

Joint Internal Audit of Delivering as One in Papua New Guinea

April 2019



Representatives of the Internal Audit Services of the
United Nations system organizations (UN-RIAS)

Summary

The Internal Audit Services (IAS) of six UN agencies (FAO, IOM, UNDP, UNFPA, UNICEF and WHO) have conducted a joint audit of Delivering as One (DaO) in Papua New Guinea (PNG). The UNICEF Office of Internal Audit and Investigations was the lead IAS. The audit covered the period from 1 January 2017 to 9 May 2018. The audit fieldwork was conducted in Papua New Guinea from 23 April to 9 May 2018 against the backdrop of the imminent repositioning of the Resident Coordinator function including, with effect from 1 January 2019, the: transfer of the United Nations Development Operations Coordination Office from the United Nations Development Programme (UNDP) to the Secretariat; separation of the Resident Coordinator function from those of the UNDP Resident Representative; and the direct reporting of the Resident Coordinator to the Secretary-General.¹

The audit was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities of September 2014 and the International Standards for the Professional Practice of Internal Auditing.

The objective of the audit was to provide reasonable assurance that there were adequate and effective governance, risk management and control processes to ensure: achievement of DaO objectives; reliability and integrity of financial, operational and performance information; effectiveness, efficiency of operations and economic acquisition of resources; safeguarding of assets; and compliance with mandates, regulations and rules, policies and procedures, donor requirements, and other relevant governance documents.

DaO requires a more joint and coherent UN structure at the country level, with five pillars: One Leader, One Programme, Common Budgetary Framework (and One Fund), Operating as One and Communicating as One. The aim is to reduce duplication of efforts, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO had been adopted in 58 countries as of April 2018. In August 2014, the United Nations Development Group (UNSDG)² issues the Standard Operating Procedures (SOPs) for Countries Adopting the DaO Approach, together with an integrated support package for United Nations Country Teams (UNCTs).³

The UN bodies in PNG worked in four “clusters”⁴, reflecting the key elements of the Sustainable Development Goals – People, Planet, Peace and Prosperity. These are in turn reflected in the four outcomes of the 2018-2022 United Nations Development Assistance

¹ Resolution A/RES/72/279, *Repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system*, issued on 31 May 2018 (refer to p. 11).

² The UNSDG is the United Nations Sustainable Development Group, formed in 1997 to enhance effectiveness of the UN's development activities at country level. Until January 2018 it was known as the United Nations Development Group (UNDG). For clarity, it is referred to in this report by its current name.

³ The UNCTs comprise heads of UN agencies or bodies in a particular country.

⁴ A cluster is a group working on a specific sector; an agency can belong to more than one cluster, but each will be coordinated by one of its members.

Framework (UNDAF) for PNG⁵ The estimated requirement to achieve the four outcomes was US\$ 264 million.

In PNG, the UN faces several external risks that may constrain the implementation of the One Programme. The UNCT reported that the operating environment in PNG was highly challenging, and the ability of the Government to deliver basic services to all parts of the country was constrained by a highly-dispersed population, aging infrastructure, limited human resources capacity, high costs of logistics, and tribal conflicts. Further, corruption, crime and insecurity also affected the business environment. There were also humanitarian challenges, such as the February 2018 earthquake.

Despite these challenges, governance, risk management and processes had been established and functioning well in a number of areas. The UN in PNG reported that it had responded diligently to the February 2018 earthquake and raised US\$ 9.2 million within four weeks. The UNCT's collegial approach had led to an effective coordination of the UN humanitarian response to this large-scale emergency.

The audit also noted that the 2018-2022 UNDAF was aligned with the national plans. It had been developed following extensive and broad consultations with key ministries, civil society, and development partners. The 2018-2022 results framework shifted from the 10 sector-based task teams in the previous UNDAF to four priority results groups. This increased flexibility in integration of programmes around the globally agreed key elements of the Sustainable Development Goals – People, Planet, Peace and Prosperity.

Further, the audit noted that controls over joint communication were generally established and functioning well.

Audit recommendations

The joint audit team identified a number of areas where further action was needed to better manage risks to DaO in PNG. It made 27 recommendations of which 7 were rated as high priority – that is, in the opinion of the audit, they require prompt action to ensure that DaO in PNG is not exposed to high risks, and failure to take action could result in major negative consequences for DaO and may affect it at the global level. In discussion with the joint audit team, the Resident Coordinator, UNCT and UNSDG agreed to take a number of measures to address these risks and issues, albeit the Resident Coordinator and UNCT disagreed with the high-priority rating of the five recommendations addressed to them. The high-priority recommendations arising from this audit are summarized as follows:

- i. The UNSDG should, with the support of the Regional UNSDG Team, update the Standard Operating Procedures to reflect changes in the operating environment, and develop standards, guidance and tools on risk management, including those risks related to fraud and corruption. **(Recommendation 1)**
- ii. The Resident Coordinator and UNCT should establish a rigorous process to ensure the Joint Programme Steering Committee fulfils its responsibilities and accountabilities, particularly with respect to monitoring UNDAF implementation and reviewing joint annual workplans and progress reports before finalization. **(Recommendation 4)**
- iii. The UNSDG should review and update the workplan templates to include key performance indicators, targets and means of verification. To increase accountability

⁵ An UNDAF is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.

for results, it should also provide guidance to establish clear links between the objectives or deliverables in staff performance evaluations and the outputs or targets established in either the Inter-agency joint workplans of the UNDAF or Resident Coordinator's office. **(Recommendation 6)**

- iv. The Resident Coordinator and UNCT should strengthen quality assurance over the annual progress report by the Monitoring and Evaluation Working Group. **(Recommendation 8)**
- v. The Resident Coordinator and UNCT should increase their oversight of the Operations Management Team (OMT), and urgently take steps to improve its functioning – e.g. revise the composition and terms of reference of the OMT and assess the skills of OMT members and implement an appropriate capacity improvement plan. **(Recommendation 20)**
- vi. The Resident Coordinator and UNCT should, with the support of the OMT: request and review progress reports and take corrective measures as necessary to ensure timely implementation of significant workplan activities to achieve expected efficiency gains and high quality common services. **(Recommendation 23)**
- vii. The Resident Coordinator and UNCT should identify and review the causes and impacts of no cost-extension and high unspent balances in the One Fund and develop a strategy to manage the related risks; review and update its budgetary framework; and establish a mechanism to manage the risk of having two separate agreements with the same funding source. **(Recommendation 26)**

As of the time of issuing this report, the Resident Coordinator, UNCT, UNSDG, and Regional UNSDG were in the process of implementing them. They reported that five recommendations had been fully implemented.

Audit rating

The audit assessed the DaO in Papua New Guinea as “**partially satisfactory**” – that is, the governance, risk management and internal processes over the DaO in PNG were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entities.

“Signed”

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