

UN-Women Executive Board

Annual Session 2022

Management response to the report of the Advisory Committee on Oversight for the period from 1 January to 31 December 2021

1. The management of UN-Women welcomes the tenth report of the Advisory Committee on Oversight (ACO) and expresses its gratitude to the distinguished members of the Committee for their ongoing support to the organization's mandate.

I. Advisory Committee Review and Advice: Oversight Functions

2. UN-Women appreciates and shares the ACO's view that the Independent Evaluation and Audit Service (IEAS) continues to serve as a critical resource for strengthening the Entity's internal governance, risk management and controls for both its programming and operations.
3. UN-Women remains committed to systematically integrating representatives from IEAS into its internal governance bodies as well as the decision-making structures for corporate initiatives, noting that their contributions are vital in strengthening evidence-based decision-making, effective management and are a key driver of strategic planning, budgeting, implementation, and communications.
4. UN-Women agrees with the Committee on the usefulness of IEAS's advisory assessments of new programmatic efforts. For the reasons stated above, the Entity will continue to invite and facilitate this feedback and welcomes IEAS's commitment to proactively monitor and identify areas where their engagement will effectively support the organization to better deliver on its mandate.
5. With regards to the observation on the value-add resulting from increased collaboration on joint activities between the Independent Evaluation Service (IES) and Independent Audit Service (IAS), it is expected that the two sections will continue to engage in joint assignments. UN-Women welcomes this strengthened internal coordination and believes that it will continue to yield innovative solutions that build on the respective strengths of the audit and evaluation functions, while also delivering even greater efficiency and more strategic advisory inputs for emerging issues and corporate priorities.

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6. Overall, UN-Women remains deeply appreciative of the continuous support, technical advice and effective oversight provided by the ACO to both its independent evaluation and audit functions.

A. Internal Audit: The Internal Audit Service (IAS)

7. UN-Women welcomes the ACO's ongoing support to its internal audit function, including through its engagement with the annual report on Internal Audit and Investigation submitted to the Executive Board at its Annual Session.
8. UN-Women continues to consider the independent assurance and advisory services performed by IAS as critical to the effective and efficient functioning of its internal management and governance structures.
9. In relation to the ACO's observations on the implementation of quality assurance activities for the forthcoming IAS and IEAS charters, UN-Women is pleased to report that all quality assurance measures have been completed and will be externally reviewed and reported.
10. UN-Women remains firmly committed to addressing all audit recommendations in a timely fashion. This remains a priority for executive leadership and senior management. The Entity nevertheless recognizes that COVID-19 related adjustments to working methods have sometimes resulted in longer than expected delays in addressing long outstanding or partially completed recommendations.
11. UN-Women recognizes the importance of IAS recommendations which aim to strengthen corporate functions and guide a reorganization of work in order to deliver high-quality technical and operational support to programmatic endeavors. IAS risk statements and recommendations are generally developed in consultation with business owners. This ensures that there is strong corporate buy-in for these proposed changes and that they are received in an environment where there is strong political will for implementation.
12. To further reinforce management accountability for agreed audit recommendations, UN-Women has instituted an uptake mechanism to support the identification of high risk and priority recommendations and identify suitable action plans for implementation. As a result of this uptake mechanism, UN-Women has been able to implement 26% (or 33) of existing recommendations during the first 3 months of 2022.
13. UN-Women takes seriously the need to assign responsible officials and follow up dates to all IAS recommendations. On the former, the organization is committed to leveraging its Business Review Committee (BRC), as a monitoring mechanism to ensure that this is done. Indeed, the BRC, chaired by both Deputy Executive Directors

of UN-Women is uniquely positioned to address any longstanding issues relating to internal agreement on business owners. On the matter of follow up dates, the Entity wishes to emphasize that resource constraints remain a critical factor in UN-Women's ability to authoritatively assign implementation timelines to recommendations.

14. Nevertheless, the Entity has, and will continue to prioritize the timely implementation of all audit recommendations, especially those with high priority status, and monitors implementation rates through the Quarterly Business Reviews (QBR) which are presented and discussed in the Business Review Committee and its subsidiary management body, the Technical Management Group (TMG). UN-Women management notes the continued increase in the number of IAS recommendations issued each year (30% growth between 2019 and 2021) and would like to draw attention to the complex nature of the recommendations which require extensive analysis and planning before actions are initiated to address the root-cause of the issues.
15. UN-Women management looks forward to continuing to work collaboratively with IAS to ensure new recommendations are actionable within available resources. And as always, UN-Women management welcomes the opportunity to brief the ACO on developments and advancements on implementation throughout the year.

B. Evaluation Function: Independent Evaluation Service (IES)

16. UN-Women appreciates the ACO's close engagement with the internal evaluation function. The Entity has taken note of the Committee's previous recommendations on evaluation use and is pleased to report that it has institutionalized this approach, by ensuring that evaluation findings have informed headquarters as well as field level planning instruments and processes (including the UN-Women Strategic Plan 2022-2025 and Strategic Notes).
17. UN-Women management continues to draw upon the key findings and recommendations produced by IES and to synthesize these insights to strengthen itself operationally, including on resource and personnel management, project management, monitoring and reporting systems as well as strategically, including on issues relating to organizational cohesion and prioritization. The quarterly business reviews of UN-Women's Business Review Committee are particularly useful in this regard.
18. The Quarterly Business Review (QBR) is an internal quarterly management oversight process that looks to holistically assess the operational health of UN-Women as part of the Entity's ongoing business transformation efforts. The QBR supports fact-based / data driven and risk informed decision making and is rooted in the UN-

Women 2022-25 Strategic Plan's revised OEE Framework. In a spirit of continuous improvement, it provides a mechanism for senior management to review and take action with regards to elements requiring attention. As such, QBRs provide UN-Women with the opportunity to: assess corporate management indicators relating to the organization's operational performance (i.e. revenue, delivery, vacancy rates, donor reporting, audit compliance, etc.) and inform strategic decision-making (i.e. through in-depth analysis of business transformation opportunities within the OEE areas such as: principled performance, advancing partnerships & resourcing, empowered people and products/services/processes).

C. Investigation Function

19. UN-Women takes note of the findings of the anti-fraud report and agrees with the need to ensure that its anti-fraud capacity operates at the highest levels of efficiency and effectiveness. UN-Women wishes to highlight that IAS assessed UN-Women's anti-fraud as Level 2 (initial) with some elements of Level 3 (repeatable) and that there is clear senior management agreement on the need to progress the programme to Level 4 (managed).
20. UN-Women believes that individually strengthening enterprise risk management, ethics policy, legal policy and anti-fraud policy will ensure that the Entity's second line of defence is robust, but interlinking these, as per the ACO's recommendation, will ensure that the organization functions at the highest levels of maturity.
21. Upon reviewing the findings from the Anti-Fraud Programme audit, the Business Review Committee (BRC) has requested IEAS to prepare a costed options proposal to address the report's findings on the investigations function, including in relation to internal and external roles, responsibilities, and accountabilities and to explore how to best strengthen and streamline the organization's capacity to address fraud and misconduct allegations. Once finalized, this proposal will come to BRC for review and decision.
22. Within the organization, the Director of IEAS will continue to serve as primary liaison to OIOS on investigation findings and UN-Women remains deeply appreciative of her role in this function. UN-Women notes that this role of the responsible official on investigation has historically been absorbed within existing resources. This has relied on an internal referral mechanism which allocates responsibilities across various functions and allows them to be absorbed within the existing resources of those positions. The recent addition of a UNV in IEAS provides welcome additional capacity to this existing corporate response mechanism.

D. Ethics Function

23. UN-Women takes note of the ACO's advice with regard to concurrently addressing the recommendations of the IEAS Advisory

Report on Benchmarking and Maturity Assessment of Ethics and Integrity and the recommendations of the 2021 Anti-Fraud report. The Entity reiterates its commitment to fostering a strong organizational culture of ethics and integrity and will continue its efforts to promote ethical awareness and a culture of accountability across the organization.

24. UN-Women acknowledges the Committee's observation regarding the conclusion of the United Nations Joint Inspection Unit (JIU) Review of the Ethics function in the UN. The organization would like to inform that it is considering the feasibility, subject to availability of adequate resources, of establishing an in-house Ethics function or concluding a formal arrangement with the UN Ethics Office, including reimbursement for services provided.
25. UN-Women takes note of the Committee's advice to have an Ethics officer in a leadership role within the organization if resources do not allow the establishment of a separate Ethics office. The organization is supportive of this recommendation and is giving it due consideration, although current resourcing levels have not yet made it possible to move forward with implementation.
26. UN-Women welcomes and takes note of the Committee's commendation of the Report of the Executive Director on Disciplinary Measures and Other Actions Taken in Response to Misconduct and Wrongdoing, which was presented to the Executive Board during its Annual Session in June 2021.

E. Board of Auditors:

27. UN-Women appreciates the Committee's acknowledgement of its 10th unqualified audit opinion. It acknowledges this milestone as the United Nations newest Entity and appreciates the work of the Committee for its annual review of financial statements in support of this achievement.

II. Advisory Committee Review and Advice: Governance, Risk Management and Control; Best Practices in Financial Management and Information Systems

A. Resource Level Risks

28. UN-Women agrees with and has taken note of the need for the organization to calibrate its operations and presence in accordance with existing resources levels. UN-Women continues to work on innovations to the Entity's business model in order to adapt to the

realities of steady regular resources supporting a growing portfolio of non-core funding.

29. UN-Women has relied on increasingly robust accountability and oversight mechanisms such as the BRC and the Presence Governance Framework to bring strategic clarity to discussions around UN-Women's organisational footprint. Furthermore, UN-Women has rolled out HQ typologies (as part of headquarters Strategic Notes) to define funding principles for HQ Units/Divisions. Under this classification system, Units / Divisions are labelled as "cost centres", "cost distribution centres" or "revenue centres", an approach that anchors operations in the realities of financial sustainability, including by articulating the links between UN-Women activities and the size of the Entity's non-core portfolio.
30. On the Committee's assessment of its core/non-core ratio, UN-Women wishes to highlight that its ratio currently stands at 30% which is the level specified in the Secretary-General's Funding Compact. As such, the organization believes that its core/non-core ratio remains healthy in principle. However, UN-Women agrees that there is significant pressure placed on its core resources given the comparatively low level of assessed contributions (2% of its total budget).
31. In light of this, UN-Women continues to seek ways to grow its ratio of core to non-core resources while also recognizing the Secretary-General's analysis of overall funding trends for the United Nations (and in particular the trend over the last decade) of bilateral donors growing non-core resources markedly more rapidly than core. This trajectory means that UN-Women, similarly to the rest of the UN System, must identify options to counter tendencies for imbalance in the core / non-core ratio. UN-Women believes that growth of individual giving revenue and the recruitment of monthly givers remain the most promising approaches to grow core resources in the future.
32. In parallel, given the continued growth on non-core resources and the impact on core capacities, UN-Women is working to strengthen its focus on Direct Project Costing (DPC). This will ensure that non-core funded projects charge associated costs appropriately and avoid the risk of core subsidising non-core in contravention on the principles laid out in the 2020 Quadrennial Comprehensive Policy Review (A/RES/75/233). UN-Women has held regional workshops in three regions to increase capacity to negotiate donor agreements and embed critical support requirements directly resulting from project activities. This work is intended to ensure that non-core projects/ programmes proportionally contribute to all relevant organizational functions and that core resources can continue to be invested in strengthening governance structures.
33. UN-Women takes seriously the need to assess the impact of funding constraints on its ability to appropriately resource its work,

including its governance and second line of defence functions. In this context the organization notes the Committee's concerns regarding the appropriate resourcing of its Human Resources (HR) and Information Technology (IT) functions, both of which are addressed in sections IV B and D below.

34. UN-Women takes note of and is in agreement with the Committee's recommendation to refresh the organization's overall budget formulation approach. UN-Women management is in the process of undertaking a financial review with view to providing recommendations to enhance the financial sustainability of the organization across all funding streams and support management decision-making in relation to the distribution of resources. This work is undertaken in the context of the 2022-2025 Strategic Plan, as part of corporate efforts to strengthen linkages between results and resources and ensure optimal delivery of the Entity's mandate.
35. Finally, UN-Women is seeking, as championed by the Executive Director, to ensure a corporate pivot to the field and the pursuit of enhanced results at country level. As part of this initiative, the organization is reviewing and recalibrating human and financial capacity in its country offices. The organization is committed to ensuring greater harmonization between results and resources at country level, thereby minimizing any mismatch between the establishment of strategic objectives and the ability to deliver on these. In line with this, UN-Women would like to inform that it is rolling out a new contract modality that will offer better conditions of service for affiliate personnel (ideally reducing turnover and losses in skills / talent retention) and is also working towards the establishment of HR Business Partners in every region to address staffing issues that would inhibit the organization's ability to appropriately respond to country-level priorities.

B. Accountability Culture, Systems and Resourcing for Basic Governance and Delivery

New Programming: Generation Equality:

36. UN-Women thanks the ACO for the attention and advice they have provided on the follow up to the Generation Equality Forum as well as their emphasis on taking into account lessons learned from other initiatives, such as Spotlight, to inform the next steps for Generation Equality. UN-Women is developing a detailed programme document to guide the next steps of the initiative, which takes into account lessons learned and recommendations from evaluations and advisory reviews, including those of Spotlight and HeForShe, notably around sustainability, governance, organizational structure and resourcing. UN-Women welcomes continuous engagement with the ACO in ensuring that such initiatives are well planned and impactful.

Human Resources (HR) Systems:

37. UN-Women appreciates and is in full alignment with the ACO's recommendation regarding the need to appropriately resource its HR function. The Entity is pleased to report that additional resources, including staffing, are being assigned to the HR Division in the areas of corporate HR policy, data reporting and planning. In addition, dedicated resources on addressing sexual exploitation and abuse and sexual harassment have been identified and allocated.
38. In relation to contractual modalities, UN-Women wishes to clarify that currently 65% of its workforce are on consultancy or service contracts. In light of audit findings and the report on UN-Women's budget produced by the Advisory Committee on Administrative and Budget Questions (ACABQ), the organization is currently focused on reinforcing quality control on contract modality usage. UN-Women takes seriously the findings of the 2021 IEAS audit on consultant management. In response, the Entity has committed, as mentioned, to rolling out a new contract modality, the Personnel Services Agreement (PSA) in collaboration with UNDP that will address issues of standardization of pay. In addition, the organization is relying on its transition to a new Enterprise Resource Planning (ERP) – QUANTUM to strengthen corporate oversight and monitoring of the consultant function.

Anti-Fraud and Accountability Systems/Strengthening Governance:

Contingent Responses to Anti-Fraud Audit Recommendations:

39. UN-Women recognizes the need to address the findings of the Anti-Fraud Programme review in order to bring the organization to a higher level of maturity and reduce corporate risk. The Entity wishes to highlight that to date and via its Business Review Committee, it has identified a business process owner for the anti-fraud programme and that senior management is currently assessing how to best implement the recommendations contained in the report.
40. UN-Women welcomes an ongoing engagement with the ACO to guide and advise on the implementation of next steps, including any queries that the ACO may have on how the BRC supports the ongoing strengthening of internal governance.

Comprehensive Procedures for Managing Complaints:

41. UN-Women welcomes the Committee's focus on the five high priority recommendations from the anti-fraud report and wishes to once again note that at the request of the Business Review Committee, UN-Women IEAS has begun to develop an options paper for strengthening and streamlining the process by which fraud and other misconduct allegations are received and addressed. This

analysis will also seek to optimize the screening process by which cases are either outsourced or retained in-house for investigation. Once finalized, this paper will be reviewed by UN-Women senior management for decision and implementation.

Continued Commitment to Accountability Framework

42. UN-Women remains committed to promoting the organization's accountability framework and agrees with the need to invest additional resources to strengthen second line of defence functions and support internal governance.
43. Nevertheless, UN-Women appreciates the ACO's acknowledgement of its already ongoing work to strengthen accountability and governance frameworks within the organization, including with regards to progress on risk management. In 2021, this work was carried forward through the BRC and newly operationalized Technical Management Group which drive greater management accountability and oversight of operational performance, while embedding risk management practices to best support informed decision-making at all levels.
44. As a further measure to strengthen accountability and internal governance, UN-Women has shifted strategic planning for headquarters divisions from an annual to a bi-annual cycle and introduced four-year strategies in the form of HQ Strategic Notes (SNs) for implementing the Strategic Plan. Embedded in the design of the HQ SNs are approaches intended to bring clarity of roles, responsibilities, and accountabilities across HQ. This harmonized understanding is intended to serve as a critical contributor to strengthened second line of defence functions.
45. Therefore, while UN-Women has many key components of an accountability framework in place, the organization will continue to review options and potential resourcing requirements in its ongoing work to formalize and codify a strengthened mature second line of defence and internal governance environment.

C. Financial statements and financial systems

46. UN-Women would like to thank the Committee for its acknowledgement that 10 years of consecutive unqualified audit opinions is a milestone for the newest United Nations entity. In addition, the organization appreciates the positive feedback from ACO regarding cooperation with the United Nations Board of Auditors (UNBoA) and remains committed to maintaining this strong and collaborative relationship.

D. Information and Communication Technology

47. With regards to the observations on key constraints with the potential to impact the roll out of the new Enterprise Resource

Planning (ERP) system, UN-Women is pleased to update that the fiscal constraints that may have impacted the earlier project resourcing have largely been addressed in late 2021, with a newly constituted ERP budget, which was structured in response to the requests of the Business Stream Owners. This budget was reviewed and approved by the ERP Board and has been made available in full to the project team, including in the field.

48. While UN-Women accepts that the adoption of the new ERP system has required accepting the UNDP-chosen system, Quantum, the Entity nevertheless wishes to emphasize that this was a deliberate choice made early in the project. The cost-benefit analysis of this option revealed that despite some constraints, this choice allowed UN-Women to benefit from shared development costs, shared services and a strengthened process alignment between the Agencies. UN-Women acknowledges that its dependence on another agency for the successful implementation of its ERP system qualifies as a recognized external risk and is actively managing it as such. In order to ensure the new system is able to operate with full functionality, UN-Women continues to advocate for the inclusion of key features requested by personnel while also investigating alternative approaches as fallback options.
49. UN-Women appreciates and shares the Committee's assessment that bringing in a dedicated project manager has improved the internal health of the project and has set UN-Women up for success.
50. UN-Women is pleased to inform that internal project resourcing has made strong progress. A budget has been approved for 2022 by the Project Board and has been fully allocated. Support resources have been identified and have (or will be) on-boarded, though labor shortages have impacted the project in some areas in delaying recruitments.
51. On the issue of IT resources, UN-Women intends to examine the longer-term support needs for ERP implementation. The funding for this function will be provided as part of an analysis of the organization's overall future systems landscape, with the option of addressing some ERP specific needs in the short term.
52. On change management efforts, a Change Lead has been identified in each stream to work in close collaboration with the ERP Project Manager / Chief Technical Advisor for UN-Women. In addition, training and communication material will be leveraged from the UNDP Change Management Team and adapted for UN-Women use. Finally, an internal network of existing resources will further support the implementation and roll out at the regional and field level.
53. UN-Women's ERP Project Board has discussed and agreed that the planning module should remain under the governance of the ERP Board to ensure integrated corporate systems and funding. The organization is currently assessing longer-term solutions for 2023

and beyond, which may fold in additional legacy applications in the end-to-end planning and project management solutions.

III. Conclusion

54. UN-Women continues to appreciate the advice and support received from the Committee in 2021 as in previous years.
55. In particular, UN-Women is grateful to Committee members for their continued flexibility with respect to their methods of work in 2021 due to the ongoing COVID-19 pandemic, which only allowed for virtual meetings.
56. In addition, UN-Women appreciates the Committee's willingness to undertake ad-hoc meetings throughout the year in order to accommodate discussions on key topical issues for the organization, including Generation Equality as well as to address the Entity's important corporate transition with the departure of the former Executive Director, Dr. Phumzile Mlambo-Ngcuka and the arrival of her successor, Dr. Sima Sami Bahous.