



**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**

**Report on the implementation of the recommendations  
of the Board of Auditors for the year 2013**

*Summary*

UNOPS is pleased to respond to the recommendations made in the report of the Board of Auditors (A/69/5Add.11) and to provide an update on the current status of implementation. The report of the Board of Auditors for the year ended 31 December 2013 was unqualified. This opinion represents a major achievement for UNOPS and is an indication that the organization has successfully developed reporting capabilities under the International Public Sector Accounting Standards, as the in-house finance team carried out the preparation of the 2013 financial statements in its entirety. UNOPS management continues to emphasize the importance of addressing audit concerns, to which the present document testifies by highlighting the current status and management plan for the audit recommendations yet to be implemented.

*Elements of a decision*

According to the assessment by UNOPS, some progress has been achieved in the implementation of the various recommendations made for the year ended 31 December 2013 and efforts are currently in progress to ensure that the remaining recommendations are successfully implemented. The Executive Board may wish to acknowledge that because the recommendations were issued to UNOPS in July 2014 and because many of them require long-term attention UNOPS will need to work beyond the financial year 2014 to successfully implement them.



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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 sustainable infrastructure, procurement and project management services to a wide range of partners. During 2014, UNOPS continued to maintain sound internal control systems, while successfully managing its broad portfolio of risks. In order to further improve its already high standards of efficiency and effectiveness, UNOPS has taken steps to strengthen specific business practices and procedures related to the accuracy of its accrual accounting, while ensuring ongoing client satisfaction.
2. UNOPS understands and shares the importance that its partners place on sustainability. UNOPS has made a firm commitment to integrate social, environmental, economic and national capacity considerations in every project that it delivers. Crucial to achieving this will be effective support to project teams in making informed decisions about how best to organize resources to increase sustainability in projects. A key part of this support is the piloting of the first version of the sustainability marker methodology. This methodology, designed by UNOPS, helps teams systematically examine how fit-for-purpose project proposals and plans are, adjusting them accordingly to maximize benefits and minimize harm for communities. Early country team indications of the methodology's 'use value' are very encouraging, with over two thirds of project managers trained in the methodology stating that the marker both helps them to better contribute to development outcomes and proves useful in discussions with partners. As this methodology is part of UNOPS initial efforts towards embedding and capturing sustainability across its project portfolio, it will undergo continual development in collaboration with partners.
3. UNOPS launched the development of a new enterprise resource planning system in 2014 with the aim of: transforming its operations into a smarter, better integrated set of processes and systems, enhancing its ability to provide efficient operational support to partners, and providing a more fitting system for the International Public Sector Accounting Standards (IPSAS) it adopted in 2012. The enterprise resource planning system will also improve UNOPS agility and allow it to further expand the provision of streamlined, high quality and cost effective transactional services in response to United Nations and Member States operational needs.
4. UNOPS maintained its global International Organization for Standardization (ISO) 9001 Quality Management System certification and expanded the coverage of its ISO 14001 Environmental Management System certification to cover infrastructure projects that it manages in Afghanistan, Kosovo and the State of Palestine.
5. In 2014 UNOPS established and implemented a health and safety management system for infrastructure operations, which is now certified by the United Kingdom-based Occupational Health and Safety Advisory Services (OHSAS) 18001, the internationally applied standard for occupational health and safety management systems. As part of this system, UNOPS has issued an organizational directive and a UNOPS health and safety handbook, which contains procedures, templates and guidelines for implementing health and safety in the areas where UNOPS operates. UNOPS infrastructure projects in the State of Palestine and in Kosovo (under Security Council resolution 1244/99) were also assessed and found to meet the OHSAS 18001 standard. The introduction of the system aims to reduce the health

and safety risks that UNOPS personnel and contractors face when working on infrastructure projects, some of its most potentially hazardous activities.

6. In 2014, UNOPS also issued a building design manual and, through an administrative instruction, established the 'process of design review' to mitigate risk associated with poor design. In parallel, over 4,000 training days were offered to UNOPS personnel engaged in the area of infrastructure.

## **B. Present challenges and measures to address them**

7. In its report for the year ended 31 December 2013, the Board of Auditors gave UNOPS an unqualified audit opinion. This was a major achievement and a clear demonstration that it has well developed its reporting capacity under IPSAS since both the interim and final financial statements were prepared with UNOPS internal resources.
8. Furthermore, UNOPS has managed to exceed the operational reserves target. The new formula for calculating the operational reserve requirements, approved by the Executive Board in 2013, stipulated that the operational reserve should be equivalent to four months average of the administrative expenditure for the last three years of operation. The operational reserves requirement as of 31 December 2013 was \$20.2 million. For the year ended 31 December 2013, the actual operational reserves balance was \$82.8 million, which significantly exceeded the minimum required level. Investment projects that are in line with the organization's goals are being identified where a portion of this reserve will be utilized.
9. End-of-service and post-retirement benefits for both management-funded and project-funded staff as at 31 December 2013 amounted to \$50.4 million (\$38.2 million for after service health insurance and \$12.2 million for repatriation grants). The Executive Board may wish to acknowledge that all UNOPS end-of-service and post-retirement benefit liabilities are fully funded as at 31 December 2013.

### *Issues to watch and risks to mitigate*

10. 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. The average global management fee for 2013 was approximately 5.5 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.
11. While the organization's operational reserves exist as a risk-mitigating measure, it should be noted that unforeseen catastrophic events, such as punitive legal damages being awarded or significant fraud, could reverse much of the gains established during the past eight years. In particular, the UNOPS business model makes it vulnerable to certain operational risks. To reduce its exposure further, in 2014 UNOPS: (a) appointed a senior risk officer to coordinate the management of risk; (b) actively worked on updating its policies and procedures pertaining to internal control and risk management; (c) revised or issued new administrative instructions where necessary.
12. In 2014, UNOPS had the existing project management foundation-level training on UNOPS project management methodology translated into French and Spanish and had it piloted in UNOPS offices in Ivory Coast and Panama, respectively, in order to increase the reach to those regions where English is not the first language, but training requirements are imperative. Likewise, the PRINCE 2 computer-based training programmes, developed in 2013 for both foundation and advanced levels, are

being translated into Arabic for release in the fourth quarter of 2014. During the same period, more than 800 external users signed up for the PRINCE 2 on-line training offered.

13. UNOPS has also piloted an advanced project management course to support and facilitate the career development and capacity building of experienced UNOPS project managers. Around 20 colleagues from UNOPS offices across the world attended the pilot course and their feedback is currently being reviewed to assess any improvements required to the course offered.
14. UNDP and UNOPS senior management have also completed negotiations to resolve the settlement of the pre-2007 inter-fund balance. The panel decision on this matter was then fully reconciled and incorporated in the financials as of 31 December 2013.
15. UNOPS has also provided training for the industry-recognized certification, Certified Cost Professional, aimed at building knowledge of relevant UNOPS personnel on costing of projects. As part of the certification, the participants received training sessions on cost effective approaches to managing clients' and UNOPS own funds, and on building their understanding the costs project teams must take into consideration when developing deliverables that define the project scope and form the project estimate basis. As a result, the certified team members will contribute to an increase in professional trust of partners when estimating, negotiating, managing and reporting costs to them.
16. In 2014, UNOPS conducted several project management capacity assessment missions with the aim of assisting country offices in applying UNOPS project management methodology and in improving implementation and performance, in order to increase customer and client satisfaction and programme/project success. The missions covered how country office should conduct current capability assessments, project 'health' checks and training, as well as how to engage in the provision of project, programme or portfolio management and business development support.
17. As described in paragraph 3 above, UNOPS is in the process of developing a new enterprise resource planning system to allow for better alignment of systems and processes with IPSAS and to increase the quality of information for management decision-making.

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

18. The Board of Auditors issued six main recommendations classified as high priority and 10 recommendations classified as medium priority. UNOPS management has made some progress in implementing these recommendations, and the implementation of all recommendations is on track for completion as per the set timelines. The Executive Board may wish to acknowledge that because the recommendations were issued to UNOPS in July 2014 and because many of them require long-term attention UNOPS will need to work beyond the financial year 2014 to successfully implement them. UNOPS is presenting the specific responses to these recommendations in annexes 1 and 2 below.

## **III. Conclusion**

19. UNOPS is pleased to respond to the report of the Board of Auditors for the year ended 31 December 2013. Based on the developments and improvements made since

the end of 2013 and bearing in mind the high degree of dedication and commitment of all personnel, UNOPS is confident that all 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 2013

**Table 1. Status of implementation of main recommendations**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Finance Practice Group	3	1	2	1	1
Sustainable Procurement Practice Group	2	–	2	2	–
Finance Practice Group and Corporate Support Group	1	-	1	1	–
<b>Total</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>1</b>

**Table 2. Status of implementation of all recommendations**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Sustainable Procurement Practice Group	9	–	9	9	–
Finance Practice Group	5	2	3	2	1
Finance Practice Group and Corporate Support Group	1	–	1	1	–
Internal Audit and Investigation Group	1	-	1	1	–
<b>Total</b>	<b>16</b>	<b>2</b>	<b>14</b>	<b>13</b>	<b>1</b>

1. In paragraph 9, with a view to supporting enhanced accountability and informed decision-making, the Board recommended that UNOPS prepare reports on financial, performance and risk management that include a full analysis and explanation of significant variances.
2. In its 2014 mid-year review, UNOPS integrated the global portfolio and regional performance with its quarterly assurance and business planning processes. The purpose was to establish a clear link between project and corporate performance, while optimizing the use of corporate tools and systems, and improving UNOPS ability to manage performance and risks. Analysis, informed by reports from the management workspace system, and explanation of significant variance was made as relevant at each level of the integrated review process. From this extensive review process, key aspects of risk and performance were escalated and eventually discussed in meetings between the regional and global portfolio managers and the Deputy Executive Director, which concluded the mid-year review process. Decisions from these meetings, including responses to risks and performance issues, were recorded and shared with the meeting participants.

*Department responsible:* Finance Practice Group

*Status:* Implemented

*Priority:* High

*Target date:* Not applicable

3. **In paragraph 12, in developing the new enterprise resource planning solution, the Board recommended that UNOPS critically review its accrual accounting treatment and closure procedures to ensure that financial information is available in real time in the management workspace system. In the meantime, the Board recommended that UNOPS continue to enhance the system so that it meets the needs of country offices.**
4. UNOPS has since revised its closure procedures to permit monthly closure. The implementation of the new enterprise resource planning system will address the low degree of coherence between UNOPS business processes and the enterprise resource planning system, which required that several complexities be built into the reporting systems, such as simulation of accrual for open periods. The formation of the business innovation and improvement programme will facilitate the receipt of functional requirements from the process coordinators and business analysts within the programme, which will enable further improvements to the management workspace system in line with the needs of country offices.

*Department responsible:* Finance Practice Group and Corporate Support Group

*Status:* In progress

*Priority:* High

*Target date:* Second quarter of 2016

5. **In paragraph 14, the Board recommended that UNOPS develop a more realistic delivery forecast based on historical trends and known factors, such as seasonal variations, to support more effective management of delivery during the year.**
6. The management workspace system already provides automated delivery forecasts based on business logic and historical trends in terms of delivery throughout the year. Supplementing the automated forecasts, the business planning tool is used to create bottom-up annual and year-end projections both in the context of business planning and mid-year review processes.

*Department responsible:* Finance Practice Group

*Status:* Implemented

*Priority:* Medium

*Target date:* Not applicable

7. **In paragraph 21, the Board recommended that UNOPS review its operational reserves policy and establish, with the approval of its Executive Board, plans for the use of surplus reserve balances.**
8. UNOPS is planning to utilize a portion of the reserves to fund investment projects that support the goals of the organization. The identification of such projects is an ongoing process and investments will be made as they are identified. It should be noted that the formula for calculating the operational reserve is barely a year old and so launching a review at this stage would be premature. It should further be noted that the reserve calculation identifies a minimum threshold below which it would be operationally and financially risky for UNOPS to operate.

*Department responsible:* Finance Practice Group

*Status:* In progress

*Priority:* High



*Target date:* Ongoing

9. **In paragraph 26, in developing the new enterprise resource planning solution, the Board recommended that UNOPS take the opportunity to ensure that the full cost of projects can be tracked, including any costs charged to management expenses. UNOPS should regularly review this information to ensure that project recovery rates remain acceptable.**
10. Following the implementation of the new pricing policy in 2013, a mechanism has been developed that will track cost recovery in comparison with the minimum pricing requirement. This mechanism will enable financial adjustments in response to pricing both above and below the minimum requirement. The first adjustment entries are due to be posted in the financial systems by the end of 2014.

*Department responsible:* Finance Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

11. **In paragraph 34, the Board recommended that practical steps be taken to implement enterprise risk management strategies, policies and procedures across the entity without further delay. Specifically, UNOPS should: (a) identify, document and assess key risks to achieving strategic objectives; (b) regularly update and monitor risk information that can be aggregated at the entity level; (c) document risk tolerances so that they are understood and applied throughout the organization; (d) use risk registers to record the likelihood of a risk materializing, the impact of the risk, the proposed mitigating actions and the assessed level of risk post-mitigation; and (e) assign risk owners to take responsibility for monitoring and controlling each risk.**
12. By March 2015, UNOPS will have revised its risk management framework clarifying the roles and responsibilities its workforce has for risks at the governance, country specific, programme and operational levels. In accordance with ISO 31000, UNOPS focus is to manage risk in decision-making processes, so as to address both threats and opportunities and ensure the organization achieves its goals and objectives. As part of this process, UNOPS will continue to introduce and establish suitable risk tolerance thresholds and escalation procedures and enhance cross-organizational communication on risk. Beginning in 2015, UNOPS will include a review of risk management in its quarterly assurance process, including a summary of aggregate risks.

*Department responsible:* Finance Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Third quarter of 2015

13. **In paragraph 47, the Board recommended that UNOPS strengthen its performance information, including by reference to what metrics are used by other United Nations entities. In particular, it should: (a) examine the scope for a metric for price and cost competitiveness, based on prices actually paid; (b) review the suitability of the scorecard measures and annual targets and how they can be widened in the future to cover all UNOPS procurement; and (c) include only those measures that can be measured, with clear time frames for targets that are 'stretched' (i.e., ambitious) yet achievable.**

14. UNOPS plans to undertake sound analysis to evaluate if and how this recommendation can be implemented, with due consideration to the markets in which UNOPS operates that often make price benchmarks difficult. Furthermore, since procurement is decentralized in UNOPS, relevant benchmarks will likely have to be inserted into the regional scorecards; the Sustainable Procurement Practice Group will lobby for such inclusion. UNOPS also commits to review and revise the existing Sustainable Procurement Practice Group's scorecard to reflect clear timeframes and indicators that can be measured.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Fourth quarter of 2015

- 15. In paragraph 54, the Board recommended that UNOPS establish ways in which the Sustainable Procurement Practice Group can engage more effectively in the development of local procurement strategies.**

16. UNOPS acknowledges the recommendation and the Sustainable Procurement Practice Group will work with the regional offices to strengthen the links between procurement teams in the country offices and Sustainable Procurement Practice Group.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

- 17. In paragraph 58, the Board recommended that, in order to maximize the benefits resulting from long-term agreements, UNOPS headquarters' work with country offices, using aggregated information to identify where regional and global long-term agreements, would be mutually beneficial, such as for medical equipment and supplies.**

18. UNOPS has already gathered data on available long-term agreements, started to collate the required spend information, and is drawing up a prioritized plan for the establishment of new long-term agreements.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

- 19. In paragraph 59, the Board also recommended that, in order to improve the use of and benefits resulting from long-term agreements, UNOPS should collate information on the existence and usage of local and regional long-term agreements available for its use.**

20. UNOPS has already gathered data on available long-term agreements, and started to collate the required spend information to be used for devising a strategy that ensures improved realization of benefits from the use of the long-term agreements.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

21. **In paragraph 63, the Board recommended that UNOPS: (a) use the results of its skills definition and mapping exercise to set out the desired level of training and qualifications for specific procurement roles in UNOPS and identify areas of shortage; and (b) make the sustainable procurement online training course mandatory for all procurement staff within a specified time frame.**
22. UNOPS has launched the development of a procurement training strategy. The Sustainable Procurement Practice Group will discuss the strategy with the regional offices to make the sustainable procurement online training course mandatory for all procurement practitioners.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

23. **In paragraph 67, the Board recommended that UNOPS develop a way of monitoring the length of the procurement process, either through the e-procurement or enterprise resource planning systems that are under development and being introduced in 2015 or by distributing a template for capturing procurement information from all centres.**
24. UNOPS intends to implement this recommendation as part of its on-going e-Procurement project.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

25. **In paragraph 72, the Board recommended that UNOPS determine whether lessons from the UNOPS Ethiopia project centre's successful use of UNWebBuy could be applied in other countries in order to promote the catalogue.**
26. UNOPS acknowledges the recommendation and will engage with the office in Ethiopia to analyse lessons learnt.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* First quarter of 2015

27. **In paragraph 77, the Board recommended that the UNOPS Internal Audit and Investigations Group, in setting its work programme for 2015, and on the basis of the results of the fraud risk assessment undertaken in 2014, consider carrying out specific audit work to examine controls covering the risk of fraud in procurement.**
28. As part of the implementation of a new enterprise resource planning system, UNOPS is undertaking a process of mapping and documenting all of its key processes. As part of this exercise, the Senior Risk Officer will work with the respective practices and identify the underlying risks associated with the processes and controls in place. One component of which is the design and roll out a training course by the Sustainable

Procurement Practice Group on procurement ethics, primarily focused on UNOPS vendors and partners as target audience, based on demand and in order to reduce the likelihood of fraud and abuse, during the last quarter of 2014. UNOPS will conclude this component by producing an overall report summarizing the susceptibility of UNOPS processes to fraud, including procurement by 30 June 2015. Based on the results, the Internal Audit and Investigation Group will then follow up according to its own risk-based planning approach.

*Department responsible:* Internal Audit and Investigation Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

**29. In paragraph 82, the Board recommended that UNOPS carry out structured and regular benchmarking exercises, where feasible, of the prices that it obtains. UNOPS should also obtain feedback specific to procurement from its partners.**

30. The markets in which UNOPS operates often make price benchmarking difficult. The Sustainable Procurement Practice Group will include specific questions on UNOPS procurement services in future partner surveys.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Third quarter of 2015

**31. In paragraph 84, the Board recommended that UNOPS take action to strengthen local capacity-building, which could involve sharing good practices such as procedures to reduce non-compliance in tendering.**

32. UNOPS plans to implement this recommendation through increased knowledge-sharing, newsletters, face-to-face interventions, online webinars and other measures.

*Department responsible:* Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Third quarter of 2015

## Annex 2

### A. Comments on the status of implementation of the recommendations of the Board of Auditors for prior years

1. In the annex to its report for the financial period ended 31 December 2013 (A/69/5/Add.11), the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Of the 28 recommendations noted from prior periods, 11 were fully implemented and 17 were not implemented or under implementation. Information is provided below on the 15 recommendations that were under implementation and two recommendations that were yet to be implemented. The Executive Board may wish to recognize that, according to the UNOPS assessment, three of the 17 recommendations of the Board of Auditors relating to previous financial periods have now been implemented. The information below is set out in the order in which the recommendations are presented in annex 2 of the audit report. The table below 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 2013**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Sustainable Project Management Practice Group	8	1	7	7	-
Sustainable Infrastructure Practice Group	3	1	2	2	-
Finance Practice Group	3	-	3	3	-
Corporate Support Group	1	-	1	1	-
Partnership Practice Group	1	1			
People and Change Practice Group	1	-	1	1	-
<b>Total</b>	<b>17</b>	<b>3</b>	<b>14</b>	<b>14</b>	<b>-</b>

## B. Report of the Board for the biennium ended 31 December 2011

2. **In paragraph 48, the Board reiterated its previous recommendation that UNOPS: (a) draw lessons from its existing projects and consider measures to enable it to close projects in time; and (b) address the backlog of projects that need closure.**
3. A quarterly assurance review allows UNOPS to better track the status of projects, including the documentation of projects needing closure. UNOPS established an online project closure tool to help field offices to track projects and facilitate a smooth closure process. Further progress has been made in reducing the backlog.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

4. **In paragraph 53, the Board recommended that UNOPS strengthen its oversight role over the Democratic Republic of the Congo Operations Centre in order to address the operational challenges affecting its projects in a timely manner.**
5. Two maturity assessment missions were undertaken in July and August 2013 to the Operations Centre with the aim of assessing: management controls, benefits management, financial management, stakeholder management, risk management, organizational governance and resource management. A follow-up mission was conducted from 7 to 11 July 2014 during which the Sustainable Project Management Practice Group, participated together with the Operations Centre team on engagement assurance and provided training on project planning, risk management, and project management tools. Moreover, the status of projects in the Operations Centre is being monitored through quarterly assurance and the Management Work Space reporting tool.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Fourth quarter of 2014

6. **In paragraph 54, the Board also recommended that UNOPS consider the adequacy of its oversight of and the support provided to centres operating in high-risk environments.**
7. UNOPS is addressing the issue on two fronts: risks in country of operation, and project and programme risks. UNOPS completed seven maturity missions during 2013 and 2014. In 2014, UNOPS has begun remote capacity assessments with the aim of supporting its field offices in applying UNOPS project management methodology and in helping them to improve implementation and performance of their portfolios. The remote assessment offers the opportunity to make a quick diagnosis and perform the 'health check' prior to the capacity assessment mission, which undertakes a deeper analysis. To date, capacity assessment missions have taken place in 12 countries.
8. In August 2014, UNOPS issued new detailed guidance on risk management for practitioners to promote proactive risk management through the use of standard processes, templates and guidance. A toolkit, to be released early in the fourth quarter of 2014, will contain a risk library, where most common project risks are grouped by category. The risk library will also reflect the suggested mitigation measures for each risk. It will serve as a help kit for project managers when identifying risks for new projects.

*Department responsible:* Sustainable Project Management Practice Group  
*Status:* In progress  
*Priority:* High  
*Target date:* Fourth quarter of 2014

### C. Report of the Board for the biennium ended 31 December 2009

9. **In paragraph 107, UNOPS agreed with the Board of Auditors' recommendation that UNOPS address: (a) the discrepancies in its asset registers to ensure that it is able to accurately account for its asset inventory and prepare accurate opening balances for IPSAS purposes; and (b) the inconsistencies in the asset inventory certification process.**
10. The inconsistency from 2008 stems from the asset management procedures governing UNOPS assets under the United Nations System Accounting Standards (UNSAS) reporting, and hence occurred prior to the preparatory system configuration leading up to the adaption of IPSAS. Since January 2012, UNOPS has implemented a number of changes to ensure that asset records are complete and accurate, such as: (a) an automated interface between the procurement and the asset modules; (b) regular review of expenditure to identify and rectify errors (if any); (c) strengthened year-end physical verification and certification exercises; (d) incorporating asset management audit in internal audit field visits; and (e) delivering a series of face to face trainings to asset focal points in field offices.
11. UNOPS will also perform the following before the end of 2014: (a) prepare online training materials; (b) launch an online asset change request tool; (c) issue a revised administrative instruction on asset management; and (d) complete the IPSAS opening balances relating to its assets.

*Department responsible:* Corporate Support Group  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2014

### D. Report of the Board for the year ended 31 December 2012

12. **In paragraph 24, the Board recommended that UNOPS: (a) clearly identify the envisaged benefits from accrual-based information and associated revised management procedures; and (b) appoint a senior responsible owner for realizing such benefits and embedding new ways of working throughout the organization.**
13. Preliminary work on implementing this recommendation was initiated during the second half of 2013 and systems and tools providing management information were already modified to reflect accrual-based information. UNOPS plans to incorporate the second part of the recommendation in the designing and configuration of the new enterprise resource planning system that will be implemented in 2016.

*Department responsible:* Finance Practice Group  
*Status:* In progress  
*Priority:* High  
*Target date:* Second quarter of 2016

14. **In paragraph 31, the Board recommended that UNOPS establish a separate reserve account for after-service benefits in order to increase the visibility of funding provided for end-of-service liabilities.**

15. UNOPS had identified an external service provider to manage the investment of funds relating to after-service health insurance liabilities; the related agreement is currently being finalized. The service provider is expected to begin administration of the funds during the second half of 2014.

*Department responsible:* Finance Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

16. **In paragraph 44, UNOPS agreed with the Board of Auditors' recommendation that UNOPS: (a) appoint a fraud risk owner, or senior risk officer, at a suitably senior level, to be accountable for the active management of fraud risks throughout UNOPS activities; (b) perform a comprehensive organization-wide fraud risk assessment to identify the major types of fraud risk that UNOPS faces; and (c) define UNOPS tolerance to various types of fraud risk and ensure that fraud controls are commensurate with that risk appetite.**

17. UNOPS appointed a Senior Risk Officer to coordinate the management of risks in March 2014. As explained in the management comments above for the recommendation in paragraph 77 of the Board of Auditors' report for the year ended 31 December 2013, in conjunction with implementing a new enterprise resource planning system, during 2015 UNOPS will map its key processes and identify key controls and the associated risks, so as to summarize the organization's susceptibility to fraud. The accountability framework will be further strengthened after UNOPS updates its policies and procedures on internal controls and risk management thresholds.

*Department responsible:* Finance Practice Group

*Status:* In progress

*Priority:* High

*Target date:* First quarter of 2016

18. **In paragraph 51, the Board recommended that UNOPS examine the costs and benefits of performing mandatory background checks on all new recruits, vendors and other partners or contractors.**

19. The Sustainable Procurement Practice Group has fully implemented the recommendation whereas the People and Change Practice Group has already begun undertaking background checks and has developed a draft policy to support the full roll-out mandatory background checks by the end of 2014.

*Department responsible:* People and Change Practice Group and  
Sustainable Procurement Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

20. **In paragraph 62, UNOPS agreed with the Board of Auditors' recommendation that UNOPS give careful consideration to ensuring that the new infrastructure strategy**



**is understood by all infrastructure staff.**

21. Results of the 2012 global survey showed that 39 per cent of infrastructure practitioners were familiar with the UNOPS strategic plan. In 2013, the number had risen to 42 per cent, thanks to additional training started in September 2013. In addition, the infrastructure strategy was embedded in the Sustainable Infrastructure Practice Group's products and processes introduced in 2014, such as the design manual and design review.

*Department responsible:* Sustainable Infrastructure Practice Group

*Status:* Implemented

*Priority:* Medium

*Target date:* Not applicable

22. **In paragraph 67, UNOPS agreed with the Board of Auditors' recommendation that it examine the extent of changes to agreements and the causes of delays in the completion of projects throughout its infrastructure portfolio.**

23. UNOPS has developed and piloted the contracts management system and will complete its implementation after accounting for changes resulting from the new enterprise resource planning system.

*Department responsible:* Sustainable Infrastructure Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Second quarter of 2016

24. **In paragraph 76, UNOPS agreed with the Board of Auditors' recommendation that UNOPS clients be encouraged to accept the inclusion of contingency budgets for projects, a measure which might necessitate a corresponding reduction in other components of the budget, in addition to establishing processes for the release of those contingency budgets that are acceptable to clients.**

25. UNOPS released a project-level budgeting toolkit in July 2013 to provide guidance on how to build, communicate and monitor project budgets. The guidance also discusses the use of contingency budgets. The full implementation of the toolkit will be demonstrated through recent projects.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

26. **In paragraph 77, UNOPS also agreed with the Board of Auditors' recommendation that UNOPS investigate the extent and causes of precision spending, and assess whether its processes or guidance need to change as a result.**

27. Precision spending is noted to exist in certain types of work contracts, a consequence of the implementation modality as agreed with the client. It results because, when implementing work contracts, changes occur due to uncertainties linked to the nature of the work. In order to mitigate deviations from the agreed budget (contract value), precision spending is used as a good management practice, supported by good systems and procedures. This allows for necessary re-scoping and flexibility, needed for

maintaining the agreed budget.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* Implemented

*Priority:* High

*Target date:* Not applicable

**28. In paragraph 82, UNOPS agreed with the Board of Auditors' recommendation to develop a mechanism to generate better information on the post-completion performance of buildings.**

29. UNOPS had researched its potential and developed a strategy paper on conducting post-occupation evaluation. The development of the administration process, its piloting and full implementation, will require more time than initially estimated.

*Department responsible:* Sustainable Infrastructure Practice Group

*Status:* In progress

*Priority:* High

*Target date:* Fourth quarter of 2015

**30. In paragraph 85, UNOPS agreed with the Board of Auditors' recommendation that UNOPS develop a strategy to encourage clients to engage more with the Partner Centre, including by providing feedback.**

31. Internal and external awareness of the Partner Centre tool was created through several exercises since 2012, including the 2012 Partner Survey through which over 350 high-level partners learned about the tool and its related trainings, webinars and courses for UNOPS project managers and personnel (250 project managers have been trained on the tool's use and encouraged to use it through the Project Management Foundation course conducted between 2013 and 2014).

*Department responsible:* Sustainable Project Management Practice Group

*Status:* Implemented

*Priority:* Medium

*Target date:* Not applicable

**32. In paragraph 90, UNOPS agreed with the Board of Auditors' recommendation that UNOPS work with its partners to establish processes to better capture information on the outcomes to which UNOPS activities contribute, in particular in terms of project beneficiaries.**

33. The UNOPS strategic plan, 2014-2017, focuses on sustainability and national capacity in an effort to contribute to partners' results and their achievement of development outcomes. UNOPS launched a sustainability programme in early 2013 to embed sustainability principles, including the focus on contributions to partner outcomes. UNOPS released a strategy for mainstreaming sustainability and conducted several orientation workshops for headquarters and operation centres. UNOPS now collects sustainability performance information at project level for its annual results-based reporting process. Furthermore, UNOPS has developed a tool – the sustainability marker (sustainability screening tool) – for project assessment, monitoring and reporting, which it piloted in 2013 and further developed and rolled out in 2014. The marker is currently rolled out in 11 offices and work is accelerating with partners to further enhance the approach. A recent survey of marker users showed that 72 per cent of project managers

noted that the marker was helping them to better contribute to partner outcomes.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2015

**34. In paragraph 92, UNOPS agreed with the Board of Auditors' recommendation that UNOPS either enhance the online assurance tool, in order to enable drilling down to project-level assurance where an engagement includes multiple large projects, or set up more of its engagements as single projects.**

35. During 2013, the Sustainable Project Management Practice Group worked on revamping both the engagement assurance and an operation centre assurance process, with the inclusion of all six project success criteria. The tool is being reviewed in light of this recommendation and to bring about other necessary improvements. The Sustainable Project Management Practice Group is committed to reviewing and deciding whether to enable the tool to drill down to project level, for example, by monitoring legal agreements (award) as opposed to individual projects. The team is currently in touch with those offices most affected by the potential change, gathering information in order to make a decision in the fourth quarter of 2014.

*Department responsible:* Sustainable Project Management Practice Group

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2014

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