



**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

**UNOPS: Report on the implementation of the
recommendations of the United Nations Board of
Auditors, 2021**

Summary

UNOPS is pleased to respond to the recommendations made in the report of the United Nations Board of Auditors (A/77/5/Add.11) and to provide an update on the status of implementation. The report of the United Nations Board of Auditors on UNOPS activities for the year ended 31 December 2021 was unqualified with an emphasis of matter related to its Sustainable Infrastructure Impact Investments (S3i) initiative.

Elements of a decision

UNOPS management continues to emphasize the importance of addressing audit concerns progress in implement recommendations made for the year ended 31 December 2021. UNOPS continues to address the remaining recommendations. The Executive Board may wish to acknowledge the progress UNOPS has achieved and welcome the next report on implementation.



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

A. Introduction

1. UNOPS is a non-programmatic, demand-driven service provider within the United Nations system that contributes to its partners' intended outcomes and their impact through its implementation of projects. UNOPS provides infrastructure, procurement and project management services, responding to its partners' needs and helping increase the effectiveness of peace and security, humanitarian and development projects around the world.

2. As an integral part of its commitment to build better futures for beneficiaries, UNOPS emphasizes its audit priorities, including through strengthening project service delivery and enhancing process excellence. This is reflected in the renewed UNOPS focus on improving the implementation rate of audit recommendations, which increased from 33 per cent in 2020 to 53 per cent in 2021.

B. Strengthening project service delivery

3. In 2021, UNOPS augmented its capacity in health procurement with the aim of facilitating the increasing supply chain complexity in its health-related projects. UNOPS improved its procurement policy, further embedding sustainable procurement, and enhanced its quality assurance policy for the procurement of medicines, medical devices and other health products. In addition, UNOPS strengthened its project management practices in line with the needs of its partners.

4. UNOPS put into use a new suite of work contracts, reinforced the link between quality and project success criteria, strengthened project risk management and advanced its approach to conflict sensitivity. The organization continued to deepen the mainstreaming of gender, social inclusion and prevention of sexual exploitation, abuse and harassment in the implementation of its projects and procurement activities, and undertook an organization-wide participatory gender audit that would lead to the revision of its gender equality and social inclusion strategies in 2022.

5. UNOPS advanced its work on sustainable infrastructure and infrastructure asset management, targeting long-term infrastructure planning for governments to build resilience and 'build back better' from COVID-19 and in view of climate change. In collaboration with the United Nations Environment Programme and the University of Oxford, UNOPS published the 'Infrastructure for climate action' report to quantify the importance of infrastructure for climate mitigation, adaptation and how to take climate action in practice.

6. UNOPS is broadening its understanding and linkages to the Sustainable Development Goals to link project outputs to partners' outcomes and impacts across the 17 Goals, building on the opportunities for improvement identified in the Multilateral Organisation Performance Assessment Network assessment of the performance of UNOPS and encapsulated in its Strategic Plan, 2022-2025, subject to a strengthened midterm review in 2023.

C. Enhancing process excellence

7. In 2021, UNOPS introduced 'product management' as a key methodology for developing and managing information technology products to ensure a strategic, vision-based and full product lifecycle perspective. The methodology was accompanied by realignment of operational information technology structures and further strengthening of information technology governance, including a sharpened focus on data governance. UNOPS also introduced a project management framework to control risk and provide a standardized approach to documenting and delivering internal information technology projects, ensuring alignment with UNOPS organizational objectives and project management methodology.

8. Under the 'Achieving Goal Zero' initiative, UNOPS implemented the Health and Safety Improvement Plan, strengthening the capacity-building of personnel and contractors. It improved the monitoring of performance and learning from incidents, leading to an increase in overall compliance with occupational health and safety requirements. Work remains to be done to achieve consistent health and safety performance across projects and country offices.

D. Risk, challenges and corrective measures

9. In 2021, the United Nations Board of Auditors issued an unqualified audit opinion for UNOPS, emphasizing matter related to its 'Sustainable Infrastructure Impact Investments' (S3i) initiative, against which UNOPS recorded a total bad-debt allowance and impairments amounting to \$39.02 million as at 31 December 2021.

10. A new minimum operational reserve was established by the Executive Board of UNOPS in 2021 (DP/OPS/2021/6) to guarantee the financial viability and integrity of UNOPS as a going concern. In accordance with financial regulation 22.02, the operational reserve shall be fully funded and limited to: (a) Downward fluctuations or shortfalls in revenue; (b) Uneven cash flows; (c) Increases in actual costs above planning estimates or fluctuations in project costs; and (d) Other contingencies that result in a loss of resources for which UNOPS has made commitments.

11. The Board approved the change in the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service-line expenses, 5 per cent of expenses for other service lines, and 33 per cent for administrative costs, with a weight of 50 per cent for the current year, 30 per cent for previous year, and 20 per cent for the year prior. On that basis, for the period ending 31 December 2021, the minimum operational reserves requirement was \$138.8 million, an increase of \$116.8 million compared to 2020.

12. As of 31 December 2021, end-of-service and post-retirement benefits for both management-funded and project-funded staff amounted to \$107.1 million (\$88.9 million for after-service health insurance, \$17.8 million for repatriation grants, and \$0.4 million for death benefits). All UNOPS end-of-service and post-retirement benefit liabilities are fully funded as of 31 December 2021.

13. The United Nations Board of Auditors noted that the financial position of UNOPS remains sound, and that the reported surpluses continue to contribute to significant reserves. UNOPS took note that a few cases of shortcomings were identified by the auditors in the areas of financial management and project management, and that the lessons learned in this connection offer an opportunity to further improve the delivery of UNOPS project services on behalf of partners.

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

14. In its report for the year ended 31 December 2021 (A/77/5/Add.11), the United Nations Board of Auditors issued seven recommendations classified as high priority and nineteen as medium priority. The implementation of all recommendations is on track for completion in accordance with the set timelines. Since the recommendations were issued in July 2022, and several require longer-term action, UNOPS will work beyond the financial year 2022 to implement them. Annexes 1 and 2 provide the responses to the recommendations.

15. UNOPS management continues to emphasize the importance of addressing audit concerns. As observed by the United Nations Board of Auditors, UNOPS management took measures to strengthen accountability for implementation in 2021. In the implementation schedule provided in this report, UNOPS is targeting an implementation rate of more than 60 per cent for the 2022 audit cycle.

III. Conclusion

16. UNOPS is pleased to respond to the report of the United Nations Board of Auditors for the year ended 31 December 2021. UNOPS is confident that all issues highlighted in the report of the Board of Auditors will be addressed in a satisfactory manner.

Annex 1. Status of recommendations for the year ended December 2021

Implementation of the recommendations contained in the report of the United Nations Board of Auditors for the year ended 31 December 2021 (A/77/5/Add.11)

17. The Board of Auditors made 26 new recommendations for 2021. Tables 1 and 2 below summarize the implementation status of all recommendations for the financial period ended 31 December 2021.

Table 1. Status of main recommendations for 2021, by thematic area

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
<i>Financial management</i>	4	3	1
<i>Human resource management</i>	1	1	-
<i>Project management</i>	1	-	1
<i>Risk management</i>	1	-	1
Total	7	4	3
Percentage	100%	57%	43%

Table 2. Status of implementation of all recommendations

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
<i>Financial management</i>	8	6	2
<i>Human resource management</i>	5	5	-
<i>Information technology</i>	1	1	-
<i>Procurement management</i>	2	1	1
<i>Project management</i>	8	1	7
<i>Risk management</i>	2	1	1
Total	26	15	11
Percentage	100%	58%	42%

18. The following paragraphs report on the status and management action plans for every recommendation issued by the Board of Auditors for 2021.

A. Financial management

19. In paragraph 30, the Board of Auditors recommended that UNOPS assess and bring forth further developments to the process on the recognition of events after the reporting date in line with the International Public Sector Accounting Standards.

Business unit responsible

Finance Group

Status

Closure requested

<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

20. Following the recommendations of the Board of Auditors, UNOPS has further enhanced the process around recognition of subsequent events. To that effect, UNOPS issued guidance notes on “events after the reporting date”, and introduced new procedures and forms to facilitate reporting on subsequent events. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

21. In paragraph 38, the Board recommended that UNOPS conduct a review of the growth and innovation reserve and take all appropriate measures, including the formulation of a framework, guidelines, procedures and policy, to ensure effective management of the reserve.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Overtaken by events
<i>Priority</i>	High
<i>Target date</i>	Not applicable

22. Further to Executive Board decisions 2022/13 and 2022/21, UNOPS has not maintained a growth and innovation reserve since June 2022. Furthermore, the Board noted in decision 2022/21, paragraph 6, that it would decide on the use of existing and future UNOPS reserves at the earliest possible opportunity. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as overtaken by events.

23. In paragraph 50, the Board recommended that UNOPS continue to collect comprehensive information on the debtors’ financial position and asset values, and appraise the debt values with adequate information and coherent methods, so as to ensure the accuracy and credibility of the bad debt allowance and impairment.

<i>Business unit responsible</i>	Sustainable investments in infrastructure and innovation
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Target date</i>	First quarter 2023

24. UNOPS is moving forward with an external party to carry out the 2022 valuation of the S3i investments, in accordance with its asset valuation policy. UNOPS has sent an information request letter to Sustainable Housing Solutions to facilitate the valuation of S3i investments for 2022.

25. In paragraph 80, the Board recommended that UNOPS conduct a thorough review of its existing pricing model, considering the latest financial performance.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High

<i>Target date</i>	Not applicable
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26. UNOPS updated its indirect cost recovery policy in August 2022, including an internal discussion on the model, as well as the required rates. To ensure compliance with the recommendation, UNOPS used the financial statements of 2020 and 2021 as a basis to update the cost recovery rates. UNOPS believes that this recommendation is fully implemented.

27. In paragraph 81, the Board further recommended that UNOPS establish a regular review mechanism to ensure that management fees charged are maintained at a reasonable level.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Target date</i>	Not applicable

28. UNOPS updated its pricing model as of 29 August 2022. The revised pricing model and the process and quality management system now include a clear requirement for UNOPS that the pricing model “shall be reviewed on at least a biennial basis in connection with the presentation of UNOPS budget estimates.” This will ensure that UNOPS updates its pricing model regularly to maintain reasonable fee levels. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

29. In paragraph 92, the Board recommended that UNOPS promulgate its updated policy on the risk increment in a timely manner based on the latest minimum operational reserve requirements and clarify the criteria for collecting risk increment fees under different circumstances to ensure reasonable collection of the fees.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

30. UNOPS updated its indirect cost recovery policy in August 2022, linking the charge of a risk increment to the status of the operational reserve. Since early 2022, given that the minimum operational reserve requirement is met, UNOPS does not include a risk increment in new engagements. UNOPS therefore believes that this recommendation is fully implemented.

31. In paragraph 174, the Board recommended that UNOPS conduct a feasibility study on establishing a digital management system that supports the whole life cycle of the grant management to determine the extent and best possible solution.

<i>Business unit responsible</i>	Infrastructure and Project Management Group
<i>Status</i>	Under implementation
<i>Priority</i>	Medium

Target date

Fourth quarter 2022

32. UNOPS took a series of actions towards the execution of a feasibility study for establishing a digital management system that supports the whole life-cycle of grant management in order to determine the scope and best possible solution. The feasibility study, to be finalized at the end of December 2022, will outline options and recommendations for Management Team consideration.

33. In paragraph 180, the Board recommended that UNOPS explicitly prescribe in its processes that the “no conflict of interest” declaration form be signed prior to the start of the evaluation process to strengthen the grant selection and review process.

<i>Business unit responsible</i>	Infrastructure and Project Management Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

34. UNOPS promulgated a new grant support policy (OLIPS.2022.02) in effect as of 15 December 2022. The policy requires evaluation committee members and observers sign a ‘no conflict of interest’ declaration form, where UNOPS is responsible for the selection and performance of a grantee. The revised templates and associated guidance will be rolled out by the time the policy becomes effective (14 December, 2022), and UNOPS thus considers this recommendation implemented.

B. Human resource management

35. In paragraph 115, the Board recommended that UNOPS review the human resources services it provides to United Nations partners and try its best to align its services involving individual contractors with partners’ applicable rules on the management of individual contractors.

<i>Business unit responsible</i>	Partnership and Liaison Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

36. UNOPS maintains that it was and is in compliance with its own rules and regulations with respect to the administration of individual contract holders. The policies of other organizations do not apply to UNOPS contract holders.

37. UNOPS partners are aware that when requesting UNOPS to provide personnel, on UNOPS contracts, that those contracts can be governed only by UNOPS rules and regulations, precisely because they are UNOPS contracts. UNOPS cannot have differing rules and regulations and conditions in existence for the same contracts.

38. Should UNOPS attempt to use policies of other organizations to govern its own policies, applications would be inconsistent with its own rules. We therefore consider the recommendation implemented, although the suggestion to align is unfortunately not feasible.

39. In paragraph 206, the Board recommended that UNOPS list clearly in its rules the positions that entail “inherently United Nations activities” and must be filled by staff members

to ensure that staff members remain the core human resources of the organization.

<i>Business unit responsible</i>	People and Performance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Target date</i>	Not applicable

40. UNOPS human resource policies in the process and quality management system have been amended and promulgated to include more clarity on what positions are considered as inherently a United Nations activity. As a result, relevant internal processes operationalizing those policies have been updated accordingly. UNOPS believes that this recommendation has been implemented.

41. In paragraph 212, the Board recommended that UNOPS review all the supervisor assignments and change the incorrect ones.

<i>Business unit responsible</i>	People and Performance Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

42. A process for a regular review has been implemented to avoid any such discrepancies being overlooked in the future. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

43. In paragraph 219, the Board recommended that UNOPS conduct a comprehensive review of the supervisor assignment of current staff members and take timely and corrective measures to ensure the correct supervisor assignment for staff members and individual contractor agreement holders.

<i>Business unit responsible</i>	People and Performance Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

44. A process for a regular review has been established to avoid any such discrepancies being overlooked in the future. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

45. In paragraph 226, the Board recommended that UNOPS conduct a comprehensive review of the use of UNOPS email accounts and other systems by partner personnel to ensure that any use is governed by applicable policies.

<i>Business unit responsible</i>	Information and Technology Group
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<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

46. UNOPS has reviewed all personnel on partner contracts and has made certain that any access to UNOPS systems is governed by applicable policy. The recommendation has been reviewed by the Board of Auditors during the interim audit and has been assessed as implemented.

C. Information technology

47. **In paragraph 213, The Board recommended that UNOPS translate the rules for assigning supervisors into settings in ‘oneUNOPS’ to prevent the recurrence of the errors.**

<i>Business unit responsible</i>	People and Performance Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

48. UNOPS has developed a dashboard for automated regular monitoring of any irregularities in the reporting lines. UNOPS heads of support services will be granted access to the dashboard and will be expected and reminded to provide oversight and address any irregularities in the reporting lines on an ongoing basis. Additionally, the Information and Technology Group is planning to implement system controls to avoid reoccurrences and introduce a system check so that if anyone is selecting a supervisor at a position level lower than that resource, a notification is sent to Bangkok Shared Service Centre regarding the selection so that it can be monitored to ensure that the selection is correct. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

D. Procurement management

49. **In paragraph 235, the Board recommended that UNOPS evaluate in a timely manner whether it is necessary to establish specific segregation of duties in the requisition process in the UNOPS Procurement Manual and a system control in oneUNOPS to prevent the recurrence of role conflicts or inadequate segregation of duties in the procurement process.**

<i>Business unit responsible</i>	Procurement Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

50. As UNOPS evaluated whether specific segregation of duty was needed as part of ongoing work on core controls in the procurement function under the guidance of Finance and Risk Management. Further to the completion of the core controls exercise, including sign-off by the Chief Financial Officer and the Chief Risk Officer, the risk at the requisition stage was assessed as not key as there is no financial commitment or risk at this stage of the procurement process. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

51. **In paragraph 245, the Board recommended that UNOPS review its Procurement Manual to introduce more operational and instructive guidance for the levy of performance security and to require justifications for non-inclusion of the provision, in particular for contracts of high value and/or contracts established under emergency procurement procedures.**

<i>Business unit responsible</i>	Procurement Group
<i>Status</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date</i>	Fourth quarter of 2022

52. UNOPS completed and launched the enhancement of the ‘eSourcing’ system to request a mandatory justification for non-inclusion of the performance security provision for all instructions to bidders, requests for proposals, and requests for quotes under emergency procurement procedures processes. Two global webinars were held to introduce the enhancements. A global task force led by the Procurement Group was established to develop the operational and instructive guidance. Comparative analysis/benchmarking of the UNOPS approach in performance security against the policies and practices of other United Nations organizations was conducted.

E. Project management

53. **In paragraph 128, the Board recommended that UNOPS review the United Nations Mine Action Service (UNMAS) project asset data in oneUNOPS and WASP, and establish a mechanism to check the consistency between UNMAS project assets and their records in oneUNOPS.**

<i>Business unit responsible</i>	Peace and Security Cluster
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Target date</i>	Second quarter of 2023

54. UNOPS accepted the recommendation and is working on its implementation. UNOPS is revising its standard operating procedures, which will be aligned with those of UNMAS for asset management and with the new memorandum of understanding between the Secretariat and UNOPS.

55. **In paragraph 141, the Board recommended that UNOPS expedite the negotiation with the United Nations Secretariat to resolve the long-standing project asset management issue, in order to avoid any off-balance sheet items and associated risks.**

<i>Business unit responsible</i>	Peace and Security Cluster
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Target date</i>	Second quarter of 2023

56. UNOPS and the Secretariat are in the process of negotiating a new memorandum of understanding.

57. In paragraph 147, the Board recommended that UNOPS strengthen the physical verification of Mine Action Service project assets.

<i>Business Unit Responsible:</i>	Peace and Security Cluster
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Second quarter of 2023

58. UNOPS accepted the recommendation and is working on its implementation. UNOPS is in the process of revising its standard operating procedures, which will be aligned with those of United Nations Mine Action Service (UNMAS) for asset management and with the new memorandum of understanding between the Secretariat and UNOPS.

59. In paragraph 157, the Board recommended that UNOPS develop a monitoring tool to perform the whole process of tracking the Mine Action Service project assets on loan to identify risks and report issues so as to improve the transparency and efficiency of the management of assets on loan.

<i>Business unit responsible</i>	Peace and Security Cluster
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Target date</i>	Second quarter of 2023

60. UNOPS accepted the recommendation and is working on its implementation. A new monitoring tool will be included as part of a new standard operating procedure on assets loaned under a right-of-use agreement. This will be aligned with the new memorandum of understanding between the Secretariat and UNOPS.

61. In paragraph 164, the Board recommended that UNOPS establish a mechanism to improve the efficiency of the UNOPS-controlled processes related to the disposal and write-off request submission and physical disposal of Mine Action Service project assets.

<i>Business unit responsible</i>	Peace and Security Cluster
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Target date</i>	Second quarter of 2023

62. UNOPS accepted the recommendation and is working on its implementation. UNOPS is monitoring new project asset disposal recommendations and United Nations Secretariat case review status of pending/approved disposal cases through a revised asset register template. The monitoring process will be aligned with the UNMAS standard operating procedure for asset management and with the new memorandum of understanding between the Secretariat and UNOPS.

63. In paragraph 187, the Board recommended that the UNOPS Europe and Central Asia Regional Office strengthen the monitoring of compliance with the UNOPS financial regulations and rules for operational closure of the projects in its portfolio, accurately classify

the different stages of project life cycle, and ensure that the system status of the projects in its portfolio is aligned with the project lifespan stage and activities to be undertaken.

<i>Business unit responsible</i>	Europe and Central Asia Region
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

64. The Infrastructure and Project Management Group has updated the internal system set-up allowing accurate classification of different project stages. The Europe and Central Asia Region project management officers have further strengthened and fully integrated proactive monitoring of operational project closure into monthly monitoring and the quarterly assurance process through a corporate dashboard.

65. In addition, Europe and Central Asia Region multi-country office project management officers have integrated project closure into their dashboards and respective quarterly assurance templates, checklists and guidance notes to project teams, enabling better advance planning, risk escalation and actions to follow up with identified project delays swiftly and prevent project closure delays in the future. The recommendation has been reviewed by the Board of Auditors during the interim audit and has been assessed as implemented.

66. In paragraph 188, the Board recommended that the UNOPS Europe and Central Asia Regional Office escalate in accordance with the UNOPS process when a risk of delayed project operational closure is identified.

<i>Business unit responsible</i>	Europe and Central Asia Region
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Target date</i>	Fourth quarter of 2022

67. All Europe and Central Asia region offices have updated guidelines and checklists to ensure effective risk escalation related to project closure, which is monitored by the project management officers on an ongoing basis and as part of the quarterly assurance process.

68. The Europe and Central Asia Regional office is putting in place a risk escalation guideline to ensure effective escalation to the regional office and timely action across all offices in the region. A draft guideline, developed with the support of the Risk Team, will be implemented in December 2022.

69. In paragraph 195, the Board recommended that UNOPS establish a standard procedure for linking the potential of outputs' contributions to the Sustainable Development Goals, seek to collaborate with partners where possible on assessing the assumptions, perform a systematic analysis, and report to the Executive Board on the contributions of its service delivery to the objectives of partners and the achievement of broader development goals.

<i>Business unit responsible</i>	Infrastructure and Project Management Group
<i>Status</i>	Under implementation

<i>Priority</i>	Medium
<i>Target date</i>	Second quarter of 2024

70. UNOPS has initiated a project to systematically measure and report on the contributions of outputs to partners' objectives. Its aim is that by the end of the second quarter of 2023 all relevant UNOPS implementation projects will be mapped to relevant Sustainable Development Goals and Cooperation Framework outcomes.

F. Risk management

71. In paragraph 72, the Board recommended that UNOPS conduct a comprehensive, in-depth and adequate evaluation or review of the decision-making, management and internal control of the 'We Are the Oceans' and 'Ocean Generation' projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues.

<i>Business unit responsible</i>	Sustainable Investments in Infrastructure and Innovation
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Target date</i>	First quarter of 2023

72. KPMG International is conducting an independent external review of decision-making, management and internal controls related to We Are the Oceans and Ocean Generation.

73. In paragraph 99, the Board recommended that UNOPS take measures to finalize the key controls to ensure that quarterly reporting is conducted on the effectiveness of internal controls.

<i>Business unit responsible</i>	Risk Group
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Target date</i>	Not applicable

74. UNOPS identified key controls across the core process cycles and rolled out quarterly control effectiveness reporting along with control effectiveness reporting dashboards that are under development. The recommended actions were completed and UNOPS considers them as implemented.

Annex 2. Status of recommendations from prior financial periods

A. Implementation of the recommendations contained in the report of the United Nations Board of Auditors for prior financial periods

75. In the annex to its report for the year ended 31 December 2021, the Board provided a summary of the status of implementation of recommendations for previous financial periods. Information is provided below on the 14 recommendations that were under implementation. UNOPS determined that six of the recommendations relating to previous financial periods had been implemented. The information below is set out in the order in which the recommendations are presented in the annex 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 United Nations Board of Auditors for the year ended 31 December 2021

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
<i>Budget management</i>	2	1	1
<i>Financial management</i>	7	7	-
<i>Human resource management</i>	1	1	-
<i>Information technology</i>	2	-	2
<i>Procurement management</i>	2	-	2
<i>Project management</i>	3	3	-
<i>Risk management</i>	2	2	-
Total	19	14	5
Percentage	100%	74%	26%

B. Report of the United Nations Board of Auditors for the year ended 31 December 2017 (A/73/5/Add.11)

76. In paragraph 48, the Board recommended that UNOPS initiate the process of financial closure of projects soon after they have been operationally closed, so as to complete the process within the stipulated period.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Overtaken by events
<i>Priority</i>	Medium
<i>Original target date</i>	Third quarter of 2020
<i>Revised target date</i>	Not applicable

77. UNOPS updated its client project closure process in its project management system ‘oneUNOPS Projects’. Based on another audit recommendation, UNOPS aligned the project closure process with the Project Management Manual and international best practices, which added two additional steps to the financial project closure process. This will further increase the time UNOPS

requires to financially close projects, and will pose an additional challenge to compliance with the financial regulation and rules. In parallel, UNOPS is working on a new policy that will allow headquarters to consolidate more responsibilities in the Finance Group, to financially close projects without partner consent, acknowledging that partners will always be able to receive their refunds as indicated in the final financial statements for the project shared with them. UNOPS annual performance for 2022 is expected to be around the low 90 per cent range. Concurrently, the UNOPS backlog is stable, at slightly below 50 per cent of projects that were not closed on time and remain open, while the composition of the backlog is getting 'younger' (more old projects are closed). The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as overtaken by events.

C. Report of the United Nations Board of Auditors for the year ended 31 December 2018 (A/74/5/Add.11)

78. In paragraph 23, the Board recommended that UNOPS take steps to generate the financial statements from the oneUNOPS enterprise resource planning system so as to minimize the need for manual adjustments and interventions.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2020
<i>Revised target date</i>	First quarter of 2023

79. UNOPS has developed the initial prototype for automation of the corporate financial statements, which is presently at the testing stage. UNOPS considers the recommendation as under implementation.

80. In paragraph 174, the Board recommended that UNOPS automate the preparation of financial statements to ensure the credibility of financial information. UNOPS should also prioritize the implementation of treasury management and inventory valuation and management in oneUNOPS.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Original target date</i>	Fourth quarter of 2020
<i>Revised target date</i>	First quarter of 2023

81. UNOPS has developed the initial prototype for automation of the corporate financial statements, which is presently at the testing stage. UNOPS considers the recommendation as under implementation.

D. Report of the United Nations Board of Auditors for the year ended 31 December 2019 (A/75/5/Add.11)

82. In paragraph 63, the Board recommended that UNOPS review the status of implementation of the projects, establish a more structured process for monitoring their progress, reassess the risks to its investments on the basis of actual progress against the benchmarks, and take appropriate steps for mitigation measures.

<i>Business unit responsible</i>	Sustainable Investments in Infrastructure and Innovation
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Original target date</i>	Fourth quarter of 2020
<i>Revised target date</i>	Not applicable

83. In April 2022 a management decision was made to freeze all future investment activities. The recovery actions of the defaulted portfolio associated with Sustainable Housing Solutions has been with United Nations Office of Legal Affairs since May 2022. A joint decision to exit the India solar project in Rajasthan was taken by UNOPS and Investment Fund for Developing Countries, and in November 2022 a securities purchase agreement was signed between UNOPS and ACME Solar, the project sponsor. In the lead-up to the signing of that agreement, UNOPS monitored and assessed the risks associated with the exit, communicated them internally to management, and held interactions with the project stakeholders to ensure that the exit documentation sufficiently protected UNOPS interests. Progress on outstanding investments was communicated in the quarterly business report.

84. This approach takes into account the recommendations of the Board and is typical for active monitoring of investment operations. Thus, UNOPS considers this recommendation as implemented.

85. In paragraph 90, the Board recommended that UNOPS review and document the performance of the investment manager at intervals, as formalized in the statement of investment principles of January 2020.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2024
<i>Revised target date</i>	Not applicable

86. UNOPS continues to use its established system for evaluating supplier performance, and will provide qualitative input when the 2022 evaluation is due in connection with the annual invoice payment. UNOPS has taken supplementary steps to ensure the documentation of the supplier performance in line with the feedback received from the Board of Auditors, with performance being further reviewed through (a) the annual meeting of the UNOPS Provident Fund Committee; (b) bi-annual meetings held with the Provident Fund Investment Advisor; and (c) a monthly action log with the Provident Fund manager. UNOPS has provided the related supporting documentation, and will provide the final supporting document related to the annual invoice by 31 December 2022. With this, management believes it has met the requirements for implementation of the recommendation.

87. **In paragraph 92, the Board recommended that UNOPS consider the performance of the investment manager against the objectives of the statement of investment principles, while considering a further extension of the agreement with the investment manager.**

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2022
<i>Revised target date</i>	Not applicable

88. UNOPS documents the performance of the investment manager through a comprehensive process. The documented performance was reviewed in connection with the contract extension process in 2022, resulting in an award by the Executive Chief Procurement Officer, following review by the headquarters Contracts and Property Committee for the extension. The contract may not be extended in 2024, and UNOPS will proceed with a new competitive procurement process for its Provident Fund. Management considers this recommendation successfully implemented.

89. **In paragraph 109, the Board recommended that UNOPS assess its approach to the inclusion of a provision for performance security, in particular for non-works contracts with a high value, large volume or complexity, for ensuring seriousness on the part of suppliers and performance of the contract.**

<i>Business unit responsible</i>	Procurement Group
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Original target date</i>	First quarter of 2021
<i>Revised target date</i>	Fourth quarter of 2022

90. UNOPS assessed its approach to the inclusion of a provision for performance security. A global task force, led by the Procurement Group, was established to conduct the assessment and develop instructive guidance. Comparative analysis/benchmarking of the UNOPS approach in performance security against the policies and practices of other United Nations organizations was conducted.

91. **In paragraph 123, the Board recommended that UNOPS assess its approach to the inclusion of the provision of liquidated damages, in particular for high-value contracts, in order to mitigate the risk of potential late performance leading to financial loss to UNOPS and its partners.**

<i>Business unit responsible</i>	Procurement Group
<i>Status</i>	Under implementation
<i>Priority</i>	High
<i>Original target date</i>	First quarter of 2021
<i>Revised target date</i>	Second quarter of 2023

92. UNOPS revised its approach to the inclusion of liquidated damages in its tenders as part of the policy revision process that led to the promulgation of its updated procurement policies, which took effect on 1 July 2021. In 2023 UNOPS will issue a guidance document for the inclusion of liquidated damages to support the current provisions in the Procurement Manual.

93. In paragraph 136, the Board recommended that UNOPS ensure compliance with its financial regulations and rules for the operational closure of projects and put in place appropriate checks to promptly change the status of projects as soon as their activities have ceased.

<i>Business unit responsible</i>	Infrastructure and Project Management Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2021
<i>Revised target date</i>	Not applicable

94. UNOPS put into place appropriate guidance, tools and oversight mechanisms to promptly change the status of the projects as soon as their activities have ceased, while managing the risks that could potentially lead to project delays, including operational closure. UNOPS has released the project closure stage management function in its enterprise project management system, OneUNOPS Projects, with associated notifications and guidance. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

E. Report of the United Nations Board of Auditors for the year ended 31 December 2020 (A/77/5/Add.11)

95. In paragraph 38, the Board recommended that UNOPS conduct a thorough risk reassessment of the existing investments and establish mechanisms to measure and control the risk concentration to avoid excessive exposures to any single partner.

<i>Business unit responsible</i>	Sustainable Investments in Infrastructure and Innovation
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	First quarter of 2022
<i>Revised target date</i>	Not applicable

96. In April 2022 a management decision was made to freeze all future investment activities. The recovery actions of the defaulted portfolio associated with Sustainable Housing Solutions has been with the United Nations Office of Legal Affairs since May 2022.

97. UNOPS is moving forward with an external party to carry out the 2022 valuation of the S3i investments, in accordance with the asset valuation policy for such investments.

98. Following the joint decision by UNOPS and the Investment Fund for Developing Countries to exit the India solar project in Rajasthan, and a thorough review of the risks associated with the exit, a securities purchase agreement was signed between UNOPS and ACME Solar in November 2022.

Finalization of the sale of the securities to ACME is contingent upon receiving consent from the project lender.

99. New business line modalities are being explored that would not involve the investment of UNOPS funds. The risks that such activities could potentially pose to UNOPS under these modalities are being reviewed. Partnership development activities under the new modalities are being explored across different geographies and partner types. UNOPS therefore considers this recommendation as implemented.

100. In paragraph 47, the Board recommended that UNOPS establish the necessary procedures to strengthen the risk assessment and ongoing monitoring over its S3i investments to ensure the safety of the investments.

<i>Business unit responsible</i>	Sustainable Investments in Infrastructure and Innovation
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Original target date</i>	First quarter of 2022
<i>Revised target date</i>	Not applicable

101. A management decision was made in April 2022 to freeze all future investment activities. The recovery actions of the defaulted portfolio associated with Sustainable Housing Solutions has been with United Nations Office of Legal Affairs since May 2022.

102. Following a joint decision by the Investment Fund for Developing Countries and UNOPS to exit the India solar project in Rajasthan, a securities purchase agreement was signed between UNOPS and ACME Solar in November 2022, noting, however, that the finalization of the sale of the securities was contingent upon receiving lender consent for the sale. Throughout these exit negotiations, collaboration with project stakeholders, thorough analysis and communication of the exit risks, took place within UNOPS, and language was built into the securities purchase agreement to protect UNOPS interests. UNOPS is moving forward with an external party to carry out the 2022 valuation of the S3i investments, in accordance with the asset valuation policy for such investments. These mechanisms address the recommendation by the Board of Auditors, and its status is considered 'implemented'.

103. In paragraph 58, the Board recommended that UNOPS review its policies on bad debt allowance for S3i investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2021
<i>Revised target date</i>	Not applicable

104. UNOPS has made specific reference to the related processes and policies related to S3i valuation and bad debt assessments. Detailed management responses, including specific reference in the

process and quality management system and S3i valuation guidelines, have been updated. Management therefore considers this recommendation as implemented.

105. In paragraph 65, the Board recommended that UNOPS strengthen the guidance on evaluating specific components such as the service provided and the associated risk to balance over-cost engagements and lower-cost engagements when applying the existing pricing model to memorandums of understanding.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2022
<i>Revised target date</i>	Not applicable

106. UNOPS updated its indirect cost recovery policy in August 2022, including detailed guidelines as to how the fee-setting for memorandums of understanding should be conducted, to ensure it is fully based on UNOPS need for indirect cost recovery. UNOPS is therefore of the view that this recommendation is fully implemented.

107. In paragraph 73, the Board recommended that UNOPS update its guidelines to complement the necessary documentation on justification for the risk increment calculation as part of the management fee and devise an appropriate review mechanism on such justification to provide assurance with respect to the applicability of the pricing model during the engagement acceptance process.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2021
<i>Revised target date</i>	Not applicable

108. UNOPS updated its indirect cost recovery policy in August 2022 to address the issue on assessment and documentation of the risk increment. UNOPS is thus of the view that this recommendation is fully implemented.

109. In paragraph 86, the Board recommended that UNOPS take measures to strengthen the accountability of personnel involved and develop a time schedule to expedite the launch of system enhancements to track disposal processes.

<i>Business unit responsible</i>	Shared Services Centre
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Original target date</i>	Second quarter of 2022
<i>Revised target date</i>	Not applicable

110. All enhancements related to assets were launched through an official announcement in April 2022 regarding the system and tools release for asset management, including asset disposal management – compulsory as of September 2022 – together with instructional videos on how to use the tool. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

111. In paragraph 94, the Board recommended that UNOPS formulate the budget estimates of strategic investments based on expected expenses in compliance with IPSAS 24 and thus make budget a reliable criterion for evaluation and performance management.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Under implementation
<i>Priority</i>	Medium
<i>Original target date</i>	Fourth quarter of 2021
<i>Revised target date:</i>	Fourth quarter of 2023

112. UNOPS internal investment allocation is a dynamic process where decisions are taken on an ongoing basis based on emerging business opportunities and changing environments, and not in connection with the budget estimates formulation, which establishes the overall budget allotment. The Internal Investment Committee, in line with its terms of reference and following the internal investment strategy, monitors the use of the funds in a different cycle from the budget cycle, so the formulation of budget estimates for strategic investments may vary. UNOPS will continue to consult with the Board of Auditors to satisfactorily implement the recommendation noting the internal investment process.

113. In paragraph 101, the Board recommended that UNOPS link the strategic investments budget with its corresponding outcome and performance indicators.

<i>Business unit responsible</i>	Finance Group
<i>Status</i>	Closure requested
<i>Priority</i>	High
<i>Original target date</i>	Fourth quarter of 2021
<i>Revised target date</i>	Not applicable

114. UNOPS has linked its strategic investment budget with its management results framework, including relevant performance indicators. Each individual internal investment project is reviewed against its specific objectives. The performance indicator in the budget estimates documents measures the completion of this individual reporting (“internal investment projects reporting on results”), since the key performance indicators from each project cannot be considered in the organization-wide results framework. The recommendation was reviewed by the Board of Auditors during the interim audit and assessed as implemented.

115. In paragraph 159, the Board recommended that UNOPS, as part of the expected enhancement of corporate risk management, assess the feasibility of incorporating corporate risks into oneUNOPS and verify that the risk management operational instruction reflects UNOPS strategic direction regarding this subject.

<i>Business unit responsible</i>	Risk Group
<i>Status</i>	Overtaken by events
<i>Priority</i>	High
<i>Original target date</i>	Third quarter of 2022
<i>Revised target date</i>	Not applicable

116. The Board of Auditors recommended that UNOPS assess the feasibility of incorporating corporate risks into oneUNOPS. Management concludes that UNOPS requirements for an integrated and analytical corporate risk management capability are not met by the existing systems in place (such as oneUNOPS ERP and oneUNOPS Projects).

117. The Board of Auditors further recommended that UNOPS verify that risk management operational instructions reflect UNOPS strategic direction on this subject. UNOPS has reflected the required clarification in its recently promulgated risk management operational instructions.

118. Management noted that the recommendation was reviewed by the Board of Auditors during the interim audit and was assessed as overtaken by events due to a new recommendation that covers corporate risk management more comprehensively, superseding 2020 para 159.

119. In paragraph 165, the Board recommended that UNOPS strengthen travel management by developing clear and applicable measures to encourage advance booking by personnel and ensure economical use of resources.

<i>Business unit responsible</i>	Shared Services Centre
<i>Status</i>	Closure requested
<i>Priority</i>	Medium
<i>Original target date</i>	Second quarter of 2022
<i>Revised target date</i>	Not applicable

120. The travel authorization and daily subsistence allowance automation tool has been implemented and its use is mandatory as of 1 September 2022. The recommendation was reviewed by the Board of Auditors during the interim audit and was assessed as implemented.

F. Conclusion

121. UNOPS welcomes the report of the Board of Auditors on its financial statements for the year ended 31 December 2021 and its overall conclusion that UNOPS closed 2021 in good financial health through its sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources. The organization continues to accord the highest priority to achieving a record of unqualified audit opinions and resolving the concerns of the Board of Auditors. UNOPS is committed to addressing the areas of improvement identified in the report, and will continue to strengthen and widen the scope of these initiatives.
