

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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Objectives, scope and methodology

1. The objectives of the audit were 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.
2. The audit reviewed the implementation of the DaO approach, focusing on joint governance structures, processes, decision-making and activities by the UNCT. Other areas reviewed included the harmonization of policies and procedures among the participating UN organizations, and the governance and accountability arrangements, including the mechanisms to ensure accountability and oversight of joint funds. Further, the audit reviewed the timeliness of disbursements of funds by the One Fund to the participating organizations. It also covered the joint activities supporting the One Fund, such as resource mobilization⁶ and reporting on the use of funds by the UN agencies. The scope of the audit excluded programme activities undertaken solely by a UN agency, because they are subject to audit by that agency's own internal audit services.
3. The audit covered the period from 1 January 2017 to 9 May 2018. It was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities, adopted in 2014 by the Representatives of the Internal Audit Services of the United Nations system organizations (UN-RIAS).

Background and operating context

4. DaO requires a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The objective is to reduce duplication of efforts, competition and transaction costs. In 2007, the UN in eight countries volunteered to pilot the DaO approach. PNG was one of them. By April 2018, 58 countries had adopted DaO. The DaO approach is based on five pillars: (i) One Leader; (ii) One Programme; (iii) Common Budgetary Framework and One Fund; (iv) Operating as One; and (v) Communicating as One. The joint audit looked at each of these, and this report is organized accordingly.
5. Recognizing the need for a more cohesive and efficient presence on the ground, the General Assembly in its Resolution A/RES/72/279 dated 31 May 2018 called for, among other things, a strengthening of the role of the Resident Coordinator. The audit was conducted against the backdrop of the imminent restructuring 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

⁶ While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

Resident Representative; and the direct reporting of the Resident Coordinator to the Secretary-General.

6. The UN is headquartered in Port Moresby, the capital, and has field offices in the Autonomous Regions of Bougainville, Buka and Arawa. In 2018, there were 20 agencies, funds and programmes represented in PNG with about 260 staff. The UN system has a One UN Programme, financed through a Common Budgetary Framework (CBF).

7. The UN and the Government have agreed a new United Nations Development Assistance Framework (UNDAF) The previous one, covering 2012-2015, had been extended to 2017 to align with the Government Medium-Term Development Plan (MTDP) II, 2015-2017, and with the political cycle in PNG.

8. Under the 2012-2017 UNDAF, the UN bodies in PNG worked in four “clusters” (that is, groups working on a specific sector; an agency can belong to more than one cluster, but each will be coordinated by one of its members). These four clusters worked towards 10 agreed inter-agency outcomes. The new 2018-2022 UNDAF reduces the number of inter-agency outcomes to just four, to reflect the globally agreed key elements of the 2030 Agenda for Sustainable Development – People, Planet, Peace and Prosperity.

9. The estimated requirement to achieve the four outcomes of the 2018-2022 UNDAF was US\$ 264 million. The PNG UN Country Fund (the One Fund) aims to minimize transaction costs for partners and create incentives for them to work together. Since the inception of the One Fund in 2009, it had received US\$ 99 million as of the time of the audit in May 2018.

10. In PNG, the UN faces several external risks that may constrain the implementation of the One Programme. The UNCT has reported that the operating context in PNG is highly complex and challenging due to socioeconomic, political, ethnic and humanitarian risks and issues. The Government struggles with growing debt distress and declining revenues. It also continues to pursue political and fiscal decentralization with the creation of the District Development Authorities, which add another structure to the current tri-level system of national, provincial and local governments. The Government’s ability to deliver basic services to all parts of the country is constrained by the aging infrastructure, limited human-resources capacity, fragmented supply chains, high costs of logistics, and tribal conflicts.

11. PNG is also highly vulnerable to natural hazards. It regularly faces humanitarian challenges that divert development resources, such as the recent February 2018 earthquake.

Audit observations

I. One Leader

12. Under the One Leader principle, leadership is provided by the UN’s Resident Coordinator in a country and the UN Country Team (UNCT). The One Leader pillar of the DaO approach aims to reduce transaction costs, duplication, fragmentation and competition for funds. It should enhance strategic dialogue with the host-country authorities at the highest level. It also plays a central role in driving forward the programme of reform in accordance with General Assembly Resolution A/RES/72/279 adopted in May 2018.

13. The UNCT comprised the heads of UN agencies in PNG. It is responsible for day-to-day oversight of implementation and runs the DaO coordination mechanisms, including the Programme Coordination Committee, the Priority Working Groups, the Budgetary

Committee, the Operations Management Team and the Communication Group. It should also oversee the implementation of the UNSDG's Standard Operating Procedures (SOPs) for DaO. It reports annually to key stakeholders, including donors and implementing partners, on progress in DaO implementation. It also reports annually to them on progress towards UNDAF objectives.

14. The joint audit team reviewed the controls, risk management and governance over the One Leader pillar, including the implementation of SOPs, risk management and annual progress reporting, that cut across the other DaO pillars.

15. The audit noted that the UN 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.

16. However, the audit also noted the following.

Standard Operating Procedures

17. In August 2014, the UNSDG issued a set of guidelines for DaO, SOPs for countries adopting the DaO approach and an integrated support package for UNCTs.

18. The following six principles guided the development of the SOPs and represent the foundation for implementing DaO:

- Strong ownership by Government and stakeholders of the DaO.
- Simplification and reduction of transaction costs.
- Empowerment of UNCTs.
- Flexibility to allow innovations by UNCTs.
- Drive towards common delivery of results and strengthened accountabilities.
- Emphasis on shared values, norms and standards of the UN systems.

19. The UNSDG recommends that the SOPs be adopted by UNCTs and Governments in each country to their specific needs. The joint audit team reviewed the SOPs and their implementation, and noted the following.

20. **Implementation of SOPs:** The Resident Coordinator and UNCT, with support from the Resident Coordinator's office, are responsible for overseeing the implementation of the SOPs, and reporting on it to the Regional UNSDG Team. They also have the authority to adapt them to meet the UN's specific needs in the country. Though the Resident Coordinator and UNCT saw the SOPs as guidance rather than mandatory, the audit found that they had adapted them to their specific context. In the view of the audit, the SOPs as adapted were clearly appropriate for the implementation of the DaO approach in the PNG.

21. The Regional UNSDG Team monitoring the implementation of the SOPs had found that only the business operations strategy had not been fully implemented. However, the audit noted that, out of the 15 control elements, five core elements were fully achieved and seven partially achieved, and the following three showed no or little progress:

- No joint resource mobilization strategy.
- Delayed implementation of the business operations strategy.
Operational costs were not included in the medium-term Common Budgetary Framework.

22. **SOPs and UNSDG guidance:** The SOPs did not include any specific standards, guidance and tools to support risk management, and neither did the UNSDG guidance itself. This had constrained the capacity of the participating UN organizations to identify and address risks to the achievement of DaO objectives in the context of PNG.

23. The observations in this audit report identify some key DaO-related risks that have not been adequately managed. For instance, the joint audit team noted that work planning of the Resident Coordinator's office, the UNCT and OMT were not guided by a systematic risk identification and assessment. There was also no action plan with assigned responsibilities and timelines to mitigate the risks (see observation *Risk management*, below). In the absence of SOPs and UNSDG guidance on risk management, in 2018 the UNCT introduced a change to the quarterly update template for One Programme, to report key risks and mitigating actions. However, this did not address risks related to the other four pillars of DaO.

24. Further, fraud and corruption could reduce the efficiency and effectiveness of joint programmes, activities and processes of the UN agencies in PNG. There were no UNSDG standards, guidance and tools on fraud-risk management. PNG was ranked 135 out of 175 country offices in the Corruption Perceptions Index (2017). Fraud and corruption can be committed by implementing partners and it requires coordination and cooperation among UN agencies using those partners to effectively address the risk of fraud and corruption. Common guidance would help a joint response to key fraud risks, particularly those affecting joint programmes and activities, and common operational services.

25. The SOPs had not been updated since 2014. Recent changes in the operating environment are a good opportunity to review the SOPs and adapt them accordingly. Moreover, the recent General Assembly Resolution A/RES/72/279 of May 2018⁷ would call for an update of the SOPs to operationalize the significant changes to the setup, leadership, accountability mechanisms and capacities.

Recommendation 1 (high priority): 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.

Responsible staff member: Inter-agency UNDAF Design Team (co-chaired by UNFPA and UNESCO); and UN Development Coordination Office (UN-DCO) as Secretariat (Programme/UNDAF Specialist and Regional Advisor)

Date by which action will be taken: 30 June 2019

Recommendation 2 (medium priority): The Regional UNSDG Team should revise its quality assurance review processes to ensure that UNCT's self-assessments of the implementation of their DaO SOPs are adequate.

Responsible staff member: Inter-agency UNDAF Design Team (co-chaired by UNFPA and UNESCO); UN-DCO as Secretariat (Programme/UNDAF Specialist and Regional Advisor); Regional UNSDG Asia-Pacific Team; and Regional UNSDG Asia-Pacific Secretariat until such time UN DOCO Regional Desk is set up and operational

Date by which action will be taken: 30 June 2019

⁷ See Summary, p2 above.

Risk management

26. Along with its other risk-management responsibilities, the UNCT should manage risks to the achievement of DaO objectives. These can include the following:

- Poor commitment of staff to inter-agency processes.
- Low attendance at key governance committees such as the Operations Management Team.
- Weak application of results-based management and standards in implementing the DaO approach.
- Insufficient knowledge of DaO among member agencies' staff and weak capacity to reach out to their headquarters.
- Ineffective oversight over DaO activities by the UNCT, Priority Working Groups, Operation Management Team and other committees.
- Ineffective support and guidance by the Resident Coordinator's office due to insufficient financial and human resources.
- Weak monitoring and evaluation of joint programmes and activities.

27. Prior to 2018, there were no established procedures and formal system for identifying and managing key risks to DaO. In December 2017, the UNCT approved the use of UNINFO, an online planning and reporting system for the UNDAF, and tasked the Monitoring and Evaluation Working Group to implement it during the first quarter of 2018. It also developed a template to be used by all Priority Working Groups in their quarterly reporting of progress towards the achievement of joint results. The template also required the identification of risks to the implementation of programmes, mitigating actions and recommendation. However, the template did not explicitly cover the risks stemming from the other pillars of DaO. The first PWG quarterly programmatic update was completed in May 2018, after the end of the on-site audit. A review of a sample update completed in May 2018 showed that four of six programmatic risks were not properly assessed with respect to their potential impact on the achievement of DaO objectives. There was no clear reference to the risks related to the other four DaO pillars.

Recommendation 3 (medium priority): The Resident Coordinator and the UNCT, with the support of the Resident Coordinator's office, should clearly document and fully implement the risk management process to ensure sustainable and systematic identification and management of key risks associated with the DaO approach.

Responsible staff member: Monitoring and Evaluation Specialist of the Resident Coordinator's Office

Date by which action will be taken: The RC and the UNCT report this action as having been completed.

Joint Programme Steering Committee

28. The UN agencies and the Government have a Joint Programme Steering Committee (JPSC). The JPSC is co-chaired by the Secretary of the Department of National Planning and Monitoring, and the Resident Coordinator. This committee represents the highest level of

oversight of the UNDAF. It should meet annually to review joint annual workplans and progress towards implementation of the UNDAF.

29. During the past two years, the JPSC had met twice to approve and launch the 2018-2022 UNDAF. However, the minutes showed that the JPSC had not fulfilled significant aspects of its oversight mandate outlined in its terms of reference. For instance, although it had met to discuss the UNDAF, it had not done so annually to oversee and review joint annual workplans and annual progress reports; neither did it monitor UNDAF implementation and the management of UN resources. The Government did not receive any progress reports except the final annual progress reports prepared by the UNCT. The JPSC also did not exercise its authority to alter UN programming, or resources allocations from the UN Country Fund or One Fund.

30. The UNCT could not therefore fully benefit from this highest level of oversight of the UNDAF. An effective JPSC could also increase Government ownership of the UNDAF and strengthen the Government commitment to partner with the UN.

31. In June 2018, after completion of the audit mission, the UNCT held an annual retreat in which the Department of National Planning and Monitoring participated, and agreed to hold a joint mid-year and annual reviews of UNDAF progress with the government. The dates had not been fixed by the two parties at the time of the audit.

Recommendation 4 (high priority): The Resident Coordinator and the UNCT should, with the support from the Resident Coordinator's office, establish a rigorous process to ensure the JPSC fulfils its responsibilities and accountabilities, particularly with respect to monitoring UNDAF implementation and reviewing joint annual workplans and progress reports before finalization.

Responsible staff member: Monitoring and Evaluation Specialist of the Resident Coordinator's Office

Date by which action will be taken: First quarter of 2019

United Nations Country Team

32. UNCT members are accountable to the Resident Coordinator and the regional UNSDG team. The Resident Coordinator should lead the UNCT and ensure compliance with relevant UNSDG policies and procedures; they should also be empowered by clear recognition from UN agencies of their role in strategically positioning the UN in the country.

33. The audit found that the UNCT met regularly and its composition was adequate. In early 2018, the Resident Coordinator delegated his authority as UNDP Resident Representative, responsible for the delivery of the UNDP programme and UNDP-specific operations, to the UNDP Deputy Representative. This was to establish a clear functional firewall, ensuring that the Resident Coordinator in a country belongs, and is equally accountable to, all UNSDG member bodies, including UNDP. This joint accountability is in accordance with DAO guidelines and with the recent General Assembly Resolution

A/RES/72/279, which called for a separation of the Resident Coordinator role from day-to-day running of UNDP.

34. However, the audit noted the following.

35. **Accountability:** Strong individual commitment of UNCT members to the Delivering as One accountability framework, and to collective results, strengthens the oversight structures and decision-making process, and thus the UN's performance in the country. However, in PNG there were weaknesses in the functioning of several governance committees for which the UNCT had oversight (these are discussed more fully elsewhere in this report). There were several reasons for this. For instance, the job descriptions or ToRs of heads of agencies and their deputies did not include clear accountabilities for their respective contributions to DaO and the UN development system. As a compensatory measure, in 2018 the UNCT had started to include specific performance objectives in the annual performance reviews of the relevant staff.

36. The May 2018 General Assembly resolution (which was passed after the audit fieldwork) accords greater authority and leadership to the Resident Coordinator and establishes clearer accountability lines for UNCT members in the achievement of collective UN results.

37. **UNCT mechanisms for conduct and dispute resolution:** UNSDG guidance is that a UNCT should develop its own dispute-resolution mechanism⁸ and UNCT Conduct and Working Arrangements adapted to the local context. However, in PNG the UNCT had not done so as of the end of the audit fieldwork. This might have contributed to the weaknesses in the functioning of several governance committees, and the performance of several pillars of Delivering as One (as explained in each pillar section of this report).

38. Though the joint audit team did not find any reported and documented cases of dispute among the UNCT members during the period covered by the audit, if such disputes did arise they would affect operations and maybe also the collegiality and synergy within the UNCT. Interviews with the heads of UN agencies in PNG, and review of UNCT minutes of meetings, showed that overlaps and convergence of mandates among the UNCT member agencies could lead to disputes over multi-sectoral activities. For instance, whilst the core mandate of UN Women in PNG is empowerment of women and gender mainstreaming, improvements on gender status is also a cross-cutting theme to be addressed by all UNCT members. A collectively-owned internal dispute mechanism should help resolve any potential disputes between mandates (and the General Assembly resolution also calls for such a mechanism).

39. After the audit fieldwork had finished, the UNCT agreed to establish a Code of Conduct and a dispute resolution mechanism in line with a Management and Accountability Framework approved by the UNSDG.

Recommendation 5 (medium priority): The Resident Coordinator and the UNCT should implement a collective internal dispute-resolution mechanism and UNCT Conduct and Working Arrangements adapted to the local context. The Resident Coordinator may consider the lessons learned on disputes and resolutions, stored in the UNSDG database.

⁸ The dispute-resolution mechanism for UNCTs applies to disputes associated with UNCT common processes such as common services, common programming, joint programmes, and related funding, which should be solved first and foremost at country level in an amicable environment.

Responsible staff member: Resident Coordinator

Date by which action will be taken: The date depends on the finalization of a Management and Accountability Framework

Results-based planning

40. The UNSDG supports the use of result-based management (RBM); that is to say, realistic expected results should be defined and progress towards their achievement should be monitored and reported on, while integrating lessons learned into management decisions. The audit noted the following.

41. **Annual workplans:** The UNCT and the Resident Coordinator's office should draw up annual workplans, monitor progress, and report on achievements against objectives or targets, in accordance with RBM principles.

42. The UNCT workplans were developed using a standard online template provided by the UNSDG. They were reviewed by the Regional UNSDG Team, comprised of all regional directors of UN agencies, funds and programmes. The workplans were structured to support the implementation of the five pillars of DaO. They identified planned activities to achieve expected outputs, and assigned a specific UN agency as a leader for every output. However, the workplans lacked key performance indicators, specific and measurable targets and means of verification to measure and monitor achievements. Further, progress was reported only once a year (by the UNSDG but using a performance self-assessment by the UNCT, recorded in the UNSDG's online Information Management System).

43. The Resident Coordinator's office also prepared annual workplans, structured around the five pillars of DaO and using a standard template for these offices. The audit found that while these established planned activities to support expected outputs, they lacked key performance indicators, targets and means of verification. The audit also reviewed two performance evaluations of staff in the Resident Coordinator's office, and noted that staff key deliverables were not clearly linked to key workplan outputs or activities. This could weaken staff accountability for the office's workplan outputs. As of the time of the audit, the UNSDG was revising the workplan template for Resident Coordinator's offices to address this.

44. **Capacity:** A Resident Coordinator's office should have sufficient financial and human resources to support the DaO approach and achievement of the UN's objectives in the country. The audit team found no record to show that the Resident Coordinator, UNCT or UNSDG Regional Team had reviewed whether this was the case. The observations in this audit report suggested that further resources could have been needed – the more so since the General Assembly resolution may increase the demands on the office, as it provides greater authority and leadership responsibilities to the Resident Coordinators themselves.

45. As of the time of the audit fieldwork, the Resident Coordinator's office in PNG had five budgeted posts, three of which were responsible for core coordination functions. The office had hired a monitoring and evaluation specialist in 2017 and a communications consultant in April 2018. It was planning to hire an Operations Manager during 2018, to increase its support and guidance to Operating as One activities. The audit was told that the Resident Coordinator had secured the necessary financial resources from donors and other sources to fund these posts. In the view of the audit, going forward and in the context of the ongoing SG reform, the RC will benefit from reassessing the human and financial resources requirements of the Resident Coordinator's office with a view to making sure it effectively delivers.

Recommendation 6 (high priority): The UNSDG should review and update the workplan templates for UNCTs and Resident Coordinators' offices to include key performance indicators, targets and means of verification. 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 work plans of the UNDAF or RCO work plans to increase accountability for results.

Responsible staff member: Inter-agency UNDAF Design Team (co-chaired by UNFPA and UNESCO); and UN-DCO as Secretariat (Programme/UNDAF Specialist and Regional Advisor)

Date by which action will be taken: 30 June 2019

Recommendation 7 (medium priority): The Resident Coordinator and the UNCT in PNG should, with support from the Resident Coordinator's office and the UNSDG Regional Team, establish rigorous quality assurance mechanisms to ensure the workplans for the UNCT and Resident Coordinator's office include clearly defined, specific and measurable performance indicators and targets, and means of verification to measure progress. The Resident Coordinator's office and the UNCT should also thoroughly review and monitor their respective workplans.

Responsible staff member: The Resident Coordinator

Date by which action will be taken: The RC and the UNCT report this action as having been completed in January 2019

Annual progress report

46. The UNSDG guidance recommends that the Resident Coordinator and the UNCT prepare an annual progress report stating the collective results and financial resources that the UN has contributed to the national development agenda. This report is the UN's mechanism for reviewing yearly progress against the UNDAF expected results. The report should be evidence-based and results-oriented, and avoid focusing on processes and activities. The audit reviewed the annual progress reporting by the UNCT, and found the following.

47. **Timeliness:** The annual progress report needs to be completed on time to meet the needs of key stakeholders and to inform next year's planning. One key donor expressed concerns to the audit on timeliness of reporting. The 2016 final annual report was issued in June 2017, which was later than the key donor's reporting deadlines for their own Government.

48. The Resident Coordinator's office said that the delay was mainly caused by the Multi-Partner Trust Fund Office (MPTFO)⁹ and UNDP corporate standard financial reporting deadlines. The UNDP financial closure is 30 April, and the MPTFO cannot finalize and release the report before 31 May, as one month is needed for the preparation and quality assurance review of the MPTFO One Fund report. Further, the annual progress report must include the PNG UN Country Fund audited financial figures, as agreed in the MoU between the UNCT and

⁹ The MPTFO helps the UN system and national governments establish and administer pooled financing mechanisms such as multi-donor trust funds and joint programmes, with funding from a diversity of financial contributors and implementing bodies. See [www. http://mptf.undp.org](http://mptf.undp.org).

the MPTFO and in the Standard Administrative Agreement signed by the donors and the MPTFO.

49. The joint audit team was informed that donors received a copy of the draft annual progress report in February 2018. At the time of the on-site audit in early May 2018, the 2017 annual progress report was being drafted. It was issued after the completion of the on-site audit visit in early June 2018.

50. **Quality:** The donor referred to above also expressed overall satisfaction with the 2016 report and noted an improvement over the previous year. However, the donor also noted that reporting could still further reflect the status of UN activities and results, and also thought it would be useful to harmonize the reporting cycles. The donor also added that a succinct quarterly update on implementation of planned activities would be useful.

51. The audit reviewed the 2016 and 2017 reports and found some areas for improvement, as described below.

52. **Reporting against the DaO pillars:** The annual progress reports presented very limited information and analysis on progress against the planned activities and expected results for each pillar. For instance, regarding the pillar Operating as One, the report included a summary of key activities implemented during a year. However, there was no analysis of achievements against Operating as One targets, or the causes of any areas that performed below expectations. Further, there was no analysis of the cost or efficiency gains stemming from harmonization and common business operations. On “One Leader”, the report gave no performance information on achievements against the targets established in the UNCT workplan.

53. **Performance information:** The annual progress reports described the activities carried out by the UN and development partners, and the consolidated output delivery rates for the 10 inter-agency outcomes. However, it lacked important performance information and analysis – for example, analysis of the percentage of the inter-agency outcome indicators that had achieved the target or had been delayed. The UNSDG standard template on Annual UN Country Results Report, issued in February 2015, includes a table to measure progress against One Programme results by outcome/output, indicators with baseline and targets, and means of verification. The audit noted that performance was not analyzed against the key indicators and targets, to enable the reader to understand progress and the significance of any gaps.

54. Further, although the report presented the total available resources and expenditure for each inter-agency outcome, it did not compare funds required against funds available and spent for the entire UN and for each UN body, or the linkages with the results achieved. Reporting this progress against the UNDAF results framework would increase transparency and accountability. The information could be presented as an annex, or together with the performance analysis of each inter-agency outcome.

55. **Challenges:** The Challenges section of the reports assessed the common challenges that had constrained results in that year, and identified mitigating strategies for the year that followed. The number of challenges and related strategies had increased from four in 2016 to eight in 2017. Two of the four challenges identified in 2016 (resource and capacity constraints, and staffing gaps within some participating UN bodies) were repeated in 2017. This could mean that the 2016 strategies, implemented during 2017, did not properly address the root causes and were not sufficient.

56. The 2016 report also omitted some key recurrent challenges, such as limited availability of data, high operating costs, earmarked funding, frequency of emergencies,

insecurity, and population increase. Further, the UNCT had not developed an action plan to implement the mitigation strategies and had not monitored them during 2017 to adjust them as needed. Towards the end of the fieldwork, the Resident Coordinator's office shared a monitoring tool that will identify and monitor programmatic implementation risks/challenges and associated mitigating actions. However, the Priority Working Groups had not yet used the tool as of the end of the fieldwork.

57. The co-chairs of the JPSC, the Secretary of the Department of National Planning and Monitoring and the Resident Coordinator did not meet in 2017 or 2018 to review the annual progress reports, in accordance with the JPSC's terms of reference (see observation *Joint Programme Steering Committee*, above).

58. **Harmonization:** Ideally, there should be reporting only once a year by the UNCT and each UN agency. However, the annual progress reports of the UNCT included the achievements of all programmes of all UN agencies that had signed the UNDAF. As all UN agencies still have to prepare a separate report to comply with their own reporting requirements, this represents duplication of work and additional costs – contrary to the core intent of DaO.

Recommendation 8 (high priority): The Resident Coordinator and UNCT should increase oversight of, and guidance to, the Resident Coordinator's office, and strengthen quality assurance carried out by the Monitoring and Evaluation Working Group. It should also:

- i. Ensure that the next annual progress report includes sufficient and relevant information and analysis, including on progress against the planned activities and expected results for all DaO pillars.
- ii. Ensure that the annual progress reports analyze performance of the One Programme against the targets of each of the inter-agency outcomes. This will enable key stakeholders to assess the efficiency and effectiveness of UN activities in the country and the DaO approach, and should also be done for Operating as One and the other key pillars of DaO.
- iii. Supervise programmatic implementation risks/challenges and the implementation of related mitigating actions using the recently-developed tool.

Responsible staff member: i) Monitoring and Evaluation Specialist; ii) UN Communication Specialist and the Chair of the Operations Management Team; iii) Priority Working Groups and United Nations Country Team

Date by which action will be taken: i and ii), March 2019; iii) every six months

Recommendation 9 (medium priority): The Resident Coordinator should, with the support of the UNCT, discuss and review with the Government the process for the preparation of the annual progress report, including timelines for reporting. The Government, as co-chair of the JPSC, will be presented a draft annual progress report for review in accordance with the established terms of reference.

Responsible staff member: Head of Resident Coordinator's office

Date by which action will be taken: March 2019

Recommendation 10 (medium priority): The UNSDG should further prioritize streamlining the UN reporting process and provide clear guidance on how this should be done to minimize and/or avoid duplication and inefficiencies.

Responsible staff member: Inter-agency UNDAF Design Team (co-chaired by UNFPA and UNESCO); and UN-DCO as Secretariat (Programme/UNDAF Specialist and Regional Advisor)

Date by which action will be taken: 30 June 2019

II. One Programme

59. The One Programme pillar should bring all members of the UN Country Team (UNCT) together under one nationally-owned strategy that draws on the full range of UN expertise. It should ensure a fully integrated UNCT approach to delivering development results. The UN should plan with the Government of PNG annually, and they should oversee implementation of the One Programme together through various joint steering committees at the technical and strategic levels.

60. The 2018-2022 UNDAF was the third joint programme in which the UN had coordinated human and financial resources under the DaO framework. The UN used human rights, gender equality and women's empowerment as key principles for programming. The UNDAF was aligned with the national plans.

61. The audit noted some good practices. For example, the UNCT in PNG told the audit that it was the first ever country team in the UN to conduct a "Theory of Change" exercise that defined assumptions, risks, mitigating actions and logic for all levels of results of the UNDAF programmes. Moreover, the 2018-2022 UNDAF had been developed following extensive and broad consultations with key ministries, civil society, and development partners, including all the participating UN organizations – both resident and non-resident. Further, to assist UNDAF preparation, the Resident Coordinator's office had shared guidelines and held nine orientation sessions for staff of the UN bodies.

62. The new 2018-2022 results framework¹⁰ 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.

63. However, the audit also noted the following.

Evidence-based planning and programming

64. The audit reviewed the adequacy of data and information used to identify and focus on the most marginalized and vulnerable people, and to monitor and report at the outcome and output levels.¹¹

65. **Common country analysis (CCA):** A CCA is a collaborative process between the UN agencies and a national Government that will analyze the development challenges faced by

¹⁰ A results framework is a management tool that is used to plan, monitor, evaluate and report on results.

¹¹ An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of a target group. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus, an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

the host country, identify the marginalized and vulnerable and set priorities. It is the basis upon which the UNDAF is drawn up.

66. The UN and the Government of PNG had carried out a CCA in 2016, but it was based on outdated and often incomplete data collected from various sources, sometimes older than 10 years. In some instances, because of limited data availability, the CCA used available information on the most impoverished, disadvantaged and vulnerable groups at the district level, since there were no data at the provincial and regional level. Recent population census data were not available; neither were data on the displaced population.

67. **UNDAF results framework:** The UNCT used the lessons learned from the previous UNDAF to improve the results framework of the current 2018-2022 UNDAF. In the previous UNDAF, 30 of the 41 planned outcomes had measurable targets, indicators and baselines. However, 11 outcomes did not have any baselines, due to very limited availability of data and information in the country. The lack of baselines constrained the establishment of realistic targets against which to measure progress. Further, some status markers—used to track and report on allocations and expenditures for gender equality and women’s and girls’ empowerment—were not clearly defined. A 2016 independent evaluation of the UNDAF had concluded that the lack of access to available data impeded accurate assessment of the status of outcome indicators against the established baselines and targets.

68. In the current UNDAF, all the planned outcomes have baselines. However, most data were still outdated because collection is expensive and time-consuming. Most citizens (85 percent) live in rural areas, and many locations are difficult to visit because they can only be reached by boat or plane. The UNCT said that they established a network “PNG data for development” in partnership with the Department of National Planning and Monitoring in 2017 to address the issues of availability and quality of data. The UN also supported, at the request of the Government of PNG, the development of the National Strategy for Statistics, which includes the PNG Census 2020. The joint integrated monitoring and evaluation plan also included steps to improve the quality of data. Despite these efforts, one key Government partner indicated that the availability and quality of data were considered the most significant constraint to evidence-based planning and programming. The Resident Coordinator and the UNCT need to continue, with key development partners and UN bodies, to support the national Government’s capacity to obtain, collect, analyze and use data, to ensure evidence-based planning and programming.

69. **Joint annual workplans:** The UNDAF is operationalized through the development of joint annual workplans (JAWPs; see also following observation). These describe the joint programmes and activities to be implemented. They also include the indicators, baselines and targets of specific outputs to be achieved by the various implementing partners—the Government Ministries, national and international NGOs, and UN bodies.

70. The audit noted in the 2017 joint annual workplans that several indicators for planned outputs had no baselines. For 2018, the joint audit team reviewed three out of the four JAWPs and found that several baselines were based on outdated data, and three outcomes and three outputs did not have baselines. Further, seven indicators had no means of verification to ascertain the achievement of results. Incomplete and outdated data reduced the UNCT capacity to set realistic targets against indicators and baselines, and to measure, monitor and report progress towards agreed outcomes and outputs established in the UNDAF results framework and joint workplans.

Recommendation 11 (medium priority): The UNCT should, with the support of the Resident Coordinator, plan the following actions in coordination with the participating UN agencies, and monitor their implementation:

- i. Identify and obtain up-to-date and complete data to ensure the targets set against outcome and output indicators in the joint annual workplans are realistic and supported by sound baselines.
- ii. Ensure progress towards agreed outcomes and outputs of the joint annual workplans is adequately measured and monitored based on adequate means of verification.

Responsible staff member: Priority Working Groups and United Nations Country Team

Date by which action will be taken: i) and ii) 31 December 2019

Joint annual workplans

71. The UN and the Government of PNG plan together annually under the DaO approach. Joint annual workplans (JAWPs) translate outcomes established in the UNDAF results matrix into concrete, measurable and time-bound outputs. The JAWPs define the responsibilities of the individual UN organizations at the activity level. The audit reviewed the preparation of the JAWPs, including the processes for identifying joint programmes, as well as overlap, duplication and gaps in UN programme activities. If these processes work, they will reduce transaction costs and increase the efficient use of resources and achievement of results.

72. The audit noted the following.

73. The Resident Coordinator's office had produced guidance, and held training sessions, to assist in the development of the JAWPs in 2017 and 2018. The quality of the JAWPs was reviewed by the Monitoring and Evaluation Working Group. The JAWPs of the One Programme were finalized after the participating UN organizations' individual workplans. Further, each of them prepared their own specific annual workplan, duplicating the information already reported in the JAWPs.

74. **Timeliness of JAWPs:** The 2017 and 2018 JAWPs were signed three to six months later than the UNCT-established deadline of 31 January 2018. This was due to a delayed preparation phase and a lack of clearly assigned Government signatories. Moreover, the templates used to develop the JAWPs were revised several times, due to lack of clarity and disagreements on the nature and extent of information to be reported in the JAWPs. The 2018 February earthquake emergency also led to some delays in the finalization of some UN individual workplans and the One Programme JAWPs. The Resident Coordinator finally submitted the 2018 JAWPs to the Government for signature on 13 April 2018. At the time of the audit mission in May 2018, one out of the four JAWPs had yet to be signed because of the need to obtain two Government signatures. Late completion and signature of JAWPs might constrain joint programme implementation.

75. **Joint programmes:** Joint programmes seek to develop integrated approaches around national development priorities, assisting joint planning and monitoring as well as joint resource mobilization. Joint programming should use the different UN mandates and

expertise effectively, through joint planning and complementarities between the UN organizations.

76. The new 2018-2022 UNDAF included one joint programme that had been postponed from the previous UNDAF, and two new joint programmes. It is possible that there might have been more if there were more incentive for identifying potential joint programmes. Staff of the Priority Working Groups (PWGs)¹² said that such incentive was lacking, partly because funds are earmarked for a specific use by designated UN entities. Further, the terms of reference of the PWGs did not specifically define their responsibilities and accountabilities for the identification of potential joint programmes.

77. **Overlaps and duplication of UN activities:** The JAWPs of the One Programme should contain all UN programme activities and should not include any significant overlaps or duplication. The broad range of UN mandates increases the risk of such overlaps.

78. The UNSDG had not issued any clear joint guidance or tools to identify and assess overlaps and gaps, and the terms of reference of the PWGs did not explicitly require them to do so. The UNCT said that the PWGs did it through discussions and dialogue during the finalization of the JAWPs. In fact, the audit found that the PWGs, responsible for preparing the JAWPs, had different understandings of their responsibilities and accountabilities in this regard. Some PWGs sought to identify overlaps and duplication, while others did not proactively do so. There was thus insufficient objective assurance that all significant overlaps and duplication of activities had been removed from the JAWPs.

Recommendation 12 (medium priority): The UNCT and the Resident Coordinator should, with the support of the Resident Coordinator's office:

- i. Revise the terms of reference of the PWGs to clarify responsibilities and accountabilities regarding identification of potential joint programmes, and of potential overlaps, duplication and gaps in UN programme activities.
- ii. Request that the PWGs provide reasonable leadership, and assurance to the UNCT and the Resident Coordinator that all significant potential joint programmes have been identified and incorporated into the JAWPs, and overlaps, duplication and gaps in UN programme activities have been removed from them by the PWGs.
- iii. Draw up a plan to ensure next year's JAWPs are completed and signed on time, to reduce the risk of delayed programme implementation.

Responsible staff member: Monitoring and Evaluation Specialist of the Resident Coordinator's Office

Date by which action will be taken: i and ii) The RC and the UNCT report this action as having been completed in June and December 2018 respectively; and iii) February 2019

Recommendation 13 (medium priority): The UNSDG should:

- i. Develop and/or update guidance and tools to identify and assess potential joint programmes, and potential overlaps, duplication and gaps in UN programme activities.

¹² There are four of these, each covering one of four UNDAF outcomes (People, Prosperity, Peace and Planet). The groups have broad responsibilities for planning, implementation and monitoring. They are discussed further in a later observation.

- ii. With assistance from the Regional UNSDG Team, support DaO in PNG to implement the recently-issued templates for joint workplans built into the new planning, monitoring and reporting tool, named UNINFO, to address the systemic duplication in annual work planning between UN agency processes and DaO.

Responsible staff member: Inter-agency UNDAF Design Team (co-chaired by UNFPA and UNESCO); and UN-DCO as Secretariat (Programme/UNDAF Specialist and Regional Advisor)

Date by which action will be taken: i) and ii) 30 June 2019

Performance of the UN in the country

79. The UNCT uses output delivery rates to measure progress. Each output has several performance indicators, with annual targets against which to monitor progress.

80. The performance of the One Programme, as measured by the output delivery rates, decreased significantly from 2016 to 2017. Though the resources available remained comparable, the percentage of the indicators that achieved their annual targets dropped from 73 percent in 2016 to 59 percent in 2017. In other words, four out of each 10 annual targets in 2017 were missed. Further, the percentage of indicators that could not be measured because of lack of data increased from 3 percent in 2016 to 7 percent in 2017.

81. In term of outputs, the UNCT reported that 30 percent of the 54 outputs across the 10 inter-agency outcomes were completed; 59 percent partially completed; and 11 percent were delayed in 2016 (the UNCT had not collected this information for 2017, so the audit could not compare the two years in this respect).

82. The UN spent US\$ 8.9 million less in 2017 compared to 2016 – US\$ 36.5 million against US\$ 45.4 million. (These figures were uncertified and self-reported by UN agencies in-country.) The inter-agency outcomes that showed expenditure rates lower than 75 percent in 2016 related to human rights (62 percent); HIV/AIDS (71 percent); and governance (73 percent). In 2017, they were governance (63 percent) and child protection (66 percent).

83. Despite the significant variations in performance between 2016 and 2017, there had been a lack of analysis of the core causes. The UNCT could, for example, have analyzed in detail the changes in performance and the linkages between the output delivery rate and expenditure rate by inter-agency outcome. It did not do this, or review the major risks to performance of development partners or the measures that might have mitigated them.

84. The Resident Coordinator's office told the audit team that the national election and the development of the 2018-22 UNDAF during 2017 might have constrained the implementation of UN activities. After the end of the audit fieldwork, however, the UNCT decided to conduct joint mid-year and annual reviews of the One Programme performance for 2018.

Recommendation 14 (medium priority): The Resident Coordinator and UNCT should, with the support of the Resident Coordinator's office, establish a process for annual analysis of any weaker-than-expected inter-agency outcome, establish the causes, and introduce corrective measures in the following year.

Responsible staff member: Resident Coordinator and UNCT

Date by which action will be taken: July 2019

Programme criticality

85. The United Nations Programme Criticality Framework is used to determine the levels of acceptable security risk for UN personnel. The framework provides guiding principles and a systematic, structured approach to ensure the activities implemented by UN personnel can be balanced against security risks – that is to say, whether the benefits for the target group justify the risks a staff member might have to take in implementing the activities. The assessments under this framework enable coordination between security personnel, programme managers and senior managers so that informed and legitimate decisions can be taken on the safety and security of UN personnel.

86. The framework should be implemented by the UN entities as a UN mandatory policy in environments of high or very high security risk. For example, certain activities classified as programme criticality 1 (PC1) in a very high-risk area would only take place after obtaining the approval of the heads of the UN agencies.

87. PNG faced sensitive security concerns in some provinces outside Port Moresby (for instance in Tari) that had led to suspension of programme activities and evacuation of UN staff to safer provinces. However, there had been no formal assessment within the established Programme Criticality Framework. Subsequent to the audit mission in August 2018, the Resident Coordinator formally requested a programme criticality assessment to ensure that activities implemented by UN personnel were balanced against security risks. However, to ensure that this effort is sustained, a recommendation is still being made.

Recommendation 15 (medium priority): The Resident Coordinator should formally request a programme criticality assessment to ensure that activities implemented by UN personnel are balanced against security risks.

Responsible staff member: Head of the Resident Coordinator's office

Date by which action will be taken: The Resident Coordinator and the UNCT report this action as having been completed in October 2018

Priority Working Groups and Programme Coordination Committee

88. The UNCT in PNG had established management structures and mechanisms for oversight of UNDAF implementation. The audit reviewed the functioning of two main oversight mechanisms: Priority Working Groups (PWGs), and the Programme Coordination Committee (PCC). It found the following.

89. **Priority Working Groups:** The PWGs' tasks include input and analysis for the development of the UNDAF, development and implementation of joint annual workplans, and monitoring and evaluation plans. They also prepare progress reports and submit them to the UNCT. Each PWG covers one of four UNDAF Outcomes: People, Prosperity, Peace and Planet.

90. The UNSDG advises that a PWG be led by a designated head of agency who is member of the UNCT, ensuring accountability to the UNCT and Resident Coordinator for producing agreed results jointly. However, in PNG the UNCT had decided that the PWGs would be

chaired by the deputy heads of agencies or heads of Programmes, empowered by the UNCT to take appropriate decisions.

91. The PWGs prepared an annual workplan broken down by quarter for 2018. It included a list of broad activities, but lacked performance indicators, targets, assigned responsibilities, budgets and timelines. This weakened coordination between the PWGs and made it harder for each PWG to measure its own performance.

92. **Programme Coordination Committee:** The previous and current UNDAFs included a PCC as an important component of the management structures and arrangements. In 2017, the PCC consisted of Priority Working Groups, and Heads of Programme Sections of the UN bodies.

93. Within the context of the UNDAF, the PCC should: ensure knowledge sharing and coordination among Task Team Leaders and Heads of Programme; promote synergies between interagency outcome areas, and advise the UNCT accordingly; coordinate the development of the quarterly and annual reports to the Government and donors; make recommendations to the UNCT on programme management issues; and ensure coordination between agencies in respect to assurance activities related to HACT¹³ across interagency outcomes.

94. The PCC met seven times in 2017. However, it did not prepare an annual workplan for either 2017 or 2018. In January 2018, the UNCT disbanded the PCC to minimize duplication of work as some PCC members were also UNCT members. The PCC had therefore not met during the first four months of 2018. The audit saw no evidence that the decision had been communicated to and/or approved by the Government of PNG as a signatory of the UNDAF. The RC said that the UNCT did not inform the Government of PNG or seek approval of the disbandment of the PCC because this was not a major change in the management structure of the UNDAF.

95. To replace the PCC, the UNCT agreed to ask the Chairs of the PWGs to attend UNCT quarterly extended meetings and to call *ad-hoc* meetings with them as needed. The audit was told that the PWGs had started to report to the UNCT in May 2018. However, as of the time of the audit mission, the RC with the support of the UNCT had not amended the terms of reference of the PWGs and/or the UNCT to transfer the relevant PCC responsibilities and functions following the disbandment of the PCC.

Recommendation 16 (medium priority): The Resident Coordinator and UNCT should ensure the PWGs include performance indicators, targets, responsibilities and timelines in their annual workplans. Alternatively, they could update the existing joint annual workplans (JAWPs) to include specific actions the UNCT would take to discharge their oversight of JAWPs.

Responsible staff member: Monitoring and Evaluation Specialist of the Resident Coordinator's Office

Date by which action will be taken: first quarter 2019

Recommendation 17 (medium priority): The Resident Coordinator and the UNCT should, with the support of the Resident Coordinator's office, revise the terms of reference of the

¹³ See observation *Harmonized Approach to Cash Transfers (HACT), a key business operation* in the section Operating as One.

PWGs and the UNCT to transfer the relevant PCC responsibilities and functions following the disbandment of the PCC.

Responsible staff member: Monitoring and Evaluation Specialist of the RC Office

Date by which action will be taken: February 2019

Monitoring and evaluation

96. The joint audit team reviewed the joint monitoring and evaluation processes and controls.

97. It found some controls were functioning well. There was a process in place to respond to, and monitor, the implementation of the evaluation recommendations stemming from the 2016 mid-term UNDAF evaluation. As of December 2017, six recommendations (33 percent) had been fully implemented, 11 recommendations (61 percent) were in progress and one was no longer applicable. Further, in 2018, the PWGs and the Inter-Agency Monitoring and Evaluation Working Group (MEWG) introduced a template for quarterly progress reporting on the status of implementation, together with key development bottlenecks and corrective measures. The UNCT was also developing an online Monitoring and Evaluation system (UNInfo) that was expected to be operational by the end of 2018.

98. However, the audit noted the following.

99. **Joint monitoring, evaluation and reporting plan (MERP):** The focus of a MERP is to measure and monitor progress against established outcomes in the UNDAF results framework and outputs in the joint annual workplans. In 2018 the PWGs, with the support of the MEWG, had drafted and costed five-year (2018-2022) and annual MERPs in to measure and communicate UN system results; it was also planned to disseminate lessons learned/good practices, risks and challenges and bottlenecks. The draft MERP also included activities to support and strengthen data collection and analysis capacity at various levels of the Government. However, the draft MERPs had not been reviewed by the UNCT and finalized as of the time of the on-site audit visit.

100. **Joint field visits of joint programmes:** The PWGs, with the support and guidance of the MEWG, are responsible for joint monitoring at the output level. However, the MEWG did not prepare a joint field visit plan for the PWGs in 2017 or 2018. It could thus not be linked to joint HACT programmatic visits (see observation *HACT, a key business operation* in the section Operating as One).

101. Despite this, the UN bodies conducted some joint field visits. The joint audit team reviewed 14 back-to-office reports of one ongoing joint programme. It found that the field visits of the joint programme were done by only the lead agency, without reviewing the activities of the other agencies involved. There was also no evidence that inputs for the field visits were requested and received from the other participating agencies before or after the visits. Further, the outlines of the 14 sampled reports did not compare the actual achievements against the output targets in the JAWPs. These weaknesses could reduce the contribution of such visits to reporting of progress and adjustments to the JAWPs as needed.

102. **Joint annual review with implementing partners:** The UNCT, which included all UN agencies in PNG, conducted an annual review of the One Programme, operations and communications. This was to take stock of achievements against the JAWPs, and to inform the development of the following year's workplans. In 2016 and 2017 the joint annual reviews had involved the UN partners, but not other key implementing partners, including the

Government. This had prevented the Resident Coordinator and the UNCT gaining the insight of those partners regarding challenges, constraints and risks to implementation, lessons learned and the way forward.

103. The Government expressed the need to conduct joint annual reviews with development partners. After the completion of the audit field work, the UNCT agreed to conduct a joint annual review with implementing partners for the year 2018.

Recommendation 18 (medium priority): The UNCT should:

- i. With the support of the Monitoring and Evaluation Working Group (MEWG), review and finalize the five-year and annual joint monitoring, evaluation and reporting plans.
- ii. With the support of the Priority Working Groups, plan and conduct an annual joint review of the One Programme with implementing partners, including the Department of National Planning and Monitoring, to review progress against the joint annual workplans, identify development bottlenecks and establish corrective measures to inform planning.

Responsible staff member: i) Monitoring and Evaluation Specialist of the Resident Coordinator's Office; ii) Monitoring and Evaluation Specialist of the Resident Coordinator's Office and Head of the Resident Coordinator's Office

Date by which action will be taken: i and ii) first quarter of 2019

Recommendation 19 (medium priority): The Monitoring and Evaluation Working Group (MEWG), with the support of the Priority Working Groups, should develop a joint field visit plan to properly coordinate and harmonize joint field visits of joint programmes and activities. It should also revise the methodology for joint field visits to ensure actual achievements are compared with the output targets established in joint annual workplans.

Responsible staff member: Monitoring and Evaluation Specialist of the Resident Coordinator's Office

Date by which action will be taken: First quarter of 2019

III. Operating as One

104. The impact of UN programmes at the country level is directly linked to the efficiency and quality of business operations that support them. Business operations are jointly executed back-office support processes that support UN programme implementation at country level. In PNG, the key business operations include procurement, human resources, information and communications technology (ICT), finance, and common premises (or One UN House). They also include the Harmonized Approach to Cash Transfers (HACT), through which some UN bodies make cash transfers to partners and receive assurance on their use.

105. Operating as One should provide strategic and common operational support for the One Programme as approved by the participating UN organizations. Common operations should consider local capacity and needs. The UNCT should establish an Operations Management Team (OMT), composed of all UN operations managers, to direct these

operations at the country level, implement cost-saving measures and increase the quality of services.

Operations Management Team

106. The joint audit team reviewed the functioning of the OMT and related working groups and their progress towards Operating as One objectives, and found the following.

107. **Responsibilities and work allocation:** The terms of reference for the OMT and the related working groups did not clearly define roles and responsibilities and expected deliverables. The OMT was not chaired by a UNCT member or a head or Representative of a UN body in the country, but by the Chief of Operations of one of the participating organizations.

108. Further, the allocation of tasks between the 13 OMT members was not always appropriate or optimal. For instance, one OMT member was responsible for leading three working groups, harmonizing HACT, Finance and One House processes and practices. Also, the responsibilities, expected deliverables and timelines of three working groups responsible for HACT processes were not clearly defined. This had constrained implementation of OMT workplan activities (see also observation *Implementation and Monitoring*, below). The audit also noted that OMT members attended on average 71 percent of planned meetings (of which there were 11), while some members showed an attendance rate of only 9 percent.

109. **Capacities:** At the time of the audit, the UNCT had not systematically assessed the capacity of the OMT to achieve the Operating as One objectives and to fulfil its responsibilities as defined in the terms of reference. The audit was told that only one OMT member had some specific skills and knowledge for developing a business operations strategy. Most members had not received the necessary training or orientation (see also observation *Business Operations Strategy*, below).

110. The joint audit team reviewed the performance of the OMT, using the UNSDG's established "Empowerment of OMT¹⁴" methodology. It found that, besides capacity assessment and/or development, the three following practices (out of 10 recommended) had not been implemented:

- The OMT was not chaired by a Head of Agency or other member of the UNCT (as noted above).
- The OMT workplan was not clearly linked to the results in the UNDAF or the One Programme (see also observation *Implementation and monitoring*, below).
- The UNCT annual progress report did not include a summary of the annual business operation strategy (BOS) progress report, including key indicators (see also observation *Annual progress report in One Leader*, above).

Recommendation 20 (high priority): The Resident Coordinator and the UNCT, with support from the Resident Coordinator's office, should increase its oversight of the OMT, and urgently take the following steps:

¹⁴ An OMT applies a set of good practices, up to a possible 10 – the more practices are being applied, the more "empowered" (e.g. effective) the OMT. See https://undg.org/wp-content/uploads/2016/10/Criteria-for-Empowered-OMT_Oct2015.pdf.

- i. Revise the composition of the OMT and appoint a member of the UNCT, or country head or Representative of a UN body, to chair the OMT and oversee its work and that of related working groups or task teams.
- ii. Revise the terms of reference of the OMT and working groups, and clearly define their roles and responsibilities and those of their members.
- iii. Assess the skills of OMT members and implement a capacity improvement plan to alleviate current operational challenges and issues. The plan should outline capacity gaps and needs along with resource requirements and timelines.
- iv. Draw up a strategy and an action plan to increase attendance at OMT meetings and monitor its implementation.

Responsible staff member: i) UNCT; ii) Chair of OMT; 20iii and iv) heads of UN agencies

Date by which action will be taken: i, ii and iii) The RC and the UNCT report this action as having been completed in June 2018; and iv) first quarter of 2019

Business operations strategy

111. The UNSDG supports the development a business operations strategy (BOS) by the UNCT, with assistance from the OMT, to strengthen common operations, reduce operational transaction costs and duplication of functions and increase quality of business services. A BOS should outline the medium-strategic focus of UN business operations at the country level to support the achievement of One Programme objectives. No common services are mandatory; they should be determined by country-specific needs.

112. The OMT had planned to start designing a BOS in 2016, almost two years after the issue of the Standard Operating Procedures (SOPs) for Countries Adopting the “Delivering as One Approach” in August 2014. However, the audit was told that the actual work did not really start before the third quarter of 2017, due to other priorities.

113. The OMT had started developing a BOS. It had held a kick-off meeting, conducted training, and carried out a stock-take and analyzed needs and opportunities. The OMT had also selected the priority common services to be harmonized in the next five years. However, it had not first drawn up a roadmap giving the context, objectives, timelines, governance structure and budget for the development of the BOS – which was thus done without sufficient data, business needs and opportunities analyses, and sound cost-benefit analyses.

114. Further, the methodology established to map existing common services and identify opportunities for harmonization was not consistent between the OMT working groups. This had increased the risk of selecting inappropriate priority common services that might lead to no, or limited, cost reduction. As of the time of the audit mission, only three BOS services – procurement, ICT and common premises – had been assessed as “harmonized” by the OMT. Data collection for, and analysis of, the other services – Finance, ICT, One House, human resources and HACT – had started but had not been completed.

115. At the time of the audit fieldwork, the OMT had started establishing the budget framework so as to identify resource needs and funding strategy for the BOS. It had also begun defining roles and responsibilities, and the structure to oversee the BOS development process. It was developing a BOS results framework to measure, monitor and evaluate the impact and results of joint business operations. In the meantime, however, the absence of a completed BOS results framework and a governance structure constrained the OMT's

planning and implementation of joint operational activities. This is especially important in PNG, where the operational costs for individual organizations are very high.

Recommendation 21 (medium priority): The Resident Coordinator and the UNCT, with support and guidance from the OMT, should:

- i. Develop an action plan with clearly defined responsibilities, key activities, expected results, resource requirements and timeline for completing the BOS. It should also obtain regular progress reports on BOS development.
- ii. Ensure priority common services to be harmonized are selected based on sufficient data, past lessons, business needs and opportunities, and on sound cost-benefit analyses linked to the UNDAF outcomes/outputs, where appropriate.

Responsible staff member: OMT

Date by which action will be taken: i) The Resident Coordinator and the UNCT report this action as having been completed in June 2018; and ii) April 2019

Work planning

116. Annual workplans should be results-based, making it possible to track progress and reinforce accountability of the OMT and the working groups. They should also be risk-informed. The joint audit team reviewed the 2017 and 2018 OMT workplans and noted the following.

117. **Results-based:** The 2017 and 2018 workplans were not based on a logical results framework. They included a list of tasks, specific goals and timelines but did not clearly state objectives, priorities, expected outputs or targets, or the required inputs to implement activities. They also lacked performance baselines and indicators against which to measure the OMT's progress.

118. Workplan output indicators and activities were not linked to the One Programme results framework to demonstrate how they will support programme delivery. For example, the OMT goals of "reducing transaction costs" and "harmonizing operations" did not have any specific targets and indicators. Further, the workplans did not include specific coordination activities among the five working groups of the OMT (which covered: procurement; human resources; HACT; UN House and information and communication technology; and BOS). This led to low attendance to OMT meetings, duplicate work processes and low implementation rate of workplan activities – which significantly constrained the achievement of OMT goals, as explained in the next observation (*Implementation and Monitoring*).

119. **Risk-informed:** The workplans were not preceded by a thorough review of the key risks that could prevent the achievement of Operating as One objectives. The measures needed to mitigate key risks were therefore not incorporated in the workplans. For instance, some OMT members interviewed by the audit confirmed heavy workload and limited human resources capacity. However, no key mitigating measures to address this were in the OMT workplans.

120. The workplans were also finalized and approved late by the UNCT. The 2016 and 2017 workplans were approved in May and April respectively.

121. The above issues could be due to insufficient training of staff on, or inadequate application of, results-based management and risk management – and weak oversight and quality assurance review over work planning. This had significantly increased the risks of

inadequate priority setting and constrained the OMT's capacity to set measurable indicators and realistic targets for efficiency gains and increased quality of common services. As of the time of the audit, it had not set the indicators and targets, and could not measure performance.

Recommendation 22 (medium priority): The Resident Coordinator and the UNCT should, with the support of the OMT:

- i. Review and reinforce annual work-planning processes, including training of staff on results-based management and risk management.
- ii. Select relevant and measurable output indicators and targets against which to assess and monitor progress.
- iii. Review internal governance processes to adequately supervise and oversee quality assurance review and approval of OMT workplans, work prioritization, and the establishment of targets and indicators of success.

Responsible staff member: i and ii) OMT and Monitoring and Evaluation Working Group; and iii) UNCT

Date by which action will be taken: i) February 2019; and ii and iii) first quarter of 2019

Implementation and monitoring

122. The UNCT had established five working groups to support the OMT in harmonizing business processes, common services and common premises (such as a UN House) to achieve efficiency gains and increase the quality of operational services. The five working groups covered: procurement; human resources; HACT; UN House and information and communication technology; and BOS.

123. The audit reviewed the OMT workplan implementation and monitoring during the period covered by the audit and noted the following.

124. **Implementation:** The joint audit team calculated that the OMT implemented only 40 percent and 5 percent of its planned activities in 2016 and 2017 respectively. The OMT stated that there had been limited staff capacity, competing agency-specific demands, and staff vacancies affecting OMT membership. The OMT also cited frequent shifts in the roles and responsibilities of OMT members to meet changing operational priorities and work requirements.

125. The OMT did make progress in some areas, but several key support processes had yet to be adequately harmonized. For instance, the OMT had established new long-term agreements (LTAs) for procurement of vehicles, mobile services, travel, hotel accommodation and conferencing. As of the time of the audit, there were 14 LTAs. The OMT had also organized a vendor conferencing meeting to connect potential vendors with the UN in PNG. However, the Procurement Working Group had as yet no common procurement plan because of continuous differences in procurement procedures and practices among the individual agencies. For instance, several of them did not prepare an annual procurement plan, and they had differing levels of delegation of authorities. The audit was told that special clearance would be needed from some member organizations' headquarters to consolidate procurement planning and delegation of authorities.

126. The OMT had undertaken an analysis of procurement by individual UN organizations as compared to joint procurement in 2017. This was done to identify opportunities for

additional efficiency gains. The OMT had also planned to pursue joint procurement for a single commodity as a pilot project in 2018. However, the analysis had yet to be completed.

127. The Human Resource Working Group had made some progress. It had established a pool of UN staff across the organizations to participate in each other's recruitment processes, increasing transparency and efficiency. The group had also looked at streamlining medical insurance provision in PNG. However, it had not yet reviewed and harmonized common processes in recruitment (including a UN roster of recommended candidates), or training and development. Regarding ICT, all but one of the participating organizations relied on common ICT staff and benefited from common ICT services, including a common ICT disaster recovery plan.

128. All except four of the organizations shared common premises during the period covered by the audit. The Resident Coordinator and the UNCT had discussed establishment of a One House for several years, and the Government had recently agreed to provide the land. However, a 99-year lease agreement had yet to be agreed with the Government, further delaying the construction of the One House.

129. Finally, the OMT had not taken any major steps to harmonize HACT (see observation *HACT, a key business operation*, below).

130. **Monitoring:** The UNCT had no rigorous system in place to measure and monitor OMT workplan implementation and results. Actual achievements were not systematically tracked against targets, using evidenced-based data. Most indicators were qualitative, making measurement more challenging and subjective. The OMT did conduct a coordinated Common Services Satisfaction Survey and a Building Premises Tenant Satisfaction Survey in late 2017, but such feedback mechanisms need to be extended to cover all operational services once harmonization is completed.

131. The joint audit team was told that the OMT regularly briefed the UNCT on challenges, constraints and workplan implementation. However, the team did not find evidence of quarterly workplan progress reports or systematic follow-up of key performance issues and constraints (such as, for example, the significant delays in the development of the BOS and recurrent capacity constraints of the OMT).

Recommendation 23 (high priority): The Resident Coordinator and the UNCT should, with the support of the OMT:

- i. Request and review progress reports (for instance, quarterly) and take corrective measures as necessary, to ensure timely implementation of significant workplan activities to achieve expected efficiency gains and quality common services. It will also address key performance issues and constraints to implementation escalated by the OMT in a timely manner.
- ii. Ensure progress reports include relevant information on OMT workplan implementation and progress against targets to enable effective oversight and decision-making.

Responsible staff member: i) and ii) Resident Coordinator and UNCT

Date by which action will be taken: i and ii) The Resident Coordinator and the UNCT report this action as having been completed in January 2019

HACT, a key business operation

132. Country offices of several UN organizations in PNG manage direct cash transfers (DCTs) through the Harmonized Approach to Cash Transfers (HACT). With HACT, the offices rely on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation needed from implementing partners, thus cutting bureaucracy and transaction costs.

133. HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of partners' financial procedures and capacity to determine the level of assurance activities needed. At country level, HACT also involves a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programmatic visits, scheduled audits and special audits as appropriate. The HACT framework stresses the need for coordination between UN bodies sharing one or more implementing partners to avoid duplication of work and achieve efficiency gains.

134. Four UN agencies were implementing HACT in PNG. Direct cash transfers (DCT) were the largest single programme input for all of these. The HACT working group of the OMT estimated that total direct cash transfers of these four bodies in PNG amounted to US\$ 8.6 million in 2016, and US\$ 6.3 million in 2017 (the audit did not verify these figures). The number of micro-assessments had been reported as 22 for 2017, but the information was unavailable for 2016. The working group had also established the total number of implementing partners as being 70 in 2016 and 2017. However, it had yet to review which implementing partners were common to more than one of the agencies, and establish how many, and who, they were.

135. The HACT working group had met once in 2016 and not at all in 2017. As of the time of the audit mission in May 2018, it had conducted very few activities. Though a macro-assessment of the public financial management systems had just been done, the working group had barely started to harmonize HACT processes. It had neither planned nor conducted joint programmatic and financial capacity assessments, or joint assurance activities of common implementing partners. It had also not generated and shared key knowledge and information on micro-assessment results, assurance plans and activities of implementing partners.

136. Harmonization of common HACT processes and practices, and the efficiency gains therefrom, were constrained by this lack of a HACT workplan (including a plan for assurance activities regarding the use of cash transfers, and the achievement of results from their use in joint programmes and activities carried out by common implementing partners).

Recommendation 24 (medium priority): The Resident Coordinator and the UNCT should, with support from the OMT and the HACT Working Group, implement a joint HACT workplan. This will harmonize key common HACT processes and practices related to micro-assessment and assurance activities, including a HACT assurance plan for common implementing partners. The Resident Coordinator and the UNCT should regularly oversee the status of implementation of the joint workplan and HACT assurance plan, and take action as appropriate.

Responsible staff member: UNDP Programme Specialist, Head of HACT Working Group

Date by which action will be taken: June 2019

IV. Common Budgetary Framework and One Fund

137. The Common Budgetary Framework (CBF) enables UN Country Teams to present all planned and costed programme activities of the One Programme, Operations and Communications. It also provides a basis for setting funding priorities, identifying funding gaps, and raising allocating resources.

138. The Common Budgetary Framework and One Fund approaches should contribute towards:

- Increased transparency and flexibility of resource allocation due to the un-earmarked nature of funding under the One Fund.
- Improved planning and reduction of competition for funds, reducing duplication and fragmentation of activities.
- Performance-based allocation criteria leading to better results, most notably on cross-cutting issues.

139. Some controls were functioning well in these areas. During the period covered by the audit, the resources raised by the individual UN bodies were, increasingly, being channelled through the One Fund, thereby helping increase One Fund advocacy among donors. Further, the Multi-Partner Trust Fund Office (MPTFO), the administrative agent of the One Fund, disbursed funds on time to the participating UN organizations during the period covered by the audit.

140. However, the audit identified the following areas for improvement.

Common Budgetary Framework

141. The UNCT used the CBF as a planning and management tool to establish what resources were required, what was available, and the funding gaps to be closed in order to implement the joint annual workplans (JAWPs). The audit reviewed the management of the annual and mid-term CBF and noted the following.

142. **Budget development:** The Priority Working Groups (PWG), reporting to the UNCT, should develop and cost JAWPs of the UNDAF 2018-2022 in consultation with the participating UN organizations. The Resident Coordinator's office should prepare the annual CBF based on information stemming from the JAWPs and the workplans of the Operations Management Team and the Country Communications Group.

143. The joint audit team found that the UNDAF 2018-2022 mid-term CBF and the 2018 annual CBF were established and costed at both the outcome and output/activity levels. However, there was no systematic mechanism or clear responsibility for validation and critical review of the budgets. The Resident Coordinator's office did have a review checklist that focused on the quality of the JAWPs, but it omitted the budget component, and the PWGs

relied heavily on each agency's internal quality assurance mechanisms for this – while the Resident Coordinator's office relied in turn on the PWGs.

144. The above weaknesses led to the following weaknesses in the budget preparation of the participating UN organizations.

- The mid-term 2018-2022 budget of one organization did not disclose funding gaps.
- Two budgets did not include the estimated costs of some programme activities, or were not always classified as funded or unfunded.
- The amount of "total resources available" presented in the 2017 annual progress report were lower than the figures reported in the 2017 JAWP by US\$ 8.6 million. The reasons for the difference had not been reviewed and explained by the Resident Coordinator's office.
- The mid-term and annual CBF did not include the operations and communication costs.
- The mid-term CBF 2018-2022 did not have annual projections; it was for the whole five-year period. The absence of yearly projection hampered effective financial planning and constrained the measurement of annual resource requirements and funding gaps for the rest of the programme cycle.
- The mid-term CBF of the previous UNDAF, extended for two years (that is, for 2016 and 2017), had not been updated. The Resident Coordinator and the UNCT did not therefore know the amounts of estimated resources that were required and/or available at the beginning of the two-year extension period.

145. These discrepancies made it harder to gauge overall resource requirements and funding gaps. According to the 2018-2022 UNDAF, a Budgetary Committee was to coordinate the CBF and advise the UNCT accordingly. However, this committee had not been functioning during the period covered by the audit.

146. In June 2018, after the completion of the audit, the UNCT held an annual retreat and agreed that the UNCT would serve as the Budgetary Committee.

147. **Budget monitoring and reporting:** The annual CBF is the main tool for monitoring any funding gaps or resources needed to implement the JAWPs and achieve the UNDAF outcomes. Each organization should monitor their respective resource requirements and gaps, and provide updated financial data to the PWGs. The Resident Coordinator's office, through feedback and information from these groups, should track the annual CBF and compile financial updates together with the UNDAF implementation updates or progress reports. The annual UNDAF funding gaps as of the end of 2017 amounted to US\$ 17.8 million (representing 29 percent of the original total resource requirements for 2017).

148. At the time of the on-site audit visit in May 2018, the joint audit team noted the lack of an effective system to regularly monitor and report on consolidated financial updates (i.e. new resource requirements, mobilized resources and funding gaps of all the participating organizations). Any *ad hoc* update was based on the goodwill of each organization. Normally, the changes and updates to the budgets were only reported annually. Starting in 2018, the PWGs were required to provide quarterly updates on the progress of UNDAF implementation. However, the template devised by the Resident Coordinator's office for the quarterly monitoring and reporting only covered programmatic updates. The office told the joint audit team that it had planned to ask the PWGs to also monitor and report on consolidated financial

updates and funding gaps twice a year. However, the ToR of the PWGs had not been amended to reflect this new requirement.

Recommendation 25 (medium priority): The Resident Coordinator and the UNCT, with the support of the Resident Coordinator's office, should:

- i. Draw up terms of reference, or add to the UNCT Code of Conduct, in order to clarify the accountabilities and responsibilities for budget review and monitoring. This should be done so as to ensure budgets are: exempt from significant errors; based on realistic assumptions given the country context; and are regularly monitored to ensure timely, up-to-date information from individual organizations that is adequately reflected in revised budgets.
- ii. Ensure the budgetary committee established in the 2018-2022 UNDAF has clear terms of reference, functions properly and assists the Resident Coordinator, UNCT and Joint Programme Steering Committee in the discharge of their respective strategic and operational oversight budgetary responsibilities.

Responsible staff member: i) Priority Working Group Chairs and UNCT; and ii) Head of Resident Coordinator's office

Date by which action will be taken: i) The RC and the UNCT report this action as having been completed in June 2018; and ii) February 2019

PNG Country Fund (The One Fund)

149. The total contributions to the One Fund from 2009 to 31 December 2017 amounted to US\$ 93.6 million. The largest donor provided a total amount of US\$ 84.1 million. UNICEF, UNDP and WHO were the three largest recipients, accounting for a total of 76 percent. The remaining balance was transferred to 10 other participating UN organizations.

150. The Resident Coordinator is responsible for managing the One Fund. The Resident Coordinator's office should support the Resident Coordinator's strategic leadership role, which includes analysis of progress and lessons learned to inform future programme implementation. The Joint Programme Steering Committee, co-chaired by the Resident Coordinator and the Department of National Planning and Monitoring (DNPM), is meant to provide strategic oversight and direction regarding the management of the One Fund.

151. **Oversight:** The UN organizations held US\$ 31 million and US\$ 19 million of the funds transferred by the One Fund as of the end of 2016 and 2017 respectively. They had not demonstrated that the funds had been spent. During the period covered by the audit, eight of the organizations requested no-cost extensions for a total amount of US\$ 19 million. Funds were continuously allocated to the organizations despite large carry-forward balances.

152. The joint audit team interviewed a major donor who expressed concern regarding recurrent no-cost extensions. While no-cost extensions are sometimes justified by delays caused by external factors, they increase the reputational risk to the credibility of the UN system's ability to plan realistically and to deliver on time and within budgets. The UNCT did not review the causes and impacts of high unspent balances in the One Fund and the recurrent

use of no-cost extensions. There was no joint strategy or action plan to mitigate the associated risks.

153. **Allocation process and criteria:** A harmonized process for allocation of funds to the participating organizations should be agreed upon; and it should be performance-based to increase transparency and focus on key results according to UNSDG guidance. The UNCT had recently updated and harmonized the ToRs of the One Fund with the current (2018-2022) UNDAF programme cycle. However, the budgetary framework had not been updated to define the criteria and process for allocating funds from the One Fund. This did not help the UNCT to increase transparency and reduce potential conflicts of interest and disputes regarding the allocation of funds. The audit was told that the Resident Coordinator's office had planned to review the Budgetary Framework during 2018 with the aim of defining performance-based allocation criteria to increase focus on results and optimize the use of funds.

154. **Standard Administrative Agreement with the One Fund:** The One Fund is covered by a common Standard Administrative Agreement that is signed between the donor and the MPTFO (Multi-Partner Trust Fund Office), which is administered by UNDP in New York on behalf of all participating organizations. The Agreement defines the responsibilities of each party and the donor reporting requirements. The audit found that an organization that received funds from the One Fund also signed a bilateral partnership agreement with a donor. This partnership agreement entailed different reporting requirements than those for the One Fund – which led to additional work and increased transaction costs.

Recommendation 26 (high priority): The Resident Coordinator and the UNCT should:

- i. Identify and review the causes and impacts of high unspent balances in the One Fund and the recurrent use of no-cost extensions; and develop a strategy and an action plan to mitigate the associated risks. In case of unforeseen and unpredictable circumstances requiring a no-cost extension, it should consider establishing a mechanism to provide sufficient lead time for effective coordination with donor(s).
- ii. Review and update the budgetary framework of the One Fund with a view to defining performance-based criteria and clarifying the allocation process for various sources of funds (earmarked, un-earmarked or reallocated funds).
- iii. Increase the UNCT's awareness regarding the provisions on the reporting requirements of the Standard Administrative Agreement of the One Fund, and establish a mechanism to manage the risk of having two separate agreements with the same funding source.

Responsible staff member: i) UNCT and Head of Resident Coordinator's office; ii) Head of Resident Coordinator's office; and iii) Head of Resident Coordinator's office and Multi-Partner Trust Fund Office

Date by which action will be taken: i) May 2019; and ii and iii) February 2019

Earmarked contributions

155. The One Fund was established to support the implementation of the One Programme and to cover under- or unfunded costs of initiatives, including responses to emerging needs. As a general rule, donors to the One Fund are encouraged to donate multi-year and un-

earmarked resources to strengthen predictability of funding and increase transparency and flexibility of resources allocation.

156. Since 2013, all contributions to the One Fund had been earmarked for specific purposes determined by donors. Though earmarking had shifted from a UN agency basis to outcome level over the years, the funds allocation process was still donor-driven, with allocations being based on donor priorities and bilateral partnerships with the individual agencies. The Resident Coordinator is authorized to reallocate earmarked funds only between outputs of the same outcome,¹⁵ and upon approval from a donor. S/he does not have authority to reallocate earmarked funds among outcomes.

157. In 2017, the total funding gap (financed from core and non-core funds and the One Fund) for all the organizations' programme activities presented in the JAWPs amounted to US\$ 17.8 million. Several outcomes had funding gaps (the Health and Gender outcomes accounted for US\$ 15.3 million of the total funding gap), and if the funds had not been earmarked by outcome, they could have been supported by the One Fund (which showed an estimated unspent balance of US\$ 19.3 million as of 31 December 2017).

158. Earmarked funding reduced the capacity of the One Fund to be more flexible in the allocation of funds – and to be more performance-based (i.e. they could have allocated funds to outcomes which were not constrained). Earmarking could also increase competition for funds between the agencies (which is against the objective of the One Fund) and impede the development of joint programmes.

159. The joint audit team was informed that the UNCT held annual consultations with the donors contributing into the PNG UN Country Fund in 2017 and 2018 to explain the benefits on the Fund that were not being realized due to earmarking at the outcome level. However, no formal action plan to minimize earmarking resulted from these consultations. Further, at its annual retreat in June 2018, after the audit mission, the UNCT agreed to develop principles to increase the flexibility of contributions to the One Fund.

Recommendation 27 (medium priority): The Resident Coordinator should, with the support of the UNCT and Regional UNSDG Team, develop a joint strategy, guiding principles and standards, and a joint action plan with clearly defined targets, activities and timelines to increase the flexibility of contributions to the One Fund.

Responsible staff member: Resident Coordinator and Head of Resident Coordinator's office

Date by which action will be taken: March 2019

Resource mobilization

160. A joint resource mobilization strategy seeks to provide a coherent and coordinated approach to fundraising activities in-country. It increases the probability of realizing the

¹⁵ Under results-based management, an outcome is a planned result against which resources will be allocated, and consists of a change in the situation of the target population. An output is a description of a change in a defined period that will significantly contribute to that outcome. Thus, an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

results outlined in the One Programme by ensuring adequate resources are raised in a structured manner.

161. The UNCT had not developed a joint strategy for the 2012-2017 UNDAF. This might have hindered the coordination of efforts to fill the funding gaps of US\$ 17.8 million (representing 29 percent of total resources required) as of the end of 2017. Though a joint strategy for resource mobilization does not provide any assurance that such efforts will be effective, it would have helped reinforce coordination among UNCT and PWG members. This would have helped with clarifying responsibilities, updating donor profiles, identifying funding priorities and opportunities, and focusing on the most critical funding gaps (i.e. health and gender outcomes).

162. With respect to 2018, the estimated funding gap of the four outcome areas amounted to US\$ 32 million or 44 percent of the total resource requirements at the beginning of the year. Though the UNCT had planned to complete a joint resource mobilization strategy during 2018, the joint audit team was informed that this was not considered a priority, as efforts so far in 2018 had significantly reduced the initial estimated funding gap. For instance, the UNCT mobilized US\$ 16.4 million from various donors and was negotiating a contribution of US\$ 117 million with two major potential donors. As a result, the joint audit team is not making any recommendation.

V. Communicating as One

163. The fifth and final pillar of DaO is Communicating as One. The goal of this pillar is to improve coordination of communication among the participating UN bodies within the country context. The UNCT should establish a UN Communication Group (UNCG) and a joint communication strategy to achieve Communicating as One objectives.

164. The audit reviewed the controls over joint communication. It noted some noteworthy practices, such as joint training for national journalists. The participating agencies engaged champions such as the Olympic Committee to promote awareness of sustainable development goals for PNG, and worked in partnership with media such as television channels to produce and broadcast talk shows. There were also quarterly media talks with journalists.

165. The audit noted that controls over joint communication were generally established and functioning well. The UNCT had established a UN Communication Group (UNCG), comprised of communications staff of all the participating UN organizations, to coordinate joint communication activities. The UNCG had a comprehensive joint communication strategy to support the implementation of the 2018-2022 UNDAF. The strategy was discussed and approved by the UNCT. The UNCG also drew up costed annual workplans that included key advocacy activities to support the One Programme's joint annual workplans. Further, the UNCG met regularly to monitor progress against joint communication objectives or targets.

166. The audit did not identify any areas for improvement for this pillar.

Annex A: Methodology, and definition of priorities and ratings

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. The actual controls, governance and risk management practices found in the office were reviewed against relevant policies, procedures and guidance for countries adopting the DaO approach issued by the UN Sustainable Development Group. As appropriate, the audit also compared actual practices against those regarded as good practices in results-based management. The audit team has also paid due regard to the General Assembly resolution (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*) that calls, among other things, for a strengthening of the role of the Resident Coordinator (and its separation from day-to-day running of UNDP).

The audit was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities of September 2014, and conformed to the International Standards for the Professional Practice of Internal Auditing. These standards require that an internal auditor plan and perform the audit in such a way as to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes related to the audited activities. The audit included reviewing and analyzing, on a test basis, information that provides the basis for the conclusions and audit results.

Priorities attached to recommendations

The audit recommendations are categorized according to priority, as a further guide to management in addressing the issues. The following categories are used:

- High (Critical):** Prompt action is required to ensure that the audited entities are not exposed to high risks. Failure to take action could result in major negative consequences for the organization and may affect it at the global level.
- Medium (Important):** Action is required to ensure that the audited entities are not exposed to significant risks. Failure to take action could result in negative consequences for the organizations.
- Low:** Action is considered 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. Low-priority recommendations are therefore not included in this report.

Audit ratings

The ratings used in this report are the same as used in previous DaO audits.

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 entities. *(While all offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units).*

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 entities. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category).*

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 entities could be seriously compromised. *(Given the environments in which United Nations organizations operate, it is unavoidable that a small number of business units with serious challenges will fall into this category).*