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Programme, the United Nations
Population Fund and the
United Nations Office for
Project Services**

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Recommendations of the Board of Auditors

UNOPS: Report on the implementation of the recommendations of the Board of Auditors for the biennium 2008-2009

Summary

The United Nations Office for Project Services (UNOPS) is pleased to respond to the recommendations made in the report of the Board of Auditors, A/65/5/Add.10, and to provide an update on the current status of implementation. The United Nations Board of Auditors report for the biennium ended 31 December 2009 was unqualified. This opinion represents a milestone for UNOPS, given that in prior bienniums, UNOPS received qualified or modified audit opinions. UNOPS management continues to place emphasis on addressing audit concerns, as the present document testifies by highlighting the current status of and management plan for the few remaining audit recommendations yet to be implemented.

Elements of a decision

The Executive Board may wish to recognize that, according to the assessment of UNOPS, more than 80 per cent of the United Nations Board of Auditors recommendations for the biennium ended 31 December 2009 have been implemented. Similarly, in October 2011, the results from the UNOPS assessment were validated by the United Nations Board of Auditors during their preliminary review of UNOPS for the current biennium ended 31 December 2011.

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I. UNOPS summary response to the United Nations Board of Auditors

A. Background

1.   UNOPS is a self-financing entity of the United Nations system, delivering customized project management and support services to a wide range of clients. During 2011, UNOPS continued to maintain robust internal control systems, while actively managing its diverse risk portfolio. So as to maintain its world-class standards of efficiency and effectiveness, UNOPS focused on further developing its business practices and procedures, with a focus on ensuring timely, accurate responsiveness to client needs.

2.   In June 2011, UNOPS was awarded the prestigious International Organization for Standardization (ISO) 9001 quality management certification, making it the first United Nations organization to have its global management systems so certified. The development of quality management measurement and tracking systems came about as a result of a rigorous internal process of documenting, validating and quality-auditing UNOPS systems and business processes.

3.   Furthermore, in September 2011, UNOPS, to increase transparency and accountability, became a member of the International Aid Transparency Initiative (IATI). Since signing up, UNOPS has fully embraced the IATI standards, placing details of more than 1,000 projects in the public domain in an enhanced and more accessible common standard and format.

B. Present challenges and measures that address them

4.   In its report for the biennium ended 31 December 2009, the United Nations Board of Auditors gave UNOPS an unqualified audit opinion. This was an improvement on the biennium ended 31 December 2007, regarding which the Board of Auditors issued a modified audit opinion. This opinion was based on three matters of emphasis: the UNOPS unreconciled inter-fund account mainly with the United Nations Development Programme (UNDP), deferred revenue and non-expendable assets. Meanwhile, the underlying financial situation of UNOPS has continued to improve steadily during the last three bienniums. Operational reserves have increased despite UNOPS increasing its bad-debt provisions and a number of significant write offs to cover losses from prior periods. In addition UNOPS has continued to accrue for the entire obligation of its personnel end-of-service liabilities, including after-service health insurance costs. Consequently, UNOPS operational reserves were fully replenished, amounting to $42.7 million as at 31 December 2009. This represented an addition of some $38.4 million since December 2005. Furthermore, the unaudited interim results for the 2010 year indicate an additional $14 million increase in operational reserves.

Issues to watch and risks to mitigate

5.   The effects of the global financial crisis continue to have a pervasive effect on UNOPS partners, and there has been a concomitant reduction in demand for some UNOPS services. As part of its enterprise risk management process, UNOPS is monitoring the situation, and also ensuring that the organization retains its agility

and ability to quickly reduce in size should there be a significant reduction in demand and associated revenue streams.

6.   UNOPS continues to maintain narrow operational margins, keeping its fees low so as to pass on the maximum value and benefit to its partners and beneficiaries. UNOPS actively seeks to further improve efficiency, so as further reduce its current fees. (At the time of writing, the average global management fee for 2011 was approximately 5.7 per cent). Revenue management systems are in place to ensure that the organization continues to adjust its costs in response to the level of revenue generated.

7.   While the organization's operational reserves mitigate risk, it should be noted that unforeseen catastrophic events, such as punitive legal damages being awarded or significant fraud, could reverse many of the gains of the past six years. In particular, the UNOPS business model makes it vulnerable to certain operational risks. To reduce its exposure, UNOPS has undertaken several initiatives. It comprehensively revised the financial regulations and rules in 2009 and is proposing minor further revisions to its financial regulations and rules with effect from January 2012. It is progressively updating its internal control framework. It has issued more than 30 additional organizational directives and supporting business policies, and acquired additional corporate insurance policies, including protection against litigation by specialists. Despite these measures, UNOPS is aware that it can never be completely protected all business and operational risks. This is why UNOPS is required to maintain its operational reserves at the level set by the Executive Board.

8.   Robust project and budgetary management remains a core organizational requirement in order to reduce instances of over-expenditure while ensuring timely programme delivery and satisfactory financial execution. To this end, UNOPS continues to strengthen its online financial and management tools, as well as its project performance analytics. Routine quarterly quality-assurance reviews of all projects are carried out in order to ensure timely execution and completion. In 2011, UNOPS launched an in-house project management foundation course to train project managers through cross-practice knowledge sharing (supported by a practice quality-management system).

9.   The inter-fund balance with UNDP is fully reconciled as of 31 December 2010 at $21.4 million. This represents a reduction of $12.5 million from the December 2007 position. Comprehensive negotiations between UNDP and UNOPS senior management are under way to settle the residual balance. Currently, UNDP and UNOPS routinely reconcile all new inter-fund transactions, eliminating the likelihood of any future inter-fund disagreements.

10.   In November 2011, UNOPS updated its asset management procedures. Beginning in January 2012, all property, plant and equipment used for both UNOPS administrative and project assets will be tracked and managed in the Atlas asset module.

11.   UNOPS has issued its newly revised procurement manual to reinforce the four guiding principles of procurement: best value; transparency, fairness and integrity through competition; economy and effectiveness; and promoting the interests of UNOPS and its clients. To further enhance transparency, UNOPS is disclosing all procurement plans in excess of $50,000 on the UNOPS website. Formal Vendor

Review Committee meetings have been held routinely since March 2010 to monitor the ethical performance of vendors and to mitigate any risks for UNOPS and its clients.

12. Implementation of the International Public Sector Accounting Standards (IPSAS) by January 2012 represents a significant challenge for UNOPS, and perhaps more so for UNOPS than for other United Nations organizations. This is because of the self-financing status of UNOPS and the nature of its business model. UNOPS is collaborating with UNDP and UNFPA to prepare the shared Atlas system for the implementation of IPSAS. At the time of writing, user acceptance testing of the new IPSAS-compliant processes in the Atlas system was scheduled for November 2011. To date, UNOPS has drafted the 2012 model financial statements for UNOPS; prepared 21 IPSAS accounting policies to guide the conversion; appointed 34 IPSAS focal points in regional offices and operational centres; and launched its trilingual IPSAS training site with webcasts on specific IPSAS topics.

13. Following its widespread clean-up exercise in 2009/2010, UNOPS established the extent of its past liabilities. UNOPS actively continues to manage all known liabilities, and, wherever necessary, the organization has sought through negotiation or arbitration to reduce or eliminate its exposure. Since financial and reputational risk from litigation can never be totally eliminated, UNOPS has been seeking to reduce the potential impact of such claims wherever possible.

II. UNOPS responses to the United Nations Board of Auditors recommendations

14. The Board of Auditors has issued 40 main recommendations classified as high priority and 19 recommendations classified as medium priority. UNOPS management has implemented 47 of the 59 recommendations and two recommendations were overtaken by events. UNOPS is presenting the specific responses to these recommendations on pages 6 to 28 of this report.

III. Conclusion

15. UNOPS is pleased to reply to the Board of Auditors report for the biennium ended 31 December 2009. Based on the developments and improvements made since the 2008-2009 biennium, and bearing in mind the high degree of dedication and commitment from all personnel, UNOPS is confident that the remaining issues highlighted in the report of the Board of Auditors will be addressed in a satisfactory manner.

Annex 1

Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2009

Table 1
Status of implementation of main recommendations

Department responsible	Number of recommendations	Not accepted	Implemented or closure requested	In progress	Target date set	No target date
Finance	10	-	7	3	3	-
Project Management	18	-	15	3	3	-
Administrative Services	6	-	4*	2	2	-
Human Resources	3	-	3	-	-	-
Information Technology	2	-	2	-	-	-
Executive Office	1	-	-	1	1	-
Total	**40**	**-**	**31**	**9**	**9**	**-**

Table 2
Status of implementation of all recommendations

Department responsible	Number of recommendations	Not accepted	Implemented or closure requested	In progress	Target date set	No target date
Finance	17	-	15	3	3	-
Project Management	23	-	19*	3	3	-
Procurement	1	-	1	-	-	-
Administrative Services	9	-	7*	2	2	-
Human Resources	5	-	4	1	1	-
Information Technology	3	-	3	-	-	-
Executive Office	1		-	1	1	
Total	**59**	**-**	**49**	**10**	**10**	**-**

 * Includes one recommendation which has been overtaken by events as confirmed by UNBOA; closure requested accordingly

In paragraph 45, UNOPS agreed with the Board's reiterated prior recommendation to review its accounting policies regarding revenue recognition, as part of its preparation for IPSAS implementation.

UNOPS has established an IPSAS project board to drive the organization-wide transition from UNSAS to IPSAS by January 2012. UNOPS has drafted its revenue recognition policy for project revenue, which is based on the percentage completion method, in line with IPSAS.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 48, UNOPS agreed with the Board's recommendation to establish procedures to review the reasonability of the interest income received from UNDP Treasury.

UNOPS has conceptualized a methodology to review the interest received from UNDP Treasury for reasonability. This review is performed on a quarterly basis.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 51, UNOPS agreed with the Board's recommendation to regularly monitor administrative budgets on a line-by-line basis to ensure that budgets are not exceeded.

UNOPS follows a rigorous half-yearly budget review process of its administrative expenditures throughout its country offices, regional offices and at headquarters. Budgets are monitored regularly and any over-expenditure identified is followed-up to ensure that the expenditure is valid and could not be avoided.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 57, UNOPS agreed with the Board's recommendation to address instances of obligations raised that are not supported with valid and appropriate obligating documents.

UNOPS has retired the imprest modality in April 2010, and the instances noted by the Board have been prevented. UNOPS monitors purchase orders on its financial dashboard and random purchase orders are selected for review at headquarters. In addition, quarterly certification of obligating documents is requested from regional directors.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully implemented

In paragraph 64, UNOPS agreed with the Board's recommendation to implement controls and reports to accurately differentiate between project receivable and payable balances and project balances that represent over-expenditure.

UNOPS has implemented a quarterly project quality assurance review process for all projects. Any project over-expenditure is highlighted for action through the quality assurance process. Furthermore, reports will be prepared for the next audit to clearly differentiate project receivable and project payable balances.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 65, UNOPS agreed with the Board's further recommendation to improve its system controls to prevent and detect any classification errors in financial reporting, in a timely manner.

UNOPS has implemented monitoring and review controls to detect misclassifications in a timely manner and prior to financial reporting.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 69, UNOPS agreed with the Board's recommendation to account for the funds received in advance from donors as a liability upon receipt of the funds and not as a credit entry within the accounts receivable accounts.

UNOPS implemented a manual annual review process to identify credit balances in accounts receivable and reclassifies these as accounts payable.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 72, UNOPS agreed with the Board's recommendation to: (a) follow-up and clear the credit balances in the accounts receivables; and (b) reclassify credit balances in account receivables and account for them as a payable.

UNOPS implemented a manual annual review process to identify credit balances in accounts receivable and reclassifies these as accounts payable.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 83, UNOPS agreed with the Board's recommendation to resolve the disputed inter-fund differences in its accounts with UNDP.

Resolution of the historic UNOPS-UNDP inter-fund differences is sought and is currently under discussion at Executive Director level. These negotiations are expected to be finalized by the time of closure of UNOPS accounts for the biennium 2010-2011.

Department responsible: Finance
Status: In progress
Priority: High
Target date: March 2012

In paragraph 86, UNOPS agreed with the Board's recommendation to: (a) follow up [on] the rejected project expenditures and make appropriate accounting entries; (b) improve the validation of information captured on its system to ensure that the incidents of rejections are minimized; and (c) consider alternate arrangements with UNDP to further improve the acceptance rate.

UNOPS continues to submit project expenditures to UNDP on a quarterly basis. UNOPS developed a project expenditure validation system to detect possible rejections and to correct data prior to submission to UNDP. Overall, the validation process has reduced the rate of rejections to below 1 per cent. In addition, UNOPS is in the process of implementing new controls to prevent the posting of project expenditures to incorrect charts of accounts.

Department responsible: Finance
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 91, UNOPS agreed with the Board's recommendation to: (a) continue to follow up on the unreconciled inter-fund differences in its accounts; and (b) engage with the relevant United Nations agencies in order to resolve the old inter-fund differences.

As part of the UNOPS project closure phase 2 initiative, meetings will be set up with the relevant United Nations agencies to negotiate a resolution of the old inter-fund differences.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: December 2011

In paragraph 111, UNOPS agreed with the Board's recommendation to consider a revision of its policy for the valuation of the annual leave liability in its implementation of International Public Sector Accounting Standards.

The UNOPS selection of policies for the valuation of the annual leave liability is based on United Nations-wide decisions. At the United Nations International Public Sector Accounting Standards (IPSAS) task force meeting held in 2010, further guidance on the accounting and disclosure of all end-of-service-liabilities in compliance with IPSAS was expected as the outcome. UNOPS has revised its policy of the valuation of the annual leave liability in line with IPSAS.

Department responsible: Finance
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 116, UNOPS agreed with the Board's recommendation to take appropriate measures to ensure the validity, accuracy and completeness of the

data used in the computation of all post retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period.

The UNOPS selection of policies for the valuation of the annual leave liability is based on United Nations-wide decisions. At the United Nations IPSAS task force meeting held in 2010, further guidance on the accounting and disclosure of all end-of-service-liabilities in compliance with IPSAS was expected as the outcome. UNOPS has revised its policy of the valuation of end-of-service liabilities in line with IPSAS.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: December 2011

In paragraph 122, UNOPS agreed with the Board's recommendation to develop a funding plan for the end-of-service liabilities (ESL).

All UNOPS end-of-service liabilities as at 31 December 2009 are fully funded, as mentioned in the notes to the financial statements for the biennium 2008/2009. In addition, the funds set aside are also invested appropriately so as to enable UNOPS to fully meet its obligations with regard to end-of-service benefits as and when they arise. A funding plan will, however, be implemented based on the wider IPSAS-related end-of- service liabilities.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: December 2011

In paragraph 129, UNOPS agreed with the Board's recommendation to: (a) comply with the imprest account closure guidelines to ensure that all old modality imprest accounts are closed and replaced with Atlas bank accounts; (b) address all unreconciled items in the imprest accounts; (c) ensure that long outstanding reconciling items are followed up and cleared in a timely manner; and (d) amend note 7 of the 2008/2009 financial statements to reflect the correct number of imprest accounts operational as at the end of the 2008/2009 biennium.

UNOPS accomplished the transition of all imprest account to Atlas bank accounts. Full reconciliation of all imprest transactions has been completed, and the imprest modality has been successfully retired. Note 7 of the financial statements was appropriately amended to clarify this closure subsequent to year end.

Department responsible: Finance
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 134, UNOPS agreed with the Board's recommendation to obtain appropriate approval for write-off of losses in accordance with rule 123.12 of the UNOPS financial regulations and rules.

As part of the 2008-2009 biennium closure UNOPS obtained authorizations from the Executive Director for all write-offs made during the biennium. All write-offs going forward have followed appropriate procedures and delegations.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully implemented

In paragraph 147, UNOPS AFO agreed with the Board's recommendation to: (a) develop a policy on the management of petty cash which addresses the weakness identified in the management of petty cash; (b) investigate and follow up on the discrepancies identified; and (c) perform surprise petty cash counts by a senior official on an ad-hoc basis and reconcile the cash on hand to the petty cash records.

UNOPS promulgated a petty cash policy with explicit guidance on the management of cash in field locations. The UNOPS Africa Regional Office (AFO) issued a follow-up instruction and a reminder to its Operations Centres (OCs) on the implementation of the petty cash policy. The year-end guidance issued to field offices also indicated that petty cash counts and surprise counts be performed regularly.

> *Department responsible*: Finance
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 160, UNOPS agreed with the Board's recommendation to further review budget-setting methods and controls to ensure that budgets agreed with clients are more in line with the project delivery.

UNOPS will proceed to issue an instruction to project managers so that budgets agreed with clients are more in line with expected delivery.

Guidance on budget change control and budget-setting methods is in progress and is expected to be released by the end of January 2012. A new budgeting resource will be joining the project management practice to support this initiative.

> *Department responsible*: Project Management
> *Status*: In progress
> *Priority*: High
> *Target date*: January 2012

In paragraph 161, UNOPS AFO agreed with the Board's recommendation to improve monitoring controls over the project delivery performance of operations centres and take steps against operations centres that have under-delivered.

UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality. During 2010, the quarterly online assurance process, using UNOPS success criteria, was implemented for every project. The process includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 172, UNOPS agreed with the Board's recommendation to establish a short time frame to address the backlog of projects needing closure.

Phase 2 of UNOPS project closure exercise has been launched. The exercise is expected to lead to the rapid financial closure of operationally closed projects.

Some 450 projects have been through the financial closure process already and have been submitted to the Headquarters Central Procurement Committee (HQCPC) for approval of write-offs. This latter process was completed by end of July 2011.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 173, UNOPS further agreed with the Board's recommendation to reconsider the appropriateness of its 18-month project closure timetable.

Per the recommendation of the Board of Auditors, UNOPS has reviewed its project closure timetable as part of its revision of the UNOPS financial regulations and rules. The conclusion is that the 18-month closure time period is appropriate for the UNOPS business model.

Department responsible: Finance
Status: Completed
Priority: Medium
Target date: Overtaken by events/closure requested

In paragraph 178, UNOPS agreed with the Board's reiterated prior recommendation that UNOPS PEOC analyse all currently listed projects and identify projects that need to be closed.

Phase 2 of UNOPS project closure exercise has been launched. The exercise is expected to lead to the rapid financial closure of operationally closed projects.

Some 450 projects have been through the financial closure process already and have been submitted to HQCPC for approval of write-offs. This latter process was completed by end of July 2011.

Department responsible: Project management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 179, UNOPS further agreed with the Board's reiterated prior recommendation that UNOPS PEOC: (a) ensure that the status of projects are regularly monitored and accurately reflected in Atlas; and (b) complete the project closure exercise.

The UNOPS Peru Operations Centre (PEOC) has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and

quality. Phase 2 of UNOPS project closure exercise has been launched. The exercise is expected to lead to the rapid financial closure of operationally closed projects.

Department responsible: Project Management
Status: Complete
Priority: High
Target date: Fully Implemented

In paragraph 185, UNOPS AFO and SNOC agreed with the Board's reiterated prior recommendation to take further steps to: (a) ensure that the status of projects are regularly monitored and accurately reflected in Atlas; and (b) urgently complete the project closure exercise.

Phase 2 of UNOPS project closure exercise has been launched through which rapid financial closure of operationally closed projects is expected to be completed.

About 450 projects were in the process of being closed and were submitted to HQCPC for approval. The process was completed by end of July 2011.

UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2011

In paragraph 186, UNOPS AFO further agreed with the Board's recommendation to maintain project files in support of financially closed projects.

Phase 2 of UNOPS project closure exercise has been launched. The exercise is expected to lead to the rapid financial closure of operationally closed projects. UNOPS launched an online project document centre (PDC) in early 2010. The system requires that all key project documentation be electronically saved.

Department responsible: Project Management
Status: Completed
Priority: Medium
Target date: Fully Implemented

In paragraph 194, UNOPS agreed with the Board's reiterated prior recommendation to monitor its project-level system controls and project budgets on a regular basis to ensure that budgets are not exceeded.

UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 199, UNOPS agreed with the Board's recommendation to: (a) review the progress of each project on a regular basis and as part of project

oversight and monitoring activities; (b) improve its procedures to manage the rephasing or extension of projects so that the changes are made and recorded in a timely manner and that the correct project information is reflected in Atlas.

During 2010, the quarterly online assurance process, using UNOPS success criteria, was implemented for every project. The process includes monitoring of data quality, delivery, project time, cost and quality.

> *Department responsible*: Project Management
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 206, UNOPS agreed with the Board's recommendation to: (a) consult with the client prior to changing budget information; (b) ensure that historical budget information is not amended in Atlas; and (c) review budget-setting methods and controls to ensure that the budgets agreed with clients are more in line with expected delivery.

UNOPS will proceed to issue an instruction to project managers, so that budgets agreed with clients are more in line with expected delivery. A guidance was issued that there should be no historical budget revisions. Further guidance on budget change control and budget-setting methods is in progress and is expected to be completed by the end of January 2012. A new budgeting resource has been identified and will be joining the project management practice to support this initiative.

> *Department responsible*: Project Management
> *Status*: In progress
> *Priority*: High
> *Target date*: January 2012

In paragraph 212, UNOPS AFO agreed with the Board's recommendation to ensure that it defines and implements correct procedures with regards to project management.

In addition to the quarterly online assurance process, UNOPS AFO will implement the online Implementation Analysis Note (IAN) which allows for enhanced project management from project initiation stage. The Engagement Acceptance online system replaced the paper-based Implementation Analysis Note, allowing for better review of engagements and improved controls.

> *Department responsible*: Project Management
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 220, UNOPS AFO agreed with the Board's recommendation to: (a) take urgent steps to implement procedures to enable it to discharge its oversight roles over the operation centres, and maintain evidence of such monitoring activities; and (b) maintain Memoranda of Understanding or Memoranda of Agreement in the project files.

In addition to the quarterly online assurance process, UNOPS AFO will implement the online Implementation Analysis Note (IAN) which allows for enhanced project

management from the project initiation stage. During 2010, the quarterly online assurance process, using UNOPS success criteria, was implemented for every project. The process includes monitoring of data quality, delivery, project time, cost and quality. The Engagement Acceptance online system replaced the paper-based Implementation Analysis Note allowing for better review of engagements and improved controls.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 221, UNOPS AFO further agreed with the Board's recommendation to review its approach to project management and ensure that a uniform system (where possible) is implemented within the regional structure.

In addition to the quarterly online assurance process, UNOPS AFO will implement the online Implementation Analysis Note (IAN) which allows for enhanced project management from project initiation stage. During 2010, the quarterly online assurance process, using UNOPS success criteria, was implemented for every project. The process includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 227, UNOPS AFO agreed with the Board's recommendation to investigate the differences between the 2008 Atlas project status report and the Atlas project expenditure report, and make corrections accordingly.

This recommendation was addressed through the UNOPS phase 2 project closure exercises. Projects relating to this observation are included in the 450 projects that were closed during July 2011.

Department responsible: Project Management
Status: Completed
Priority: Medium
Target date: Fully Implemented

In paragraph 233, UNOPS agreed with the Board's recommendation to ensure that UNOPS SNOC: (a) implement processes to ensure that its projects are implemented in a timely manner; (b) improve its project implementation controls to ensure projects are charged for productive time only; and (c) review the causes of the delay in the implementation of project 60168.

The UNOPS Senegal Operations Centre (SNOC) is considering options regarding measures to be implemented to record only chargeable hours for advisory services rendered. Recommendations (a) and (c) will be addressed through the quarterly online assurance process.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2011

In paragraph 237, UNOPS agreed with the Board's recommendation that UNOPS SNOC: (a) address the leadership vacancy on project 30985; (b) ensure that it maintains appropriate supporting documents for all procurement; and (c) ensure adequate oversight procedures are in place at all times to oversee the monitoring of project activities.

UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

(a)   The leadership vacancy on this project has been filled.

(b)   UNOPS issued a revised procurement manual in September 2010. It emphasizes the need to retain all procurement documentation.

(c)   UNOPS also issued a document retention policy (Organizational Directive 12).

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 244, UNOPS SNOC agreed with the Board's recommendation to implement controls/guidelines to ensure that: (a) the projects are implemented in a timely manner; (b) vacancies are filled in a timely manner; and (c) SNOC is able to discharge its oversight roles over the projects, and maintain evidence that such monitoring activities were performed.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project. The process uses UNOPS success criteria and includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 245, UNOPS SNOC further agreed with the Board's recommendation to establish procedures to monitor deliverables stated in the project agreements.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project. The process uses UNOPS success criteria and includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 250, UNOPS agreed with the Board's recommendation that UNOPS SNOC in consultation with UNOPS AFO maintain and update risk and

quality logs for all projects in a timely manner and adequately address issues associated with new areas of business.

In addition to the quarterly online assurance process, UNOPS AFO will implement the online Implementation Analysis Note (IAN) which allows for enhanced project management from project initiation stage.

During 2010, the quarterly online assurance process, using UNOPS success criteria, was implemented for every project. The process includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 255, UNOPS SNOC agreed with the Board's recommendation that it in consultation with UNOPS AFO: (a) review the progress of each project on a regular basis and as part of project oversight and monitoring activities; and (b) implement procedures to avoid the late approval of rephasing or extension of projects.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project. The process uses UNOPS success criteria and includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 258, UNOPS AFO further agreed with the Board's recommendation to implement procedures to ensure effective oversight and monitoring of all project activities to ensure that operations centres within the region are performing and delivering according to targets and are not overspending on approved budgets.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project. The process uses UNOPS success criteria and includes monitoring of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 265, UNOPS agreed with the Board's recommendation to: (a) take steps to ensure that all projects are assigned or allocated to project managers in Atlas; and (b) implement controls/guidelines to ensure that projects are handed over in a timely manner or as soon as projects are re-allocated or reassigned.

(a)   In April 2010 UNOPS assigned project managers to all projects in the Atlas system.

(b)   UNOPS has issued a project handover process instruction with a standardized format. This will ensure projects are handed over smoothly and on time. In addition, the project tracking tool allows global monitoring by project managers. UNOPS has further improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

> *Department responsible*: Project Management
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully Implemented

In paragraph 274, UNOPS agreed with the Board's recommendation to: (a) address the incompatible functions and the lead time in the process of registering vendors; and (b) ensure that the vendor review committee (VRC) performs its functions and duties as outlined in Administrative Instruction AI/GSC/2008/01.

UNOPS implemented a new procedure to expedite the registration of vendors, and the temporary backlog issue was resolved. The first VRC meeting took place in March 2010, and the committee has been functioning well since its inception.

> *Department responsible*: Procurement
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully implemented

In paragraph 283, UNOPS agreed with the Board's reiterated prior recommendation to: (a) roll out the asset management module in Atlas to all offices; and (b) ensure that all relevant staff receives appropriate training prior to using the module.

The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has completed training in all offices.

> *Department responsible*: Administrative Services
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 292, UNOPS agreed with the Board's reiterated prior recommendation to investigate the assets listed as faulty/redundant.

UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets. Further guidance was developed in October 2011 and rolled out to all UNOPS offices. Faulty/redundant assets were investigated and dealt with appropriately.

> *Department responsible*: Administrative Services
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully implemented

In paragraph 293, UNOPS further agreed with the Board's recommendation to: (a) address the discrepancies noted in its asset records and financial statements

for the 2008/2009 biennium; and (b) review all asset registers to ensure that other similar discrepancies in the asset registers are addressed.

UNOPS correctly reflected the value of its assets in Note 16 in the financial statements, implementing part (a). UNOPS conducts annual reviews of its asset registers and physical verification exercises to ensure that the value of assets is correctly stated. The discrepancies referred to in part (b) have been addressed in the asset registers of UNOPS offices.

Asset registers are available for review to confirm this.

> *Department responsible*: Administrative Services
> *Status*: Completed
> *Priority*: High
> *Target date*: Fully Implemented

In paragraph 295, UNOPS agreed with the Board's recommendation to: (a) follow up with Kenya Operations Centre to address assets that were assigned the same asset tag number; and (b) implement procedures to detect all discrepancies in asset registers submitted to Headquarters.

UNOPS has implemented an asset duplicate tool to detect duplicate asset tag numbers and has addressed duplicate asset tag numbers in the Kenya Operations Centre and at other UNOPS offices.

> *Department responsible*: Administrative Services
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully implemented

In paragraph 300, UNOPS agreed with the Board's recommendation that UNOPS AFO: (a) perform asset inventory counts and asset reconciliations on a regular basis, and (b) maintain proper records relating to asset counts performed.

Certified asset verification sheets were obtained by UNOPS Headquarters in April 2010 and April 2011 for all regional and field locations. UNOPS has conducted asset verifications for all its offices.

> *Department responsible*: Administrative Services
> *Status*: Completed
> *Priority*: Medium
> *Target date*: Fully implemented

In paragraph 304, UNOPS PEOC agreed with the Board's recommendation to: (a) strengthen controls relating to the certification of assets to prevent and detect errors in its asset register; and (b) make the necessary adjustments to the manual fixed asset register to ensure that it only includes assets that belong to UNOPS.

Certified asset verification sheets were obtained by UNOPS Headquarters in April 2010 and April 2011 for all regional and field locations. UNOPS has conducted asset verifications for all its offices. UNOPS also made all necessary adjustments to the manual asset register.

Department responsible: Administrative Services
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 308, UNOPS agreed with the Board's recommendation to: (a) perform asset counts of project assets on a regular basis; and (b) conduct an exercise to tag all project assets and update the project asset registers accordingly.

Policies and procedures concerning project assets will be developed as part of the UNOPS IPSAS implementation plan. However, UNOPS does intend to tag and monitor relevant project assets by March 2012. UNOPS conducted a project asset survey throughout the organization during March/April 2011. The results were finalized in May 2011.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: March 2012

In paragraph 312, UNOPS agreed with the Board's recommendation to: (a) implement controls to enable project managers to better control assets purchased with project funds; (b) investigate the circumstances around the use of project funds to purchase these fixtures; and (c) where applicable, return the funds to the project and reverse the revenue recognized on the transactions.

Policies and procedures concerning project assets will be developed as part of the UNOPS IPSAS implementation plan. However, UNOPS does intend to tag and monitor relevant project assets by March 2012. UNOPS conducted a project asset survey throughout the organization during March/April 2011. The results were finalized in May 2011.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: March 2012

In paragraph 324, UNOPS agreed with the Board recommendation to: (a) reconsider the financial impact of non-capitalized assets in determining the threshold for the inclusion of non-expendable property in the financial statements, and the implication in the asset certification process; and (b) consider certification of assets that are not subject to certification.

UNOPS has considered the threshold values as part of its IPSAS implementation plan. All attractive assets with a value below $2,500 are subject to tagging and are being recorded in the asset registers, but these are regarded as "non-capital" assets. UNOPS has decided to discontinue the formal recording of non-capitalized assets. This decision is reflected in the revision of rule 121.01 of the financial regulations and rules. Thus, the threshold for capital assets remains at $2,500.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Overtaken by events/closure requested

In paragraph 329, UNOPS agreed with the Board's recommendation to: (a) continue to monitor procedures and controls to ensure that all staff members undergo performance results assessments; and (b) ensure that most of such assessments are completed within the specified timelines.

UNOPS has implemented measures including linking of performance assessments to the rewards policy and improved communications. By the deadline of 31 March 2011, 94 per cent of the performance and results assessments (PRAs) throughout the organization were completed and closed. No deadline extension was necessary this year.

Department responsible: Human Resources
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 333, UNOPS agreed with the Board's recommendation to develop a computerized system with "program controls" that allows all UNOPS offices to accurately capture and monitor leave.

UNOPS has implemented a corporate leave monitoring system which covers all its offices worldwide.

Department responsible: Human Resources
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 338, UNOPS agreed with the Board's recommendation to monitor the gender distribution and consider measures to achieve the target of a 50/50 gender balance.

UNOPS continues to regard gender distribution as of the utmost importance and has considered measures to improve the performance against gender-balance targets. The gender strategy has been prioritized as an expected result within the Human Resource Practice Group annual workplan.

Department responsible: Human Resources
Status: In progress
Priority: Medium
Target date: December 2011

In paragraph 347, UNOPS agreed with the Board's recommendation to: (a) comply with the individual contractor agreement (ICA) guidelines with regards to retroactive individual contractor agreements; (b) ensure proper planning to avoid retroactive individual contractor agreements; and (c) implement procedures to ensure that individual contractor agreements, payment certifications and other documents are dated when signed by the relevant approving officer.

UNOPS has taken steps to ensure that instances of retroactive signatures will not recur. In addition a comprehensive new policy on individual contractor agreements was introduced and implemented during May 2010, and new tools have been provided to facilitate better processes and to reduce incidences of human error.

Department responsible: Human Resources
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 351, UNOPS agreed with the Board's recommendation to comply with the individual contractor agreements (ICA) guidelines with regard to release of final payment to ICA contractors.

UNOPS has introduced and implemented a new ICA policy. It states that the final payment awaits the submission of performance evaluations and certification of satisfactory completion of works or services. Payments to ICAs are not made until project managers provide this certification.

Department responsible: Human Resources
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 356, UNOPS agreed with the Board's recommendation to implement a succession plan to reduce disruption to the business in the event of the loss of key individuals in the information technology department.

UNOPS has noted the recommendation and a work strategy has been implemented.

Department responsible: Information Technology
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 359, UNOPS agreed with the Board's recommendation to implement a formal Disaster Recovery Plan and Business Continuity plan that encompasses all types of disastrous events that would impact on both information systems processes and end-user functions.

UNOPS is in the process of documenting a disaster recovery and business continuity plan. In April 2010, an organizational directive on a disaster recovery/business continuity planning framework was issued to enable regional offices and operations centres to formulate their own location-specific, detailed plans. Currently UNOPS is conducting a business impact analysis to fine tune the business continuity plan.

UNOPS has prepared a business continuity plan. This has been documented on the intranet.

Department responsible: Information Technology
Status: Completed
Priority: High
Target date: Fully Implemented

In paragraph 362, UNOPS agreed with the Board's recommendation to: (a) consider enforcing the current setting on the Active Directory as this would ensure that users do not intentionally choose weak authentication credentials; and (b) consider weighing the benefits of a stronger and secure authentication against the additional work and tasks that may result from these.

UNOPS is of the view that the current policy provides adequate overall security for the organization given its project nature and relatively high turnover of personnel. To further improve password strength, UNOPS is engaged with other United Nations agencies to establish better training materials and systems for United Nations staff to better understand information and communications technology (ICT) security and help protect access to sensitive information.

Department responsible: Information Technology
Status: Completed
Priority: Medium
Target date: Fully Implemented

In paragraph 375, UNOPS agreed with the Board's recommendation to consider the gaps identified and take further steps in its process of strengthening the governance and oversight arrangements.

UNOPS has considered the gaps identified and has concluded that the members of Strategy and Audit Advisory Committee (SAAC) constitute an independent advisory body with significant and relevant financial or internal oversight experience. The members of SAAC as well as the terms of reference have been approved by the Executive Board: the governing body of UNOPS. The members of SAAC agreed to establish a sub-committee focused on audit and finance issues and to formulate terms of reference to be approved.

Department responsible: Executive Office
Status: In progress
Priority: High
Target date: February 2012

Annex 2

Comments on the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2007

In the Annex to its report A/65/5/Add.10 for the financial period ended 31 December 2009 (pages 77 to 83) the Board provided a summary of the status of implementation of recommendations for previous financial periods. Of the 95 recommendations noted from prior periods, 67 recommendations were implemented, 18 recommendations were overtaken by events, and 10 recommendations were being implemented. Information is provided below on the 10 recommendations that were being implemented as listed in Board of Auditors prior biennium audit report.

The Executive Board may wish to recognize that, according to the UNOPS assessment, 9 of the 10 United Nations Board of Auditors recommendations relating to previous financial periods have been implemented. The information below is set out in the order in which the recommendations are presented in Annex 1 of this report.

The following table summarizes the overall situation.

Table 3
Status of implementation of recommendations from prior periods considered not fully implemented in the Annex to the report of the Board of Auditors for the financial period ended 31 December 2009

Department responsible	Number of recommendations	Not accepted	Implemented or closure requested	In progress	Target date set	No target date
Finance	3	-	2	1	-	-
Human Resources	1	-	1	-	-	-
Administrative Services	4	-	4	-	-	-
Project Management	2	-	2	-	-	-
Total	**10**	**-**	**9**	**1**	**-**	**-**

1.   Review accounting policies regarding revenue recognition.

January 2012 is the UNOPS target date for the implementation of IPSAS. The drafting of UNOPS revenue recognition accounting policy was completed and is in line with IPSAS.

Department responsible: Finance
Status: Completed
Priority: High
Target date: Fully Implemented

2. Reconcile inter-fund transactions and balances with UNDP on a regular basis.

Resolution of the historic UNOPS-UNDP inter-fund differences is sought and is currently under discussion at the senior management level. These negotiations are expected to be finalized by the time of closure of UNOPS accounts for the biennium 2010-2011.

Department responsible: Finance
Status: In progress
Priority: High
Target date: March 2012

3. Investigate assets listed as faulty/redundant.

UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets. Further guidance on faulty/redundant assets was issued in October 2011.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully implemented

4. Ensure that assets listed as faulty/redundant are removed from the fixed asset register in a timely fashion; and (b) include the assets written off in the schedule of assets written off.

UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets. Further guidance on faulty/redundant assets was issued in October 2011.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully implemented

5. Roll out the asset management module in Atlas and ensure that staff receives training.

The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has trained personnel in all regions.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully Implemented

6. Update the asset records in Atlas.

The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has trained personnel in all regions.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully Implemented

7. Performance reviews are completed within the specified timelines.

UNOPS has implemented measures which include linking of performance assessments to the rewards policy and improved communications to personnel on the performance review process. By the deadline of 31 March 2011, 94 per cent of the performance and results assessments (PRAs) globally were completed and closed. No deadline extension was necessary this year.

Department responsible: Human Resources
Status: Completed
Priority: Medium
Target date: Fully Implemented

8. Urgently complete the project closure exercise.

Phase 2 of UNOPS project closure exercise has been launched. The exercise is expected to lead to the rapid financial closure of operationally closed projects. More than 450 projects were closed during the 2010-2011 financial reporting period.

Department responsible: Finance
Status: Completed
Priority: Medium
Target date: Fully Implemented

9. Project overspending and project budgets are monitored on a regular basis.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: Completed
Priority: High
Target date: Fully Implemented

10. APO to (a) monitor projects on a regular basis; (b) enhance supervision of project managers whose projects reflect a pattern of low delivery; and so forth.

During 2010, UNOPS improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses data quality, delivery, project time, cost and quality.

Department responsible: Regional Office - Asia Pacific
Status: Completed
Priority: Medium
Target date: Fully Implemented

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