

Management response to the report of the Audit Advisory Committee for the period 1 January 2016 to 31 December 2016

The management of UN-Women acknowledges the fifth report of the Audit Advisory Committee and expresses its appreciation to the distinguished members of the Committee for their dedication to the organization's mandate.

Regional architecture and organizational challenges

UN-Women values the attention that the Committee has given to the regional architecture and to UN-Women's response to the relevant evaluation in this regard. The Entity fully agrees that the regional architecture is an important issue in light of UN-Women's resource levels and its ability to deliver on its priorities. As noted by the Committee and in line with its management response to the Executive Board, UN-Women is currently reviewing the typology of country presences to ensure that the best type of presence is available to support requests by Member States and match UN-Women's resource levels. In addition, UN-Women is also starting a functional analysis of headquarter units to ensure better alignment with and support to the field. This analysis will be completed by the end of 2017 and support the implementation of the new Strategic Plan 2018-2021.

UN-Women continues to decentralize authority to the field. This has proven successful as exemplified by the highest-ever level of programme expenditure in 2016. As a result of the donor reporting business process review, the responsibility for preparation of the narrative reports and submission of both the financial and narrative reports to donors was decentralized to the Country Offices. In addition, project design and fast-track procedures for humanitarian response were developed.

The responsibility for financial donor reports remains with the Chief of Accounts and preparation of financial donor reports is being decentralized to the regional offices in 2017 as staff are recruited in the field, with the Finance Section at headquarters continuing to provide quality assurance through review and clearance. It is envisaged that regional offices will make necessary allocations to strengthen the financial capabilities in their offices to address project closure and financial reporting in 2017. Both field and headquarters staff are part of the new Virtual Global Services Centre focused on strengthening and expediting financial donor reporting and financial project closure. UN-Women has also revised the delegation of authority framework by increasing limits of delegated authority to regional and country offices. This is being rolled out while considering a risk analysis on the level of delegation of authority to be assigned to the respective offices.

As part of the new human resources information systems, a global workforce database and validation system was launched to provide access and enable reporting on all personnel worldwide. UN-Women's e-recruitment system is currently being tested and will be rolled out in 2017. The system will streamline recruitment, provide reporting tools and roster functionality. A global induction platform developed a performance management compliance dashboard, transitioned to a new learning management system, piloted leadership development and mentorship programmes,

developed a set of values and core competencies aligned to UN-Women's mandate and the UN-Women's leadership charter, and conducted the first rotation exercise to promote staff mobility and support professional development.

UN-Women agrees with the identified need for human resource specialist positions in the regional offices as well as organizational focal points in field offices for the ethics function and is reviewing this recommendation with a view to identifying resources for the deployment of HR capacity in the field.

Programme activities

UN-Women welcomes the Committee's continued support for the Flagship Programme Initiatives (FPIs) introduced at the end of 2015. UN-Women sees the FPIs as an important part of its programming strategy alongside other approaches in line with planning and programming processes. UN-Women is confident that, in addition to being a tool to increase programmatic focus and better integrate the normative, coordination and operational functions of the Entity, the FPIs are a useful resource mobilization tool. A donor roundtable process was held for three FPIs in 2016. The first meetings of these roundtables generated nearly \$40 million in firm multi-year pledges. Close to an additional \$35 million in soft pledges have been recorded. Follow-up meetings of these roundtables are expected to expand and confirm these pledges. UN-Women will continue to refine the focus on resource mobilization for the FPIs. A series of leadership development training courses were also provided to 117 staff to equip them with required technical skills to build partnerships and formulate FPIs.

UN-Women welcomes the Committee's support for its results management system and its use in improving planning and reporting. A capacity assessment on results-based management and the inclusion of an online training curriculum for staff members and implementing partners on programming and results-based management have been planned for 2017. UN-Women is also strengthening integration of the results management system with enterprise risk management. In 2017, all units had to submit an updated risk register in the results management system as part of the annual work planning process.

UN-Women fully agrees with the Committee's recommendation on closely monitoring the management of advances made to implementing partners. The Entity is working to reduce aged outstanding advances to implementing partners and address structural underlying causes, as advised by the Committee. UN-Women initiated an internal working group to improve the monitoring and liquidation of aged advances. Thus, a significant decrease in long outstanding advances has been observed in 2016. As of 31 December 2016, aged outstanding advances to partners older than 6 months were 34.8% lower than in 2015.

Webinars to all staff across the organization were provided on risk assessment, FACE form and liquidations, and due diligence process for write-offs or unilateral liquidations. Corporate training material for training of partners was finalized mid-December 2016.

Funding framework and resource mobilization

UN-Women is fully committed to transparency and cost alignment in the funding framework in line with agreed cost classifications. These principles will be applied to the development of the integrated budget 2018-2019.

In 2016 UN-Women increased its income to \$327 million, despite exchange rate losses and a constrained funding environment. Regular resources reached \$141.6 million and other resources grew to \$178 million. Resources from assessed contribution remained at the same level (\$7.6 million).

UN-Women agrees with the importance of realistic targets and clear assignment of responsibility and accountability for resource mobilization. UN-Women rolled out the LEADS system to capture and track the potential resource mobilization of non-core resources to inform realistic projections. This system has been used to track the potential of offices to generate non-core resources in line with the UN-Women revenue target and to ensure financial sustainability of offices.

UN-Women agrees with the Committee's recommendation to focus on quality and capacity of partners rather than quantity of partners. In order to further focus its efforts, particularly with the private sector, UN-Women developed a private sector go-to-market strategy with pro-bono support from the Boston Consulting Group to identify key opportunities in North America and in Denmark. This was complemented by internal efforts to strengthen and streamline due diligence processes and a strategic review of fundraising efforts by National Committees.

Enterprise risk management

UN-Women acknowledges and appreciates the support and advice provided by the Committee as the culture of enterprise risk management continues to be embedded into business processes. As part of its achievements in 2016, UN-Women produced its first Corporate Risk Register that provides a view of the organization's top risks. All risk units have been consistently guided to ensure that risk registers are updated on a regular basis to reflect any potential changes that may impact on the achievement of strategic and operational objectives. Implementation of agreed upon mitigating actions are closely monitored. Continued efforts are being made to build capacity and awareness to sustain the practice of risk management and consequently build the quality of the risk information produced.

UN-Women has shared the risk management framework with the Board of Auditors and the Office of Audit and Investigations of the United Nations Development Programme (UNDP). UN-Women will endeavour to continue discussions on the use of the outputs of the enterprise risk management process to feed into audit planning processes.

Evaluation function

UN-Women agrees with the Committee on the importance of evaluation assessing expected achievements as outlined in the Strategic Plan and that they should be used to increase knowledge and improve performance results. UN-Women ensures this connection by aligning its corporate and decentralized evaluation plans with the Strategic Plan and Strategic Notes developed by regional, multi-country, and country offices. The use of evaluation is promoted through the mandatory management response, mandatory use of lessons learned in the design of Strategic Notes and the

implementation of the communication strategy. The results of evaluation and progress on evaluation function are presented to the Executive Board and widely shared in the organization for accountability, decision-making and learning.

UN-Women agrees that the appropriate resourcing of centralized and decentralized evaluation function is critical to ensure high accountability and learning standards required by the Executive Board. The Evaluation Policy approved by the Executive Board sets a target of 3 percent of “programme expenditures” for the evaluation function and 3-8 percent for monitoring. Any proposed changes would have to be discussed and approved by the Executive Board.

UN-Women welcomes the AAC’s noting the high degree of coordination between headquarters and evaluation specialists in the regions. UN-Women is working to foster greater coordination of any synergies between headquarters and regional led evaluation portfolios to improve economies of scale and knowledge sharing.

Internal audit

UN-Women thanks the Committee for its attention to internal audit, including the appropriateness of existing arrangements with the Office of Audit and Investigations of UNDP. An established process facilitates the communication of audit planning and audit results to UN-Women senior management for comments and inputs. The UN-Women Audit Unit holds a regular quarterly meeting with the Executive Director’s Office to report and discuss significant issues noted on the completed audits and the progress on the implementation of the approved audit plan. The status of recommendations is monitored by DMA and followed up with respective Offices/Units for timely implementation.

The Committee’s recommendation on enhanced communication between the Office of Audit and Investigations and the Board of Auditors is welcome and UN-Women will encourage the Office of Audit and Investigations and the Board of Auditors to effect it to ensure the complementarity of the audit functions. UN-Women’s audit coordinator and corporate audit focal point will additionally contribute to enhanced exchange among the internal and external audit function.

The UN-Women Audit Unit of the Office of Audit and Investigations reports directly to the Under-Secretary-General/Executive Director, which is in line with the Professional Standards requirements to address potential conflicts of interest and to ensure independence. Following the Committee’s recommendation that a senior-level staff member with no operational management duties in the Entity be responsible and accountable for the internal audit function, UN-Women’s senior management team has identified the Chief of Staff as the focal point for the internal audit function. Acknowledging the Committee’s remaining concern of UNDP’s potential conflict of interest, as it provides other administrative functions to UN-Women, UN-Women, together with the UN Ethics Office, will review the existing Service Level Agreements and respective risks.

The costs of a full in-house internal audit function including transitional costs and the management and administrative infrastructure of the function have been compared in March 2016 against the existing outsourcing of the function. UN-Women is updating a comparative cost analysis between continuing the current outsourcing arrangement to UNDP and internalizing an independent audit function with UN-Women as part of its development of the integrated budget 2018-2019.

The Committee's suggestion of including the internal oversight and assurance functions found in its Third Line of Defence (e.g. internal auditing, investigations, and evaluation) into one oversight unit is being considered as part of the abovementioned update of cost comparison of the internal audit function.

UN-Women agrees with the Committee on the need to adapt the internal audit function and operating modalities to the regional architecture and will request the Office of Audit and Investigations to revisit UN-Women's audit universe. UN-Women will refine its annual risk register to reflect changes in its organizational structure and priorities and leverage its risk registers and utilize synergies of audit and risk across the Third Line of Defence. UN-Women intends to review all three lines of defence, should material adjustments be made to the regional architecture or organizational structure.

UN-Women acknowledges the Committee's recommendation regarding recurring audit issues and has dedicated increased management attention towards them. For example, a working group to improve the process of liquidation of aged advances has been created. A significant decrease in long outstanding advances has been observed in 2016. Particular attention is paid to recommendations dealing with Entity-wide or corporate issues and progress is reported annually to the Executive Board. UN-Women commits to implementing corporate issues in a timely manner within available resources.

Investigations

UN-Women welcomes the comments of the Committee on investigations. UN-Women will take measures to seek timely updates on investigation activities in line with the investigation guidelines of the Office of Audit and Investigations and to ensure that appropriate action is taken. UN-Women will also continue its awareness raising activities and policy development and thanks the Committee for its commendation in this regard. UN-Women notes the concerns about the quality and timeliness of investigation services and will take steps in 2017 to assess and determine the appropriate modality to get this function delivered more effectively.

Ethics

UN-Women notes the Committee's comments on increased communication with the Ethics Office and will continue to take steps to address these comments, including establishing a functional focal point and meeting with the Ethics Office to discuss internal training and awareness-raising and enhanced systems of monitoring and oversight.

Financial statements

UN-Women appreciates the Committee acknowledging UN-Women receiving an unqualified audit opinion from the Board of Auditors for the fifth consecutive year since its inception in 2010. UN-Women welcomes the recommendation on financial statements and is committed to ensuring that the Entity's finance leadership has the appropriate accounting and financial expertise and experience. As part of this effort, the Chief of Accounts has been included as a full-time member of the senior management team.

Relationship with the United Nations Development Programme

UN-Women fully agrees with the Committee's recommendation to ensure that outsourced functions are performed appropriately and represent value for money. UN-Women regularly reviews provision of services received from UNDP against agreed Key Performance Indicators. UN-Women is also pressing UNDP to establish Performance Indicators where they do not exist and to improve the clarity of accounting for the cost of UNDP's services where there is room for improvement.

As part of its participation in the UN System's High Level Committee on Management, UN-Women led the group of UN entities receiving services to issue a request to UN entities providing services, such as UNDP, UNICEF, UNOPS, and UNHCR, to share the list of services they provide, performance indicators and prices. This should allow entities like UN-Women to compare amongst service providers and enhance competition.