

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

PAPUA NEW GUINEA

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Report on the Audit of UNDP Papua New Guinea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Papua New Guinea (the Office) from 15 to 26 July 2019. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenses of approximately \$25 million. The last audit of the Office was conducted by OAI in 2016.

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 **partially satisfactory/major improvement needed**, which means “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.” This rating was mainly due to the following: a high number of projects that were not financially closed, long-outstanding bank reconciliation items, and a lack of controls over assets management.

Key recommendations: Total = 6, high priority = 3

The six recommendations aim to ensure the following:

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

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

High number of projects not financially closed (Issue 3)

There were 49 projects that were pending financial closure at the time of audit. The closure process was prolonged as these mainly related to projects receiving funds under the Multi-Partner Trust Fund Office (MPTF). Funds had been transferred from project to project, resulting in mismatches between budgets and expenditures, and in the incorrect use of account codes.

Recommendation: The Office should seek support from the Bangkok Regional Hub and ensure that relevant projects are closed within a specified timeframe.

Long-outstanding and unresolved bank reconciliation items (Issue 4)

There had been long-outstanding unreconciled bank items dating back to 2004 that remain unresolved. In September 2018, the Office submitted a request to the Office of Financial Resources Management (OFRM) to write off the unexplained difference totalling \$203,000. The issue was still pending at the time of the audit. As a result, bank reconciliations for the Office had yet to be transferred to the Global Shared Services Unit.

Recommendation: The Office should resolve the outstanding reconciliations by: (a) seeking assistance from the Regional Bureau for Asia and the Pacific management to liaise with the Bureau for Management Services and assist the Office in finding an urgent resolution to the outstanding bank reconciliation issue and to possibly consider a write-off; and (b) the Office, in consultation with the Regional Bureau for Asia and the Pacific should transfer the bank-to-book functions to the Global Shared Services Unit once the unreconciled items in the bank reconciliations issue is resolved.

Lack of controls over assets management (Issue 6)

Although the Office had been submitting its asset certifications regularly, it failed to thoroughly conduct the asset verification and certification process over a prolonged period, which led to discrepancies between Atlas records and physical assets.

Recommendation: The Office should strengthen asset management by: (a) conducting a thorough physical verification of assets and reconcile physical count records with Atlas asset records, and updating Atlas asset records accordingly; (b) investigating any missing items and disposing the items in accordance with UNDP rules and regulations; and (c) reinforcing the policies and procedures for proper recording of assets acquisition and disposal to all relevant staff.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
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