

Establishment of internal audit service within UN-Women and ensuring synergy with the independent evaluation function

This paper is in response to requests of the Executive Board in its Decision 2017/6 to -

- (a) Present for information the concrete steps it will have taken under the consolidated internal audit and evaluation function to ensure appropriate audit coverage, the continued independence of evaluation and oversight, as well as measures taken to ensure effective linkages between audit and the outsourced investigation services; and*
- (b) Provide for information a transitional risk - based audit plan; a multi-year plan for the audit function; and, an internal audit and evaluation charter for UN-Women.*

A. Concrete steps UN-Women has taken to establish internal audit function

1) Actions taken to ensure smooth transfer and transition of internal audit function from UNDP/OAI outsourced to an independent service housed within UN-Women

- i. UN-Women has engaged a senior and experienced oversight advisor to assist with the immediate requirements of establishing an independent oversight service and manage the transition period until the onboarding of the Director, UN-Women Independent Evaluation and Audit Services (IEAS).
- ii. The oversight advisor worked closely with the UNDP Office of Audit and Investigations (OAI) on agreed actions for proper transfer of the internal audit function to UN-Women to ensure the continuation of the provision of internal audit assurance and advisory services starting in 2018 in line with the “International Standards for the Professional Practice of Internal Auditing”.
- iii. This included, and is not limited to the handover of the 2018 proposed risk-based audit work plan, audit manual, audit procedures and system of following up of the outstanding audit recommendations.
- iv. In addition, a limited Service Level Agreement was signed between UNDP-OAI and UN-Women in December 2017, among others, to provide advisory services for an additional three months for 30 percent of the time of the former Officer-in-Charge for UNDP-OAI’s Audit Unit dedicated to UN-Women.

2) Initiatives undertaken for effective change management and communication

- i. Following the Executive Board's decision in August 2017 to approve appropriations for the institutional budget including the budget for the independent internal audit and the evaluation office, the senior management met and briefed staff of the evaluation office on the decision taken to establish an oversight service housing the independent evaluation and internal audit functions. This included sharing the structure, configuration and posts of the office.
- ii. Input and views from the staff of evaluation office were sought in the process of the establishment of an oversight service including the drafting of the Charter and applying synergies of the two functions
- iii. A communication package has been developed and disseminated throughout UN-Women on the establishment of the internal audit service alongside the independent evaluation function as well as the roles and responsibilities of the new services.

3) Consultations and briefings with Oversight Advisory Committees

- i. Both the Global Evaluation Advisory Committee (GEAC) and the Audit Advisory Committee (AAC) were briefed on the Executive Board's decision and actions taken to date by the UN-Women related the establishment of an oversight service, which consists of internal audit and evaluation functions. The Committees continue to receive periodic briefings and reports on the progress made on these efforts.
- ii. The Chairperson of the Audit Advisory Committee participated in the selection process for the recruitment of key positions related to the establishment of the in-house internal audit function.

B. Appropriate Assurance and the Internal Audit Coverage and the continued independence of evaluation and oversight functions

1) Enhanced Oversight and Assurance Coverage

- i. By placing evaluation and audit functions under one umbrella, these functions shall work together within UN-Women to contribute to providing overall oversight and assurance of UN-Women's work and contribute to learning. While using different methodologies in their respective scope of work, both functions share complementarities and can effectively leverage on applying synergies with their procedures and processes, such as in planning, execution and reporting. This is while minimizing and possibly eliminating unnecessary redundancies in the areas reviewed.

2) Appropriate Assurance and Audit Coverage

- i. An Audit Strategy has been developed to put in place a strategic approach to internal audit function which will allow the Director, Independent Evaluation and Audit Services (IEAS) together with the Chief, Internal Audit Service (IAS) to manage the internal audit service that covers the organization's risk management, control and governance through

periodic risk-based audit plans that are responsive to UN-Women's priorities, strategic objectives and risks.

- ii. IAS will perform its work on the basis of a Multi-year (2018-2021) Rolling Risk-based Audit Plan and Strategy (Annex II), which is aligned with the UN-Women Strategic Plan. The multi-year rolling risk-based audit plan will be revisited each year, taking into account the results of the updated internal audit risk assessment.
- iii. A risk-based annual audit work plan will be drawn from the multi-year rolling risk-based audit plan, which will be flexible and adaptable to the emerging needs and the updated internal audit risk assessment and issues within available resources.
- iv. IAS aims at covering all UN-Women Headquarters units, functions, processes, and field offices on a cycle ranging from three to seven years, depending on the level of risks.
- v. For 2018, a transition year, the approved Transitional Risk-based Audit Workplan for 2018 (Annex III) is based on the proposed UNDP Office of Audit and Investigation (OAI) draft which is based on their experience with UN-Women and the risk assessment of UN-Women that they carried out. The approved Transitional Risk-based Audit Workplan for 2018 is informed by, and aims to complement, the work of the UN Board of Auditors (UNBOA) and factors in recommendations from the Audit Advisory Committee (AAC). The senior management of UN-Women has been consulted during the preparation of the work plan UN-Women
- vi. It is anticipated that IEAS/IAS will audit, in 2018, \$61.7 million or **25.66 percent** of the total estimated expenditures of \$239.7 million. This is an increase over the estimated audit coverage in the 2017 UN-Women Audit plan which was 20.2 percent.

3) Continued Independence of Evaluation and Oversight Functions

- i. The evaluation function is, and will continue to be, independent both in organizational and functional aspects.
- ii. **Organizational independence** of the evaluation function as well as the internal audit function is preserved by the retention of the direct reporting line of the Director of the Independent Evaluation and Audit Services to the Executive Director. The evaluation and internal audit are not part of the management function or process as clearly defined in the UN-Women Evaluation Policy (Annex IV)¹ and the Charter of Internal Audit Service.
- iii. **Functional independence** of the evaluation and internal audit functions are secured through the Evaluation Policy and the Charter of the Internal Audit Service, respectively. The Evaluation Policy provides clear roles and responsibilities with respect to evaluation

¹ UN-Women (United Nations Entity for Gender Equality and the Empowerment of Women). 2012. *Evaluation Policy of the United Nations Entity for Gender Equality and the Empowerment of Women*. New York: UN-Women. Available at: <http://undocs.org/en/UNW/2012/12>

at all levels of UN-Women and the independent process of the corporate and decentralized evaluation. The Charter of the Internal Audit Service sets the parameters to ensure the independence and objectivity of the internal audit function within UN-Women.

iv. Other Measures to safeguard the independence of the evaluation function are:

- (a) the five-year tenure of the Director, with possibility for the extension for a second term;
- (b) the separate evaluation budget line;
- (c) the Annual Report on Evaluation Function to the Executive Board;
- (d) the approval of the evaluation strategy, corporate evaluation plan and its annual work plan by the Executive Director;
- (e) presentation of evaluation findings and recommendations to the Executive Board; and
- (f) the Global Evaluation Advisory Committee (GEAC), acts as an advisory forum for the Executive Director and the Office.

C. Measures taken for effective linkages between audit and the outsourced investigation services

1) Effective Linkage

- i. The Investigation function in UN-Women is outsourced and performed by the Investigation Division, UN Office Internal Oversight Services (UNOIOS), under a Memorandum of Understanding between the UNOIOS and the UN-Women dated 22 November 2017.
- ii. The investigation services cover allegations of fraud, corruption and other wrongdoing, including workplace harassment, abuse of authority and retaliation against whistle-blowers, allegedly committed by UN-Women staff members, non-staff personnel and contractors.
- iii. Paragraph 4.10 of the Memorandum of Understanding provides the linkage and work relationship between the UNOIOS/Investigation Division and the UN-Women IEAS. That is “OIOS will cooperate with the UN-Women’s audit service provider and any other relevant entity in relation to cross referrals.
- iv. In practical terms, there will be situations where UNOIOS would refer a case(s) to UN-Women IEAS:
 - When from an investigation carried out by UNOIOS, the investigator has come to a conclusion that the subject matter is not an action for investigation and should be closed accordingly. However, result of preliminary review in their judgment may indicate that there remain some levels of risk or there are serious weaknesses in internal control that warrant an internal audit to be carried out; and
 - In a similar way, when UN-Women IEAS – Internal Audit Service, during their internal audit assignment may note some issues or red flags of potential fraud or wrongdoing that

should best be referred to UNOIOS for investigation. The information will be relayed to UNOIOS/Investigation for their action.

2) Exchange of Information and lessons learned

- i. A regular meeting between the Director, Investigation Division and Director, IEAS will be conducted to go over issues of interest to both parties. In addition, feedback/follow-up on the above will be discussed and shared.
- ii. When an Advisory Report is issued by UNOIOS to the UN-Women's Director, Management and Administration on the control weakness and control issues as identified from the investigation (paragraph 3.6 of the MOU), OIOS will provide a copy to the UN-Women's IEAS as a matter of cause.

D. Documents provided as annexes for the information of the Executive Board

a. Annex I: Charters

- The Charter of the Independent Evaluation and Internal Audit Services for UN–Women
- The Charter of the Internal Audit Service for UN-Women

b. Annex II: Multi-year (2018-2021) Rolling Risk-based Audit Plan and Strategy

c. Annex III: Transitional Risk - based Audit Workplan for 2018

d. Annex IV: UN-Women Evaluation Policy