Statement by

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Chair of Audit Advisory Committee
UN-Women
on

Item 4: Audit matters
Tuesday 28 June 2016 at 10 am
Report of the Audit Advisory Committee (UNW/2016/4/Add.1)

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

Annual Session 27 – 28 June 2016
Mister President, distinguished Members of the Executive Board, ladies and gentlemen,

It is my privilege as chairperson to introduce the fourth report of UN-Women’s audit advisory committee to you. The report covers the activities of the committee for the third full year from 1 January 2015 to 31 December 2015.

/Constitution of audit advisory committee/

The founding Executive Director, Madame Michelle Bachelet, formally constituted the audit advisory committee in September 2012.

In accordance with the Terms of Reference, five independent members were appointed to assist the Executive Director in fulfilling her oversight responsibilities.

The committee members serve for an initial period of three years which is renewable once.

As at 31 December 2015, the committee was comprised of four members, and after April 2016, only 3 members. It is in the process of being renewed. It is important that the committee continues to have the appropriate balance of skills, experience and diversity to carry out its function effectively and ensure its continuity.

/Activities 2015/

The audit advisory committee held four face to face meetings during 2015. In addition to formal meetings, the committee members continued their internal consultations, document review and provision of advice to UN-Women management.

The committee met with the Executive Director, the two Deputy Executive Directors and relevant programme and operational senior management throughout 2015. The committee also held in camera meetings with the Executive Director, the UN Board of Auditors, the Director of Audit and Investigations and UN-Women’s Legal Officer.
As mentioned by the Executive Director yesterday in her opening statement, two members of the AAC visited the Panama Regional Office and the Paraguay Country Office in March 2016.

AAC members felt that the field visit was highly beneficial and allowed them to better understand the impact of UN-WOMEN’s work. The visit reinforced the importance of UN-Women’s triple mandate – that is, its normative, operational and coordination work.

Mister President, distinguished members of the Board,

Let me now turn to the observations noted by the committee members:

/Regional architecture and organizational challenges/

During 2015, UN-Women experienced an ongoing transition of senior management, which created some vacant positions. The committee supports UN-Women in ensuring that appropriate staff complements are in place in Headquarters and in field offices and that the necessary training and learning is provided to fully implement appropriate risk management and control strategies and frameworks throughout the Entity.

As noted previously, and given that the implementation of regional architecture was one of the Entity’s organizational priorities, the committee supports UN-Women’s continued monitoring of its key performance indicators (and the results of the current evaluation of regional architecture), such that it will be in a position to report substantively on the realization of benefits, including operational efficiencies, which were expected as a result of decentralization.

/Programming initiatives/

The committee supports UN-Women’s Flagship Programming Initiatives intended to focus on a small number of larger programmes, facilitate resource mobilization through a more coordinated effort, and build partnerships in the field to actualize transformative change.

/Funding framework and resource mobilization/
The committee appreciates the elements included and the complexities of UN-Women’s Funding Framework and budgetary processes and underscores the importance of ensuring transparency and cost alignment in the funding framework. The Committee understands that a cost-recovery policy was formalized in December 2015 to support managers in costing appropriately.

One key aspect of UN-Women’s financial realities is its resource mobilization targets and strategies. The committee recognizes that UN-Women developed a Resource Mobilization Strategy 2014-2017 and continues to define and implement that strategy, including a Private Sector Engagement Strategy.

The committee understands that allocation of resources and mobilization targets and strategies may need to be improved at regional and country offices. Having standard resource mobilization targets at field offices may not be realistic, given the unique environmental and organizational factors found at the various field offices. Without clear assignment of responsibility and realistic targets, the risks of not meeting resource requirements are increased, and resources may not be sufficient for UN-Women to carry out its mandate.

Furthermore, the committee recommends prudence by UN-Women in establishing overly ambitious resource mobilization targets to guard against a tendency to accept all monies, which could lead to non-reversible long-term commitments and future risks to the Entity’s core mandate.

/Enterprise risk management/

The committee supports UN-Women’s efforts to date in approving its enterprise risk management policy and by using a phased approach to begin implementing the strategy, through embedding and mainstreaming enterprise risk management into its business processes. The committee underscores the importance of clearly identifying accountability and responsibility for risk ownership, and aligning and integrating the Entity’s internal control framework principles and practices with those of the enterprise risk management framework.

/Evaluation function/
The committee continues to stress the importance of appropriately resourcing the evaluation function both centrally and decentrally. To assist in this respect, the committee suggests that UN-Women undertakes a benchmarking review/assessment with comparable international evaluation functions, particularly with regard to staffing and resources.

/Internal audit/

The committee recognizes that UN-Women entered into a Service Level Agreement with the Office of Audit and Investigations (OAI) of United Nations Development Programme (UNDP) in December 2011 to conduct internal audits and investigations on behalf of UN-Women. The committee notes that two further agreements, each for an additional two years, were entered into in December 2013 and December 2015.

Because internal audit continues to be outsourced to UNDP, which undertakes some administrative functions on behalf of UN-Women, it is important that compensating controls be established within UN-Women to ensure that internal audit meets the needs of UN-Women. The committee reiterates the importance of having an independent organizational focal point in UN-Women to oversee internal audit activities and ensure the results are integrated into the senior management structure.

The committee recommends that UN-Women continues to study options (including resources required) for the most appropriate model to deliver internal auditing – through outsourcing or as an in-house function – ensuring that value for money is obtained and the appropriate level of audit assurance and resources is provided.

Determining the level of internal audit assurance required, along with the commensurate resources, is particularly important in view of Executive Board Decision 2015/4, which included a request for an annual opinion, based on the scope of work undertaken, “on the adequacy and effectiveness of the Entity’s framework of governance and risk management and control and a view on whether resourcing “is appropriate, sufficient and effectively deployed to achieve the desired internal audit and investigation coverage.”

As such, the committee reiterates the importance of regularly monitoring and assessing internal audit resource levels and capacity to ensure that they are appropriate and sufficient to address the overall assurance needs
of UN-Women. The committee understands that several discussions took place during 2015, where OAI requested additional resources for 2016. The actual 2016 budget allocation provided to OIA is not permitting it to deliver on the approved 2016 work plan, which had been reviewed by this committee. The number of internal audit activities was reduced. The committee cannot over-emphasize its support for the continued strengthening of the internal audit services of UN-Women in order to ensure sufficiency of audit coverage in audit plans.

/Investigations/

The committee stresses the importance of relevant UN-Women senior management receiving timely reports, setting out the current investigation cases as well as management action taken as a result of closed investigation cases. This will ensure that cases which warrant investigation are appropriately followed up and UN-Women's accountability for decision-making and results are assured.

/Financial statements/

In April 2015, the committee reviewed UN-Women's 2014 draft financial statements.

The committee commends UN-Women on receiving an unqualified audit opinion from the Board of Auditors for the fourth consecutive year since its inception in 2010 and on its continued improvements in financial reporting.

As noted by the Executive Director yesterday, UN-Women may also have an unqualified opinion on its 2015 financial statements.

The committee reiterates that UN-Women continue to monitor closely the management of advances made to implementing partners and understands strategies are being developed to address the issues.

/Relationship with UNDP/

The committee underscores the importance of UN-Women ensuring that functions outsourced to UNDP are performed appropriately and represent value for money.
Conclusion

The committee expresses support for the continued strengthening of governance, risk management, internal controls and accountability at UN-Women. However, the committee is concerned that the current funding situation of UN-Women may affect its ability to adequately resource key accountability functions and activities such as internal audit (including increasing audit coverage), enterprise risk management, and monitoring and oversight.

The committee supports the continued collaboration of UN-Women with partners within and outside the United Nations system in achieving its strategic objectives in advancing gender equality, promoting the empowerment of women and girls and ending violence against women.

I would like to express my appreciation for the continuing support of the Executive Director, Madame Phumzile Mlambo-Ngcuka, the senior management team, the internal audit team under the leadership of the Director of Internal Audit and Investigations, the Director of external audit and the team at the UN Board of Auditors, and to you, the Executive Board.

Mister President and distinguished Members of the Board, I thank you for your attention. I would be happy to respond verbally or in writing to any questions you wish to raise.