



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

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Item 5 of the provisional agenda

**Audit and investigation matters**

## Report of the Advisory Committee on Oversight for the period from 1 January to 31 December 2023

### *Summary*

This report of the Advisory Committee on Oversight (ACO) outlines the activities of the Committee in 2023, the topics reviewed, and the observations and recommendations made to UN-Women about its overall systems of governance, accountability, and control. The Committee recognizes the continued leadership role that UN-Women played in responding to the development of gender-responsive programming and the exceptional energy devoted to promoting assessments of Beijing +25 commitments through the Generation Equality efforts. The ACO also noted the ongoing business transformation within UN-Women to enhance organisational effectiveness and efficiency, to equip the Entity to deliver results at scale, as a key partner in a repositioned UN development system. At the same time, the ACO has continued to advise UN-Women leadership on the need for more robust systems of corporate internal governance, resource coherence, and control mechanisms.



## I. Introduction

1. Pursuant to item 32 of the terms of reference of the Advisory Committee on Oversight (ACO), the twelfth report of the Committee to the Under-Secretary-General/Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) provides a summary of the activities undertaken and the assessments and advice given by the ACO in 2023. The present report is made available to the Executive Board, and upon request, the Chair presents the report to the Board.

2. In October 2023, the Under-Secretary-General/Executive Director approved the updated terms of reference for the ACO, which are available here: <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/About%20Us/Accountability/UN-Women-Advisory-Committee-on-Oversight-Terms-of-reference-en.pdf>. The terms of reference outline the purpose of the ACO, which is to assist the Executive Director of UN-Women in fulfilling her oversight responsibilities in accordance with relevant best practices in governance, internal control, and risk management. The Committee has an advisory role and is not a governance body. The terms of reference were updated to reflect the appointment of the Ethics Advisor within UN-Women and the ACO's responsibilities in this regard.

3. The members of the Committee are listed in Annex 1. As a body, the Committee membership represents expertise in financial reporting and programme matters, accounting, governance, internal audit and investigation, evaluation, external audit, internal control, and risk management practices and principles, as well as United Nations intergovernmental and normative work and processes. Members are independent of and external to UN-Women. Additionally, Committee members complete an annual confirmation of independence for the Under-Secretary-General that ensures transparency, without compromising any interests.

## II. Advisory Committee on Oversight activities as of 31 December 2023

4. In 2023, the Committee held three in-person full committee meetings. In addition, the Committee held other sessions on specific topics, such as the detailed review of UN-Women 2022 financial statements prior to their submission to the Executive Director; an update on the external consultant's recommendations on pivot to the field; and a review of the Internal Audit Service's risk assessment and plans for 2024. The schedule of the ACO's meetings in 2023 is attached as Annex 2 to this report.

5. UN-Women participants in full Committee meetings included, among others, the Chief of Staff, the interim Deputy Executive Directors (DED) and relevant representatives of senior management in charge of programme and operational and internal oversight matters. As required, the Committee held private sessions with the UN Board of Auditors (UNBoA), Director of the Independent Evaluation and Audit Service (IEAS), and Ethics Advisor without management present. The ACO also held a private session with the outgoing DED for Resource Management, Sustainability and Partnerships before her departure in April 2023.

6. The ACO met with Office of the Ombudsman which provides services to UN-Women for resolution of workplace conflicts. A separate meeting with Investigation Division of the Office of Investigation and Oversight Services (IOS) of the United Nations, which provides investigation services to UN-Women, will be

scheduled in 2024. However, information on investigation activities was received via IEAS reports.

7. The Chair of the Committee participated in the annual session of the Executive Board in June 2023 to present the Annual Report. She also participated in the Eighth meeting of the Representatives of the UN System Oversight Committees on December 5 and 6, 2023.

8. The ACO's scheduled meeting with the Under-Secretary-General/Executive Director in October 2023 was postponed due to emergency matters related to the Israel/Gaza crisis. In her absence, the Chief of Staff represented her in the private meeting with the ACO. The ACO will follow-up on a meeting with the Executive Director in 2024. The Entity operated without two DEDs for most of 2023 and the positions were filled only recently.

9. The Committee prepared summary points of advice for the Executive Director and the two interim DEDs after each formal meeting. Follow-up actions resulting from meeting deliberations were circulated to relevant managers through the ACO Secretariat.

### **III. Advisory Committee Review and Advice: Oversight Functions**

10. This section of the report will cover the Committee's review of and advice on the various oversight functions relating to UN-Women. Although Internal Audit and Evaluation are housed within the framework of the Director of the Independent Evaluation and Audit Service (IEAS), the observations for the two areas will be separately reported in this section.

11. Observations related to IEAS:

a. The Director of the IEAS and her staff continue to be held in high regard as respected independent advisors for UN-Women. The findings from both audits and evaluations are discussed with senior management on a regular basis.

b. The IEAS continues to proactively identify the need for conducting advisory assignments and assessments of new programmatic efforts and major initiatives, using audit and evaluation skill sets. Generation Equality, pivot to the field, and Quantum system implementation are recent examples of initiatives where IEAS has provided advisory services. The results of this advisory work have significantly assisted UN-Women in its overall internal governance, risk management and programming decisions.

c. The Director of IEAS and her staff have been included as active observers in the internal governance and decision-making bodies in UN-Women, such as the Business Review Committee (BRC), which continue to evolve. As UN-Women revises its internal governance structure, the ACO advises that an appropriate forum should be established to ensure focused discussions on IEAS matters.

d. The ACO also recommends that the Executive Director has bilateral meetings with the Director of IEAS on a quarterly basis. These meetings would offer an opportunity for discussing the significant themes and implications arising from IEAS findings on UN-Women's performance. Additionally, they could strengthen management's support for and the independence of IEAS function within UN-Women.

e. The Committee continues to recognise the benefits to UN-Women from the co-location of the Independent Internal Audit Service (IAS) and Independent

Evaluation Service (IES). Although these services remain distinct and independent, with separate staffing and budget structures, they collaborate by jointly conducting evaluations and audits of key Country Offices, as well as exchanging information regarding corporate reviews.

f. The Committee affirms that IEAS functions independently in working to provide assurance regarding the governance, risk management and the control environment in UN-Women.

## **A. Internal Audit: The Internal Audit Service (IAS)**

12. The Committee engaged with IAS throughout the year by reviewing its workplan and status of the plan as well as any impediments in its work during the year.

13. The Committee has reviewed the Report on Internal Audit and Investigation activities for the period from 1 January to 31 December 2023 to be submitted to the Executive Board at its annual session and has taken note of the significant audit findings contained in it as well as the results of investigation activities.

14. Common themes for UN-Women's consideration continue to emerge from IAS's work, both in assurance reports, which cover country and regional offices and headquarters operations, as well as in advisory assessments and services on specific topics, including Quantum implementation and Generation Equality. Many of these themes and observations from other oversight functions will be addressed in Section IV of this Report.

15. Observations:

a. The ACO notes that the IAS has consulted with the UN Board of Auditors and IES and has considered the workplan of the UN Joint Inspection Unit in planning and coordinating its audit activities to prevent duplication of efforts and in order to expand an oversight coverage. This remains important in terms of the overall assurance available to UN-Women.

b. IAS received the highest rating by the External Quality Assessment conducted by the Institute of Internal Auditors in early 2023 and has made good progress in addressing the recommendations from the assessment. The assessment affirms the high standard of work and professionalism of the internal audit function within UN-Women.

c. The ACO notes that the number of internal and external audit recommendations to UN-Women have increased by more than 30% in 2023 (as compared to 2020). As of 28 February 2024, the IAS reported a total of 212 past-due audit recommendations, with 52 items outstanding for more than 12 months and 45 items classified as high priority. While progress was made in addressing some long outstanding audit recommendations in 2023, there remains scope for further improvement. To instil better discipline and accountability on compliance with audit recommendations, management is planning to track the standardised performance indicator for managers to address audit recommendations and long outstanding issues. The ACO will monitor the effectiveness of the tracking mechanism and assess the resource adequacy to ensure timely resolution of all audit recommendations, which is critical for fostering a robust control environment in the organisation.

## **B. Evaluation function: Independent Evaluation Service (IES)**

16. The Committee engaged with IES throughout the year, reviewing progress on its plans for 2023. It has also reviewed the Report on the Evaluation Function for 2023 and the evaluation results and findings contained therein.

17. The Committee receives continued updates about IES's role and activities in strategic evaluations, decentralized evaluations, the Service's planning and priority-setting process for evaluations, its support for gender responsive evaluations within the UN system, and its role in strengthening the use of evaluations.

18. Observations:

a. In line with ACO's continued emphasis, the Committee is pleased to note IES's focus on leveraging evaluation findings to inform UN-Women's corporate planning and decision-making processes. Throughout 2023, IES had regular communication with the Senior Management, the Business Review Committee, and actively contributed to technical review processes such as the Project Appraisal Committees (PACs), at both regional and global levels. IES also collaborated with the corporate Strategic Planning Unit to update the Strategic Note Development Package, ensuring that evaluations are used as an integral part of UN-Women's multi-year strategic planning processes at country, regional and headquarters levels via the development of Strategic Notes.

b. In 2023, IES increased its efforts to conduct independent strategic evaluations designed to assess and understand the broader impact of UN-Women's work and support the development of future planning and strategies. That is, to gain insights and lessons beyond the evaluations conducted for individual programmes and projects. In this regard, IES worked on ten corporate evaluations and studies to evaluate the Entity's impact on promoting gender equality and women's empowerment. Of these evaluations, four have been completed, namely on UN-Women's contribution to women's economic empowerment; on UN Women's work on climate change; on UN women's work on the production and use of gender statistics and data; and on UN Women's engagement with civil society in the Americas and Caribbean region. The Committee acknowledges that these completed evaluations have yielded findings and recommendations intended to enhance the efficiency and effectiveness of UN-Women's broad initiatives in these areas. Furthermore, two synthesis reports on advocacy and communications; and on SDG5, conducted collaboratively with UNICEF, UNDP, UNFPA and WFP – provided meta-analyses to support future planning.

c. In addition to corporate evaluations, IES also led 'decentralized' evaluations (regional, thematic, and country portfolio evaluations). In 2023 IES conducted six country portfolio evaluations and three regional thematic evaluations. There are increasing IES-led efforts to synthesize lessons from these decentralized evaluations to gain insights beyond individual programs and projects.

d. With the increasing demand for decentralised evaluations, the ACO highlights the importance of strengthening evaluation capacity within UN-Women. The Committee is pleased to note that IES has led efforts in this regard by developing and maintaining several tools and training courses to improve the skills of UN-Women personnel and its implementing partners on evaluation. These efforts include country-level training provided to enhance key stakeholders' understanding of monitoring and evaluation principles as well as UN-Women's evaluation practices.

e. Throughout 2023, IES continued to invest in various communication products and platforms to promote the use of evaluation findings globally. These initiatives include user-friendly knowledge products, learning partnerships and

initiatives, webinars and online trainings, as well as outreach on social media platforms, that encouraged UN-Women personnel and stakeholders to use evaluation findings in a variety of ways.

f. The Committee notes the ongoing efforts of IES staff in promoting gender-responsive evaluations across the UN system. This includes their leadership roles in UNEG working groups, support for the co-chair function of the EvalGender+ initiative, involvement in development of UN system-wide frameworks for United Nations Sustainable Development Cooperation Framework (UNSDCF) evaluations, and advocacy to promote gender-responsive evaluation in the UN System. In addition, IES contributes to national evaluation capacity-building through the Global Evaluation Initiative. This is crucial considering the importance of country-led evaluations in achieving the Sustainable Development Goals in the UN's Agenda 2030.

### **C. Investigation Function**

19. The Committee received updates on investigation activity and outcomes from the Director of IEAS.

Under the terms of the Memorandum of Understanding (MOU) with UN-OIOS, the Director of IEAS serves as the responsible official in UN-Women for co-ordinating and receiving information/reports on investigation activities and handling relevant referrals, with the support of a UN Volunteer.

20. IEAS continued to support work led by management on the Anti-Fraud program at UN-Women. Among others, it conducts reviews and compiles lessons-learned relating to fraud and other potential misconduct risks in recruitment practices, the management of implementing partners, and in cases of partner advance write-offs. IAS also assisted management in preparing its fraud assessment and fraud prevention training and in enhancing anti-fraud awareness within UN-Women.

21. In September 2023, the IEAS was notified that it would receive funding sourced from UN Women's unspent cash balance, to establish an internal investigation function within IAS. This function will collaborate with UN-OIOS, enhancing the capacity to investigate the lower-profile allegations. Actions to operationalize the hybrid model in 2024 are in progress.

22. Observations:

a. The development of a hybrid model for investigation demonstrates senior management's commitment to integrity and ensuring sustainable investigation capacity. Anticipating a growing demand for investigative services under the hybrid model, it becomes imperative to ensure its continued availability through adequate funding and capacity.

b. The ACO notes that the current funding for the hybrid model is limited to a two-year period. It is essential to explore avenues for secure and sustained resources for this function. These should not be reallocated from resources within IEAS, as doing so could potentially undermine the Internal Audit and/or Evaluation functions.

### **D. Ethics Function**

23. In response to the recommendations from IEAS and the UN Joint Inspection Unit (JIU) in their various reviews of ethics and integrity culture and fraud risk management, UN-Women appointed its first in-house Ethics Advisor in April 2023.

This Advisory has replaced the baseline ethics service previously provided by UN Ethics Office to UN-Women for nearly ten years.

24. The Ethics Advisor reports directly to the Executive Director and is responsible for supporting the achievement of UN-Women's objectives by contributing to adherence to UN- Women's rules, values, and standards through the provision of advice and guidance, training and outreach. The Ethics Advisor is also responsible for the administration of the Financial Disclosure program and the implementation of the policy on Protection from Retaliation.

The ACO met separately with the new Ethics Advisor in its July 2023 meeting and reviewed the first interim report on UN-Women's Ethics Function to the Executive Board in August 2023.

25. Observations:

a. The in-house ethics function in UN-Women is a positive step forward in setting the basis for strong ethics culture within the organisation.

b. The Committee notes the progress made by the Ethics Advisor in establishing the ethics function within UN-Women during the year, ensuring its confidentiality and independence. These include raising awareness among personnel regarding the role of the ethics function, establishing the channels and procedures to ensure the delivery of ethics services to UN-Women personnel, and the review and issuance of a new policy on Protection from Retaliation.

c. As a one-person function, the Ethics Advisor received support from the Executive Director's office, Human Resource colleagues and the Ethics Panel of United Nations (EPUN) to operate successfully. UN-Women should monitor this capacity to ensure an ongoing sustainable and independent implementation of the Ethics Advisor's mandate.

## **E. Board of Auditors**

26. The ACO met the UN Board of Auditors (UNBoA) in a private session at its July 2023 meeting when it reviewed the UNBoA Report for financial year 2022. In follow-up presentations, the ACO received updates from UN-Women management about the status of the recommendations contained in the UNBoA management letter and reports.

27. Observations:

a. There was good progress noted in the implementation of prior-year (2020–2021) UNBoA audit recommendations. It was reported that 70% of these recommendations were closed as of 31 December 2022, while most of the remaining issues were targeted to close by 2023/2024.

b. The 2022 UNBoA Report identified 18 recommendations. 8 of these were considered key and include recommendations related to weaknesses in implementation of UN-Women's strategic plan; limited progress on environment matters under programme management, and issues with private sector partnership assessment. Management is making progress to close the 2022 audit issues by end 2024.

c. The ACO notes that the Entity received an unqualified audit opinion from the UNBoA on its 2022 financial statements for the 12th consecutive year. With the implementation of the new Quantum system in January 2023 there were concerns that the outstanding Quantum issues could impact on the accuracy of financial reporting. However, management has confirmed that most of the Quantum production issues

related to financial management have been addressed or appropriate workarounds will be implemented before the finalisation of financial statements. In addition, along with other Quantum partner agencies, an independent system audit of Quantum is being undertaken to provide assurance on the Quantum operating environment before the final audit of the 2023 financial statements.

#### **IV. Advisory Committee Review and Advice: Internal Governance, Risk Management and Control Systems; Operational and Programme Management**

28. This section of the report will provide a summary of the Committee's advice to the Executive Director on good practices regarding UN-Women's accountability framework and systems, including governance, risk and financial management.

##### **A. Resource Level Risk**

29. In the previous Annual Reports, the Committee has consistently highlighted the shortfalls in regular resources (core and institutional budget) and encouraged UN-Women to develop an organizational footprint which operates under more realistic resource estimates.

30. The ACO remains concerned that the UN-Women's funding structure has changed with regular resources no longer representing majority of its funding since 2014. Non-core resources now represent over 70 percent of the funding. This shift towards reliance on non-core diminishes the proportion of total resources to corporate functions, both in the field and at headquarters. While the Entity has successfully attracted non-core resources in recent years for initiatives such as Spotlight, pandemic-related programming, and humanitarian programs in conflict areas, these additional resources have introduced risks and have not provided a stable source of baseline resources needed for robust internal governance structures and second line of defence functions.

31. During 2023, the Committee noted that the Entity has adopted certain measures to deliver its work despite significant shifts in contributions from major donors. However, the continued low proportion of core (regular) resources have negatively affected key internal governance functions such as Human Resource and other management and oversight functions, posing significant challenges for these functions in carrying out their operations.

32. The audits and evaluations of Country and Regional Offices have shown that resource limitations continue to hamper the ability of Country Offices to achieve their objectives. Many offices operate with short-term staffing modalities with high turnover, leading to lack of skills retention and a loss of institutional knowledge.

33. Direct project costing from non-core resources to support corporate functions represents an opportunity to address the challenges arising from the declining proportion of core to non-core resources. The ACO encourages timely implementation of this initiative.

34. The ACO observed that the Entity's overall business model requires highlighting tangible and data-informed results achieved through core funding. Determining the amounts of core funding that are essential to achieving these results will inform the Entity's strategic approach to resource mobilization.



35. The ACO notes that IEAS has completed an audit on resource planning, budgeting and allocation in May 2023 and urges timely implementation of the recommendations arising from this review.

## **B. Change Management and Restructuring**

36. Over the past few years, UN-Women has been engaged in change management and restructuring process to enhance organisational effectiveness and efficiency. However, many proposed changes have yet to be fully implemented or integrated. The ACO has repeatedly underscored the risks associated with these delays and uncertainties.

37. In 2022/2023 UN-Women has appointed an external strategic consultant to build upon prior assessments of organisational risk and changes, including those conducted by IEAS. The strategic consultant's report, delivered in April/May 2023, outlines recommendations for realigning the Executive Director's Office as well as a strategy for pivoting strategic functions from headquarters to the field (pivoting to the field) over the next two years.

38. UN-Women's leadership needs to promptly determine the most effective way to operationalise the consultant's recommendations to minimize potential risks, particularly around human resources management. While the initial strategic consultant has provided strategic guidance on this process, it was noted that another external consultant will develop the operational details for this pivot, including the identification of the functions and site selection for relocation. The ACO emphasizes the necessity of alignment between the work of these two consultants.

39. The Committee advises UN-Women to establish a reasonable timeline for implementing the necessary changes and to make tough decisions regarding relocating staff from its New York headquarters to more cost-effective locations, ultimately enhancing field support and achieving long-term cost savings. To mitigate the heightened HR-related risks, it is important to uphold fair and consistent principles during the transition, ensuring transparent communication and keeping staff informed about upcoming developments.

40. Recognising the potential impact of pivot to the field on staff morale, the ACO warns of potential employee resistance leading to disputes and liabilities for the Entity. Effective communication and holistic approaches, including supporting the utilisation of informal dispute resolution channels such as the Ombudsman Office, are recommended.

41. Re-establishing robust internal governance structures is deemed critical by the ACO to navigate the risks inherent in any major change management exercise. The recent appointment to fill the two Deputy Executive Director vacancies is a positive step towards achieving this objective.

42. In summary, UN-Women must act swiftly to operationalize recommendations, uphold transparent communication, and manage staff concerns to navigate the challenges of organisational transformation successfully.

## **C. Generation Equality**

43. The Generation Equality initiative is a multi-stakeholder programme involving governments, civil society, private sector, and various stakeholders, including UN agencies, with the aim of advancing gender equality and women's empowerment. Generation Equality's scope extends beyond UN-Women's thematic offering and also

focuses on building the number and quality of strong commitments in this area and driving their implementation. The initiative emphasizes accountability and transparency for all commitments and energizing a multi-stakeholder ecosystem that builds political will, advocacy and action for gender equality.

44. In 2023, the ACO noted progress in the Generation Equality initiative with the appointment of the Project Executive to lead communication and implementation efforts. The Committee acknowledges plans to enhance the project implementation structure as it progresses towards a 2026 completion date. The ACO took note of the Generation Equality Accountability Report 2023, which highlighted successful engagement with and significant commitments from partners. However, concerns persist regarding the lack of clarity on the integration of the initiative into UN-Women's Strategic Plan priorities, posing potential reputational risks. However, lack of clarity on UN-Women's main responsibility as convenor of commitment makers creates a risk that UN-Women may be held accountable for any lack of progress on implementation of partners' commitments.

45. Considering its multi-stakeholder nature, greater clarity is needed on Generation Equality's resource mobilization, performance monitoring, evaluation framework, technological support and strategy for localization. The ACO recommends the establishment of a well-articulated accountability framework for recording results at all levels of responsibility, with an emphasis on capturing contributions to the Sustainable Development Goals (SDGs).

46. To address the complex governance issues, it is crucial to clarify Generation Equality's positioning as a global platform under UN-Women for co-ordinating gender equality commitments and actions. Communication of the strategic vision for Generation Equality, translating into on-the-ground actions for UN-Women is essential for both internal and external stakeholders.

## **D. Human Resources**

47. The ACO has highlighted in prior Annual Reports the resource limitations facing UN-Women's Human Resource (HR) function and the associated risks. In July 2023, the HR office provided an update on this situation to the ACO.

48. The Committee acknowledges the increased recognition by management of the importance of the HR function and the necessity to strengthen HR leadership within UN-Women. In 2023, an independent benchmarking study was conducted to evaluate the organisation's investment in its HR function. The study affirmed the ACO's concerns, indicating that UN-Women's HR function is significantly under-resourced. This has led to a stretching of job responsibilities, gaps in HR governance and talent management, and insufficient resources for supporting humanitarian responses, particularly in the field.

49. The benchmarking results showed that investment in HR capacity was disproportionate compared to the organisation's growth. From 2015 to 2023, UN-Women's total workforce has grown by almost 87%; with the staff pool growing by 51% and the affiliate (contract) workforce by 113%. However the analysis indicated that the HR representative to employee ratio in UNW is 1.29/100 personnel, which is significantly lower than the average ratio of 2.4-3.5/100 personnel among UN agencies, and the ratio of 3/100 personnel in comparable private organisations. Additionally, it was noted that affiliate workers comprised almost 70% of the workforce, posing risks of less committed workforce, higher turnover, loss of institutional knowledge, and increased legal and reputational risks.

50. Key recommendations to address the observations include assessing HR capabilities to adequately support UN-Women's objectives; resourcing the HR function at the level of benchmarked organisations; organizing the HR function to enable effective HR governance, establishing adequate partnerships with businesses and implementing effective talent management practices. The ACO acknowledges the plans and ongoing actions to address the findings and recommendations from the HR benchmarking study. While interim/short term funding has been allocated to cover some of the critical areas of work, more efforts are needed to ensure a sustainable long-term solution to strengthen the HR function. The ACO notes that IAS has an audit on UN-Women's HR function planned in 2024 and will follow up on the outcome of the audit.

51. The Committee continues to advise UN-Women on the need for a coherent and adequately resourced HR function and emphasizes the need for sufficient funding to achieve this. HR should remain actively involved in all change management initiatives such as pivot to the field, addressing key vacancies in the field, and resolving discrepancies in contractual modalities across teams.

## **E. Anti-Fraud Programme**

52. The ACO notes that the Business Review Committee has designated the Division of Management and Administration (DMA) as the anti-fraud business process owner. Consideration should be given to similarly transferring the ownership of the Enterprise Risk Management (ERM) currently residing within Strategic Planning, Resources and Effectiveness Division (SPRED) to DMA, as fraud risk management is more aligned to ERM's responsibility. The Committee also notes that the UN-Women Anti-Fraud policy of 2018 has been undergoing revision for a significant amount of time. The ACO will continue to monitor developments and initiatives in this area, including the timelines and guidance from UN-Women governance bodies to prevent, detect and respond to any fraudulent acts and corruption.

53. According to the 2021 Anti-Fraud programme audit, the IAS commented that UN-Women could reach basic threshold levels of organizational maturity for its Anti-Fraud Policy in three years, with the necessary investments and internal governance decisions. This conclusion complements the findings from prior years' IEAS reports, including the assessment of the ERM programme. It is concerning that ten out of twelve recommendations in this audit have yet to be implemented. The ACO advises making the necessary investment in basic internal governance to adequately resource second line of defence functions.

## **F. Financial Statements and Systems**

54. The ACO reviewed the draft financial statements for the year ended 31 December 2022. UN-Women has received an unqualified audit opinion from the UN Board of Auditors (UNBoA) for the twelfth consecutive year since its inception in 2010.

55. The ACO regularly received updates from DMA on budget and financial issues. It also received positive feedback from the UNBoA on the cooperation they received from the finance function and management in the process of reviewing the financial statements.

## **G. Information and Communication Technology**

56. In 2020 UN-Women's Executive Leadership Team agreed to join UNDP to replace ATLAS, its long-time Enterprise Resource Planning (ERP) system which was also utilized by several UN funds and programs, with an Oracle-based system (referred to as Quantum).

57. The ACO was briefed on the progress of Quantum implementation at each of its meetings. Phase 1 implementation went live in January 2023. However, the new system is not a fully integrated system and, at the beginning, lacked some important functionalities, making it necessary to develop workarounds at additional cost and resources to overcome the system's limitations and avoid the risk of a qualified audit opinion in 2023.

58. In addition to resolving outstanding items from Phase 1, planning is underway for Phase 2 which is focused on delivering functionalities that will better integrate results and resources. The timing for the conclusion of this work is intended to align with UN-Women's work on its forthcoming 2026–2029 Strategic Plan.

59. The ACO notes that IAS has completed an assessment of Quantum Phase 1 implementation as of June 2023. Management should adopt the recommendations from this assessment to better manage the challenges of Quantum Phase 2 implementation. A key learning from the Phase 1 implementation is the importance of proactive third-party risk management, in this case UNDP, as well as the need to ensure accountability for delivering on all planned milestones for Phase 1 before Phase 2 is launched. The Committee also notes that IAS together with the internal audit offices of UNDP and UNFPA are conducting a joint assessment of Quantum controls. ACO will follow-up on the outcome of this assessment in due course.

## **H. Other Significant Internal Governance and Control Matters**

60. The ACO will continue to pursue with management developments on several other internal governance and controls issues it has raised in recent years. These include among others:

a. Enhancing the Enterprise Risk Management programme – while the Committee acknowledges the progress made, such as the finalisation of risk appetite statements and the corporate risk report, further work is needed to achieve the desired maturity level, especially in the field.

b. Addressing the prolonged delay in the implementation of the Statement of Internal Controls, which has been constrained by the lack of dedicated and sustainable funding and ownership of the development process.

c. Allocating resources to strengthen the first and second line of defence to enhance oversight and control functions.

## **V. Conclusion**

61. The ACO continues to endorse UN-Women's efforts in collaborating with partners and stakeholders both within and outside the UN System towards achieving its strategic objectives of advancing gender equality and promoting the empowerment of women.

62. The Committee takes note of the Strategic Plan for 2022–25 and its commitment to organizational excellence and business transformation for UN-Women as the basis for achieving its overall goals. The ACO also notes the commitment in the Strategic

Plan to strengthening the accountability and internal governance framework of the Entity and to build on findings from evaluations and audits to achieve this goal under the umbrella of Principled Performance.

63. The ACO highlights the need for prompt resolution of issues related to core funding structure. The implementation of Direct Project Costing is expected to alleviate some of the pressures on support services caused by the gap between core and non-core resources. This would significantly enhance UN-Women's ability to effectively fulfil its triple mandate and address the various internal governance and control issues identified in this report.

64. Finally, the ACO would like to thank UN-Women management, staff, and the ACO secretariat for facilitating all its meetings and ensuring high-quality participation and discussion during 2023.

## VI. Annexes

### A. Advisory Committee on Oversight Membership in 2023

<i>Member Name</i>	<i>Comments</i>
Ms. Amalia Lo Faso (Italy)	Chair of the ACO from August 1, 2022 to June 16, 2023. Member since October 2019; resigned in June 2023 due to health reasons.
Ms. Mei Kit Wan (Singapore)	Current Chair of the ACO. Member since February 2019; serving on second term which ends in February 2025.
Ms. Aicha Pouye (Senegal)	Member since February 2019; serving on second term which ends in February 2025.
Mr. Robert Lahey (Canada)	Member since October 2019; serving on second term which ends in October 2025.
Mr. Chris Hemus (South Africa and United Kingdom)	Member since August 2022 serving on first term, which ends in August 2025.
Ms. Jennifer M. Lester (Jamaica, Caribbean)	Member since October 2023 serving on first term, which ends in October 2026.

### B. UN-Women Advisory Committee on Oversight 2023 Meeting Dates

<b>24 April 2023</b>	Review of UN-Women financial statements (In-person, New York)
<b>25–27 April 2023</b>	First ACO Meeting (In-person, New York)
<b>18–20 July 2023</b>	Second ACO Meeting (In-person, New York)
<b>17–19 October 2023</b>	Third ACO Meeting (In-person, New York)

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<b>8 November 2023</b>	Update on Project “Pivoting to the Field” (Via Video Conference)
<b>2 December 2023</b>	Review of Internal Audit Plans 2024 (In-person, New York)

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