

The Establishment of an In-house Internal Audit Function and the Co-location of the Independent Evaluation and Internal Audit Functions

This document is prepared in response to the request of the Executive Board to provide an update on the progress made on the establishment of an in-house internal audit function and the co-location of the Independent Evaluation and Internal Audit.

Informal Session with the Executive Board on 1 February 2018

On 1 February 2018, UN-Women hosted an informal session of the Executive Board wherein senior UN-Women staff presented the update and responded to questions raised. Four weeks prior to the informal briefing referred above, UN-Women circulated and posted on the Executive Board website, information about the following as requested by the Executive Board through decision 2017/6:

- concrete steps UN-Women has taken to establish an internal audit function housed within the organization;
- appropriate assurance and internal audit coverage and the continued independence of the evaluation and oversight functions; and
- measures taken for effective linkages between audit and the outsourced investigation services.

The following additional documents were also made available to the members of the Executive Board:

- Charter of the Independent Evaluation and Audit Services for UN-Women;
- Charter of the Internal Audit Service for UN-Women;
- Multi-year (2018-2021) Rolling Risk-based Audit Plan and Strategy;
- Transitional Risk-based Audit Work Plan for 2018; and
- UN-Women Evaluation Policy.

The following are further concrete steps UN-Women has taken towards the establishment of the internal audit function after the informal session with the Executive Board on 1 February 2018

Internal Audit Service

UN-Women appointed a senior and experienced oversight expert to serve as an Interim Director, Independent Evaluation and Audit Services (IEAS). Till the appointment of the Director of IEAS, the Interim Director is responsible for the implementation of the approved transitional risk-based audit work plan for 2018 and the continuation of the provision of internal audit assurance and advisory services in line with the “International Standards for the Professional Practice of Internal Auditing”. He is also responsible for the proper transition to and, handover of the audit manual, the audit procedures and the system of following-up on outstanding audit recommendations.

While the recruitment of the Chief, Internal Audit Service and the Audit Specialists is in progress, UN-Women has engaged six Senior Audit Specialists to undertake five country office audits. The audits started in March 2018 with the audit reports to be finalized between May and June 2018. It is envisaged that the Audit Specialists will carry out the remaining audit assignments in the approved work plan, i.e. audits of three Country Offices and one Headquarter audit, when they get on board.

For the audit of the Direct Implementation Projects, the Internal Audit Service will continue to work with external audit firms to carry out the audits as done in the past. The selection and awarding processes had been completed in April 2018 and the audit reports will be issued during the third quarter of 2018.

It should be noted that the Audit Advisory Committee (AAC), which is comprised of established experts in financial reporting and programme matters, accounting, governance, internal audit and investigation, evaluation, external audit, internal control, and risk management practices and principles, and United Nations intergovernmental and normative work and processes, will continue to be consulted in the work of the internal audit function, including the reporting on progress made.

Critical Elements of Co-locating the Independent Evaluation and Internal Audit Functions

UN-Women put in place safeguards to ensure that the independence of the evaluation and internal audit functions is maintained and to further strengthen and generate synergies between the two functions.

Independence of the Evaluation and Internal Audit Functions

The evaluation and internal audit functions will continue to be independent both in the organizational and functional aspects.

Organizational independence of both the independent evaluation function and the internal audit function is preserved by having the Director of the Independent Evaluation and Audit Services report directly to the Executive Director and the UN-Women Executive Board. The evaluation and internal audit are operationally independent of the management of UN-Women as clearly defined in the UN-Women Evaluation Policy and the Charter of Internal Audit Service.

The Director of the Independent Evaluation and Audit Services, through her/his annual report to the Executive Board, provides information and/or assurance to the Board regarding the exercise of their organizational independence and that their functions have been free from interference in determining the scope of their work, performing it and communicating its results through its annual report to the Executive Board.

Functional independence of the independent evaluation and internal audit functions are secured through the Evaluation Policy and the Internal Audit Service Charter respectively. The Evaluation Policy provides clear roles and responsibilities with respect to the evaluation at all levels of UN-Women and the independent process of the corporate and decentralized evaluation. The Internal Audit Service Charter sets the parameters to ensure the independence and objectivity of the internal audit function within the UN-Women.

Moreover, under the Charter of the Independent Evaluation and Audit Services, the Director has access to the President of the Executive Board, the Chairpersons of the Audit Advisory Committee and the Global Evaluation Advisory Committee, and the UN Board of Auditors. Thus, should interference or impairment to independence, objectivity and professionalism occur, the Director has the authority to bring the issue to the attention of these authorities who are external to the UN-Women management.

Other measures to safeguard the independence and functional integrity of the evaluation and internal audit functions are the:

- (a) five-year tenure of the Director, with possibility of extension for a second tenure;
- (b) separate budget lines for independent evaluation and internal audit;
- (c) Annual Report on Evaluation Function and Annual Report on Internal Audit and Investigation activities to the Executive Board;
- (d) approval of the evaluation strategy, corporate evaluation plan and its annual work plan by the Executive Director;
- (e) approval of the annual risk-based audit work plan by the Executive Director;
- (f) presentation of evaluation findings and recommendations to the Executive Board; and
- (g) Global Evaluation Advisory Committee (GEAC) and the Audit Advisory Committee (AAC), acting as advisory forums for the Executive Director and the Office.

Generating and Strengthening Synergies between the Evaluation and Audit Functions

Co-locating the independent evaluation and internal audit functions under one umbrella enables these functions to work better together to provide overall oversight and assurance of UN-Women's work and contribute to learning. While using different approaches and methodologies in their respective work, both functions share complementarities and can effectively leverage these in applying synergies with their procedures and processes, such as in planning, execution and reporting. Both functions serve the organizational accountability to governing bodies and donors, and ultimately enhance learning and practices in identified areas for improvement.

The oversight coverage is maximized by possibly eliminating unnecessary redundancies in the areas reviewed.

In practice, the staff of independent evaluation and internal audit share their knowledge of their respective methodologies in their respective work. IEAS will pilot a model in one of upcoming country audits, where the Evaluation Specialist will assist the Audit Specialist in reviewing the programmatic results. In the same token, the Audit Specialist will assist the Evaluation Specialist in reviewing the efficiency component of the evaluation. The lessons learned will be drawn on possible synergies and complementarities between two functions that will better inform planning and implementation of audits and evaluations. Through this complementary work and exchange of know-how, it is expected that UN-Women will maximize oversight coverage, while maintaining functional integrity of internal audit and evaluation.