



AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

PAPUA NEW GUINEA

Report No. 1441

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(REDACTED)

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Report on the Audit of UN Women Office in Papua New Guinea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Country Office in Papua New Guinea (the Office) from 2 to 21 November 2015. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting);
- (b) gender mainstreaming in development coordination;
- (c) programme activities (programme and project management, partnerships and resource mobilization); and
- (d) operations (human resources, finance, procurement, information and communications technology, general administration, safety and security, UNDP support to office).

The audit covered the activities of the Office from 1 July 2014 to 31 August 2015. The Office recorded programme and management expenditures of approximately \$2 million from July to December 2014 and \$1.94 million for the first eight months of 2015. This was the first audit of the Office.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means, "Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised." This rating was mainly due to weaknesses in governance and strategic management, programme and project management, and operations, mainly in finance, asset management, and information and communications technology.

Key recommendations: Total = 13, high priority = 7

The thirteen recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority rating
Achievement of the organization's strategic objectives	1 and 4	High
Reliability and integrity of financial and operational information	9	Medium
Effectiveness and efficiency of operations	2, 7, 10, and 13	Medium
Safeguarding of assets	8	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3, 5, 6 and 11	High
	12	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women. All high (critical) priority recommendations are presented below:

Corporate Issue: Lack of structure for Sub-National Office operations (Issue 1)

The Office operated a Sub-National Office in an autonomous region, which was not adequately supported by an agreement with the Government, corporate guidelines, staffing, funding and systems that should cover its operations and future expansion, as planned for in the Office's 2015 Annual Work Plan and 2016 draft Annual Work Plan. In addition, there was no clear corporate policy or guidance detailing what criteria should be used to justify establishment and expansion of a Sub-National Office or how such a presence should be configured, funded and managed within the existing UN Women organizational structure. One result of the lack of formal policy and guidance was that the Sub-National Office was not separately identifiable in Atlas (enterprise resource planning system) and that the Annual Work Plan was insufficiently detailed to permit planned results and budgets of the Sub-National Office to be distinguished from those of the Office.

Recommendation 1: The Programme Division, in close cooperation with the Policy Division and the Division of Management and Administration, should develop and disseminate policies and guidance on creating, expanding and operationalizing a Sub-National Office, by: (a) including the criteria and justification on existence, funding and staffing; and (b) creating relevant Atlas coding to allow management to monitor and ensure the sustainability and accountability of a Sub-National Office.

Weak assessment and monitoring of implementing partners/responsible parties (Issue 3)

The review of a sample of 11 capacity assessments and one Funding Authorization and Certificate of Expenditure form for a key partner in the Sub-National Office indicated a lack of understanding in capacity assessments of implementing partners, including how to corroborate and document implementing partners' reporting on performance, and in the need for follow-up in cases of conflicting information. There was also insufficient capacity assessment when developing the monitoring, oversight, capacity building and risk reduction measures to be deployed after the implementing partner's engagement, as well as inadequate understanding of the documentation, review and verification requirements related to the liquidation of partners' advances.

Recommendation 3: The Office should comply with the 'Programme and Operations Manual' on performing capacity assessments and monitoring of implementing partners/responsible parties by: (a) identifying and documenting the selection process of potential implementing partners/responsible parties in a fair and transparent manner; (b) obtaining and maintaining supporting documents on the partners' technical capacity, governance and management structure, financial and administrative management; (c) defining, documenting and implementing a detailed plan for partners that do not meet all assessment criteria; (d) including the Atlas codes for expenses on the approved budget of Project No. 94025; (e) increasing monitoring of and support to Project No. 94025, including training of the project personnel; and (f) training personnel in the Sub-National Office on UN Women capacity assessment forms and Funding Authorization and Certificate of Expenditure forms.

Poor programme formulation and management (Issue 4)

The Office did not have the capacity to deliver on a \$23 million project with an infrastructure component of \$13.3 million over a seven year period. As a result, the project was poorly formulated with significant issues noted, such as unresolved property rights and a withdrawal of \$0.75 million by a donor that opted instead to deliver on the project infrastructure component directly. In addition, although the Office had planned a delivery of \$4.5 million for the project in 2015, it had re-phased \$2.4 million to future years, as it was unable to meet its delivery target. The total amount of funds re-phased for eight projects from 2014 to 2015 amounted to \$5.6 million, and for 13 projects from 2015 to 2016 it was equivalent to \$8.5 million.

Recommendation 4: The Office, with the assistance of the Regional Office and the Programme Division, should improve its capacity to formulate and manage its programme and projects by: (a) training its programme personnel in the key principles of Results Based Management; (b) redefining its projects and related budgets to ensure that realistic targets are formulated using the Results Based Management methodology; (c) analyzing each project on a quarterly basis to determine project performance, the root causes for non-delivery, and lessons learned; (d) engaging in substantive budget revisions and re-phasing only after a detailed analysis of deviations from the project plan and full justification and approval for the re-phasing; and (e) implementing a process to accurately determine the Office's capacity to deliver on projects with large infrastructure components and to ensure that where it takes on responsibilities for such projects resources are available.

Performance Monitoring Framework not developed (Issue 5)

The 'Programme and Operations Manual' requires that, regardless of the implementation modality in use, a Performance Monitoring Framework is to be prepared by each UN Women office in order to enable effective programme monitoring, reporting, and oversight.

The 2014 Strategic Note for the Office referred to the preparation of a Performance Monitoring Framework. At the time of the audit fieldwork this tool had still not been prepared by the Office.

Recommendation 5: The Office should develop and implement a Performance Monitoring Framework as required by the 'Programme and Operations Manual' in a timely manner, for use in programme monitoring, reporting and oversight throughout 2016.

Insufficient supporting documentation for financial transactions (Issue 6)

The review of eleven transactions totalling \$104,000 noted that these were not supported by one or more of the required documents such as purchase requisitions, original invoices, underlying contracts, and the corporate checklists required prior to the processing and disbursement of funds. For 17 transactions totalling \$93,000 the Office had attached Notes to File as supplementary support to better explain the nature of the transactions. However, in the absence of the original supporting documents it was not possible to verify that expenses recorded were valid, that they represented the most economic use of UN Women resources, and that they were incurred in conformance with approved budgets.

Recommendation 6: The Office should comply with the 'UN Women Financial Regulations, Rules, Policies and Procedures' relating to disbursement and procurement activities by: (a) training all personnel on the maintenance of documents supporting the validity of commitments and disbursements and the purpose and use of the corporate checklists and Notes to File; and (b) issuing a memo to staff indicating (i) mandatory compliance with the 'UN Women Financial Regulations, Rules, Policies and Procedures' related to disbursement and procurement processes without which the payments should not be processed and (ii) reiterating that the use of Notes to File are to be limited to unavoidable exceptions and/or deviations from approved procedures as prescribed by the 'Programme and Operations Manual'.

Poor asset management
(Issue 9)

The review of the Office's assets identified several weaknesses, including improper coding and expensing of vehicle related costs, overstatement of capital assets by approximately \$11,700 due to two double recordings, direct expensing of equipment and installation costs of the Information and Communications Technology network of approximately \$27,000, and inadequate systems and processes related to tagging, recording and verifying physical assets. The overall asset verification processes/procedures were inadequate as these issues had not been identified and corrected through the physical verification process. In addition, the Office had relied on staff in the Sub-National Office to verify the assets physically located there rather than employing independent verification methods during field visits, which would have ensured proper segregation of duties.

Recommendation 8: The Office should strengthen its management of assets by: (a) conducting a thorough physical inventory to obtain and record asset serial numbers and other unique information; (b) providing training to all personnel with responsibilities for managing assets; (c) revising the Assets Tracking Register to permit efficient use and generation of reports, and reconciliation to Atlas; and (d) collaborating with the Assets Focal Point at Headquarters to amend the Atlas data to accurately reflect the Office's assets in Atlas.

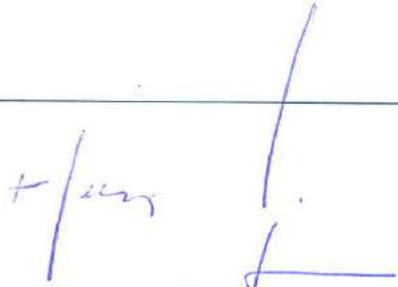




Management comments and action plan

The Country Representative and the Director, Programme Division accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
Director
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I. About the Office

With a population of 7.5 million people spread over approximately 600 islands, Papua New Guinea (the Country) ranked 153rd out of 187 countries on the 2012 Human Development Index. The country had not met the Millennium Development Goal benchmarks by the end of 2015. Security was poor, particularly in the large and growing settlements around the capital and other major cities due to poverty. The high crime rates combined with the use of more than 800 indigenous languages, the significant reliance on imports, an annual inflation rate of approximately 12 percent, corruption, and infrastructural inefficiencies, have led to an extremely high cost of investing in the country.

The strategic focus of the current United Nations Development Assistance Framework (UNDAF) 2012-2017 covers four areas that reflect the multiple challenges of the country: (i) governance for equitable development; (ii) social justice, protection and gender equality; (iii) access to basic services; and (iv) environment and disaster risk management. Besides the UN Entity for Gender Equality and the Empowerment of Women (UN Women), other agencies working on these areas are: UN Development Programme, UN Populations Fund, UN Children's Fund and World Health Organization. The Office's Strategic Note and Annual Work Plan are aligned with UNDAF, and the gender equality work is coordinated through the Gender Task Team, chaired by UN Women.

The Office was under the leadership of the Country Representative, who was granted the Delegation of Authority in March 2014. The Country Representative was assisted by the Deputy Representative and an Operations Manager who joined the Office in February 2015. The Office had a total of 24 personnel, comprised of 6 international and 4 local staff, 11 service contract holders and 3 contractors under special service agreements.

II. Audit results

Satisfactory performance was noted in the following area:

Gender mainstreaming in development cooperation: The Gender Task Team was established and functioning well, chaired by the UN Women Country Representative. In 2014, the Office coordinated a mapping exercise in order to ensure no overlapping existed among all agencies involved in gender equality and women empowerment. The Annual Work Plan of the Office and the Annual Work Plan of the Gender Task Team were complementary and mutually reinforcing.

OAI made seven recommendations ranked high (critical) and six recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- a) Improve the capacity to formulate and manage programme and projects (Recommendation 4).
- b) Comply with the 'Programme and Operations Manual' on performing capacity assessments and monitoring of implementing partners/responsible parties (Recommendation 3).
- c) Prepare and implement a Performance Monitoring Framework (Recommendation 5).
- d) Comply with the 'UN Women Financial Regulations, Rules, Policies and Procedures' relating to disbursement and procurement activities (Recommendation 6).
- e) Strengthen the management of assets (Recommendation 8).

- g) Develop and disseminate guidance on creating, expanding and operationalizing a Sub-National Office (Recommendation 1).

Medium priority recommendations, arranged according to significance:

- a) Improve the management of the Office (Recommendation 2).
b) Improve leave management (Recommendation 10).
c) Strengthen travel management (Recommendation 9).

- e) Pursue the establishment of a Service Level Agreement with the UNDP Country Office by requesting the assistance of the Division of Management and Administration (Recommendation 13).
f) Improve procurement processes (Recommendation 7).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure

Issue 1 Corporate: Lack of structure for Sub-National Office operations

The terms and conditions under which development assistance is provided by agencies, funds and programmes of the United Nations are set forth in agreements with the host governments of programme countries. The operations of UN Women offices are guided by approved and established internal policies and procedures.

UN Women operated a Sub-National Office in the Autonomous Region of Bougainville (the Region), which was established during the time of its predecessor, the United Nations Development Fund (part of UN Women) (UNIFEM), prior to 2010. As stated in the 2014-2015 Strategic Note for the Country which was extended to 2017, UN Women considered it imperative to remain in the Region, in order to undertake programming activities. UN Women had provided funding for a Women, Peace and Security Advisor (P4), a Programme Coordinator and an Administrative Assistant (both service contract holders) to keep the Sub-National Office operational during the period covered by the audit. Per the draft 2016 Annual Work Plan, the Office planned to further expand its programmatic activities in the Region and recruit one National Officer as Programme Specialist and a driver on service contract.

Despite ongoing presence and expansion plans, no agreement existed with the Government regarding the operations of a Sub-National Office, nor was there any written documentation provided by UN Women Headquarters regarding the decision process and approval for the establishment of the Sub-National Office. In addition, there was no clear corporate policy or guidance detailing what criteria should be used to justify establishment and expansion of a Sub-National Office or how such a presence should be configured, funded and managed within the existing UN Women organizational structure. One result of the lack of formal policy and guidance was that the Sub-National Office was not separately identifiable in Atlas and that the Annual Work Plan

was insufficiently detailed to permit planned results and budgets of the Sub-National Office to be distinguished from those of the Office.

In response to the draft report, UN Women stated that the UN Women presence in the Region did not constitute a Sub-National Office. The staff fell within the scope of the UN Women Country Office Programme, which was being implemented with the agreement of the Government. However, with the approved Strategic Note for the Country for 2014-2017 stating that “UN Women has maintained a Sub-National Office within the UN House in the Region for many years”, it is considered necessary for UN Women to regularize and implement the guidance, as recommended in this report.

In the absence of an approved structure supported by corporate guidelines and systems, there is a risk that UN Women may not be able to adequately and timely assess the continued existence, effectiveness and accountability of a Sub-National Office.

Priority	High (Critical)
Recommendation 1:	
<p>The Programme Division, in close cooperation with the Policy Division and the Division of Management and Administration, should develop and disseminate policies and guidance on creating, expanding and operationalizing a Sub-National Office, by:</p> <ul style="list-style-type: none"> (a) including the criteria and justification for existence, funding and staffing; and (b) creating relevant Atlas coding to allow management to monitor and ensure the sustainability and accountability of a Sub-National Office. 	
Management action plan:	
<p>UN Women welcomes the proposal to develop guidelines around the establishment and management of sub-national offices and undertakes to do so. Further, UN Women will explore the option of creating relevant Atlas coding for sub-national offices within the context of the development of corresponding guidance.</p>	
Estimated completion date: December 2016	

2. Leadership, Ethics and Values

[NOTE: Part of this section has been redacted as it is deemed to contain sensitive information.]

Issue 2 Sub-optimal Office management

UN Women managers are responsible for implementing processes which include adequate controls and are coordinated between responsible personnel in the offices to ensure the attainment of their goals in an effective and efficient manner.

Coordination and communication between management, programme and operations personnel in the Office was not effective, which resulted in less than efficient operations. For example:

- During the recruitment of a key programme staff, the selection panel noted that the individual did not possess the capacity for all requirements included in the job description. However, the operations and programme teams had not coordinated to establish and document a capacity development plan. [REDACTED]
- In one case, the project document and budget indicated that a vehicle would be purchased and donated to the responsible party. As such, the vehicle was procured at a cost of more than \$34,000, and an internal document titled “transfer of title of assets” was prepared and signed by the Deputy Representative and the responsible party, which stated that all title and ownership of the vehicle had been transferred to the responsible party. The vehicle had never been recorded in the Atlas Assets module given that it was donated to the responsible party. However, the Operations personnel had registered and insured the vehicle with the government agency responsible for vehicle ownership and insurance, as under the ownership of UN Women. The audit team requested the documentation of the legal transfer of title and ownership to the responsible party. In response, the Operations Manager indicated that the Office was only allowing the temporary use of the vehicle by the responsible party, for the implementation of the project. [REDACTED]

Further, based on the lack of legal transfer of ownership through the appropriate government agency, should the vehicle be involved in an accident, the Office may retain legal responsibility.

The lack of adequate coordination and communication may hinder effective and timely decision making and clear accountabilities and may increase the risks of the Office not operating efficiently and effectively.

Priority	Medium (Important)
Recommendation 2:	
The Office should improve the management of the Office by:	
<ul style="list-style-type: none"> (a) strengthening communication and coordination between programme and operations personnel through redesigning of processes as necessary and performing training and team building exercises; (b) clarifying its intent regarding title and ownership of the project vehicle correcting and/or completing the corresponding documentation with the partner, the legal authorities in country and/or in the Atlas Assets module; and (c) requesting the partner to obtain and provide adequate proof of the required insurance coverage for the vehicle while in the custody of the responsible party, as stated in the Project Document. 	
Management action plan:	
<ul style="list-style-type: none"> (a) An induction and capacity development plan was created for the key programme staff in early December 2015 and the staff has since completed all capacity development/induction activities as per the plan. 	

(b),(c) The Office has consulted with the Headquarters Asset Management focal point and the Legal Advisor and determined ownership of the vehicle purchased for project implementation shall remain with UN Women. All documentation and systems will be updated as needed to properly reflect the substance and intent of the transfer of the vehicle.

Estimated completion date: (a) Implemented,(b) March 2016

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

B. Programme activities

1. Programme and project management

Issue 3 Weak assessment and monitoring of implementing partners/responsible parties

According to the Programme and Operations Manual, the selection of an implementing partner or responsible party must be based on an objective comparison of the potential partners, using a UN Women-prescribed capacity assessment checklist. The capacity assessment records the Office's review of the implementing partners/responsible parties technical capacity, governance and management structure, financial and administrative management and requires yes/no responses plus additional comments to support the assessment. Further, the country offices are required to maintain relevant documents and files that support decisions taken within the Office and to monitor the programmatic and financial progress of implementing partners/responsible parties to compensate for deficiencies identified during the assessment process.

OAI reviewed the processes for identifying, managing and monitoring IPs/RPs and noted the following deficiencies:

(a) Capacity assessments

The audit team reviewed eleven capacity assessments of Non-Governmental Organizations (NGOs) and noted that the Office did not demonstrate an understanding of the process for performing capacity assessments. The following issues were noted:

- The UN Women processes require only shortlisted NGOs to undergo a capacity assessment, however due to a lack of understanding regarding the process by the Office, NGOs were randomly identified for assessments. As a result, eight of the eleven NGOs had never performed any programme activities, nor had they ever received funds from the Office.
- The Office personnel had insufficient knowledge of the purpose and requirements of the capacity assessment procedures. In one case, the capacity assessment indicated concerns on the NGO's capacity to provide the services agreed in a Memorandum of Understanding signed between the Office and the NGO. However, when the audit team requested information on the capacity building activities and additional compensating controls to be implemented, the Office management explained that the

Memorandum was never implemented due to a lack of responsiveness on the part of the NGO. Despite the weaknesses noted in the capacity assessment and the lack of capacity building and risk mitigation measures, the Office was still considering working with this NGO in the future.

- Capacity assessments were performed by consultants/staff through verbal interviews, sometimes over Skype, without any review of documentation or independent observation and validation of the statements provided by the NGOs. None of the 11 assessments reviewed included supporting documents, which reduced the reliability of the assessments and increased the risk that information being used to take decisions in the Office was not accurate. For example, the Office entered into a project cooperation agreement with one NGO and the capacity assessment had not identified any weaknesses of the NGO. Four months after the commencement of project activities, a Back to Office Report prepared by a staff member indicated a number of risks related to the NGO's capacity for project implementation, human resources management and financial management. The audit team confirmed, through a review of the Funding Authorization and Certificate of Expenditure (FACE) form submitted by the NGO, the poor capacity of the NGO to implement the project within the time frame and its capacity to prepare financial reports.

In response to the draft report the Office management stated that, as the Safe Cities Programme to date had been largely implemented by UN Women staff, there was an interest in an initial overview of Civil Society Organizations/NGOs to gauge their capacity, and any further comprehensive assessments would have been performed should that have been required. In addition, Management stated, that the Country Representative had validated the capacity of the NGO through a meeting with the Director of the NGO, its key development partners, and UN Women's history of work with the NGO. As none of these actions were documented, the audit team reiterates the requirement for the Office to maintain adequate supporting documents for all decisions taken.

(b) Financial monitoring

All implementing partners and responsible parties are to submit reports to UN Women on funds utilized, using FACE forms and to provide adequate documentation to support expenses recorded. In 2015, the Office provided advances to only one NGO for Project No. 94025 with an approved budget of \$519,000. The audit team reviewed the submission of the first FACE form approved by the Sub-National Office and later submitted it to the Office for liquidation and concluded that the Sub-National Office had performed poor financial monitoring of the activities of the NGO as follows:

- On 21 September 2015, the NGO submitted a FACE form for liquidation of \$36,000 or 22 percent of the approximately \$160,000 advanced to the NGO in May 2015. At the time of submission of the FACE form, the approved budget, which was attached to the Project Corporation Agreement, indicated that the NGO should have already spent at least 80 percent (i.e. \$128,000) of the first tranche and should have received two other tranches totaling approximately \$113,000. The audit team concluded that the NGO had been unable to spend the first advance or to account for the funds received except for the \$36,000 submitted on the FACE form. Also, the project delivery had been delayed by at least three months given the original implementation plan.
- The supporting documents submitted by the NGO with the FACE form indicated a series of shortcomings when compared with the approved budget and the Annual Work Plan for the project. Despite the shortcomings, the Sub-National Office had cleared the FACE form and submitted it to the Office for liquidation. Examples of the deficiencies noted were as follows:
- The listing of expense categories on the NGO's payment advice forms and the approved budget did not match the expense classifications on the FACE forms, making it difficult to correctly allocate amounts spent

to the corresponding Atlas accounts. As a result, amounts paid for facilitations and cash for transport, food and accommodation of approximately \$2,500 were incorrectly charged against professional services when reported on the FACE form instead of separately to 'Training Workshops and Conferences' and 'Travel'.

- Lease payments of more than \$4,300 were made to the bank account of one individual but the lease agreement was signed with an individual with a different name. It was not possible to determine if they were related or if it was the same person.
- Payments exceeding \$15,000, were made in cash for a workshop and no record or log showing the signature of the recipients or receipts for different expenses were maintained. As such, it was not possible to validate that the amounts reported were actually paid.

The audit team determined that the above issues were due mainly to a lack of knowledge and understanding of the 'Programme and Operations Manual' and to inadequate supervision of personnel with responsibilities for the tasks.

When implementing partners are not properly assessed, monitored and managed, there are increased risks of non-delivery, delivery of poor programme quality, misuse of funds, and reputational damage.

Priority	High (Critical)
Recommendation 3:	
<p>The Office should comply with the 'Programme and Operations Manual' on performing capacity assessments and monitoring of implementing partners/responsible parties by:</p> <ul style="list-style-type: none"> (a) identifying and documenting the selection process of potential implementing partners/responsible parties in a fair and transparent manner; (b) obtaining and maintaining supporting documents on the partners' technical capacity, governance and management structure, financial and administrative management; (c) defining, documenting and implementing a detailed plan for partners that do not meet all assessment criteria including the NGO implementing Project No. 94025; (d) including the Atlas codes for expenses on the approved budget of Project No. 94025 to ensure clear linkages to the FACE form; (e) increasing monitoring of and support to Project No. 94025 to improve delivery on project objectives as well as improve ability of the implementing partner to accurately report on use of UN Women funds. Support should include training of the project personnel; and (f) training personnel in the Sub-National Office on UN Women capacity assessment and FACE forms. 	
Management action plan:	
<p>The Office took note of the issues raised on capacity assessments and completed the following:</p> <ul style="list-style-type: none"> ▪ Staff were advised that all 'Programme Operations Manual' requirements must be fully adhered to. ▪ The Office has also arranged a training session on conducting capacity assessments for March 8, 2016 during the Country Office Retreat. ▪ Further, the Office will ensure that supporting documents are obtained for all criteria in the selection process and the coordination of capacity assessments through implementation of a management review of all assessments before sign off. 	
<p>Regarding financial monitoring, the full assessment of the FACE form submitted for review of the audit team</p>	

during the audit field work had not yet been completed at the time. The Office subsequently worked with the project team and the partner, to obtain all required supporting documents for the expenditures reported in the FACE form, prior to processing the FACE form for liquidation. The Office therefore considers that it has complied with the standards for financial monitoring. The Office has since implemented the following:

- Given that the partner was new, FACE forms and the supporting documents were subject to 100 percent review.
- In order to address any capacity issues as noted in the assessment criteria, the Office has significantly strengthened its oversight and capacity building for the said NGO through a capacity development plan created in collaboration with the NGO. The Plan covers all 2016 with on-going scheduled capacity building activities.
- The Office in Bougainville will provide ongoing capacity support to the NGO.
- The Country Office hired an Administrative/Finance Associate in November 2015 for the Bougainville office to oversee responsible partner's processes including the procurement and financial processes.
- The Country Office assisted the NGO to draft Human Resources and Financial Policies Manuals.
- In December 2015, UN Women provided comprehensive training for all finance and procurement staff at the NGO and follow up training missions are planned.
- The Office liaises with the international NGO that continues to provide financial and organizational capacity building to the NGO.

Estimated completion date: February 2016.

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

[NOTE: Part of this section has been redacted as it is deemed to contain sensitive information.]

Issue 4 Poor programme formulation and management

Programme formulation requires, among others, matching the Office's capacity to delivery, based on available resources and careful identification and consideration of the assumptions and risks that may adversely affect the achievement of the planned results. When appropriate, risk mitigation strategies should be developed, documented and implemented. During project implementation, in the interest of sound financial management, project budgets may be updated to account for unforeseen factors in order to properly assess progress and performance and this is managed through budget revisions and re-phasing of the programme/project funds.

UN Women Safe Cities flagship Project No. 77347 had an overall budget of \$23 million to be delivered over 7 years ending December 2017. The project included an infrastructure component totalling \$13.3 million. In 2015, the project budget of \$1.6 million represented more than 75 percent of the Office's programme portfolio which was \$2.1 million as at 30 September 2015. The Office did not have the capacity to deliver on the project and as a result the project was poorly formulated and the Office had engaged in continuous re-phasing of project budgets which masked its unrealistic targets and low project delivery rates. The audit team noted the following:

- [REDACTED]
- For one market, the donor recognized that there were implementation challenges resulting from insufficient information collected at the project design phase and thus withdrew their contribution of \$750,000. The donor undertook to implement the infrastructure portion of the project themselves. While the Office retained the role of technical advisor for the market restructuring and the responsibility for the implementation of the “soft” project components such as training and capacity building, it has lost the general management services fees of \$60,000 equivalent to 8 percent on the \$750,000 withdrawn by the donor.
- For the second market, the funds received from the donor have been idle for two years since 2014. The Office management indicated that progress had been made on some challenges such as land title but they were still awaiting a final decision on the architectural design, the cost of which had in the meantime increased more than four times over the originally budgeted amount. During the audit fieldwork the government was managing the revision of the market design in order to decrease the cost which was an activity originally to be performed by the Office. The delays in the project would require an extension of the project by at least 6 months.
- For 2015, the Office had planned to deliver \$4.5 million for Project No. 77347. However, \$2.4 million of the budget was re-phased to future years leaving only a budget of \$2.0 million. When the actual expenses of \$1.0 million were compared against the original budget it would have resulted in a delivery rate of 22 percent, instead of the 50 percent delivery reported. Also, the Office had re-phased the budgets of seven other projects in 2014 and 12 other projects in 2015. The total amount of funds re-phased from 2014 to 2015 was \$5.6 million and from 2015 to 2016 \$ 8.5 million.

The main cause for the above issues was the lack of capacity to properly plan, implement and manage the programme which resulted in the Office formulating unrealistic targets, making inaccurate assumptions, identifying risk at low level, being unable to prepare timely risk mitigation activities, performing excessive re-phasing of project budgets, and in low programme delivery.

Inadequate programme and project management may expose the Office and UN Women to negative reputational damage and the inability to mobilize funds and deliver on its mandate.

Priority	High (Critical)
Recommendation 4:	
The Office, with the assistance of the Regional Office and Programme Division, should improve its capacity to formulate and manage its programme and projects by:	
<ul style="list-style-type: none"> (a) training its programme personnel in the key principles of Results Based Management, ensuring such principles are consistently applied throughout the programme and project implementation; (b) redefining its projects and related budgets to ensure that realistic targets are formulated using the Results Based Management methodology; (c) analyzing each project on a quarterly basis to determine project performance, the root causes for non-delivery, and lessons learned, to ensure that mitigating actions are incorporated into the project formulation, implementation and management on a timely basis; 	

- (d) engaging in substantive budget revisions and re-phasing only after detailed analysis of deviation from the project plan and full justification and approval for re-phasing; and
- (e) implementing a process to accurately determine the Office's capacity to deliver on projects with large infrastructure components and to ensure that where it takes on responsibilities for such projects resources are available to meet the inherent risks in such projects.

Management action plan:

- The planned recruitment of an international Programme Specialist with expertise in Monitoring and Evaluation and Results Based Management was completed in January 2016. The specialist will implement trainings, assessments and processes to scale up existing knowledge and processes in the Office and will co-lead the midterm review in collaboration with the Regional Office related to this purpose.
- The introduction of the Results Management System will further assist Results Based Management.
- The office will hold a mid-term review in early March 2016 in which in-depth considerations of the audit findings will be undertaken with appropriate measures taken where identified in order to address operations issues and those across all programs, such as assessing the targets to ensure they are realistic.
- A Results Based Management training will be conducted on March 8 at the Annual Retreat/Mid Term Review, and also a training on Capacity Assessment.
- A comprehensive 2016 work plan for Safe Cities has been developed in consultation with all partners and is ready for staged implementation.
- The Office will continue its close engagement with Safe Cities Programme team at Headquarters to assess overall Programme in light of the 2015 PNG Safe Cities Formative Review and audit assessments.
- The Office will reassess its risk management matrix and assess it in light of the audit review, the upcoming mid-term review and recent developments.

Estimated completion date: March 2016 (*except for those ongoing trainings and activities within the time bound Safe Cities Work Plan 2016*).

2. Programme/Project monitoring and evaluation

Issue 5 Performance Monitoring Framework not developed

As per the Programme and Operations Manual, regardless of the implementation modality, a Performance Monitoring Framework is to be prepared by each UN Women office in order to enable effective programme monitoring, reporting, and oversight.

Although the 2014 Strategic Note for the Office referred to the preparation of a Performance Monitoring Framework would be prepared, at the time of the audit this tool had still not been prepared.

The absence of a key oversight tool (Performance Monitoring Framework) increases the risk of poor programme/project monitoring and oversight, which may result in the failure to achieve intended programme results as well as delays in addressing with challenges that may be identified during programme implementation.

Priority	High (Critical)
Recommendation 5:	
The Office should develop and implement a Performance Monitoring Framework as required by the 'Programme and Operations Manual' in a timely manner for use in programme monitoring, reporting and oversight throughout 2016.	
Management action plan:	
A Performance Monitoring Framework for 2016 is in development, with oversight responsibility assigned to the Deputy Representative. The overall monitoring will be strengthened going forward with the adoption and implementation of the Performance Monitoring Framework for 2016.	
Estimated completion date: February 2016.	

C. Operations

1. Finance

Issue 6 Insufficient supporting documentation for financial transactions

The UN Women Financial Regulation 24.4 requires that all commitments and recording of expenses are to be made on the basis of supporting documents which ensure (1) that resources are available to cover the anticipated claims; (2) that the services or goods have been received, and that payments have not previously been made; (3) conformity of commitments and disbursements with the budgets, appropriations or other financial provisions; and (4) economic use of the resources of UN Women. These regulations are further detailed in the Programme and Operations Manual.

Eleven transactions totaling \$104,000 (or 18 percent) out of a sample of 52 payment vouchers amounting to approximately \$587,000 were not supported by one or more of the required documents such as purchase requisitions, original invoices, underlying contracts, and the Approval of Accounts Payable Voucher (AAPV) checklists. While the AAPV checklist was designed to ensure that all payments were fully supported before being processed, this had not been consistently completed and attached to the transactions tested. Also, in lieu of the required documentation, the Office had attached Notes to File as supplementary support for 17 transactions totaling \$93,000 or 16 percent of the sampled transactions. The Finance personnel explained that Notes to File were used to better explain the nature of the transactions. However, the audit team observed that Notes to File had also been used to justify and sign-off on deviations from corporate procedures when processing payment transactions. The audit team noted similar deficiencies in the supporting documentation during the surprise petty cash count performed during the fieldwork.

Office management indicated that in May 2015 finance personnel had been provided with guidance on the use of corporate checklists including the AAPV checklist, however, the procedures had yet to be fully implemented. In response to the draft report, the Office also stated that: beginning prior to receiving the delegation of authority, it has provided staff and personnel with multiple trainings on the Internal Control Framework,

commitments and disbursement management, as well as operational policies and procedures; the internal control system was established upon receiving delegation of authority in 2014, in collaboration with the regional operations manager for Asia and the Pacific. Requirements were developed for the completion of supporting documents in line with established corporate checklists. The Office also regularly reviewed and updated its Internal Control Framework and matrix of authorities in coordination with the Regional Office.

In the absence of supporting documents, it was not possible to verify that expenses recorded were valid, that they represented the most economic use of UN Women resources, and that they had been incurred in conformity with approved budgets.

Priority	High (Critical)
Recommendation 6:	
<p>The Office should comply with the 'UN Women Financial Regulations, Rules, Policies and Procedures' relating to disbursement and procurement activities by:</p> <ul style="list-style-type: none"> (a) training all personnel on the maintenance of documents supporting the validity of commitments and disbursements and the purpose and use of the corporate checklists and Notes to File; and (b) issuing a memo to staff indicating (i) mandatory compliance with UN Women Financial Regulations, Rules, Policies and Procedures related to disbursement and procurement processes without which the payments should not be processed and (ii) reiterating that the use of note to file are to be limited to unavoidable exceptions and /or deviations from approved procedures as prescribed by the 'Programme and Operations Manual'. 	
Management action plan:	
<p>The Office will conduct refresher trainings for all staff in order to strengthen operational capacity as part of its 2016 Learning Plan. The Office will ensure the Learning Committee is effectively used as a vehicle through which refresher trainings are executed on both operational and programmatic processes and guidelines. A memo has been drafted and shared with staff, articulating key procurement and payment processes and principles, as well as emphasizing adequacy of documentation and limiting the use of Notes to File for exceptional situations.</p>	
Estimated completion date: On-going	
OAI Response	
<p>OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.</p>	

2. Procurement and supply management

Issue 7 Significantly delayed lease process and absence of a valid Office lease agreement

The UN Women Delegation of Authority Framework indicates that the Director of Management and Administration, as well as Regional Directors and Country Representatives have delegated authority to sign standard lease agreement renewals for field offices with no changes in the original lease terms and conditions, of up to \$0.5 million, \$0.2 million and \$0.1 million respectively.

The operating lease agreement for the Office premises expired on 1 October 2013 and the renewal process was significantly delayed since then, resulting in the amendment to the contract not being signed until November 2015. The following deficiencies were noted in the process which resulted in the amendment to the lease agreement not being signed:

- The original lease agreement between the lessor and UNIFEM dated 8 September 2010 for the period from 30 September 2010 to 1 October 2013 included a “first right option” for UNIFEM to extend the lease. The clause permitted the Office to continue to occupy the premises although the lease had expired.
- The lessor had provided the Office with the required amendment no. 01/21/09/2010 signed and dated 18 December 2013 to renew the lease under the same terms and conditions of the original lease, except for an increase in the rental amounts. Since the annual value of the lease agreement was \$0.4 million, which was above the delegated authority of the Office and the Regional Director, it required the signature of the Chief Procurement Officer. The Office first submitted the lease to the Regional Office for clearance in December 2013 and then made a submission to Headquarters for review and clearance as part of the year-end process in March 2014. At that time, there was no evidence that the submission was made to the procurement review committee known as Acquisition Management Review Committee (AMRC¹), which was part of the lease approval process.
- The renewal of the lease was submitted to the AMRC in July 2014 and based on the Minutes of Meeting held on 6 August 2014, the AMRC recommended the contract amendment and extension for post facto approval on 7 August 2014. The AMRC minutes were signed by the Chief Procurement Officer on 19 August 2014 without any indication whether the AMRC’s recommendation was accepted, not accepted or deferred. The lease amendment was never submitted by the Office to the Chief Procurement Officer for signature.
- There was a lack of understanding as to the validity of the lease and the Office commenced paying the increased rental amounts from October 2013 although the amounts were not to be effective until January 2014 according to the submissions made to the AMRC. The excess payments of approximately US\$1,000 per month were subsequently offset against amounts paid in 2014.
- The amendment no. 01/21/09/2010 stated that “This Amendment will take effect on the date both parties have signed the Amendment, or if the Parties have signed it on different dates, on the date of the latest signature”. During the audit fieldwork, the Office requested the Department of Management and Administration to facilitate the signing of the amendment to the lease, which was signed on 16 December 2015 effective October 2013. However, as the renewal was modified and rephrased to include a contractual period, the Office still needed to approach the lessor to countersign the agreement. As such, the Office continued to make payments on the Office lease rental without a valid lease agreement.

¹ The name of the Acquisition Management Review Committee was changed to Procurement Review Committee in 2015.

The Office may not have any legal recourse should there be a dispute between the lessor and the Office.

Comment

OAI is not issuing a recommendation, as the Office provided verifiable documentation of the actions taken, subsequent to the audit fieldwork, which remedied the issues noted and the risks highlighted.

Issue 8 Inadequate procurement process to address country-specific challenges

The 'Programme and Operations Manual' requires country offices to coordinate and integrate actions to fulfil their needs for goods, services or works in a timely manner and at a reasonable cost.

While the Office had been experiencing procurement challenges due to the established procurement practices in the Country, the Office had not liaised with the Procurement Section in Headquarters to develop country specific procurement procedures, including appropriate controls to adequately reduce identified risks. The procurement challenges experienced included:

- The existence of 'exclusive' vendors for vehicles, hotel services, domestic travel services and international travel services which reduced the Office's ability to competitively source procurements.
- The non-acceptance of the UN Women Terms and Conditions by vendors. Certain vendors required payment in advance of providing the goods and services.
- The audit identified that there was difficulty in the Office getting key vendors to sign Long Term Agreements to ensure a reliable source of supply for goods, civil works or services at the lowest possible price while providing a timely, cost efficient way for UN -Women to procure goods, civil works or services requested on a regular basis. The Office had initiated a dialogue with a few vendors, such as a hotel used by UN Women and other UN Agencies for work-shops, and the hotel had agreed to honor the UN Women terms and conditions in 2015. However, there had not been sufficient movement towards finalizing Long Term Agreements with other vendors to achieve cost benefits.

Inadequate procurement processes and practices may expose the Office to increased non-competitive procurement activities resulting in increased operational costs.

Priority	Medium (Important)
Recommendation 7:	
The Office should improve procurement processes by:	
(a) consulting with Headquarters Procurement Unit to revisit its procurement procedures and develop and implement country specific procurement processes that include controls which meet the corporate requirements when the use of standard processes is not possible; and	
(b) pursuing the finalization and implementation of the Long-Term Agreements with key vendors.	
Management action plan:	
(a) The Office consulted with Headquarters Procurement Section regarding the procurement context in	

the country and it was agreed that while the maturity of the market and availability of service providers is limited, it is not so 'exclusive' as to require implementation of country specific procurement procedures in order to comply with UN Women corporate procurement guidelines.

- (b) In 2015, the Office established medium to long-term solutions to tackle the procurement challenges in the country, including the following:

Completed actions

- Conducting vendor awareness sessions with all UN Women vendors to clarify the UN Women procurement requirements, procurement terms and conditions and payment terms.
- Use of established interagency local, regional and headquarters long term agreements for purchase of strategic and frequent requirements.
- Establishment of UN Women specific procurement contracts with services providers in Papua New Guinea. These contracts include local internet services, mobile and Telecom services, local security services, fuel and ICT support, where use of the corporate LTAs was not suitable.

Actions in progress:

- The office leads the UNCT inter-agency Operations committee, where establishment of local LTAs are planned. So far long term agreements have been established for Security and Travel Services, and work to establish LTAs is in progress for mobile services, fuel, vehicle maintenance, and stationery and office supplies, with expectation of completion by 31 September 2016.

Estimated completion date: September 2016

OAI Response

OAI acknowledges the statements of action taken by management; this will be reviewed at a later stage as part of OAI's standard follow-up process.

3. General administration

Issue 9 Poor asset management

Per the 'Programme and Operations Manual', proper asset management requires accurate use of the Atlas procurement catalogs, registration of assets in Atlas, the continuous monitoring of the physical assets and maintenance of accurate and current records.

The audit reviewed 14 of the Office's 61 assets with a net book value of \$79,600 or 48 percent of value of total assets (\$166,000). The following issues were noted:

- There was improper coding and expensing of costs related to the depreciable basis (cost) of the asset including the expensing of the cost of component parts amounting to approximately \$600 each, for two vehicles purchased in 2015 instead of the capitalizing the amounts. While the non-capitalized amounts may not be material, they are an indicator that the Office may not fully comprehend the asset capitalization policies and rules.

- Two assets had been registered twice in the Atlas Asset Module in 2011, which had not been identified or corrected, resulting in an over statement of capital assets of over \$11,600 as well as in a corresponding over statement of the depreciation expense from 2011 to 2015.
- The equipment and installation costs of the Information and Communications Technology (ICT) network of approximately \$27,000 had been directly expensed in 2011, rather than being capitalized and entered in the assets module. This resulted in non-compliance with International Financial Reporting Standards, and in an overstatement of 2011 expenses and an on-going understatement of total assets and depreciation expense for the Office.
- The Office had not developed or implemented adequate tag numbering or location conventions. Six out of 14 assets sampled either did not have tags or the tag number did not match the tag recorded in Atlas.
- Two of the 14 assets sampled had been entered with incorrect information such as in-service dates and serial numbers.
- In the case of 29 out of the total 61 assets, there were generic asset descriptions entered in Atlas such as “security equipment”, “notebook”, or “desktop computer” and lacked sufficient detail to allow identification of specific assets.
- The Office did not use the “T” designation in Atlas to properly identify assets purchased for projects/partners, resulting in the inclusion of equipment installed at projects in the Atlas Assets Module and in the overstatement of assets by approximately \$8,000, also impacting on the recording of the related depreciation expense.

The overall asset verification processes/procedures were inadequate as the issues noted above had not been identified and corrected through the physical verification processes. Further, the Office had relied on staff in the Sub-National Office to verify the assets physically located there rather than employing independent verification methods during field visits which would have ensured proper segregation of duties.

In addition, the audit team observed that the Office’s asset tracking spreadsheet developed by the Office to track capital and non-capital assets did not permit the assets to be easily reconciled to the Atlas In-Service Report due to the configuration of the report and the lack of inclusion of key data.

Lack of compliance with the asset management policies and procedures may result in the loss of assets and/or inaccurate financial reporting of assets, expenses and depreciation.

Priority	High (Critical)
Recommendation 8:	
The Office should strengthen its management of assets by:	
<ul style="list-style-type: none"> (a) conducting a thorough physical inventory to obtain and record asset serial numbers and other unique information which would be used to update the Atlas asset module, develop a tagging and location convention and accurately tag all assets; (b) providing training to all personnel with responsibilities for managing assets so as to increase their knowledge and understanding of how to ensure that assets are properly accounted for, received, tagged, and recorded in the Atlas asset module and Office’s records; (c) revising the Asset tracking register to permit efficient use and generation of reports, and reconciliation to Atlas; and (d) collaborating with the Assets Focal Point at Headquarters to amend the Atlas data to accurately reflect the Office’s assets in Atlas. 	

Management action plan:

The following actions have been taken post audit to date:

- (a) A comprehensive physical verification of all of the Office's assets was conducted in year-end 2015, by a team independent of the asset focal point. Issues noted in the physical asset verification were reported to UN Women asset management team to update the Asset In-service Report records for the Office. Asset no. 99 that had been purchased on behalf of the partner was transferred to the partner through asset donation process. An additional comprehensive review of the assets was conducted, where the office updated all asset tagging conventions, asset descriptions, model, serial numbers and asset location.
- (b) The Administrative and Asset Assistant was sent to an Operations training coordinated by the UN Women headquarters in Fiji to undergo Atlas and Assets training.
- (c) The combined capital and non-capital asset tracking sheet was updated for ease of reporting.
- (d) There was a correction in Atlas of the asset purchased on behalf of the partners in 2014, which was not charged to "T" catalogue in Atlas. This asset has now been fully transferred to implementing partner.
- (e) The Office is also working with the Headquarters to rectify the costs of the two additional assets referred to in the audit observations.
- (f) The Office is collaborating with the Assets Focal Point at Headquarters to amend/correct the Atlas data.

Estimated completion date: (a),(b),(c) implemented, (d) July 2016

OAI Response

OAI acknowledges the statements of action taken by management; this will be reviewed at a later stage as part of OAI's standard follow-up process.

Issue 10 Inadequate oversight over international and domestic travel

UN-Women Heads of Office are responsible for ensuring compliance with the 'UN-Women Financial Regulations and Rules', and the Internal Control Framework through the implementation of relevant operational procedures and control systems for duty travel.

The Office had developed spreadsheets for tracking international and domestic travel, however, the review and testing of the data recorded showed that the spreadsheets did not reflect all travels recorded in the corresponding Atlas travel accounts, and non-compliance with the 'Programme and Operations Manual' travel policies. Furthermore, the tool was not being consistently updated.

- The random selection of seven transactions totalling \$36,054 that were recorded under the respective Atlas travel accounts, revealed one international travel for over \$10,500, which was not included in the Office's travel tracking spreadsheet. While unrecorded travel and any miscoding of travel transactions could have been identified through the periodic reconciliation of data from the tracking sheet to the corresponding Atlas accounts, this practice had not been implemented by the Office as it was not a formal requirement.
- The review and follow-up of spreadsheet entries showed non-compliance with the UN Women travel policy requirement for submission of the final travel expense form (F-10) within two weeks of travel completion. Of the 25 travels recorded for the period, there were no F-10s submitted for three, two of which were dated

since 2014. Further, in 11 cases the F-10s were submitted after the two weeks policy and there were no spreadsheets attached to the F-10s in six cases.

- For one travel, the Office had paid a meeting participant 100 percent of the daily subsistence allowance in US dollars, even though the Office had paid for the accommodation. The Office had followed up and requested reimbursement, however the amount received was insufficient to cover the costs incurred, resulting in a loss to UN Women of approximately \$300.
- In two other reimbursement cases there were incorrect calculations or rates used for the payment of daily subsistence allowances exceeding \$3,900.

The lack of adequate oversight of compliance with travel policies and procedures may result in the inappropriate or inefficient use of UN Women resources.

Priority	Medium (Important)
Recommendation 9:	
The Office should strengthen travel management by:	
<ul style="list-style-type: none"> (a) reviewing and revising the processes and tools used for the management, review and approval of travel to ensure that all travel is captured in the tracking tool, that correct daily subsistence rates are used and that calculations are reviewed for accuracy; (b) issuing a memo to all personnel, reiterating the requirements for the submission of travel expense forms within 14 days of travel completion and the policy regarding prohibition of further advances; and (c) reconciling the data from the tracking tool to the relevant Atlas accounts on a regular basis. 	
Management action plan:	
The following actions have been taken:	
<ul style="list-style-type: none"> ▪ Appointment of a dedicated travel management focal point to verify the travel entitlements, follow up on F10 submission within two weeks of the conclusion of travel, and monitor to ensure that an additional travel advance is not issued to any traveler who has not submitted the F10 within 60 days of return from travel. ▪ The travel tracking sheet for the office has been updated and reconciled on a monthly basis, and submitted at each month-end closure. Monitoring and reconciliation has significantly reduced the number of delayed or non-submissions of F10s to one case in 49 travel transactions. ▪ Implementation of a regular review process for overpayment of travel advances due to miscalculation, and or change in daily subsistence allowance rate in line with the duty travel policy, ensuring that in 2015 the office has had no un-identified overpayment upon submission of F10, for which a refund strategy has not been agreed with the traveler. ▪ An advisory and a follow up memo were sent to staff to ensure compliance with UN Women duty travel and submission of travel F10s within two weeks of return from travel. ▪ The Travel Focal Point participated in operations training in November 2015. ▪ A recommended practice to reconcile travel tracking sheet with Atlas expenditure report and travel codes was conducted in December 2015 and will continue to remain in place for the future travel reconciliation practices. 	
Estimated completion date: Implemented	

OAI Response

OAI acknowledges the statements of action taken by management; these will be reviewed at a later stage as part of OAI's standard follow-up process.

4. Human Resources

Issue 11 Weaknesses in leave management

The 'Programme and Operations Manual' requires that accurate records and supporting documentation be maintained for staff/personnel leave and attendance.

In reviewing leave and attendance documentation of 12 staff and personnel holding service contracts, the audit team noted:

- For seven of the 12 files reviewed the leave documents (annual attendance records, monthly attendance sheets, sick and uncertified sick leave forms) did not reconcile to one another, some documents were missing or lacked the required authorizations, signatures/dates, and leave accrual and balance calculations were incorrect.
- The majority of non-emergency leave requests reviewed had not been submitted in compliance with the policy requirement for submission 10 days in advance of the requested absence to allow the Office to adequately plan its daily activities and to implement backstopping arrangements.
- Of the leave plans reviewed ten had not been submitted prior to the beginning of the quarter.

Further, the Office had not migrated attendance records for service contract holders to the Atlas Human Resources Module, even though it would have allowed for automated accrual and calculation of leave balances.

Inadequate leave management may result in the improper use of resources and in inability to adequately plan and backstop key Office activities.

Priority	Medium (Important)
Recommendation 10:	
The Office should improve leave management by:	
<ul style="list-style-type: none"> (a) implementing procedures to reconcile the various leave documents on a monthly basis; (b) training all personnel on leave policy and requirements including the requirements regarding the timing for submission of leave requests and leave plans per the respective policies; and (c) migrating the service contract holders records to Atlas Human Resources module. 	
Management action plan:	
The Office has taken or is in the process of taking the following actions:	

- Appointment of dedicated leave monitor for the Office.
- Procedure in place to ensure leave monitor records and verifies all leave requests and month-end attendance sheets.
- Discontinuation of multiple leave tracking sheets, and establishment of e-attendance system for the office.
- Leave record for all Service Contract and Fixed Term Appointment staff reconciled as of 31 December 2015.
- Training plan for the leave monitor with UN Women Office of Human Resources, and plan for all staff to undergo leave policy training.
- Migration of service contract holders to Atlas Human Resources module in March 2016.

Estimated completion date: April 2016

OAI Response

OAI acknowledges the statements of action taken by management; these will be reviewed at a later stage as part of OAI's standard follow-up process.

5. Information and Communications Technology

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

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6. UNDP Support Services

Issue 14 Absence of Service Level Agreement for ad hoc and global services received from UNDP

The corporate Memorandum of Understanding between UNDP and UN Women states that the terms and conditions for the provision of ad-hoc and global services shall be agreed in writing between the local offices in-country, in a Service Level Agreement in advance of the provision of the services. Also, the UN Women Director, Division of Management and Administration had reiterated that although Service Level Agreements were not mandatory, such an Agreement should be entered into ahead of the provision of ad-hoc and global services.

There was no Service Level Agreement between the UNDP Country Office and the Office, although the Office received ad hoc and global services from UNDP. Beginning June 2015, the Office had taken the initiative to discuss developing a Service Level Agreement with UNDP as well as with the UN Women Regional Office, due to the fact that finance and human resources services were being received with delay, thus negatively impacting operations. However, the UNDP Country Office management, instead of signing an Agreement, has chosen to develop and use Standard Operating Procedures between the two agencies, which would help improve the efficiency of the services. In discussions with the Operations Managers for both the UNDP Country Office and the Office it was acknowledged that both agencies were partly responsible for any issues and delays noted, and that an agreement outlining the documentation to be submitted, and establishing the processes and turn-around times could alleviate the issues and provide greater accountability for UN Women.

The absence of a service level agreement has resulted in the Office receiving sub-optimal operational support and delayed turn-around times for services requested which could negatively affect the efficiency of the operations of the Office.

Priority	Medium (Important)
Recommendation 13:	
The Office should pursue the establishment of a Service Level Agreement with the UNDP Country Office by requesting the assistance of the Division of Management and Administration.	
Management action plan:	
The Office has made efforts to establish a service level agreement at the country office level, and has escalated this issue now to the Division of Management and Administration for further decision.	
Estimated completion date: Ongoing	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women.
- **Medium (Important)** Action is required to ensure that UN Women is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UN Women.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.