UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

PAPUA NEW GUINEA

Follow-up of OAI Report No. 1441 dated 19 February 2016

Report No. 1777
Issue Date: 2 June 2017

(REDACTED)

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Report on Follow-up Audit of UN Women Country Office in Papua New Guinea
(Previous OAI Report No. 1441, 19 February 2016)
Executive Summary

From 24 to 28 April 2017, the UN Women Audit Unit of the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UN Women Country Office in Papua New Guinea (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1441 dated 19 February 2016. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Audit scope and approach

The follow-up audit reviewed the implementation of 13 audit recommendations. OAI conducted appropriate tests of transactions and activities undertaken by the Office from 1 January 2016 to 31 December 2016 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

Of the 13 audit recommendations, the Office had fully implemented 12 and the UN Women Programme Division had initiated action on the remaining 1 corporate recommendation, resulting in an implementation rate of 92 percent on 2 June 2017.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	12	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13
In progress	1	1
Not implemented	0	
Withdrawn	0	
Total	**13**	

The detailed implementation status of the 13 recommendations has been updated by OAI in CARDS.

Section I summarizes the 13 recommendations that are in progress and implemented. OAI encourages the Programme Division to continue to take appropriate actions to address the remaining corporate recommendation. OAI will continue to monitor the progress of the implementation of the recommendation as and when updates are provided by the UN Women Programme Division in CARDS.

Management comments and action plan

The Director of the Programme Division provided the revised implementation dates for the outstanding corporate recommendation.
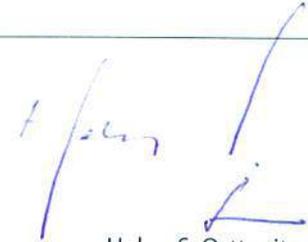
Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   Details of recommendations in progress and implemented

Rec No.	Issue title	Recommendation	Implementation status reported by UN Women Papua New Guinea	OAI assessment
1	Corporate Issue: Lack of structure for Sub-National Office operations	**High (Critical)** 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 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.	**In Progress** The Programme Division has collaborated to develop a policy, which has been circulated for comment and is awaiting submission to the Executive Director for approval and implementation.	**In Progress** OAI reviewed the draft policy developed by the Programme Division and suggested to address two areas: ▪ Inclusion of a periodic review of the continued programmatic justification and financial benefit of Sub-National Offices. ▪ Clarification of how the Sub-National Office will be identified in Atlas, to allow management to assess the financial cost/benefit. **Revised Implementation Date**: June 2017
2	Sub-optimal Office management	**Medium (Important)** The Office should improve the management of the Office by: (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	**Implemented** (a) The Office conducted a staff retreat during the Mid-Term Review of the Strategic Note in June 2016, bringing together all members of the country team to engage in work and team building activities. Bi-weekly staff meetings have been implemented, providing a forum for all staff to discuss programme and operational issues. Bi-weekly management and programme status review meetings have been institutionalized, providing	**Implemented** (a) The follow-up verification exercise undertaken in April 2017 verified that the Office implemented the recommendation, including having conducted an all-staff retreat, the provision of various trainings and the implementation of regular staff and management meetings. (b) While the Office confirmed that the documentation used for the original transfer of the vehicle to the responsible party was incorrect, the

		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	in-depth review and discussion of programming and project financial issues and tracking of results. (b)The status of the ownership of the vehicle with the partner has been clarified by UN Women Headquarters. The Office, in consultation with the Regional Office, has now fully transferred the ownership liability of the vehicle to the NGO, and according to this transfer of ownership, UN Women will have the right to reclaim the vehicle. (c) The NGO has purchased comprehensive insurance to cover any liability arising from use of the vehicle by the NGO during the project period.	Office had discussed a new document with the responsible party, which clarified the temporary nature of the transfer and the need to return the vehicle/or for UN Women to formally donate it upon completion of the project. (c) Proof of registration and insurance for the vehicle by the responsible party was verified during the follow-up exercise.
3	Weak assessment and monitoring of implementing partners / responsible parties	**High (Critical)** 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	**Implemented** A capacity-building plan for the responsible party has been developed and is being implemented. Further, mission reports documenting actions taken by the Office to support the capacity-building, financial monitoring and assistance provided to the responsible party have been prepared. The responsible party's budget under the project cooperation agreement for Project No. 94025 has been revised to include the Atlas account codes.	**Implemented** (a) and (b) While selection of new partners was not necessary during the review period and therefore no new capacity assessments were conducted, the Office had updated the capacity assessments of two responsible parties, including the partner for Project No. 94025. The reassessment for one partner resulted in the revision of the project cooperation agreement budget for the partner (50 percent reduction), discussions with the donor and the reprogramming of the funds. Training on capacity assessments had been provided to programme personnel. (c) and (e) A capacity-building and support plan was developed

		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.		and implemented for the NGO implementing partner for Project No. 94025. Documentation of frequent site visits, monitoring and support were reviewed during the follow-up exercise. (d) The budget for the responsible party for Project No. 94025 had been updated to include the Atlas codes. (f) Training of Office personnel and the responsible party for Project No. 94025 on financial policy, procedures, FACE forms and documentation requirements had been provided.
4	Poor programme formulation and management	**High (Critical)** 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: (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)	**Implemented** (a) The Office has conducted Results Based Management trainings for all staff. The Deputy Representative has provided on-the-job coaching and support to programme staff to strengthen the inclusion of results reporting to donors. Programme managers will hold regular monitoring visits to project sites. (b) Following the contextual analysis of project implementation, and delivery of intended results and expenditures, decisions	**Implemented** (a) The Office had provided various trainings to programme personnel on Results Based Management principles and methodologies. ▪ A temporary assignment to the CO by a Programme Specialist from the ROAP was undertaken from May to August 2016, the assignment TORS included training and instruction of programme personnel on RBM and application of a monitoring system to programme results and indicators, and assistance in the review and revision of project indicators

		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.	were made to adjust project the implementation modalities and budget for two projects, 94025 and 88782. (c) The Office has institutionalized the holding of fortnightly programme meetings as an effective way of consistently supporting monitoring and implementation of Results Based Management. In addition, quarterly programme review meetings will be held at the end of each quarter, to comprehensively analyze all Office programme results at the output level and make decisions regarding necessary corrective actions prior to reporting in RMS. This will include review of delivery results and expenditure tracking and reporting as well as updating of context and risk analysis. (d) & (e) The updated risk analysis was conducted for Project No. 77347 and shared with the donor and infrastructure consultant firm, resulting in revision of the Safe Cities MOU and the decision that the donor would implement the infrastructure portion of one of the Markets.	and outputs/outcomes. ▪ The Safe Transportation project programme specialist (P3) had presented RBM training to the programme staff in the Office. (b) Review of the 2017 draft Annual Work Plan (AWP) and revision of all indicators was conducted by the Programme Specialist, with expertise in Results Based Management and hired in January 2017. ▪ The indicators for the Safe Cities Programme were further reviewed and revised by the Headqquarters Safe Cities Programme Focal Point for coherence to the flagship indicators. (c) The Office had implemented bi-weekly, and quarterly Programme Review meetings. ▪ The Office has implemented a performance monitoring framework, through which indicators are monitored throughout the year. (d) The Office had rephrased funding for two projects based on the updated analysis of risks and the conduct of the review of its AWP, in order to ensure application of Results Based Management principles. (e) No new projects with an infrastructure component have been undertaken; however, in anticipation of the same the Office was collaborating with the Headquarters Programme Division and the Safe Cities Focal Point specifically, for assistance in developing a framework and process guidance for projects with infrastructure components.

5	Performance Monitoring Framework not developed	**High (Critical)** 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.	**Implemented** The Performance Monitoring Framework has now been finalized for use by the Office in results tracking and reporting for programme meetings and quarterly programme review meetings.	**Implemented** The Office has developed a Performance Monitoring Framework for the 2017 AWP, which defines the means, method, frequency and responsible individual for each outcome indicator – status is reviewed quarterly. Project activities and the corresponding budgets and timing are included in the AWP and are reviewed during the biweekly programme review meetings.
6	Insufficient supporting documentation for financial transactions	**High (Critical)** 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 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	**Implemented** A memo was issued by the Country Representative on staff compliance with financial rules in line with 'Programme and Operations Manual' and it was shared with all staff in the Office. Further, UN Women critical operations and programme, including the finance associate, asset and admin assistant, and project assistants have been trained in financial management through training in Fiji facilitated by UN Women Headquarters and financial management training provided by the Regional Office in Bangkok which was attended by seven of the Office's programme and operations staff.	**Implemented** (a) The provision of various appropriate trainings to the Office staff/personnel, training topics and attendance lists were verified during the follow-up review. (b) Due to the Country context, the Office continues to make advance payments for some goods and services. In response, the Office had developed (in collaboration with the Regional Office) and implemented an SOP to be followed in cases when vendors refuse to accept UN Women's procurement and financial procedures. Memos had been issued to staff regarding the need for compliance with UN Women Financial Regulations, Rules, Policies and Procedures and the SOP established the criteria and process for exceptions. The follow-up verification of financial transactions did not identify any pervasive or material discrepancies.

		deviations from approved procedures as prescribed by the 'Programme and Operations Manual'.		
7	Inadequate procurement process to address country-specific challenges	**Medium (Important)** 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 (LTAs) with key vendors.	**Implemented** (a) and (b) The Office consulted with UN Women Headqquarters on key procurement processes considering the specific context of the Country. Concrete action points and advice were provided by the UN Women Chief of Procurement, who indicated that country specific procurement procedures are not required for Papua New Guinea. The Chief of Procurement further indicated that the Office's regular procurement needs should be covered through the Headquarters Global and Regional LTAs. For country specific requirements, the Office continues to support efforts to establish inter-agency LTAs.	**Implemented** (a) the Office in collaboration with the Regional Office had developed and implemented an SOP to be followed in cases when vendors refuse to accept purchase orders according to UN Women procurement and financial procedures. (b) The Office made use of LTAs established by other UN agencies in the Country. The Office had worked with several vendors, who had adopted the use of UN Women purchase orders.
8	Poor asset management	**High (Critical)** 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 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	**Implemented** (a) A comprehensive and thorough physical assets verification exercise was conducted by the Office for offices in both Port Moresby and Buka. Assets were tagged as appropriate. The Office updated Altas for the changes in location, tag numbers, asset type, model and serial numbers. Assets which had been recorded as duplicate or erroneously have been fixed in collaboration with the Asset	**Implemented** OAI verified the following during the follow-up exercise: (a) An assets verification exercise had been conducted by the Office for both the office in Port Moresby and in Buka. (b) Assets training for Office personnel had been provided. (c) The asset tracking log had been revised to track both capital and non-capital assets and to allow reconciliation to

		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 Focal point at Headquarters.

(b) and (c) Staff responsible for asset management and physical verifications have undergone training with the Headquarters Asset Management Focal point and the Office's Operations Manager. The recommendations for improvement of asset management in the Office have been implemented. | Atlas.

The review of a sample of three assets did not result in the identification of any discrepancies. Observation of the equipment on site did not result in the identification of any untagged equipment. |
| 9 | Inadequate oversight over international and domestic travel | **Medium (Important)**

The Office should strengthen travel management by: (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. | **Implemented**

The Office held training on travel for all UN Women staff. Further, a memo was issued by the Country Representative appointing a Travel Focal Point and emphasizing key issues on travel, including mission and leave plans, timely submission of F10 forms and mission reports and the development of the regular travel matrix. The travel reports are regularly reconciled with Atlas for verification purposes as advised by audit team as best practices. All recommendations have been implemented. | **Implemented**

(a) and (c) The follow-up review of travel did not identify any discrepancies in the use of the tracking tool, calculations of daily subsistence allowances or rates, documentation, review and approval.

(b) A memo had been distributed to personnel regarding travel policies. |

10	Weaknesses in leave management	**Medium (Important)** The Office should improve leave management by: (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.	**Implemented** The Office has conducted two leave management trainings for staff. A Leave Monitor has been appointed for the Office and the migration of service contract holder records were migrated to the Atlas Human Resources module in May 2016. UN Women personnel attended training on the use of the Atlas Human Resources module, conducted by UNDP in May 2016.	**Implemented** (a) The follow-up review of leave records demonstrated compliance with documentation requirements, timing, review and authorizations. (b) Documentation of communications and training regarding leave policy and procedures was provided. (c) The Office had trained staff and personnel and was ready to migrate leave management records of service contractors to Atlas.
11	Ineffective back-up and restoration	**High (Critical)** The Office should comply with the UN Women's ICT Infrastructure and Telecommunications standards by: (a) reconfiguring its servers to ensure that back-ups are performed regularly; (b) storing the back-up media at an off-site location; and (c) testing the approved disaster and recovery plan on an annual basis.	**Implemented** (a) The Office has moved to unlimited VSAT internet connection, through a UNICEF LTA. (b) Data backup, daily incremental and weekly full back-ups have been established and the back-ups are stored off-site with another UN agency. VSAT connectivity has been established and critical data has been moved to the UN Women cloud (OneDrive and SharePoint).	**Implemented** (a) and (b) The Office had started using UN Women SharePoint and OneDrive for data storage and back-up as of April 2017. No discrepancies with set-up or personnel understanding of where to store documents was noted during the follow-up review. Two copies of the back-up prior to migration have been maintained, one on and one off site. (c) The Office had performed several small restoration tests from the SharePoint site, with no issues noted. Based on the above information, the recommendation is considered implemented.

12	[**NOTE:** This section has been redacted as it is deemed to contain sensitive information.]			
13	Absence of Service Level Agreement for ad hoc and global services received from UNDP	**Medium (Important)** 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.	**Implemented** The Office of Financial Resources Management, UNDP, has advised that a Service Level Agreement (SLA) is not mandatory and that the UNDP/UN Women MOU is sufficient for the provision of the support services from UNDP. UNCT and UNDP have communicated that the establishment of an SLA at the agency level in the Country is not required, and would be inconsistent with the approach taken with other agencies in the Country.	**Implemented** The follow-up review did not identify any issues relating to support services provided by UNDP.

ANNEX   Definitions of audit terms – implementation status, ratings and priorities

A. IMPLEMENTATION STATUS

- **Implemented**   The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.

- **In progress**   The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.

- **Not implemented**   The audited office has not taken any action to implement the recommendation.

- **Withdrawn**   Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. AUDIT RATINGS

- **Satisfactory**   The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed**   The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed**   The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory**   The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

C. 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. Failure to take action could result in 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.