Statement by

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on

Item 5: Audit matters
Internal audit and investigation activities (UNW/2015/4)

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

Annual Session, 30 June - 2 July 2015
Mister President, distinguished Members of the Executive Board, ladies and gentlemen,

On behalf of Mr. Helge Osttveiten, Director, Office of Audit and Investigations (OAI), I am pleased to present a brief overview of the internal audit and investigation activities that OAI undertook on behalf of UN Women during the period from 1 January to 31 December 2014.

Mandate

This Annual Report represents the fourth year that UN Women has entrusted the internal audit and investigations functions to the UNDP Office of Audit and Investigations.

I am pleased to report that OAI has enjoyed operational independence, and remained free from interference with its operations during 2014. All audits continued to be performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors.

The quality assurance unit of OAI also continued to review the work of the Audit Unit.

The customer satisfaction survey responses received from the audited UN-Women offices/units indicated, overall satisfaction with the work performed.

Risk-based audit planning

In 2014 we continued to plan our audits using a risk-based approach which relies of 9 risk indicators, both qualitative and quantitative. The risk indicators include items such as programme expenditure, office in special development or political situation. The result of the audit risk assessment helps to prioritize the planning of audits and to focus on offices and functions with a high or medium audit risk. The outcome of this exercise takes into account the work of the United Nations Board of Auditors.

An audit workplan is then prepared that takes into account available resources and input from consultations with management. The audit workplan is presented to the Audit Advisory Committee for advice and then to the Executive Director for approval. All fieldwork for the seven audits planned for 2014 was completed during 2014 as planned.

Audit reports issued in 2014

OAI issued eight audit reports in 2014, four relating to the 2013 audit work plan and four stemming from the 2014 work plan. The percentage of total expenditures audited in 2014 represented a coverage pf 23% equivalent to an increase by approximately 6% over the previous year.

Audit ratings

In 2014, 3 Offices were assigned an overall rating of “Unsatisfactory” which meant that the UN-Women’s internal controls, governance and risk management processes were either not established or not functioning well, elevating the risk of not achieving the overall objectives of the Office and ultimately that of UN-Women. Of the remaining 5 Offices, 4 were rated as
“Satisfactory” and one as “Partially Satisfactory” which may be a positive indication of improvements in the control environment in UN Women Offices.

Disclosure of internal audit reports

In accordance with Board decision 2012/10, we continued to disclose all internal audit reports. The UN Women Audit Unit partially redacted one internal audit report as it contained sensitive information regarding safety and security.

Staffing and budget

The 4 posts authorized for the UN Women Audit Unit were fully staffed, with the exception of a period of approximately 2 months at the end of the year. As of mid-January 2015 the unit is once again fully staffed.

The Audit Unit utilized $1.01 million of the total budget of $1.21 million. The underspending of approximately 8 percent of the budget, resulted mainly from cost savings related to staff salaries and benefits and the use of OAI staff rather than consultants on investigation cases.

Significant internal audit results

The eight audit reports contained an aggregate of 59 recommendations of which 30 were rated high-priority, about 51%. The key high priority recommendations related to:

- For Headquarters Units, the audit observations included lack of clarity regarding resource needs; mandate and/or responsibilities for monitoring & oversight; reporting and training;
- For Field Offices the audit recommendations covered:
  - Ineffective management of advances made to implementing partners, and
  - Inadequate or absence of a resource mobilization strategy

Recurring Issues – Top 5 Watch List

Based on the audit reports issued to date and reported to the Executive Board since 2012, the top 3 recurring findings relate to:

- Resource mobilization: Delays in strategizing and initiating mobilization of funds evidenced by lack of or absence of resource mobilization strategy, unrealistic or unattained non-core funding targets, and ineffective communication with donors and inadequate capacity to perform resource mobilization function
- Project monitoring and oversight: Inconsistent and insufficient monitoring activities) and inadequate management of advances to implementing partners
- Procurement: Lack of procurement planning and strategy, weak vendor due diligence, lack of contract management

Follow-up on audit recommendations
As of 31 December 2014, UN Women has implemented 75 percent of the recommendations issued since 1 September 2010.

At 31 December there were 3 recommendations that have been outstanding for more than 18 months, 2 of these were rated high and 1 medium. Two of the three recommendations were implemented during the first quarter of 2015.

Advisory services

The Audit Unit continued to provide, upon request, advice to UN-Women managers at headquarters and field offices covering a broad range of topics including the EC Pillar Assessments, contractual clauses, and amendments to policies and procedures.

Independent external oversight

The members of the Audit Advisory Committee met with the Chief, UN Women Audit Unit, the Director of OAI and the Deputy Director of OAI’s Investigations Section, four times during 2014. The Committee reviewed the audit unit’s progress on the 2014 audit plan, as well as on the audit and investigation activities during the year.

Further, OAI has shared relevant documents with the Board of Auditors in an effort to promote coordination and efficiency.

Mister President, distinguished members of the Board, I will now turn to the Investigations function.

Investigations

As requested by Member States during the annual session last year, we have provided with information on the disposition of cases in 2014 with comparisons for 2013 and the financial significance of the cases involving financial irregularities. In addition to the 9 cases brought forward from 2013, 17 new cases were reported in 2014. No financial losses were identified in cases investigated and closed during 2014.

As at 31 December 2014, the carry forward case load consisted of 9 cases.

Overall conclusion

The conclusion is that OAI has been able to effectively provide audit and investigation services to UN-Women. Management has taken steps to address the audit recommendations. No financial losses were identified in cases investigated and closed during 2014.

Mister President and distinguished Members of the Board, I thank you for the opportunity to present this summary of the Audit and Investigations activities for 2014 and I am at your disposal to provide any clarifications that you may require.