



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

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Audit matters

Revision of Financial Regulations and Rules (FRR) for Internal Audit related provisions

I. Background

1. The Independent Evaluation and Audit Service (IEAS) independence self-assessment, as requested by the Executive Board during its June 2022 session, noted that when UN-Women's Financial Regulations and Rules (FRR) were approved in 2012 (annual session of 29 May – 1 June 2012), UNDP's Office of Audit and Investigation was the internal audit service provider and continues to be listed as such in the FRR. This is now out of date. Moreover, the scope of the internal audit function in the existing FRR does not reflect: (a) the updated objective of internal audit as per the International Standards on the Professional Practice of Internal Auditing as laid out by the Institute of Internal Audit (the professional standard setting body for internal audit); and (b) the UN-Women Internal Audit Service (IAS) mandate which refers to Governance, Risk Management and Compliance. While this has not limited the authority of IAS, the internal audit provisions in the FRR are no longer relevant and need to be updated.

2. Following this review, the Executive Board in its decision 2022/08 (September 2022), requested that “UN-Women takes action, as appropriate, to implement and facilitate the assessments' recommendations noted below, and to report in its management response to the annual report on internal audit and investigations activities for the annual session in 2023, on the progress made by UN-Women on their implementation, and asks the management of UN-Women to provide explanations, in line with established practice, in case a recommendation has not or only partially been implemented or been agreed to by management: a) a management update to the internal audit related provisions in the Financial Regulations and Rules and provide it for Executive Board review and approval at the annual session 2023.”

¹ UNW/2023/L.1

Note: the present document was processed in its entirety by UN-Women.

3. The FRR provide following differentiation between regulations and rules, and their approval protocols:

Regulation 1.1

These regulations shall govern the financial management of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and shall, unless otherwise provided by the General Assembly or the Executive Board and except as specified in these regulations, apply, mutatis mutandis, to all resources administered by UN-Women. Amendments and exceptions to these regulations may be made only by the Executive Board, as specified in Assembly resolution 64/289 on system-wide coherence.

Regulation 1.2

These regulations shall become effective upon approval by the Executive Board of UN-Women.

Regulation 1.4

(a) The Under-Secretary-General/Executive Director shall establish financial rules, consistent with the provisions of the financial regulations approved by the Executive Board, in order to ensure effective and efficient financial administration, and the exercise of economy. The Under-Secretary-General/Executive Director shall circulate the financial rules to the members of the Executive Board for information at least 30 days before they become effective.

(b) The Under-Secretary-General/Executive Director may amend the financial rules, if necessary, and shall circulate such amendments to the members of the Executive Board for information at least 30 days before they become effective.

4. In order to implement the Executive Board's recommendations, IAS compared the FRR of other New York-based agencies with the aim of harmonizing UN-Women's regulatory framework as it relates to internal audit. IAS identified that in general the FRR of four benchmarked agencies (UNDP, UNICEF, UNFPA, UNOPS) are harmonized and reflect internal audit service mandates with regard to Governance, Risk Management and Compliance with internal controls. The FRR are also aligned with the respective internal audit service charters. Some provisions in the FRR are unique to the agencies, e.g. UNDP related to auditing nationally implemented projects; and UNFPA's detailed definition of wrongdoing and the role of the Advisory Committee on Oversight. While UNDP's provisions are not applicable to UN-Women, IAS considered the UNFPA provisions as good practice and included them in the UN-Women's IAS proposal of the financial rule revision (rules 2305 and 2306 in the proposed revision). Moreover, IAS proposes revision to financial rule 2303 to align it with the IAS mandate on Governance, Risk Management and Compliance, which is the basis of IEAS and IAS charters and to fully harmonize it with other New York-based agencies' FRR on internal audit services.

5. Based on the benchmarking with other New York-based agencies, and in consultation with the Executive Board Secretariat, Legal and UN-Women Policy, Procedure and Guidance teams, IAS suggests revising Financial Rule 2302 as follows:

UN-Women Financial Rule 2302 (current and now outdated):

While the overall responsibility remains with the Under-Secretary-General/Executive Director, UN-Women may conclude an agreement with the United Nations Development Programme and/or the United Nations concerning mutual responsibility for the provision of internal audit services. If an agreement is concluded, the Office of Audit and Investigation of UNDP and/or the Office of Internal Oversight Services shall be responsible for performing internal audits on behalf of UN-Women and shall have free access to all books, records and other documents that are, in its opinion, necessary for the performance of those audits. Its reviews shall be conducted in accordance with generally accepted auditing standards and it shall provide comments and recommendations to the Under-Secretary General/Executive Director on financial, management and operational activities, in respect of:

(a) The regularity of the receipt, custody, commitment, disbursement, accounting and reporting of all financial resources administered by UN-Women, and the effectiveness of existing internal controls and accounting systems;

(b) The conformity of commitments and disbursements with the purposes for which resources were appropriated or otherwise provided by the Executive Board and the financial authorizations issued thereunder, or with the purposes and rules relating to other resources administered by UN-Women or with agreements with other United Nations organizations and other entities;

(c) The compliance of all financial activities and transactions with established regulations, rules, policies, procedures and administrative instructions;

(d) The effective and efficient management of UN-Women and the effective, efficient and economic use of resources of UN-Women resources, resources administered by UN-Women and resources originating from other entities and administered by UN-Women.

Revised FRR language proposal:

Rule 2302: The Internal Audit Service of the Independent Evaluation and Audit Services shall be responsible for the internal audit of UN-Women. It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall assess and contribute to the improvement of governance, risk management and control processes, and report thereon. The Internal Audit Service shall exercise independence in the performance of its duties. The purpose, authority and responsibility of the Independent Evaluation and Audit Services and of the Internal Audit Service are further defined in the Charter of the Independent Evaluation and Audit Services and the Charter of the Internal Audit Service, respectively. The Internal Audit Service shall assess the adequacy and effectiveness of governance, risk management and control processes regarding the:

(a) reliability and integrity of financial and other information;

(b) effectiveness and efficiency of operations;

(c) safeguarding of assets; and

(d) compliance with legislative mandates, regulations, rules, policies and procedures.

Rule 2303: The Internal Audit Service shall have unrestricted access to the organization's records, personnel and premises, as necessary, in its opinion, for the performance of its duties.

Rule 2304: The Internal Audit Service shall submit its reports to the Executive Director and other senior managers as appropriate. At least annually, the Director of the Independent Evaluation and Audit Services shall submit a report to the Executive Board on internal audit and investigation activities and on significant findings providing insight into the efficient and effective use of resources.

Rule 2305: While overall responsibility remains with the Under-Secretary-General/Executive Director, UN-Women may conclude an agreement with an external service provider concerning the provision of services for assessing and investigating allegations of fraud; corruption; harassment, including sexual harassment; abuse of authority; discrimination; retaliation; sexual exploitation and abuse; or any other failure to observe prescribed regulations, rules, policies and procedures and standards of conduct allegedly committed by UN-Women personnel, implementing partners and any other entity engaged by UN-Women. The Director, Independent Evaluation and Audit Services is the designated official responsible for coordinating investigation-related matters with the external service provider.

Rule 2306: The Executive Director shall appoint members of the Advisory Committee on Oversight to serve three-year terms, renewable once. All members will be independent and external to UN-Women. The roles and responsibilities of the Advisory Committee on Oversight are set forth in its terms of reference approved by the Executive Director.

II. Regulatory process for Governing Body update

6. IAS has consulted with the Secretary of the Executive Board and Chief, Legal Office on the process for updating the FRR, and noted that updating the Financial Rules – as opposed to updating the Financial Regulations – does not require Executive Board formal approval.

7. Instead, the Executive Board has to be notified about the proposed changes for a 30-day period, prior to the First Regular Session 2023, where these revisions will be considered.

8. Member States will have the opportunity during this 30-day period to send comments to IAS, if any, to be collected and incorporated, as necessary. The final document will be part of the documentation of the Executive Board's first regular session in 2023 and noted as final in the Executive Board's post session report. Once the Executive Board has taken note of the revision during its first regular session, the revised version of the FRR will be sent to the Executive Director for approval.