Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Recommendations of the Board of Auditors

UNDP and UNCDF: Report on the implementation of the recommendations of the Board of Auditors, 2014

Summary

In July 2015, the United Nations Board of Auditors formally issued its audit report for UNDP (A/70/5/Add.1) and the United Nations Capital Development Fund (UNCDF) (A/70/5/Add.2) and awarded both entities unqualified (clean) audit opinions for the year ended 31 December 2014. This is the third year of reporting under International Public Sector Accounting Standards (IPSAS), and the unqualified opinions reiterate the continuing commitment and efforts of UNDP to comply with IPSAS, marking over a decade of unqualified audit opinions. Both entities will continue in their efforts to ensure this track record is maintained.

Accountability and transparency continue to be top corporate priorities that include publishing information in line with International Aid Transparency Initiative (IATI) standards. In order to further strengthen and reinforce accountabilities after the structural changes, UNDP launched and is currently implementing its corporate accountability framework since early 2015.

The present report reviews progress made in addressing the top eight audit-related management priorities for 2014-2015 (as presented in document DP/2015/8 and supported by the Board in its decision 2015/5), and provides the implementation status of the recommendations of the Board of Auditors for the year ended December 2014 for both UNDP and UNCDF. In 2006-2007, there were 15 priorities. The progress and positive gains, acknowledged by the Office of Audit and Investigations and the Board of Auditors, have resulted in a reduction of the number of priorities to eight in 2014-2015. Management has taken into account comments from the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Fifth Committee of the General Assembly (A/70/338/Add.1) in their respective reviews of the audit report of the Board of Auditors (A/70/5/Add.1 and A/70/5/Add.2) and the concise summary report of the Board of Auditors to the General Assembly (A/70/322).

Pursuant to Executive Board decision 2010/9, details of the implementation status of the audit recommendations and the full audit report of the Board of Auditors for both UNDP and UNCDF are available on the Executive Board website.

Elements of a decision

The Executive Board may wish to: (a) note the unqualified audit opinions issued by the United Nations Board of Auditors for UNDP and UNCDF in 2014; (b) note progress made by UNDP in addressing the top eight audit-related management priorities for the 2014-2015 biennium; and (c) encourage ongoing management efforts by UNDP and UNCDF in the implementation of the recommendations of the Board of Auditors for the year ended 31 December 2014 and prior years in line with target implementation dates.

I. Introduction

1. UNDP and UNCDF have received unqualified (clean) audit opinions from the United Nations Board of Auditors on their financial statements for the year ended 31 December 2014, marking over a decade of unqualified audit opinions and underscoring their commitment to continuously improving their financial management, transparency and accountability. The tone set at the top by the Administrator in making transparency and accountability key priorities has been instrumental in enabling the two organizations to receive unqualified audit opinions and will provide the right enabling environment as they continue to ensure that their track record is maintained.

2. While both organizations have moved to an annual financial audit cycle under IPSAS, UNDP considers it necessary to track progress on the top audit-related management priorities over a two-year period, providing adequate time to implement the priorities effectively. Consistent with previous practices during the last three biennia, UNDP management continues to seek the independent view of the Board of Auditors, the Office of Audit and Investigations and the Audit Advisory Committee in assessing progress made in addressing the top eight audit priorities and in identifying remaining challenges. There is general agreement that there has been encouraging progress made on all top eight audit-related management priorities compared to the previous years' progress (2012-2013) at the same point in time. UNDP had made good progress on 67 per cent of those priorities and was on target to fully implement them, while 33 per cent reflected minimal improvements. In the 2014-2015 progress report, those percentages were 88 per cent on track and 12 per cent fully implemented. UNDP expects and will exert additional effort to ensure that it fully implements the remaining aspects, when it will evaluate the priorities based on the final 2015 audit report and Executive Board deliberations on the 2015 annual report of the Office of Audit and Investigations.

3. UNDP management continues to address the gaps identified in the preliminary assessment of progress in the top eight audit-related management priorities before the next formal Board of Auditors report in the second quarter of 2016. At this juncture, while progress has been made, UNDP management assesses that greater attention at headquarters and field level is required to address remaining challenges in five key priority areas: (a) implementing partner fiduciary and capacity management; (b) programme/project management and quality assurance; (c) procurement planning and professionalization/capacity-strengthening; (d) management accountability and implementation of field-level controls; and (e) recruitment management and separation controls (closer recruitment lead-time monitoring and enhanced compliance review committees as separation control risks have been fully addressed).

4. Annex 1 presents the top eight audit-related management priorities for the biennium 2014-2015, reflecting progress made through the years since the original 15 priorities in 2006-2007. In order to sustain this improved level and realize additional gains, there will be continuous and proactive oversight and monitoring of the implementation of audit-related management priorities.

5. Annex 2 provides a summary of the preliminary assessment of the top eight audit-related management priorities for the 2014-2015 biennium In November 2015, the Organizational Performance Group, chaired by the Associate Administrator, endorsed the results of the internal assessment, which was in turn reviewed by the Executive Group chaired by the Administrator.

6. In line with the observations of the Board of Auditors in its 2014 report (A/70/5/Add.1) and in its concise summary report to the ACAQB (A/70/322), UNDP is continuously mindful of cross-cutting issues and challenges, which are addressed in the 2014-2015 top eight audit-related management priorities. The organization will incorporate new emerging issues in the upcoming revision of the top audit-related management priorities for 2016-2017 in the second quarter of 2016.

7. The following sections provide a summary of progress made in: (a) the top eight UNDP audit-related management priorities for 2014-2015, with specific planned management actions; and (b) in addressing identified challenges in the remaining months before the final assessment in 2016.

II. Review of progress made in addressing top audit-related management priorities in 2014-2015

A. Implementing partner fiduciary and capacity management

8.   This priority area relates to enhancing the management of implementing partners, including strengthening compliance with controls; improving the timeliness of national implementation audit report submissions; and strengthening national implementation audit follow-up actions related to modified audit opinions and significant net financial impact.

9.   Progress made against elements of this priority is varied. While improvements have been noted, more work is needed to fully address the risks associated with this priority. UNDP has developed and updated various policies in relation to implementing partner engagement, including a fiduciary risk management paper that sets the foundation on how to mitigate associated risks. Where gaps are identified, training and capacity building in key functional areas continue to be the bedrocks for enhancing compliance and internal controls. The rollout of the revised harmonized approach to cash transfer (HACT) framework and associated operating policies during 2015 will further strengthen UNDP risk management with implementing partners and inform UNDP choice of cash transfer and regularity of spot checks and audits based on risk assessments. UNDP relies on the annual national implementation/non-governmental organization (NGO) audits as a key oversight and assurance mechanism for projects implemented by implementing partners. UNDP is pleased to report that the report submission status had increased by 12 per cent (from 81 to 93 per cent) between the 2013 and 2014 financial years, by the submission deadline of 30 April 2015, providing timely assurance on close to $2 billion worth of expenditure with implementing partners. As of end September 2014, the net financial impact of disallowed expenditure arising from 2014 audits was $8.5 million, representing 0.4 per cent of total audited expenditure, a significant decrease from the 2013 and 2012 financial periods, which had registered a net financial impact of 5 and 6 per cent, respectively. When a project has three or more recurring modified audit opinions, the regional bureau monitors the implementation of action plans to address the identified weaknesses. The number of projects with three or more recurring modified audit opinions decreased by 33 per cent between 2012 and 2014. This is testament to UNDP efforts to address the root causes, resulting in the modified audit opinions.

10. UNDP will continue its efforts to manage implementing partners and strengthen compliance with controls through continuous oversight and monitoring; focus on improving the timeliness of national implementation audit report submissions; actively monitor HACT implementation; and address risks identified in projects with recurring modified audit opinions. While there will always be residual inherent risks based on the environments in which UNDP implements its programmes, the organization's goal is to put in place mechanisms and controls that mitigate such risks while ensuring flexibility of programme delivery.

B. Programme/project management and quality assurance

11. This priority area encompasses: (a) improving the quality of results-centred programme and project management, including strengthening of monitoring and evaluation; (b) continued close management of high-risk programmes and projects; and (c) ensuring timely financial closure of projects and refunds to donors.

12. While recognizing the significant progress made under this priority, some of the initiatives require additional time for full rollout and benefit realization. Under element (a), good improvements have been noted and UNDP is on target to address the areas highlighted in this priority. The first integrated results and resources framework-based report of the Administrator (DP/2015/11), submitted to the Executive Board at its annual session 2015, garnered highly positive reviews from Member States. Based on the lessons learned from the first evidence-centred annual report, UNDP has made corporate-wide efforts to further strengthen the quality of development evidence, including for integrated results and resources framework data, country programme document outcome results, project-level results, decentralized evaluations and qualitative results reporting through the results oriented annual reports. The Development Impact Group in the Bureau for Programme and Policy Support reviewed the quality of development

evidence of all 135 country offices and issued an evidence review report with concrete feedback on how to improve their evidence base. This exercise provides a collection of lessons made available to UNDP country offices to improve accountability through quality of reporting and credibility of results. With guidance from regional bureaux and regional centres' monitoring and evaluation specialists, country offices reviewed and cleaned the integrated results and resources framework data, country programme document results frameworks in the corporate system and project results in Atlas to be ready for the 2015 year-end results reporting, which is a critical exercise in which UNDP will make evidence-based strategic choices for the mid-term review of the strategic plan, 2014-2017. UNDP is rolling out new quality standards for programming and a quality assurance rating system in three phases, with full adoption by all programmes and projects planned by end 2016. The quality standards are based on seven quality criteria, which evaluation and audit lessons have fully informed, and incorporate the strategic plan vision for improved programming, as outlined in the programme alignment methodology. They look at quality programming from a wide range of areas, support improved results orientation informed by evaluation and other evidence, and are based on theory of change analysis. UNDP piloted the programme quality-rating tool for submission to the Board at its second regular session in September 2015: 73 per cent of country programme documents were appraised as 'having met' or 'exceeded' corporate quality standards. The enforcement of programme and project quality assurance is expected to strengthen the 'evaluability' of UNDP work and contribute to the sustainability of results. Under element (b), of the eight audits of the Global Fund to Fight AIDS, Tuberculosis and Malaria funded programmes carried out in 2015, none had an 'unsatisfactory' rating, as compared to one 'unsatisfactory' rating in both the 2013 and 2014 financial periods. Additional measures being taken to address specific risks include: (i) establishing comprehensive procurement methodology to enhance efficiency, effectiveness and value for money through the setting up of long-term agreements with other United Nations organizations, quality control labs and commercial entities; (ii) remote and on-site support for quantification and forecasting of inventories; (iii) capacity development and trainings in all functional areas; (iv) sub-recipient audits centrally managed with external audit firms; (v) an internal early warning system developed under project management to trigger appropriate and timely action by country offices when risk is identified; and (vi) establishment of sub-recipient management tools for reporting and performance evaluation. Under element (c) on timely financial closure of projects and refunds to donors, UNDP has issued specific instructions and guidelines to country offices on fast-tracking the closure of projects while actions to clear aged refunds have been put in place. The benefits of these measures will be fully realized in the coming months.

13. UNDP senior management will continue to provide oversight and guidance on high-risk programmes and projects, and guidance on implementation of the Global Fund management strategy. In addition, UNDP continues to implement the following suite of measures to address this priority area: (a) the Global Fund Partnership Team provides dedicated support to regional bureaux and country offices to improve performance and management of grants, and develops tools and guidelines to address recurring recommendations of the Office of Audit and Investigations; (b) a new monitoring policy is under development with a new strategy to strengthen decentralized evaluation of UNDP projects; (c) UNDP will refine existing monitoring tools to enhance oversight and monitoring of financial closure of projects; and (d) while UNDP continues to make every effort to process refunds to donors on a timely bases, it is important to highlight that this action is also dependent on action by third parties, such as implementing partners and donors.

C. Procurement planning and professionalization/capacity-strengthening

14. This priority area seeks to address the issue of: enhancing procurement compliance and capacity (planning, certification, capacity assessments); strengthening consolidated category-based procurement; and implementing pre-emptive investigations to mitigate risk of procurement-related frauds.

15. Significant improvements have been noted under this priority area. While UNDP has always carried out oversight and monitoring under procurement, key performance indicators of such activities have been established to provide early warnings and to indicate the need for

interventions. On capacity, in an effort to improve the services of core business functions, UNDP has created service delivery models for procurement among other core functions manned by staff with the requisite skills and competencies. With regard to compliance on both minimum certification requirements and uploading of procurement plans, the 80 per cent mark was surpassed in April 2015. On addressing procurement related frauds, UNDP has taken many preventative steps to improve the control environment around the risk of fraud, corruption and misuse of funds, across all sources of UNDP funds. This includes revision of the UNDP anti-fraud policy, enforcing the use of the national execution/national implementation manual, and adoption of the new inter-agency HACT framework and the new operational framework for engagement of NGOs/civil society organizations in UNDP programmes – all of which seek to substantially strengthen the guidance on risk management and related assurance activities. Significant UNDP efforts in transparency contribute to fiduciary management by raising beneficiaries' awareness of UNDP activities and high-value procurement. UNDP has recently released a procurement strategy document that incorporates major innovative policy initiatives and that will put UNDP on the forefront of the United Nations system. The organization has also issued a policy document on procurement planning. The establishment of a procurement hub in Kuala Lumpur has reinforced UNDP procurement capacity.

16. To fully implement requirements under this priority area, UNDP will, in the remaining months, seek to fully address the capacity and compliance matters related to procurement. The recently launched 2014-2017 procurement strategy seeks to address most of these challenges in a systematic manner, including by: adopting a risk-based approach to procurement planning, using long-term agreements for key goods and services along main thematic areas, such as elections, crisis and recovery and health; ensuring procurement is part of project design and budgeting; addressing capacity issues through the Kuala Lumpur regional hub for transactional support and through the deployment of regional procurement advisors assisting in management action and risk mitigation plans; and adopting a new pre-emptive investigations approach based on market analysis and systematic price comparisons.

D. Structural change management and benefits realization

17. UNDP made good progress under this priority area and is on target to fully address its remaining aspects. The strategic plan, 2014-2017, calls for UNDP to become a more forward-looking organization, capable of seizing opportunities as they arise, being optimally positioned for continued growth and relevance, and improving efficiencies in delivering support to country offices. In 2014, UNDP implemented structural changes at the headquarters and regional levels in order to align organizational structures with the directions set out in the strategic plan and to improve programme support to country offices by making it more relevant and tailored to their needs. UNDP has achieved results by strengthening its regional presence, moving programme advisory and support resources to the regions, while at the same time ensuring that the presence is reflective of the region's development needs, programme size and crisis context. Progress under this priority has been good and UNDP is on target to fully address this priority area. New structures in headquarters and regional levels took effect on 1 October 2014 with all Bureaux undertaking measures to ensure the new structures were effectively operationalised. In 2015, UNDP has focused on continued efficiency gains in the Bureau for Management Services. New structures within the bureau, including refined service delivery models, took effect on 1 October 2015. Further business process reengineering efforts within all bureaux are ongoing. Cost efficiencies have been achieved through a 12 per cent reduction of staff at the headquarters and regional levels, and a shift in the headquarters/regions ratio from 60/40 to 44/56. UNDP actively monitored the risk elements throughout the process.

18. The organization is preparing and will monitor a benefits-realization plan as part of ongoing efforts to embed new ways of working.

E. Management accountability and implementation of field-level controls

19. This priority area addresses strengthening the accountability framework through organizational structural changes (for example, functional alignment); and improving enterprise

risk management implementation, guided by the recommendations of the Office of Audit and Investigations and external consultancies.

20. UNDP has made good progress under this priority area and is on target to implement its key aspects by 2016. UNDP launched and has implemented its corporate accountability framework since early 2015; it will update the framework with operations accountabilities (as part of the new Bureau for Management Services) by the end of 2015. UNDP has also developed a new enterprise risk management policy.

21. UNDP will design a training module for the new enterprise risk management policy in the last quarter of 2015 and has scheduled to roll it out in 2016. This is a long-haul undertaking and may take longer than this reporting period for the full benefits to be realized, as UNDP is a complex and highly decentralized organization.

F. Inventory and asset management and IPSAS compliance on project assets

22. This priority area focuses on enhancing asset and inventory management (recording, verifying, certifying, disposing of fully depreciated assets no longer in use, and proper storage, particularly of Global Fund project inventories); and ensuring IPSAS compliance with respect to development project assets in 2015, in accordance with the IPSAS transitional provisions adopted by UNDP.

23. Under this priority area, UNDP has made good progress and is on track in implementing the requirements in line with baseline indicators. Various developments include: (a) successful uploading into the system in January 2015 of pre-2012 development project assets under UNDP use and control – and for which UNDP had evoked the transition clause under IPSAS and reported them within the transitional period allowed – to be reported in 2015 financial statements; (b) amending the capitalization threshold from $500 to $1,500 in order to bring it more in line with other similar entities, thus allowing country offices to better manage their key assets; (c) revising the asset management policy in 2014 in order to provide additional clarifications and enhance compliance; (d) developing an asset register data quality dashboard for country offices to use in monitoring and correcting data in asset registers; (e) monitoring the timeliness of inventory and asset certification in order to take timely supportive and corrective action; and (f) strengthening stock and warehousing management under the Global Fund through remote and on-site support for quantification and forecasting.

24. UNDP continually monitors the quality of asset registers through the dashboard and has quarterly inventory certifications that have significantly improved in quality and timeliness.

G. Recruitment management and separation controls

25. This priority area includes monitoring of recruitment lead-time; compliance with Compliance Review Board/Panel requirements; and closer monitoring of staff separation processes vis-à-vis Atlas access rights.

26. Progress against the various elements of this priority is varied, with good progress noted in some elements while more work is required on others. UNDP has fully implemented staff separation controls in Atlas, with monthly reports generated to Atlas access security focal points. UNDP is piloting eRecruit/eHire in 18 country offices. As of September 2015, 147 vacancies have been published through eRecruit, which also facilitates compliance with review committee requirements. When globally released, eRecruit/eHire will facilitate a more streamlined talent acquisition and hire process in UNDP and will allow for enhanced reporting and monitoring of recruitment lead-time. The Office for Human Resources and the Office of Information Management and Technology (OIMT) are currently preparing for the next steps in the release of eRecruit/eHire globally.

27. UNDP is updating the recruitment and selection framework to align it with corporate priorities while adhering to the United Nations Staff Rules. UNDP will present the updated framework to the Organizational Performance Group in December 2015. The eRecruit site will also strengthen compliance with the rules governing recruitment.

H. Long outstanding audit recommendations

28. This priority area focuses resolving long outstanding audit recommendations for 18 months or more (pursuant to Executive Board decision 2006/19).

29. UNDP has made a significant amount of progress under this recommendation and is in line with the established benchmark to ensure that less than 5 per cent of the total number of recommendations issued over the past three years remains 'outstanding'. As of 30 April 2015, all of the 22 long-outstanding Board of Auditors recommendations reported in the Board of Auditors report in 2014 (A/69/5/Add.1) were implemented. Two Board of Auditors recommendations from 2013 remain outstanding as of October 2015. The two long-outstanding Board of Auditors recommendations, out of 81 issued over past three years, represents 2 per cent, which is below the established benchmark of 5 per cent. For internal audit recommendations, UNDP had 2.9 per cent long-outstanding recommendations out of the total number of recommendations issued over the past three years. While this priority area is dynamic and constantly changing with time as recommendations are issued and implemented, as at this point in time, UNDP considers this recommendation addressed.

30. UNDP continually monitors long-outstanding audit recommendations and includes it as a standing topic in financial management reviews. The Executive Group, chaired by the Administrator, and the Organizational Performance Group, chaired by the Associate Administrator, also monitor long-outstanding recommendations on a regular basis.

III. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2014

31. In July 2015, the Board of Auditors formally issued its audit report of UNDP and UNCDF (A/70/5/Add.1 and A/70/5/Add.2) for the year ended 31 December 2014. In their reports, the Board of Auditors issued 24 (2013: 28) and 9 (2013: 7) audit recommendations for UNDP and UNCDF, respectively. Of the 24 UNDP recommendations, 10 (42 per cent) were classified as 'high priority' while the remaining 14 (58 per cent) were assigned a 'medium priority' rating; while for UNCDF, three (33 per cent) were classified as 'high' and six (67 per cent) 'medium priority'. Management agreed with all recommendations issued.

32. Of the 24 recommendations issued for UNDP, 36 per cent relate to project design, management and evaluation (54 per cent in 2013), and their implementation is closely interlinked with the actions taken to address the top eight audit-related management priorities, two of which are devoted to this functional area. Similarly, for UNCDF, 56 per cent of the recommendations relate to project management. UNCDF is putting in place monitoring tools and dashboards to enhance oversight under this area.

33. Consistent with practices adopted in previous years, UNDP and UNCDF have adopted a phased approach to the implementation of the audit recommendations, with clear accountabilities for the implementation of each recommendation and target completion dates. The phased approach is based on the complexity and time required to resolve and have the Board of Auditors carry out an assessment. It is important to note that implementation of the 2014 recommendations has begun only since the issuance of the final Board of Auditors report in July 2015.

34. As of end October 2015, about three months since the formal release of the report of the Board of Auditors, UNDP and UNCDF are pleased to note that management actions have already started on all of the audit recommendations to ensure full implementation by the target completion dates. Pursuant to Executive Board decision 2010/9, a tabular listing of the status of the audit recommendations implementation is available on the Executive Board Secretariat website.

NB: The 'high priority' recommendations all have a target completion date of 2015, fourth quarter, unless there are compelling factors that will result in a later implementation date, for example, to ensure all staff performance reviews are completed.

Table 1. Implementation status by target completion dates - UNDP

Target completion date	Number of recommendations	Implemented	In progress	To be started	Total
2015, 4th quarter	10	1	9	0	10
2016, 1st quarter	6	0	6	0	6
2016, 2nd quarter	6	0	6	0	6
2016, 3rd quarter	1	0	1	0	1
2016, 4th quarter	1	0	1	0	1
Grand total	**24**	**1**	**23**	**0**	**24**
Percentage	**100%**	**4%**	**96%**	**0**	**100%**

Table 2. Implementation status by priority - UNDP

Priority	Implemented	In progress	To be started	Total
High*	0	10	0	10
Medium	1	13	0	14
Low	0	0	0	0
Total	**1**	**23**	**0**	**24**
Percentage of total	**4%**	**96%**	**0**	**100%**

Table 3. Implementation status by target completion dates - UNCDF

Target completion date	Number of recommendations	Implemented	In progress	To be started	Total
2015, 1st quarter	1	1	0	0	1
2015, 4th quarter	6	0	6	0	6
2016, 2nd quarter	2	0	2	0	2
Grand total	**9**	**1**	**8**	**0**	**9**
Percentage	**100%**	**11%**	**89%**	**0**	**100%**

Table 4. Implementation status by priority - UNCDF

Priority	Implemented	In progress	To be started	Total
High*	1	2	0	3
Medium	0	6	0	6
Low	0	0	0	0
Total	**1**	**8**	**0**	**9**
Percentage of total	**11%**	**89%**	**0**	**100%**

*UNDP and UNCDF have prioritized implementation of 'high priority' recommendations, with 70 per cent for both organizations having a target completion date of six months after issuance of the Board of Auditors report and the remaining 30 per cent within 12 months.

35. Of the 24 and 9 audit recommendations issued for the financial year 2014 for UNDP and UNCDF, respectively, one had been implemented for each organization and management has requested closure by the Board of Auditors. Most of these recommendations have target completion dates of 2016, due to the broad nature of their applicability, across all country offices.

IV. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2013, 2012 and 2010-2011

36. As of 31 October 2015, of the 81 audit recommendations issued to UNDP for the last three financial periods, 2013, 2012 and the 2010-2011 biennium, 79 (98 per cent) were assessed as 'fully implemented', and two (2 per cent) are under implementation. For UNCDF, prior to 2012, all its recommendations were consolidated into one Board of Auditors report with UNDP. Of the 11 recommendations issued between 2012 and 2013, seven (64 per cent) were assessed as 'fully implemented', and four (36 per cent) are under implementation. Various factors contributed to delays in the full implementation of the two (UNDP) and four (UNCDF) pending audit recommendations, such as:

(a) UNDP is waiting for the Board of Auditors to select a sample for validation (as total population is too large). The Board of Auditors has indicated that it will select the sample in the 2015 interim country office audits, scheduled to be carried out in the last quarter of 2015 (one recommendation); and

(b) Full implementation requires extensive resources in terms of staff, consultants, and the time and financial resources of OIMT (four UNCDF recommendations and one UNDP recommendation).

Table 5. Implementation status of previous years' recommendations - UNDP

Recommendation status	Number of recommendations	Percentage of total
Implemented	79	98%
In progress	2	2%
Total	**81**	**100**

Table 6. Implementation status of previous years' recommendations - UNCDF

Recommendation status	Number of recommendations	Percentage of total
Implemented	7	64%
In progress	4	36%
Total	**11**	**100**

V. Conclusion

37. UNDP and UNCDF have received unqualified audit opinions by the Board of Auditors for over a decade and in its third year of IPSAS implementation. However, the organizations do not take these achievements for granted or the inherent or residual risks lightly. Progress to date has been encouraging in all top eight UNDP audit-related management priorities, with 88 per cent of the priorities on track to be implemented by mid-2016 and 12 per cent 'fully implemented', a positive improvement compared to the 2012-2013 assessment, which indicated that 67 per cent of priorities were on track and 33 per cent had minimal improvement. UNDP is actively engaged at different levels to ensure more progress is made in all of these areas before the finalization of the audit report of the Board of Auditors in the second quarter of 2016. The Administrator and the Associate Administrator continue to set the tone, closely monitoring progress in addressing audit priorities and mitigating relevant enterprise risks through the risk management committee.

Annex 1

UNDP top eight audit-related management priorities for the 2014–2015 biennium

Implementing partner fiduciary and capacity management	Programme/project management and quality assurance
Procurement planning and professionalization/capacity strengthening	Structural change management and benefits realization
Management accountability and implementation of field-level controls	Inventory and asset management and IPSAS compliance on project assets
Recruitment management and separation controls	Long outstanding audit recommendations

Annex 2

Preliminary assessment of progress: UNDP top eight audit-related management priorities for the 2014-2015 biennium

1. Implementing partner fiduciary and capacity management	3	5. Management accountability and implementation of field-level controls	3
2. Programme/project management and quality assurance	3	6. Inventory and asset management and IPSAS compliance on project assets	4
3. Procurement planning and professionalization/capacity strengthening	3	7. Recruitment management and separation controls	3
4. Structural change management and benefits realization	4	8. Long outstanding audit recommendations	5

Legend used	Colour code
Conditions effectively addressed	5
Good improvements noted, on target	4
Improvements noted. More work remains	3
Remedial actions yet to be fully taken or intended effects of actions yet to be fully realized or inherent risks to be mitigated	2
Conditions worsened	1

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