

A photograph of an elderly woman in a black headscarf with yellow floral patterns and a blue patterned dress. She is holding a young child in a purple patterned top and is writing on a large chalkboard with a piece of chalk. The background is a bright, slightly blurred indoor setting.

**Integrated Budget of UN-Women for the biennium of 2018-2019
and
Management response to the related report of the Advisory
Committee on Administrative and Budgetary Questions**

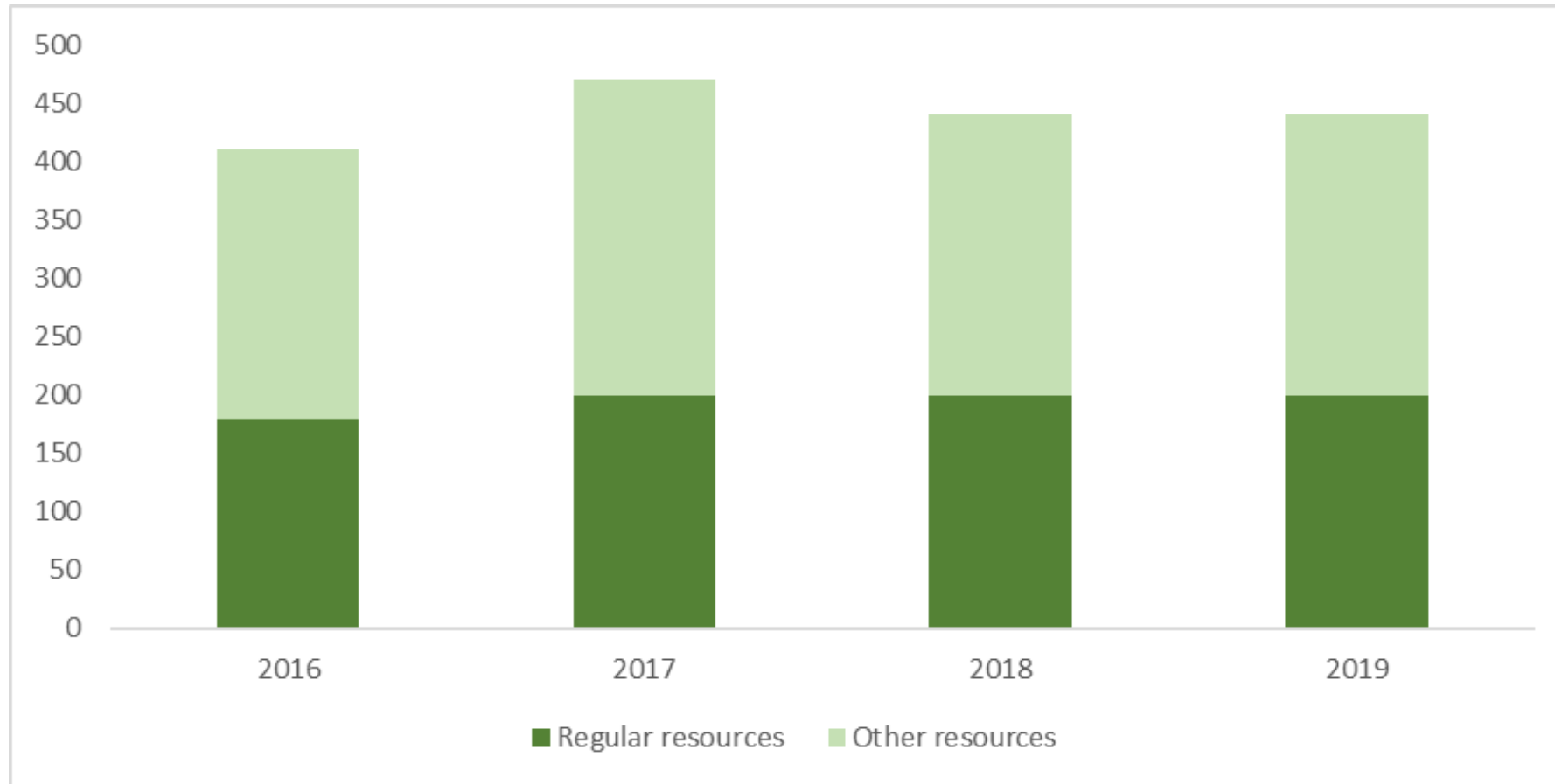
17 August 2017- Executive Board Informal

2018-2019 planning scenarios

At the Executive Board workshop on the Strategic Plan (February) a base scenario of similar income envelopes as in 2016-2017 was discussed with the Executive Board as a basis for the 2018-2019 budget preparation.

This has resulted in 2018-2019 biennium voluntary contribution projections of \$880m, the same as 2016-2017.

Integrated budget 2016-2017 income projections



Overview of resources – Integrated Budget 2018-2019

| Financial Framework (Millions of United States dollars) | 2018-2019 Estimates | | | | | |
|--|---------------------|---------------|-----------------|---------------|----------------|--------------|
| | Regular resources | | Other Resources | | Total | |
| | | | Programme | Cost Recovery | | |
| | | % | | | | % |
| 1. Resources available | | | | | | |
| Opening balance | 45.0 | 10.0% | 158.0 | 16.6 | 219.6 | |
| Income | | | | | | |
| Contributions | 400.0 | 89.3% | 448.6 | 31.4 | 880.0 | |
| Other Income and reimbursements | 3.0 | 0.7% | | | 3.0 | |
| Total available | 448.0 | 100.0% | 606.6 | 48.0 | 1,102.6 | |
| 2. Use of resources | | | | | | |
| A Development activities | | | | | | |
| A.1 Programme | 230.6 | 57% | 513.6 | | 744.2 | |
| A.2 Development effectiveness | 43.8 | | | 6.3 | 50.0 | |
| Subtotal Development Activities | 274.4 | 68% | 513.6 | 6.3 | 794.3 | 83.8% |
| B United Nations development coordination | 27.2 | 7% | | | 27.2 | 2.9% |
| C Management Activities | | | | | | |
| c.1 Recurring | 83.6 | 21% | | 25.1 | 108.8 | |
| c.2 Non-recurring | | | | | | |
| c. 3 Evaluation | 6.7 | | | | 6.7 | |
| c. 4 Audit and Investigation | 6.0 | | | | 6.0 | |
| Subtotal Management Activities | 96.4 | 24% | - | 25.1 | 121.5 | 12.8% |
| D Special-purpose activities | | | | | | |
| D.1 Resource Mobilization | 1.0 | | - | - | 1.0 | |
| D.2 ICT Transformation | 2.0 | | - | - | 2.0 | |
| Subtotal Special Purpose Activities | 3.0 | 0.7% | - | - | 3.0 | 0.3% |
| E Posts to be transferred to UN regular budget | 2.0 | 1% | - | - | 2.0 | 0.2% |
| Total Institutional Budget (A.2+B+C+D + E) | 172.4 | 100% | - | 31.4 | 203.8 | 21.5% |
| Total Use of resources (A+B+C+D + E) | 403.0 | 99.3% | 513.6 | 31.4 | 948.0 | 99.7% |
| Balance of resources (1-2) | 45.0 | | 93.0 | 16.6 | 154.6 | |

MANAGEMENT RESPONSE TO ACABQ REPORT ON INTEGRATED BUDGET 2018-2019

CONCLUSION OF ACABQ REPORT

*Subject to its recommendation in paragraphs 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.*

Regular budget (assessed contributions)

- Regular Budget funds the normative intergovernmental work of UN Women and part of the UN Coordination. The 2018-2019 proposed budget is **\$16.3 million**. This is not part of the Integrated Budget.
- Represents less than 1.7% of UN Women's total resources.
- General Assembly requested a functional review to determine normative intergovernmental processes undertaken by UN Women in order to ensure appropriate funding.
- General Assembly requested Secretary General “to reflect, in the proposed programme budget (...) the necessary budget allocation resulting from the information requested (...) so as to ensure an appropriate source of funding of the financial resources required, including the funding of senior-level posts”*
- In December 2015, the General Assembly: “*Notes with concern* that currently, UN-Women has to draw on voluntary contributions in order to enable it to carry out its mandate of servicing normative intergovernmental processes (...)”**

* A/RES/65/259, Section VI, paragraph 9

**A/RES/70/133, paragraph 8

Regular budget (assessed contributions) - continued

- The analysis concluded that:
 - all the 45 posts currently funded from the regular budget were performing normative intergovernmental support functions, in accordance with their original purpose under the Division for the Advancement of Women (DAW) and the Office of the Special Adviser on Gender Issues, before the inception of UN Women; and
 - their functions remained normative intergovernmental in nature.
- The analysis identified five posts performing normative intergovernmental functions, currently funded from Integrated Budget (voluntary contributions).
- UN Secretariat accepted the requested analysis of UN Women and included the five posts in its Regular Budget proposal for 2018-2019 as performing normative intergovernmental functions.
- Support from Representatives at Fifth Committee will be key to ensure approval in the UN Secretariat 2018-2019 Regular Budget.

Institutional Budget – Recommendation on Post changes related to the alignment of funding for the normative and operational functions of UN-Women with General Assembly resolution 65/259 posts (Para. 19 and 20):

The Committee recommends that, should the GA 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....

Management Response:

- Approval of the inclusion of five extra-budgetary 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

Consolidation of Oversight Assurance functions

- Internalization of Internal Audit, as well as creation of one oversight unit was recommended by Audit Advisory Committee in their reports of:
 - UNW/2017/3/Add.1, para 38 ‘..., UN-Women may wish to consider the option of including the internal oversight and assurance functions found in its Third Line of Defense (e.g. internal auditing, investigations, and evaluation) into one oversight unit. This could create synergies among the functions, improve effectiveness and value-for-money, and support increased overall assurance with respect to UN-Women’s operations, programmes, and performance.’
 - UNW/2016/4/Add.1, para 37 “.. The Committee understands that the UN-Women Audit Unit is considered operationally independent from UNDP. However, the Committee remains concerned that there may be potential conflicts of interest because UNDP undertakes some administrative functions for UN-Women through other Service Level Agreements, such as for information and communications technology systems and the administration of payroll, benefits and entitlements.”
- JIU/REP/2010/5 - The Audit Function in the United Nations System states that: “JIU defined minimum requirements to set up internal oversight units at United Nations organizations, which are applicable to internal audit, as appropriate” ... “an organization will be required to manage a minimum of US \$250 million over a biennium to justify the set-up of an internal oversight unit...”
- UN Women’s resources for 2015-2016 are over \$655 million

Consolidation of Oversight Assurance functions - continued

| Options | Description |
|--|---|
| <p><u>Option 1:</u> Retain UNDP and renew its Service Level Agreement</p> | <p>Budget proposal for 2018, if renewed, will increase the cost by \$1.25 million (or 59.8 per cent) from 2017 budget.</p> |
| <p><u>Option 2:</u> Establish the internal audit capacity in-house</p> | <p>Savings of \$0.9 million for 2018 budget compared to Option 1. Same staffing as 2017 with an upgrade of P5 to D1 Director of Internal Audit and 1 additional P3 Audit Specialist and co-sourcing services.</p> |
| <p><u>Option 3:</u> Establish the Oversight and Assurance Function including internal audit and evaluation functions in-house</p> | <p>Net savings of \$0.9 million for 2018 budget compared to Option 1. The Function includes:</p> <ol style="list-style-type: none"> 1) upgrade of current D1 Director of Evaluation to D2 to head the Function; 2) upgrade of current P4 Deputy Director of Evaluation to P5; 3) Additional P3 Audit Specialist; and 4) 10% increase in general operating costs and co-sourcing services. |

UN Women is currently in discussion with Office of Investigation and Oversight, UN to provide investigation services.

Consolidation of Oversight Assurance functions - continued

Recommended Option 3:

- Include the two independent internal review functions, internal audit and evaluation, in one organizational oversight office.
- Ensures that internal audit activities are aligned with, and responsive to the mandate and strategic objectives of UN Women.
- The quality and timeliness assessment of services provided by OAI for its investigation function and determine the appropriate modality to effectively deliver this function with the commensurate resources.

Comparison of current and proposed structure:

- One additional P3 Audit Specialist and co-source services.
- The proposed Director to serve as a member of the Senior Management Team, providing independent advice and guidance on high level governance, risk management and control strategies.
- The integrated oversight of the independent functions of internal audit and evaluation enhances efficiency and synergies for holistic understanding of corporate issues and reporting.

Institutional Budget – Recommendation and consideration on internalizing Internal Audit and Evaluation functions (Para. 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.

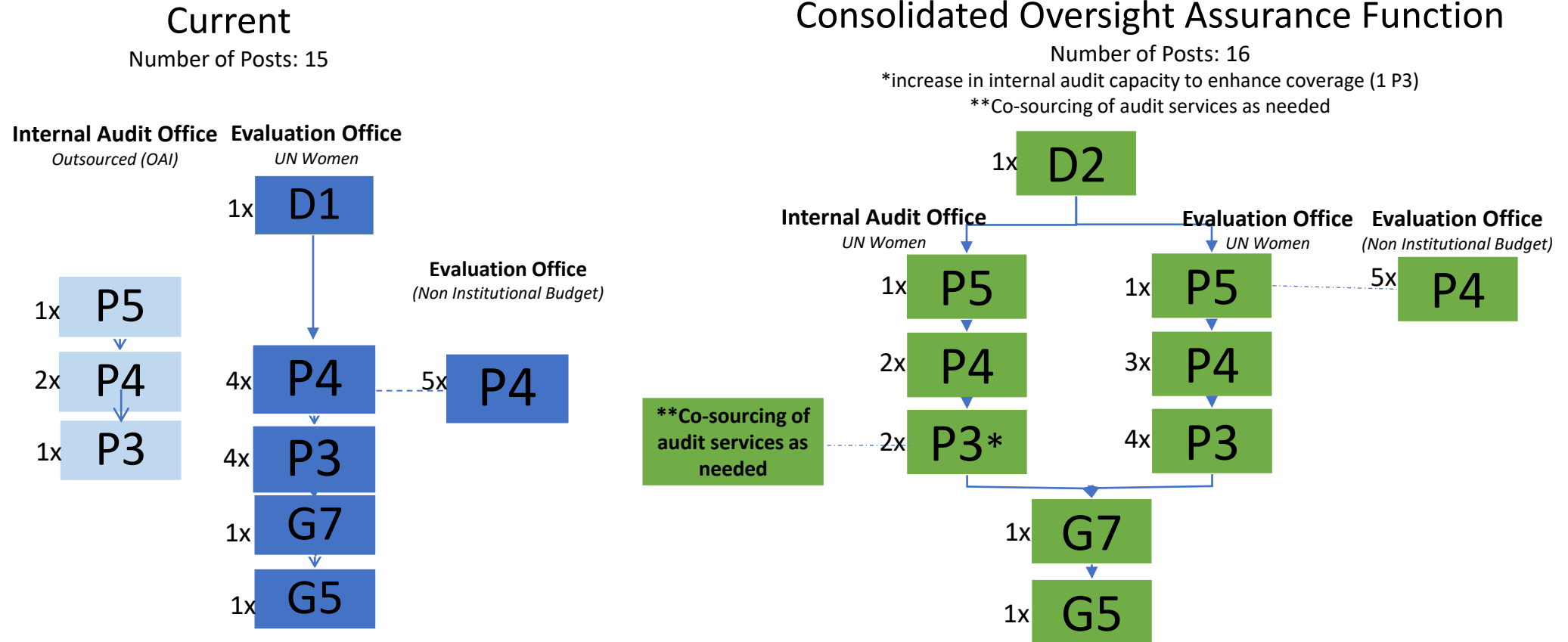
*The Advisory Committee **recommends** the approval of all proposed staffing changes except for the proposed upgrade of the D-1 post to the D-2 level. The Committee **considers** that no sufficient supporting explanation was provided as to the need of a senior-level Director at the D-2 level to head both oversight functions.... Furthermore, the Committee is of the view that the consolidated oversight function should therefore be designated as a 'service', not a 'division'.*

Management Response:

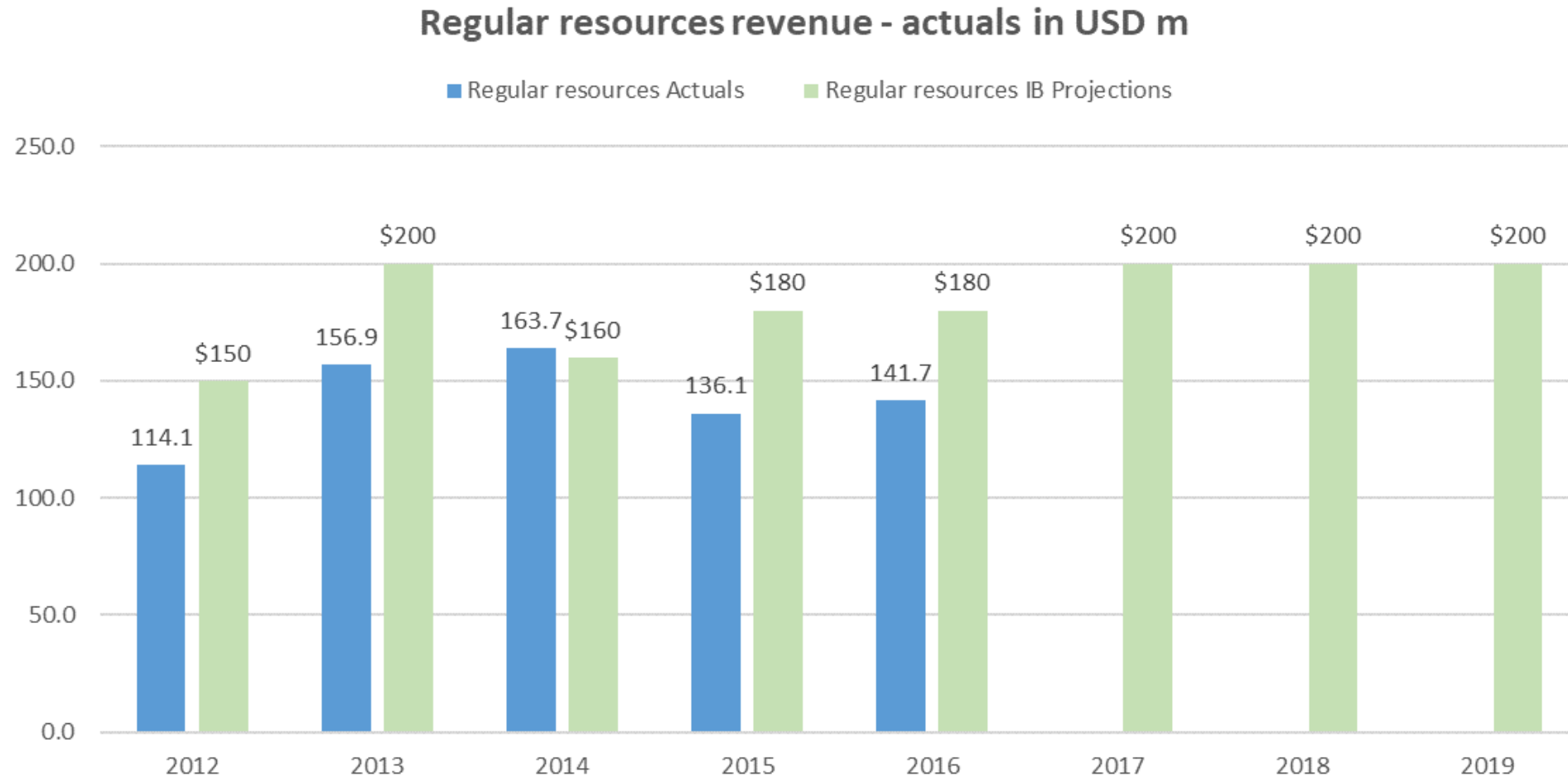
- The Committee's recommendation concurring with a dedicated internal audit function and the resulting consolidation of internal audit and evaluation functions is very much appreciated
- The proposed upgrade reflects factors such as:
 - Important strategic position, complexity of the post overseeing both internal audit and evaluation functions
 - Level required to attract a candidate with seniority and expertise for both internal audit and evaluation
 - High level risk implications for entity, and high level strategic advice this position will provide to the Executive Director and Senior Management
 - The relationship with other Senior Managers across the widely decentralized entity
 - Sufficient post level for interaction with stakeholders.
 - Similar level in other UN entities.
- Management is considering the recommendation to designate this function as a 'Service'.

Institutional Budget – Recommendation and consideration on internalizing Internal Audit and Evaluation functions (Para. 17):

- The proposed D2, Oversight Assurance function overseeing the independent Internal Audit and Evaluation sections is a significantly higher level of responsibility than the former D1, Director of Evaluation. The entity's oversight and assurance requires this high level D2 post.

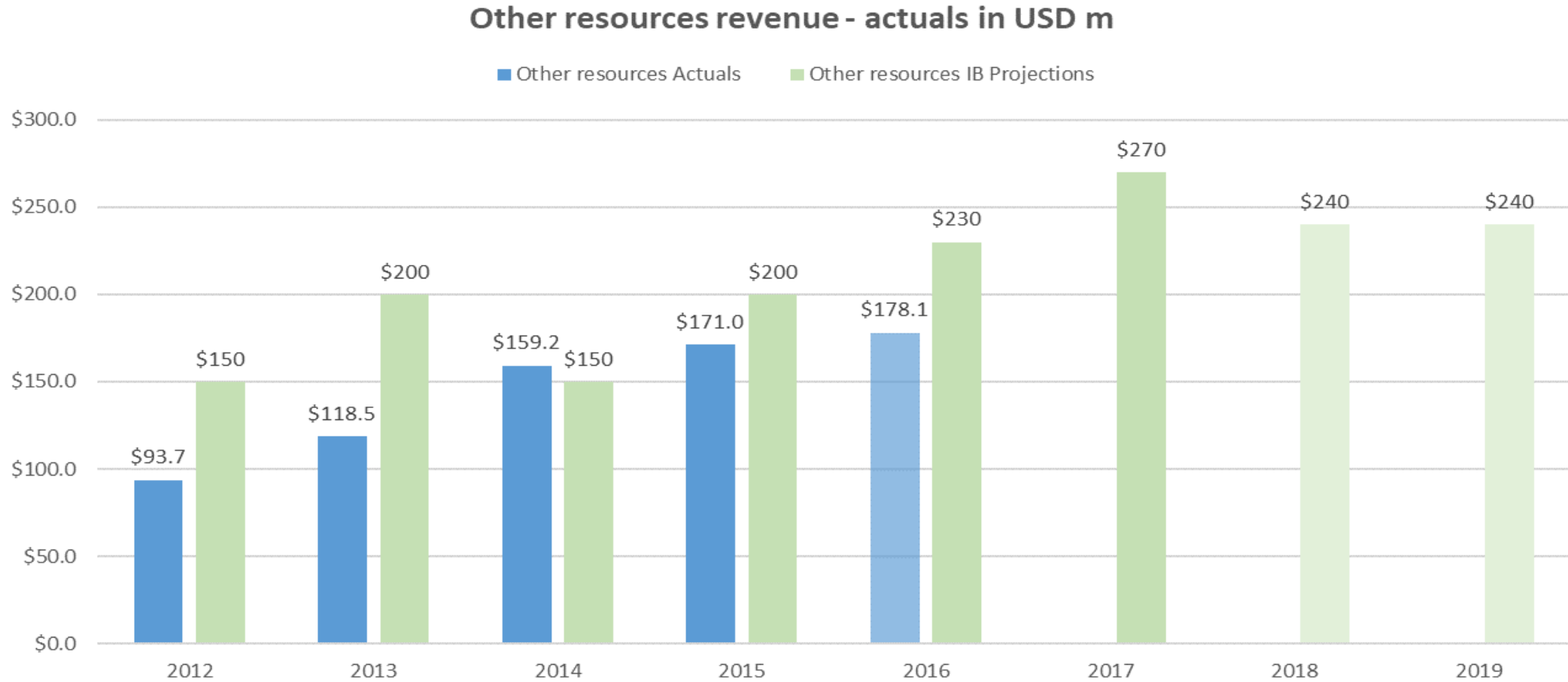


Regular resources (core): actuals and projections



- Regular resources continue to be the bedrock of the funding of UN Women and implementation of the new Strategic Plan.
- Strong growth from 2012 to 2014 - decrease in 2015 mainly due to exchange rates and reduced funding from a few donors.

Other resources (non-core): actuals and projections



- Other resources has doubled from 2012 to 2016 with strong support for expanded presence.
- Projections for 2016 and 2017 were based on prior years' growth trends.

Integrated Budget – **Note** on Resource Mobilization (Para. 9):

*The AAC **notes** that... it continues to encourage the entity to continue to strengthen these fundraising efforts, including by engaging with the private sector, in order to ensure availability of voluntary contributions sufficient to fund its activities.*

Management Response:

- Structured Dialogue on Financing paper notes total contribution increases to UN Women since 2012 have outpaced its UN sister agencies (UNDP, UNICEF, UNFPA), albeit from a low base; and
- 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)
- UN Women has developed a structured resource mobilization strategy for its 2018-2021 strategic plan
- The Strategy reflected on different variables to identify the potential growth in each segment
- Based on the resulting analysis, private sector and joint programming with UN System partners represent the biggest opportunities
- Partnership with Member States still represents the largest funding source
- 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

Headquarters changes in posts

- **Net increase of \$0.3 million**

- ✓ Increase in operational capacity to support field oversight: \$4.2 million increase

- Upgrade of D1 post to D2: Head of consolidated oversight functions (independent and internal audit and evaluation)
- 5 new Internal Audit posts to replace previously outsourced services from UNDP
- Upgrade of P5 post to D1: Chief of Accounts to Deputy Director, Financial Management
- Upgrade of G7 post to P3: Asset Management Associate to Asset & Revenue Management Specialist
- 2 new ICT posts (P3 and P4) for Website Architecture Specialist and Information Security and Compliance Specialist
- 1 new P3 post: ERM and Legislative Specialist

- ✓ Offset by: \$3.9 million decrease

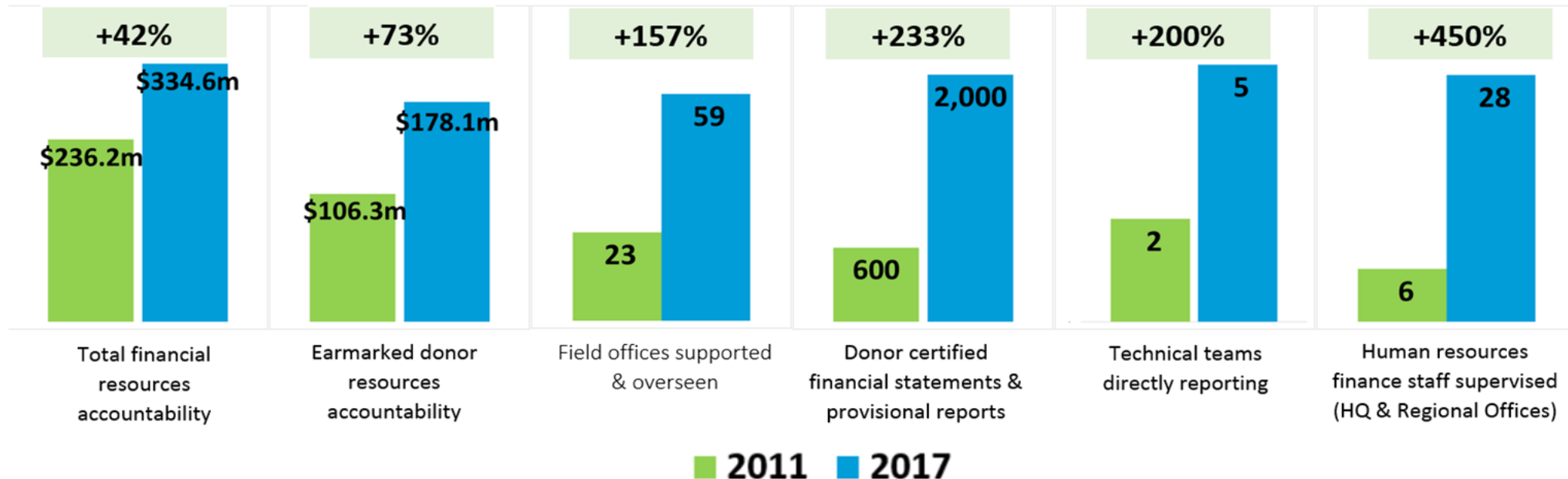
- Program support realignment
- Savings in reimbursements costs to UNDP for Internal Audit
- Savings in ICT costs previously outsourced to consultants and UN shared service center

Institutional Budget – **Considers** on Post change related to operational capacity (Para. 13):

*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.*

Management Response:

- Executive Director, supported by the Audit Advisory Committee, recommend the upgrade of the current P-5 Chief of Accounts post to the proposed D-1 Deputy Director of Financial Management
- 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. Rationale for the upgrade relates to significant increases in responsibilities, financial management operations and workload, as illustrated below:



Institutional Budget – **Considers** on Post change related to operational capacity (Para. 13) continued:

- 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: 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.
- The post will also ensure integration of financial and budgetary work, monitoring, information, and financial management planning and reporting
- 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

Institutional Budget – **Trusts** on Reporting lines for Human Resources Division (Para. 21):

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

Management Response:

- 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
- Human Resources report to the Executive Director, which also facilitates direct and quick information flow for timely decision making.

Other Matters – **Notes** on Personnel under service contracts (Para. 23):

*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*

Management Response:

- 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
- 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
- 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

