee members are independent and external to UN-Women. The Committee as a whole is made up of people with working knowledge of and familiarity with financial and programme matters, accounting, governance, internal audit and



investigation, external audit, internal control and risk management practices and principles and United Nations intergovernmental and normative work and processes.

5. The Committee prepares an annual report on its work for presentation to the Under-Secretary-General/Executive Director, pursuant to item 30 of the terms of reference. The report is made available to the Executive Board and upon request, the Chairperson presents the report to the Board.

Audit Advisory Committee activities and advice as at 31 May 2013

6. Pursuant to item 8 of the terms of reference, the Head of the Entity appointed Elizabeth MacRae as Chairperson at the inaugural meeting of the Committee, on 25 October 2012.

7. Since its formal establishment, the Audit Advisory Committee has held three face-to-face meetings, on 25 October 2012, 21 and 22 January and from 23 to 25 April 2013 and two teleconference calls, on 12 December 2012 and 10 May 2013. Minutes from the meetings were prepared and approved. The Committee interacts regularly with the Under-Secretary-General/Executive Director during each meeting and formally reports on its deliberations after each on-site meeting.

United Nations Board of Auditors

8. Pursuant to its terms of reference, the Committee has met with the United Nations Board of Auditors in private sessions at its face-to-face meetings in New York and initiated a relationship to routinely share relevant information and to ensure overall audit coverage for UN-Women.

9. The Committee reviewed the financial report and audited financial accounts for the year ended 31 December 2011 and report of the Board of Auditors ([A/67/5/Add.13](#) and Corr.1). The Committee has been updated regularly on the status of implementation of the recommendations contained therein and supports efforts by UN-Women to deal with the outstanding issues, particularly in ensuring that underlying systemic and strategic issues are addressed in a consistent and ongoing manner.

Organizational challenges and decentralization

10. The Committee recognizes that 2012 was the second year of the Entity's existence. The Committee has been briefed extensively by senior management on the organizational challenges that UN-Women has experienced since its formal inception in 2011, when four entities of the United Nations were combined to create UN-Women. The challenges include: institution-building to support one new cohesive organization with a distinct culture; the implementation of a regional architecture as part of the transition of UN-Women from a centralized to a decentralized organization by the end of 2013; and change management to build internal capacity through new and revised systems and business processes and human resource recruitment, deployment and development.

11. The Committee has reviewed decision 2012/6 of the Executive Board, of 30 November 2012 (see [UNW/2012/16](#)), in which the Board endorsed the regional architecture, its implementation plan and corresponding funding requirements. In view of the fact that the implementation of regional architecture is one of the Entity's organizational priorities, the Committee underscores the importance of developing key performance indicators to assess and monitor the progress of the regional roll-out in 2013; identify and address risks encountered and make any necessary adjustments; and report on whether the results and benefits expected by decentralization are realized.

12. The Committee understands that regional and other field offices need the capacity to exercise authority in a decentralized work environment and notes that the requisite controls must be in place both at headquarters and in the field to monitor and mitigate operational and strategic risks. The Committee is aware of policies and processes currently being put in place (e.g., an internal control framework; policies and procedures for the delegation of authority; a programme and operations manual) to underpin decentralized authority. The Committee supports the efforts of UN-Women to date and encourages the Entity to continue to provide the necessary training and ensure that the appropriate controls and risk management strategies are implemented throughout the organization.

13. The Committee understands the potential opportunities that the regional architecture will create to strengthen the normative role of UN-Women at the country level, as well as the increased linkages for inter-agency coordination and resource mobilization at the local level. The Committee also notes the challenges regarding resource mobilization in 2012 and 2013. Without increased contributions, the Entity's resources may not be sufficient to carry out its mandate. The Committee supports UN-Women in its ongoing resource mobilization strategies, which include dialoguing with Member States, other entities of the United Nations and the private sector.

14. The Committee noted that the projected results for 2012 lagged behind the targets set for that year. The Committee agrees with UN-Women that the pace of delivery needs to be accelerated and that delivery through implementing partners needs to be more effective. The Committee also understands that UN-Women needs to be prudent and demand-driven in implementing its regional architecture and country programmes, particularly in view of the resource mobilization challenges noted in paragraph 13 of the present report.

Evaluation function

15. The Committee has reviewed Executive Board decision 2012/9, of 30 November 2012, on the adoption of the Entity's evaluation policy (effective 1 January 2013) and the corresponding evaluation policy and implementation plan. The Committee also reviewed the draft version of the report on the evaluation function for 2012. The Committee supports the work accomplished to date in resourcing the evaluation function and developing mechanisms and guidance for implementing the policy and building evaluation capacity. The Committee stresses the importance of appropriately resourcing the evaluation function both centrally and decentrally, and ensuring that evaluation results reflect achievements expected in the development results framework and management results framework of the

strategic plan, and are used to increase knowledge and improve performance results. In this respect, it is particularly important that the annual evaluation report is practical, realistic and usable and reflects clearly how the programmes have been effective.

Internal audit

16. The Committee recognizes that UN-Women entered into an agreement with the Office of Internal Audit and Investigations of the United Nations Development Programme (UNDP) in December 2011 to conduct internal audits and investigations on behalf of UN-Women and understands that the UN-Women Audit Unit established in that regard is operationally independent from UNDP. The Committee recognizes that 2012 was the first year of a dedicated internal audit function for UN-Women and that the UN-Women Audit Unit was only staffed in March 2012. The Committee also notes that two internal audit reports for 2012 are currently in progress and encourages the completion and issuance of all such reports.

17. The Committee reviewed the annual workplan for the UN-Women Audit Unit for 2013 and recommended the approval in principle of the plan, with some suggested clarifications. The Committee notes that the resource level for the UN-Women Audit Unit has been increased for 2013 and supports the continuing strengthening of the internal audit services of the Entity in order to ensure sufficiency of audit coverage in future audit plans, particularly in view of the roll-out of the regional architecture and decentralization.

18. The Committee reviewed Executive Board decision 2012/10, adopted on 30 November 2012, on the disclosure of internal audit reports, and the corresponding document on the standard operating procedures for applying the policy (Standard Operating Procedures No. 860 of the Office of Audit and Investigations). The Committee recommends that UN-Women develop and implement a communication strategy to ensure that audit results, recommendations and management actions are promulgated in an understandable and transparent manner, particularly when systemic and recurring issues are identified in internal audit reports.

Financial statements

19. The Committee reviewed and suggested refinements to the model financial statements, drafted to identify the disclosure requirements for UN-Women, and the draft financial report for the year ended 31 December 2012. They are the Entity's first set of financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The adoption of IPSAS required significant changes to be made to the accounting policies previously followed by UN-Women. The Committee notes the rigorous planning by UN-Women in order to fully implement IPSAS within a short time frame.

Relationship with the United Nations Development Programme

20. The Committee is aware that UN-Women has entered into agreements with UNDP to undertake some of the Entity's administrative functions, for example, managing its treasury services. UN-Women remains accountable for its overall performance and the Committee therefore underscores the importance of UN-Women implementing the relevant processes and procedures to ensure that any such outsourced functions are performed appropriately.

Strategic plan

21. The Committee understands that the strategic plan, 2011-2013 ([UNW/2011/9](#)) is being updated and its goals and expected results will be articulated to 2017. The Committee looks forward to working with UN-Women to help incorporate within the strategic plan, 2014-2017 ([UNW/2013/6](#)) the important international and United Nations system-wide issues identified, along with those goals and outcomes specific to UN-Women and reflected in its management results framework, development results framework and integrated resource framework.

Recommendation

22. The Audit Advisory Committee of the United Nations Entity for Gender Equality and the Empowerment of Women recommends that the present report to the Under-Secretary-General/Executive Director and the Executive Board be formally presented to the Executive Board of UN-Women at its second regular session of 2013, in September.

Annex

Management response to the report of the Audit Advisory Committee

1. UN-Women acknowledges and welcomes the first report of its newly established Audit Advisory Committee with appreciation. The management of UN-Women values the regular interactions with the Committee and would like to express its gratitude to the Chairperson and members of the Committee for their time and dedication to the organization's mandate: to promote gender equality and the empowerment of women and girls around the world.

United Nations Board of Auditors

2. UN-Women management notes the Committee's recommendation to address underlying systemic and strategic issues highlighted in the external audit observations of the Board of Auditors. UN-Women remains responsive to audit issues and will continually address audit recommendations with conclusive actions. As indicated in the financial report and audited financial accounts for the year ended 31 December 2012 and report of the Board of Auditors ([A/68/5/Add.13](#)), of the 28 recommendations for 2011, 23 recommendations have been implemented, while 5 recommendations remain under implementation. UN-Women management commits to take action and to consistently monitor the implementation of the 17 external audit recommendations issued by the Board of Auditors for the financial year 2012.

Organizational challenges and decentralization

3. The Entity's management appreciates the Committee's guidance and recommendations expressed to advance the organizational maturity of UN-Women, which is in its third year of operations. Institution-building for UN-Women, which is the youngest entity of the United Nations system, is a work in progress as the organization expands its footprint through the regional architecture.

4. UN-Women management agrees with the Committee's observation regarding the importance of monitoring the progress of the roll-out of the regional architecture and has reported to the Executive Board on the progress achieved to date and will continue to do so through its annual report. UN-Women management will continue to address risks and make adjustments as necessary. The performance indicators shared with the Executive Board will be one means for tracking progress and results of the new architecture, along with the Entity's standard corporate monitoring in areas such as delivery, recruitment and other areas. The 12 performance indicators cover three areas: (a) the operationalization of regional offices, (b) stronger, more responsive country offices and (c) improved efficiency and effectiveness of UN-Women.

5. UN-Women management concurs with the Committee's observation that continued training has to take place in the decentralized work environment to ensure appropriate internal controls are adhered to, in order to mitigate operational and strategic risks. In support of decentralization, UN-Women management issued new

frameworks for internal control and delegation of authority, which include templates and detailed guidelines on how delegation of authority is to be carried out for each functional area, with a view to effectively supporting the implementation process and mitigating the inherent risks of decentralization. UN-Women management appreciates that the capacity of staff at headquarters and in the regional, multi-country and country offices needs to be continually developed with relevant and effective training. From mid-2012 to mid-2013, leadership and operational management trainings were given to 176 senior- and middle-level staff members.

6. UN-Women management appreciates the Committee's support in driving resource mobilization strategies to reach the targets set out in the strategic plan. UN-Women is at a pivotal point and Member States recognize that they need to invest not only in the Entity's potential but in reinforcing, replicating and scaling up the results already achieved. UN-Women is projecting to receive around \$130 million in core resources during 2013, based on receipts and pledges to date and prior experience. As at the end of June 2013, the Entity had received some \$80 million of this target, with a number of large consistent donors outstanding. The outstanding donors have historically contributed annual amounts totalling approximately \$35 million. In June 2013, UN-Women held its first pledging event as part of the annual session of the Executive Board, during which Member States reaffirmed their strong political and increased financial support. Member States understand the urgency and significance of providing the requisite resources for UN-Women to deliver on its unique mandate, and their responsibility in that regard. A total of 10 Member States pledged to increase their contributions to the core budget of UN-Women, 14 delegations announced multi-year pledges and 5 members committed funding for the first time. Among those countries increasing their contributions, Finland pledged to double its contribution in 2014 from 7 million euros to 14 million euros, thereby becoming one of the top donors to the Entity.

7. With regard to non-core funding, several Member States announced their Governments' support for UN-Women programmes and contributions to the Fund for Gender Equality and the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women. In order to realize the goals contained in the strategic plan and the resource mobilization strategies, UN-Women works through a concerted effort by strengthening partnerships grounded in coordinated external outreach mechanisms. This approach includes outreach through missions undertaken by senior management to Member States and visits with key decision-makers. The regional and country offices, the 18 national committees for UN-Women worldwide and the liaison offices in Brussels and Copenhagen are also deeply involved in outreach and resource mobilization efforts. UN-Women enjoys broad support among Member States, with 116 Governments contributing to core resources in 2012. This underlines the broad commitment to the Entity's mandate and the importance Member States place on gender equality and the empowerment of women. By June 2013, 94 Member States had already pledged support to UN-Women's core resources; in 2012, that number was reached only in November. UN-Women engages in ongoing dialogue with Member States to prioritize, front-load, scale up and to fund UN-Women on a multi-year basis. UN-Women is therefore confident of reaching an even wider donor base going forward.

8. UN-Women management acknowledges the Committee's appreciation of the prudent approach taken in the implementation of the regional architecture by proceeding in a manner mindful of resource constraints. The Entity views the

establishment of capacity at the country level, as approved by the Executive Board, as essential in carrying forward the instructions of the Board and has proceeded with recruitment at a rapid pace. All UN-Women country presence is demand-driven and a country presence of any type is established only in accordance with requests from national Governments. With regard to delivering on results in the strategic plan, 2011-2013, as recorded in its report on progress made on the strategic plan (UNW/2013/3), UN-Women is on track in 23 of the 29 indicators of the strategic plan's development results, has made significant progress with 3, and is off track with 3. With regard to delivery, the strategic plan, 2011-2013 includes a target of achieving 90 per cent delivery by the end of 2013. That target was developed with an understanding of delivery including advances. However, since the strategic plan, 2011-2013 was developed, UN-Women has moved to calculating delivery excluding advances, in line with the adoption of IPSAS, similar to other entities of the United Nations. As a result it has become difficult to compare the delivery rate with the target in the strategic plan, 2011-2013. The corporate delivery rate for 2012, excluding advances, was 70 per cent. In order to ensure clarity in the future, the strategic plan, 2014-2017 (UNW/2013/6) includes a clear delivery target of 75 per cent, 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; (b) strengthened operations capacity at the country and regional levels; (c) delegated authority at 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.

Evaluation function

9. UN-Women management notes the Committee's recommendations and reaffirms that it considers the evaluation function a strong tool for guiding strategy, strengthening programming capacity at the national level and enhancing programme quality. In 2012, UN-Women made significant progress in strengthening its evaluation function. The new evaluation policy provides a clear framework to strengthen and contribute to results-based management, organizational transparency, learning and accountability. UN-Women improved its track record in ensuring that all evaluations include a management response and developed a global tracking system for the evaluation follow-up. The Chief of Evaluation position was upgraded to the D-1 level and a new director is expected to join the Evaluation Office within a few months. UN-Women is instituting a quality assurance system to ensure that offices have the adequate resources, both financial and human, to carry out the evaluation plan.

10. UN-Women has also played a prominent role in United Nations system-wide coordination and knowledge management on gender-responsive evaluations. UN-Women expanded the portal on evaluation of gender equality, engaged in joint evaluations and innovative partnerships such as the EvalPartners initiative, and promoted the use of evaluation indicators through the System-wide Action Plan on Gender Equality and the Empowerment of Women.

Internal audit

11. UN-Women management acknowledges the Committee's support for the increased resourcing of the internal audit capacity from two to four internal auditors during 2013 in order to ensure adequate audit coverage. Management notes the Committee's concern regarding the need to complete and issue internal audit reports within the agreed timelines. UN-Women management has taken action in communicating with its donors in response to specific internal audit reports published under the public disclosure policy, effective 1 December 2012.

Financial statements

12. UN-Women management is pleased that the Committee noted the Entity's implementation of IPSAS as rigorously planned and executed within a short time frame. The Board of Auditors noted that the "successful implementation of the IPSAS accounting framework was a major achievement confirming strong commitment by management, especially given the relative newness of the organization and the state of readiness previously reported by the Board" (see [A/68/5/Add.13](#)).

Relationship with the United Nations Development Programme

13. UN-Women management agrees with the Committee's observation on the importance of monitoring the functions outsourced to UNDP. For the key areas undertaken by UNDP on behalf of UN-Women, the Management and Administration Division has put in place the following controls to ensure that outsourced functions are performed appropriately: (a) concerning treasury services, UN-Women has agreed to the investment policy and guidelines of UNDP and holds quarterly investment review meetings with UNDP on its investments; (b) concerning payments and bank reconciliations, UN-Women reviews the bank reconciliations prepared by UNDP, on a monthly basis; and (c) concerning human resources, UN-Women uses a payroll validation tool to check the information submitted to UNDP for the processing of payroll for international professionals and General Service staff based at headquarters. In addition, UN-Women received a certification letter from the Deputy Assistant Administrator of UNDP for all transactions undertaken on behalf of UN-Women for the year ended 31 December 2012.
