



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

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**Financial, budgetary and administrative matters**

## **Management response to ACABQ Report on 2018-2019 Integrated Budget for UN-Women Executive Board**

This paper provides the management response of UN-Women in response to the report of the ACABQ dated 7 August 2017 on the Integrated Budget 2018-2019, it has been revised to include additional information requested during the Executive Board Informal 17 August 2017.

### **I. Conclusion of ACABQ report**

1. Subject to its recommendations in paragraph 13 and 17 of its report, the Advisory Committee **recommends** approval of the institutional component of the integrated budget estimates of UN-Women for the biennium 2018-2019 and also recommends that the Executive Board approve an appropriation in the amount of \$203.8 million (gross), including \$31.4 million for cost recovery for other resources. (para 24).

### **II. Integrated budget**

#### **1. Resource mobilization**

2. *The Advisory Committee **notes** that, with the exception for the year 2014, actual funds received have steadily remained below the amounts projected. While the Committee commends UN-Women for its efforts to broaden and deepen its donor base, it continues to encourage the entity to continue to strengthen these fundraising efforts, including by engaging with the private sector, in order to ensure the availability of voluntary contributions sufficient to fund its activities. (para 9)*

#### **Management response:**

3. As reflected in its report on Structured Dialogue on Financing, total contribution increases to UN-Women since 2012 have outpaced its UN sister agencies (UNDP, UNICEF, UNFPA), albeit from a low base. In 2015, currency erosion and pressures

on official development assistance (as Member States directed official development assistance for refugee hosting costs) have affected UN-Women's resource mobilization trajectory. However, the Entity is still enjoying growth of voluntary contributions from a large donor base, with 193 donors in 2016, including Member States, United Nations agencies, National Committees, and other donors, with accelerated growth of contributions from non-traditional donors (UNW/2017/8, para 7).

4. UN-Women has developed a structured resource mobilization strategy, for its 2018-2021 strategic plan. This strategy reflects on different variables including trend analysis per revenue segment, a differentiated revenue segment approach, risk and opportunity analysis per segment, and research in market trends and dynamics to identify potential growth in each segment.

5. Based on this analysis, UN-Women anticipates substantial revenue growth, mostly fuelled by proactive engagement with new or under-tapped markets in the private sector as well as growth in joint programming with UN system partners. UN-Women anticipates that the fastest pace of segment growth will be experienced in its private sector engagement as also highlighted by ACABQ, while most of the funding will still be derived from its partnership with Member States. UN-Women calls on Member States to sustain the scale-up in regular resources (core) funding and meet the Integrated Budget targets, essential component to deliver the above strategy and leverage the engagement of new partners.

### **III. Institutional budget**

#### **2. Post change related to operational capacity**

6. *As indicated in paragraph 127 of the integrated budget report, it is proposed to upgrade the post P-5 post of Chief of Accounts to a D-1 Deputy Director, Financial Management post to provide oversight of the financial planning and integration of the budgetary and financial data of UN-Women in addition to recently increased financial management responsibilities in connection with the introduction of the International Public Sector Accounting Standards (IPSAS), as well as management responsibilities requiring the supervision of 28 staff. The Advisory Committee **notes** that IPSAS has been in place for some time and its introduction cannot be considered to be a justification for the upgrade of a post. The Committee also considers that insufficient justification was provided explaining the operational need for a D-1 level post for the management of financial operations, in particular in terms of the workload to be managed and any resulting changes in responsibilities. (para 13)*

#### **Management response:**

#### **Procedural comment**

7. Paragraph 13 of the ACABQ report states that the "Committee also considers that insufficient justification was provided explaining the operational need for a D-1 level post for the management of financial operations, in particular in terms of the workload to be managed and any resulting changes in responsibilities. " Thus, the ACABQ did not issue a recommendation about the subject nor recommend against the upgrade. They considered insufficient justification was provided.

8. UN-Women informs that the ACABQ, during their formal session and related written questions, did not enquire further regarding this proposed upgrade nor request further justification for it. Over the past several months and particularly since the ACABQ report, we have provided substantial additional justification for the proposed upgrade per Conference room paper (2017/CRP.11) and Informal presentation on 17 August.

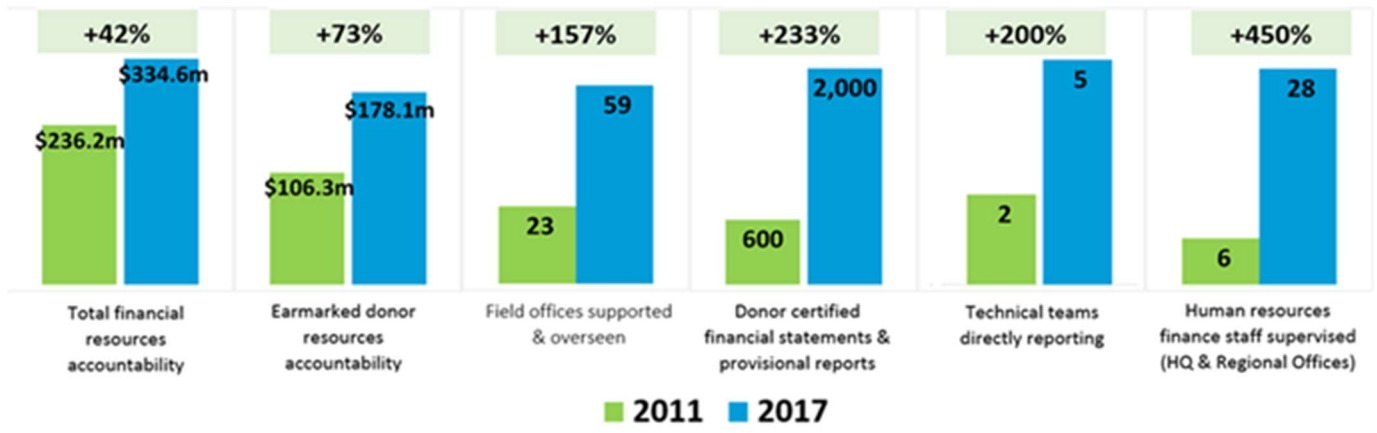
9. To facilitate your consideration of the issue and for your ease of reference we are synthesizing below the justification for the upgrade.

#### **Justification for the upgrade**

10. The UN-Women Executive Director, supported by the Audit Advisory Committee, recommended to the Executive Board the upgrade of the current P-5 Chief of Accounts post to the proposed D-1 Deputy Director of Financial Management in the proposed Integrated Budget 2018-2019. This key upgrade is needed to ensure sustained and effective financial management of UN-Women, the demands of which have grown and continue to grow in terms of scale, complexity and risk. The original Terms of Reference for the P-5 post created in late 2011 no longer adequately represents the level of responsibility vested in this role. The rationale for the upgrade of the P5 post relates to significant increases in responsibilities, financial management operations and workload, as illustrated in the table below:

<b>Responsibilities, financial management operations, and workload</b>		<b>2011</b>	<b>2017</b>	<b>Change</b>
1.	Total financial resources accountability	\$236.2m	\$334.6m **	+42%
2.	Earmarked donor resources accountability	\$103.6m	\$178.1m **	+73%
3.	Human resources finance staff supervised (HQ and Regional Offices)	6	28 *	+450%
4.	Technical teams directly reporting	2	5 *	+200%
5.	Field offices supported and overseen	23	59	+157%
6.	Donor certified financial statements & provisional reports	600	2,000	+233%
7.	Representation roles	None	<ul style="list-style-type: none"> <li>• Advisor to, and member of UN-Women Senior Management Team</li> <li>• UN-Women Executive Board</li> <li>• UN-Women Audit Advisory Committee</li> <li>• ACABQ</li> <li>• Fifth Committee</li> <li>• HLCM- Finance and Budget Network</li> </ul>	<i>Strategic advocacy and high level Technical presentations now required</i>

			• Donors and Stakeholders	
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11. The current P5 Chief of Accounts role entails the following responsibilities which stand at D1 classification:

- strategic focus on organization-wide financial management issues in a more complex and substantially larger and widely decentralized entity;
- the senior-most qualified accountant of the entity: responsible for attesting to the technical accuracy of UN-Women annual financial statements, upon which the United Nations Board of Audit provide their audit opinion; certifying annually all donor earmark-funded financial statements; and serves as the senior financial manager of the entity's operations;
- holds a specific advisory role to the Executive Director and Senior Management Team on technical financial management matters and associated corporate risks and is a member of the Senior Management Team; and
- represents UN-Women at high level UN-Women Executive Board and Audit Advisory Committee meetings, ACABQ and Fifth Committee sessions, and HLCM Finance and Budget Network and Inter-Agency Taskforce on Accounting Standards meetings and with Donors and Stakeholders.

12. The proposed upgrade D1 - Deputy Director of Financial Management has indeed been classified as the D1 level. It will oversee and guide financial management and operations for headquarters and the decentralized regional, multi-country and country offices to ensure the timely provision of quality services and develops/proposes financial policies, rules and procedures and systems to ensure continuous efficiency in financial management operations. The post will also ensure oversight of the financial planning and integration of the budgetary and financial data of UN-Women.. Rapid office expansion and resources growth has increased the complexity of financial management and budgetary controls, particularly as international accounting standards and statutory reporting now require more rigor both from field offices and headquarters sections, with the headquarters finance and

budget sections and extended regional office finance staff providing oversight, review and advice to maintain the required records, registers and budgetary oversight. The proposed D1 will ensure the cohesion of global financial management services. The proposal of UN-Women for a D1 level position is consistent with similar roles performed in other UN entities of the comparable size and complexity. Advocacy and credibility requires an equivalence in standing in all important financial management fora and UN-Women cannot stand apart with a lower level of representation at the financial controller level compared to all other entities.

13. UN-Women was also asked to inform the Executive Board during the 17 August 2017 Informal on the classification of this post and comparative to other UN entities. This position has been classified at a D1 level. As part of the classification we have studied the posts of similar entities such as UNFPA and the reclassified job description is available for review. We can also provide a version that highlights the differences between the proposed upgraded D1 post vs. the current P5 post that it would replace.

14. The proposal of UN-Women for a D1 level position is consistent with similar roles performed in other UN entities of the comparable size and complexity. UNFPA have qualified accountants at P5, D1 and D2. The UN-Women request to upgrade the P5 to D1 recognizes that the P5 also needs to perform the D1 level responsibilities in a smaller entity and is the senior-most qualified accountant at the controller level. In effect, the current P5 Chief of Accounts will be abolished and replaced with the D1 Deputy Director, Financial Management, with minimal cost implications.

15. It is for the aforementioned reasons contained in this Management response to ACABQ report and the confirmed classification, that the post has been proposed at the D1 level.

16. UN-Women recognizes and takes very seriously that the Executive Board holds the Executive Director accountable for the proper financial management of UN-Women and for ensuring compliance with UN-Women's Financial Regulations and Rules and providing the Executive Board and other stakeholders with the rigorous financial assurance expected, including certified Financial Statements and unqualified audits. Accordingly, this upgrade is a high priority to enable UN-Women to honour this accountability and undertake these responsibilities in a growing, widely decentralized and more complex entity than 5 years ago. The upgrade of the P5 Chief of Accounts posts to a D1 Deputy Director, Financial Management post is needed to meet these responsibilities. In advocating for gender mainstreaming in the UN system finance and budget fora, UN-Women's controller level accountant should not be the lowest level amongst similar UN entities.

### **3. Post change related to the consolidation of the internal audit and evaluation functions**

17. *The Advisory Committee concurs with the Joint Inspection Unit and the Audit Advisory Committee of UN-Women on the need to establish a dedicated internal audit function and the resulting consolidation of internal audit and evaluation functions within UN-Women. The Advisory Committee **recommends** the approval of all proposed staffing changes except for the proposed upgrade of the D-1 post to the D-2 level. The Committee **considers** that no sufficient supporting explanation was provided as to the need of a senior-level Director at the D-2 level to head both*

*oversight functions, considering the size of the entity and related internal audit and evaluation activities. Furthermore, the Committee is of the view that the consolidated oversight function should therefore be designated as a “service”, not a “division”. (para 17)*

**Management response:**

18. The Advisory Committee’s recommendation concurring with a dedicated internal audit function and the resulting consolidation of internal audit and evaluation functions is very much appreciated:

**Procedural comment**

19. Paragraph 17 of the ACABQ report states that the “The Committee considers that no sufficient supporting explanation was provided as to the need of a senior-level Director at the D-2 level to head both oversight functions, considering the size of the entity and related internal audit and evaluation activities. “ Thus, the ACABQ did not issue a recommendation about the subject nor recommend against the upgrade. They considered insufficient justification was provided.

20. UN-Women informs that the ACABQ, during their formal session and related written questions, did not enquire further regarding this proposed upgrade or request further justification for it. Over the past several months and particularly since the ACABQ report, we have provided substantial additional justification for the proposed upgrade per Conference room paper (2017/CRP.11) and Informal presentation on 17 August.

21. To facilitate your consideration of the issue and for your ease of reference we are synthesizing below the justification for the upgrade.

**Justification for the upgrade**

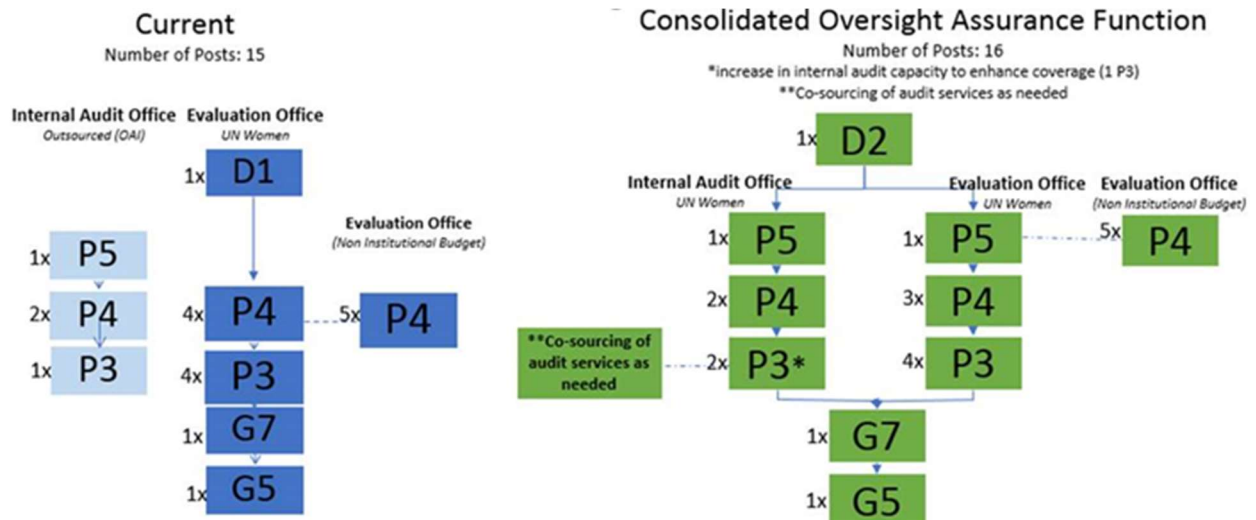
22. Including the two independent internal review functions of internal audit and evaluation, into one organizational oversight assurance will enhance efficiency and synergies, for holistic understanding of issues and coordinated reporting on the results of assurance activities without any threat on the independence of either functions. The proposed D2 Director will serve as a member of the Senior Management Team, providing independent advice and guidance in real time on high level governance, risk management and control strategies. The reporting line will be to the Executive Director, which is the same as the current Director of Evaluation and UNDP Director of Internal Audit.

23. Regarding the upgrade of the current D1 Director of Evaluation post to the D2 Director of Independent Assurance Service, the UN-Women Executive Director, supported by the Audit Advisory Committee, have proposed a D2 post for overseeing independent Internal audit office and independent Evaluation office. This position has been classified at the D2 level and is required for:

- the important strategic position
- complexity of the post overseeing both the internal audit and evaluation functions;
- the level required to attract a candidate with seniority and expertise for both internal audit and evaluation;

- the high-level risk implications for the entity, and high level strategic advice this position will provide to the Executive Director and Senior Management;
- the relationship to other senior managers across the decentralized entity
- sufficient seniority level for interaction with high level stakeholders
- the similar level in other UN entities; and
- the doubling of the functions (the current and proposed organigram is shown below)

24. This position must be able to work and make decisions independently from other functions in the organization. The proposed level is also commensurate with other UN entities.



25. The proposal of a consolidated oversight assurance function/service is not new to the UN system. The Joint Inspection Unit report on “State of the Internal Audit Function in the United Nations System” (JIU/REP/2016/8, Annex 1) that shows evaluation and internal audit alongside investigation brought together within one oversight service office in six UN Agencies (ICAO, IMO, United Nations Secretariat, UNESCO, WIPO and WMO). In IAEA’s configuration audit and evaluation are together separate from investigations, which is the same as UN-Women’s proposed structure. Investigations will continue to be outsourced and negotiations are ongoing with the Office of Internal Oversight Services, United Nations. Reasons that investigations are not currently proposed for in-housing are that: i) UN-Women’s investigation cases are not at the scale that would predictably justify an investigation service within the entity; and ii) UN-Women will initially focus at this juncture on establishing an independent and strong internal audit capacity.

26. UN-Women is considering the Committee's recommendation to designate this function as a service.

#### **4. Post changes related to the alignment of funding for the normative and operational functions of UN-Women with General Assembly resolution 65/259**

27. *The Advisory Committee has recommended approval for the establishment of these five posts. The Committee **recommends** that, should the General Assembly approve the inclusion of the aforementioned five posts under the regular budget for the biennium 2018-2019, the Executive Board remove the corresponding costs from the institutional budget 2018-2019, commensurately reduce the appropriation and increase resources pertaining to programme activities. In this connection, the Committee considers that the process of the functional analysis pursuant to General Assembly resolution 65/259 has been concluded. (para 19 and 20)*

##### **Management response:**

28. The Advisory Committee's recommendation for approval of the inclusion of five extrabudgetary posts for funding from the regular budget resources commencing with the new biennium is very much appreciated. Subject to the approval of General Assembly, the corresponding resources of around \$2 million, included under Staff Costs will be reallocated to support programme activities as also confirmed under Para. 77 of the Integrated Budget document.

#### **5. Reporting lines for the Human Resources Division**

29. *The Advisory Committee **trusts** that the Executive Director will provide additional information on the change in reporting line of the Human Resources Division to the Executive Board at the time of its consideration of the present report. (para 21)*

##### **Management response:**

30. As shared with ACABQ, the direct reporting line of Human Resources to Executive Director reflects the limitations in the current Organization Structure wherein, unlike most of the other UN entities, UN-Women does not have a Deputy Executive Director (DED) / ASG role for Corporate services / Management and therefore both Director(s) of Management and Administration, and Human Resources report to the Executive Director, which also facilitates direct and quick information flow for timely decision making.

31. UN-Women can provide additional information as required to the Executive Board on this reporting structure.

### **IV. Other matters**

#### **6. Personnel under service contracts**

32. *The Committee **notes** the increasing trend in non-staff contracts and recalls that the JIU in its aforementioned report recommended, inter alia, that the executive heads of UN system organizations review the use of non-staff personnel with a view to identifying long-serving non-staff personnel under a de facto employment relationship and establish a plan to terminate the inappropriate prolonged use of non-*



*staff personnel. The Advisory Committee takes note with concern that the share of non-staff personnel is again on the increase and trusts that UN-Women will reduce its reliance on such personnel in order to conduct its headquarters and field-based activities. The Committee looks forward to progress made in this respect in connection with the integrated budget report for the biennium 2020-2021. (para 23)*

**Management response:**

33. UN-Women closely monitors the usage of contract modalities and ensures that contracts are issued in accordance with applicable policies and guidelines. The United Nations Board of Auditors and the internal audits also monitor the usage of these contracts regularly.

34. Given the increase in number of projects, some increase in contractual modalities (primarily Service Contracts) may be expected as these are specifically meant and engaged for project implementation. However, the organization's focus is to ensure no misuse in the usage of these contractual modalities.

35. The nature of UN-Women's work requires the use of expert services with specific knowledge in technical areas on a punctual basis. Therefore, UN-Women also contracts consultants for a limited period to provide expert services, advisory services, technical skills or knowledge for the performance of a specific task. Most consultants work part-time / home based and are engaged for short term assignments, which do not merit the establishment of a staff position.

36. As per the Committee's recommendations, UN-Women will continue to monitor the usage of non-staff personnel with a view to ensure that they are used appropriately and in line with the guidelines on use contract modalities.