

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UN WOMEN REGIONAL OFFICE**

**IN**

**PANAMA**

**Report No. 1611**  
**Issue Date: 31 October 2016**

## Report on the Audit of UN Women Regional Office in Panama Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Regional Office in Panama (the Office) from 1 to 19 August 2016. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

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

The audit covered the activities of the Office from 1 June 2015 to 31 May 2016. The Office recorded programme and management expenditures of approximately \$5.4 million. This was the first audit of the Office.

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

### Overall audit rating

OAI assessed the Office as **satisfactory**, which means, "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." There are two high priority recommendations, which, however, are under the responsibility of Headquarters units, and therefore were not taken into consideration in the overall rating of the Office.

**Key recommendations:** Total = 6, high priority = 2

The six recommendations aim to ensure the following:

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

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

Corporate Issue:  
Inadequate  
communication and  
management of core  
funds allocation (Issue 1)

The methodology used in UN Women for the allocation of core funds for the 2014 Strategic Plan cycle had not been conducted in accordance with UN Women's 'Programme and Operations Manual' and the methodology used was dated back to 2009, and therefore not reflecting UN Women's existing operations. In the absence of a suitable methodology for the allocation of core funds, the Office had developed and proposed two methods to the Division of Management and Administration, neither of which had been considered for piloting and corporate use. In addition, the communication of the core funds allocation in 2016 did not include a detailed breakdown, or explanation for reductions in the core allocation and the disposition of 2015 amounts carried forward. Further, while the UN Women Executive Leadership Team had made a decision in the second quarter of 2016 to reduce core spending by freezing the filling of all staff positions to be funded from core funds, this decision was not communicated to the Office on time. Thus, the Office was only informed on the freezing of recruitments after the Career Review Board had issued its recommendation regarding the preferred candidate, for a key advisory post in the Office.

Corporate Recommendation 1: The Programme Division, in coordination with the Division of Management and Administration, should strengthen communication and management of core funds allocations by: (a) clearly communicating on the core funding allocated to the offices, including a detailed breakdown of funding components such as the amount of any carry-over included in the annual allocation based on clear criteria and a standard methodology; and (b) including a specific process to address funding of critical functions envisaged by the Strategic Plan and Regional Architecture to support the delivery of planned results.

Corporate Issue:  
Non-compliance with  
corporate requirement of  
immediately reporting  
wrongdoing to OAI (Issue  
2)

UN Women's 'Legal Framework' requires that managers notify OAI as soon as they become aware of allegations of wrongdoing. The Office had contacted Headquarters Human Resources Division for instructions on how to proceed with a situation involving admitted wrongdoing by a service contractor. Contrary to the requirements of the 'Legal Framework', the Office was instructed that the service contractor should be immediately terminated based on the violation of his contract, and that the Office should separately notify OAI, which resulted in the loss of rights to any further legal recourse.

Corporate Recommendation 2: The Division of Management and Administration should ensure that all staff and personnel are aware of the 'Legal Framework' requirements regarding immediately notifying OAI of any allegations of wrongdoing by: (a) issuing a formal communication to staff on the requirements of the process for reporting wrongdoing to OAI; and (b) periodically reiterating these requirements through follow-up communications and inclusion of the requirements in meetings and training as appropriate.

### Management comments and action plan

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

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



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