



**Executive Board of the  
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Programme, the United Nations  
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United Nations Office for  
Project Services**

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**Recommendations of the Board of Auditors**

**UNOPS: Report on the implementation of the  
recommendations of the Board of Auditors for the  
biennium 2010-2011**

*Summary*

UNOPS is pleased to respond to the recommendations made in the report of the Board of Auditors (A/67/5/Add.10) and to provide an update on the status of their implementation. The report of the United Nations Board of Auditors for the biennium ended 31 December 2011 was unqualified. That opinion represents another milestone for UNOPS insofar as UNOPS has maintained the clean audit opinion received in 2009. UNOPS calculations indicate that 45 per cent of the recommendations of the United Nations Board of Auditors for the biennium ended 31 December 2011 have been implemented. As reflected in the present document, UNOPS management places great emphasis on addressing audit concerns; the present report highlights the current status and management plan for the few recommendations yet to be implemented.

*Implementation of the International Public Sector Accounting Standards*

UNOPS commenced implementation of the International Public Sector Accounting Standards in January 2012, and has since experienced several challenges. An opening balance audit of the Standards was conducted at UNOPS headquarters from 13 August to 7 September 2012. The audit revealed gaps which, if not addressed, could have a negative impact on the audit opinion for the implementation of the Standards in UNOPS, which is taking the remedial actions described in the present report to address those shortcomings.



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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 2012, UNOPS maintained sound internal control systems while successfully managing its broad portfolio of risks. While ensuring ongoing partner satisfaction, UNOPS further strengthened some of the business practices and procedures related to the accuracy of its accrual accounting in order to maintain its standards of efficiency and effectiveness.

2. In June 2011, UNOPS was awarded its “ISO 9001” quality management certification, making it the first United Nations organization to have its global management systems officially certified. During 2012 an accredited certification body undertook a follow-up surveillance audit, which assured continuing certification for UNOPS.

3. In September 2011, UNOPS became a member of the International Aid Transparency Initiative, increasing the transparency and accountability of the organization. During May 2012, the Initiative publically recognized that UNOPS was the first of its members to publish geocoded project information in an accessible and common standard format.

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

4. In its report for the biennium ended 31 December 2011, the United Nations Board of Auditors gave UNOPS an unqualified audit opinion, as had been the case for the biennium ended 31 December 2009. Operational reserves increased, despite a number of significant write-offs to cover losses from prior periods. The operational reserves requirement as of 31 December 2011 was \$48.4 million. For the biennium ended 31 December 2011, the operational reserves were \$63.3 million, which exceeded the minimum required level by 31 per cent. The comparative figure for the biennium ended 31 December 2009 was \$42.7 million, 2 per cent above the then-applicable operational reserves requirement.

5. UNOPS continued to accrue funds for the obligation of its personnel end-of-service liabilities for management budget-funded staff, including their after-service health insurance. In anticipation of the implementation of the International Public Sector Accounting Standards in 2012, UNOPS obtained an actuarial valuation for end-of-service and post-retirement benefits for project-funded staff. As at 1 January 2012, these amounted to \$34.1 million and comprised: \$21.6 million for after-service health insurance, \$9.6 million for repatriation grants, and \$2.9 million for unused annual leave. This actuarial valuation used the same baseline assumptions as those used to compute the employee benefit liabilities for all other United Nations organizations as at 31 December 2011. However, UNOPS is engaged in discussions with the actuaries to obtain an actuarial valuation for project-funded staff based on UNOPS-specific historical data and statistical trends.

6. This additional liability for end-of-service and post-retirement benefits for project-funded staff will need to be funded by the existing operational reserves. The effect is that under financial statements compliant with the International Public Sector Accounting Standards, the operational reserve balance of UNOPS could fall short of the level mandated by the Executive Board by approximately \$10 million.

*Issues to watch and risks to mitigate*

7. The effects of the global financial crisis continue to have a pervasive effect on UNOPS partners, with a concomitant reduction in demand for certain UNOPS services. As part of its enterprise risk management process, UNOPS regularly monitors the situation, while ensuring that the organization retains its agility and ability to quickly reduce in size should there be a significant reduction in both demand and relevant revenue streams.

8. UNOPS maintains narrow operational margins, keeping its fees low so as to pass on the maximum value and benefit to its partners and beneficiaries. UNOPS seeks to improve efficiency in order to reduce its fees still further. The average global management fee for 2011 was approximately 5.7 per cent. Revenue management systems are in place to ensure that the organization continues to adjust its costs in response to the level of revenue generated.

9. While the UNOPS operational reserves exist as a risk-mitigating measure, it should be noted that unforeseen catastrophic events, such as a punitive legal damages or significant fraud, could reverse much of the gain achieved during the past six years. In particular, the UNOPS business model makes it vulnerable to certain operational risks. To reduce its exposure, UNOPS has put into effect the following initiatives: it comprehensively revised its financial regulations and rules in January 2012; it progressively updating its internal control framework; and to date it has issued over 30 additional organizational directives and supporting business policies, and has acquired additional specialist corporate insurance policies, including protection against professional negligence. Despite these measures, UNOPS is aware that it can never achieve complete coverage against all business and operational risks, hence the need to maintain its operational reserves at the level set by the Executive Board.

10. Robust project and budgetary management is a core organizational requirement, reducing instances of overexpenditure while ensuring timely programme delivery and satisfactory financial execution. To that end, UNOPS continues to strengthen its online financial and management tools, as well as its project performance analytics. Routine quarterly quality-assurance reviews of all projects are carried out to ensure their timely execution and completion. In 2011, UNOPS launched an in-house project management foundation course to train project managers through cross-practice knowledge sharing (supported by a practices quality management system). The training has since been conducted quarterly.

11. The inter-fund balance with UNDP is fully reconciled as of 31 December 2011. Comprehensive negotiations between UNDP and UNOPS senior management are under way to resolve the settlement of the pre-2007 inter-fund balance. UNDP and UNOPS regularly reconcile all new inter-fund transactions, minimizing the likelihood of inter-fund disagreements in the future.

12. In December 2011, UNOPS updated its asset management procedures and issued a new administrative instruction on managing assets in accordance with the International Public Sector Accounting Standards. Beginning in January 2012, all

property, plant and equipment used for both UNOPS administrative and project purposes are tracked and managed in the Atlas asset module.

13. The implementation of the International Public Sector Accounting Standards in January 2012 represented a significant challenge for UNOPS because of its self-financing status and the nature of its business model. Adoption of the Standards by UNOPS means that its accounts must be closed and audited annually, instead of every second year as was previously the case. Coupled with the changes and risks associated with the implementation of the Standards, effective 1 July 2012, the General Assembly appointed new external auditors for UNOPS, providing for a period of sensitization and policy adjustments. New Standards-compliant processes were introduced into the Atlas system and are now fully functional. To date, UNOPS has drafted the 2012 model financial statements, prepared 23 accounting policies, appointed 34 focal points in regional offices and operations centres and launched a multilingual training site with webcasts on Standards-related topics. In March 2012 the organization launched a training programme on the benefits of the Standards to explain the effects of changes in the business processes. However, “teething problems” experienced with the practical implementation of the Standards have highlighted a critical organizational need for urgent action. The opening balance audit conducted by the United Nations Board of Auditors from 13 August to 7 September 2012 revealed several gaps which could have a negative impact on the audit opinion for the first year of implementation of the Standards. UNOPS is taking remedial actions to address these. Among those actions was an intensive training for all finance practitioners in October 2012. Experts on the Standards, including the new external auditors, attended the training to provide the necessary guidance and direction. Other initiatives included the recruitment of several additional personnel to accelerate and perform various Standards-related tasks.

14. Following the comprehensive clean-up exercise, UNOPS established the true extent of its past liabilities. UNOPS continues to manage all known liabilities; wherever necessary, it has sought, through negotiation or arbitration, to reduce or settle its exposures. Since financial and reputational risks from litigation cannot be totally eliminated, UNOPS has sought to reduce the potential impact of such claims.

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

15. The United Nations Board of Auditors (BOA) has issued nine main recommendations classified as “high priority” and 11 classified as “medium priority”. UNOPS management has implemented nine of the 20 recommendations. UNOPS is presenting the responses to those recommendations on pages 7 to 13 of this report.

## **III. Conclusion**

16. UNOPS is pleased to respond to the report of the Board of Auditors for the biennium ended 31 December 2011. Based on developments and improvements made since the 2010-2011 biennium, and bearing in mind the high degree of dedication and commitment of its personnel, UNOPS is confident that the remaining issues highlighted in the report of the Board of Auditors will be addressed in a timely and satisfactory manner.

## Annex 1

### Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2011

Table 1  
Status of implementation of main recommendations

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Finance	4	–	2	2	2	–
Project management	3	–	1	2	2	–
Procurement	1	–	1	–	–	–
Executive Office	1	–	1	–	–	–
<b>Total</b>	<b>9</b>	<b>–</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>–</b>

Table 2  
Status of implementation of all recommendations

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Finance	8	–	3	5	5	–
Project management	5	–	3	2	2	–
Procurement	2	–	2	–	–	–
Administrative services	2	–	–	2	2	–
Human resources	2	–	–	2	2	–
Executive Office	1	–	1	–	–	–
<b>Total</b>	<b>20</b>	<b>–</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>–</b>

**In paragraph 30, the Board recommended that UNOPS establish a mechanism to separately identify and monitor projects implemented pursuant to its advance funding policy to enable it to adequately manage the associated risks; and to record a receivable in its financial statements in relation to projects implemented without funding in place.**

UNOPS has the tools to identify the advance financing provided on behalf of its partners for project implementation activities. Such advances will be recorded as receivables in the International Public Sector Accounting Standards financial statements related to projects implemented without the funding in place.

*Department responsible:* Finance practice group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 32, the Board recommended that UNOPS implement controls, supported by adequate reports, to monitor projects that are managed at an award level (group basis) to prevent overexpenditure on projects; and to record a receivable to reflect projects that have spent more than the available funding.**

UNOPS already has the required set up in its enterprise resource planning system and other tools to report on its activities on a project-by-project basis instead of reporting at the fund (partner) level. Since 1 January 2012, UNOPS has been recording receivables for projects that have spent more than the available funding, with an appropriate impairment of those receivables in accordance with the International Public Sector Accounting Standards.

*Department responsible:* Finance practice group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 43, the Board recommended that UNOPS incorporate a formal risk-based review of proposed projects before projects are accepted and implemented.**

In December 2011 and July 2012, UNOPS implemented processes and controls that strengthened its risk-based approach to acceptance of engagements by adjusting the project risk profiles in the “Leads” system to flag items requiring high level reviews and authorization.

*Department responsible:* Project management practice

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**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 needing closure.**

UNOPS acknowledges the importance of timely project closure and has taken a proactive approach in order to increase the speed, quality and accountability for closure of both the operational and financial stages. The project closure tool was implemented in mid-2011 to automate, streamline and speed up the process. During the 2010-2011 biennium UNOPS closed more than 450 old projects. Furthermore, during the fourth quarter of 2011 UNOPS developed the capability of calculating interest on project funds without dependency on UNDP, which had led to delays in the financial closure of projects in the past. The increase in UNOPS autonomy will speed up future financial closure of projects.

*Department responsible:* Project management practice

*Status:* Completed

*Priority:* Medium

*Target date:* Fully implemented

**In paragraph 49, the Board recommended that UNOPS monitor the status of projects on a regular basis to ensure it is accurately reflected in Atlas.**

UNOPS has implemented processes and controls to monitor the status of projects in Atlas, via the “Leads” system, the project closure tool and new “management workspace” launched in April 2012. The capability to manage system changes has also been improved.

*Department responsible:* Project management practice

*Status:* Completed

*Priority:* Medium

*Target date:* Fully implemented

**In paragraph 53, the Board recommended that UNOPS strengthen its oversight role over the Democratic Republic of the Congo Operations Centre to address the operational challenges affecting its projects in a timely manner.**

UNOPS strengthened its controls by implementing a quarterly online assurance process for every project, and this will address issues of data quality, delivery, project time, cost and quality. This process will provide the appropriate level of oversight and control to address such operational challenges in a timely manner. In addition to the already implemented Engagement Assurance Process and tools, the Democratic Republic of the Congo Operations Centre has been identified for a project management maturity consulting mission in early 2013.

*Department responsible:* Project management practice

*Status:* Under Implementation

*Priority:* High

*Target date:* 30 April 2013

**In paragraph 54, the Board recommended that UNOPS consider the adequacy of its oversight and support to centres operating in high-risk environments.**

UNOPS strengthened its controls by implementing a quarterly online assurance process for every project that will address issues of data quality, delivery, project time, cost and quality. The process will provide the appropriate level of oversight and control to address such operational challenges in a timely manner. UNOPS is currently implementing the “project profiling framework” to better identify higher-risk engagements and to allow more strategic support and guidance.

*Department responsible:* Project management practice

*Status:* Under implementation

*Priority:* High

*Target date:* 30 April 2013

**In paragraph 62, the Board recommended that UNOPS resolve the dispute over inter-fund differences in its accounts with UNDP.**

Under the oversight of the United Nations Office of Legal Affairs, UNOPS and UNDP have agreed to a mechanism whereby their respective responsibilities for disputed balances will be determined by a panel of independent experts and conveyed in the form of recommendations to the management of the two organizations. UNOPS and UNDP agree to implement these recommendations promptly. Terms of reference for this mechanism are now being finalized.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 30 June 2013

**In paragraph 64, the Board recommended that UNOPS strengthen its project monitoring controls on management service agreements so as to detect system coding errors and other errors in a timely manner; and obtain confirmation of outstanding amounts from UNDP before closure of its accounts to ensure reconciling items are detected.**

UNOPS is in the process of implementing appropriate controls to prevent errors in the coding and reporting of inter-fund transactions to UNDP. Furthermore, appropriate mitigating controls will be put in place to ensure that errors are detected in a timely manner. UNOPS will also obtain confirmation of inter-fund amounts before the 2012 accounts are finalized.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 28 February 2013

**In paragraph 71, the Board recommended that UNOPS review the financial statements preparation process to ensure that the gaps identified by the Board are addressed through its processes.**

Under the International Public Sector Accounting Standards, UNOPS will ensure that account balances are correctly classified and disclosed separately between impairment of accounts receivable and provisions for liabilities.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 28 February 2013

**In paragraph 77, the Board recommended that UNOPS develop adequate strategies to address the areas that require attention in its implementation of the International Public Sector Accounting Standards.**

UNOPS adopted the International Public Sector Accounting Standards as of 1 January 2012. UNOPS has migrated all its fixed assets and leave management into its Atlas and has completed the necessary configurations and customizations to have the entire system Standards-ready. The successful implementation of the Standards will depend on the outcome of finalizing the UNOPS financial statements for 2012.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 30 April 2013

**In paragraph 83, the Board recommended that UNOPS fully recognize and provide for its end-of-service liabilities in its implementation of the International Public Sector Accounting Standards.**

Since UNOPS implementation of the International Public Sector Accounting Standards on 1 January 2012, UNOPS has fully accrued and recognized all its end-of-service liabilities.

*Department responsible:* Finance practice group

*Status:* Completed

*Priority:* Medium

*Target date:* Fully implemented

**In paragraph 88, the Board reiterated its previous recommendation that UNOPS consider a revision of its policy for the valuation of annual leave liability in its implementation of the International Public Sector Accounting Standards.**

The selection by UNOPS of policies for the valuation of the annual leave liability is based on United Nations system-wide decisions. UNOPS will therefore continue to consult with other United Nations organizations and harmonize its accounting policy for annual leave liabilities with that of the other United Nations organizations.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 30 April 2013

**In paragraph 94, the Board recommended that UNOPS review the design, monitoring and implementation of its results-based budgeting process and instruments to ensure that the organization and business units are accountable for specific results and the resources used to deliver them.**

UNOPS has implemented the recommendation. In the context of the 2012-2013 budget estimates submission, UNOPS reviewed and improved the design of its management results framework (DP/OPS/2011/5, annexes). As part of its midterm review (DP/OPS/2012/7 and DP/OPS/2012/7, annexes), UNOPS conducted an assessment of the evolution of performance indicators over time, covering relevant performance indicators and associated targets and results from the UNOPS strategic plan, 2010-2013, its budget estimates for 2010-2011 and 2012-2013, and additional performance indicators established through internal target agreements to ensure relevant managers' accountability for results. UNOPS will continue to enhance the sophistication of live performance indicators on its intranet "dashboard", based on the data in UNOPS systems.

*Department responsible:* Corporate performance and management group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 99, the Board recommended that UNOPS maintain adequate central records of exception cases approved by the local contract and procurement committees; and monitor, analyse and report at least annually to senior management on trends in the submission of exception cases, to determine whether these reflect underlying problems in the procurement function.**

UNOPS has taken appropriate measures to implement the recommendation. UNOPS advised local contracts and property committees to prepare and disseminate the list of submissions awarded or reviewed based on exceptions to the use of formal methods of solicitation to UNOPS management, and to highlight different facts such as exceptional cases versus competitive ones by operations centres, including at the regional level.

*Department responsible:* Procurement practice group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 100, the Board recommended that UNOPS implement procedures to review purchase orders in order to identify split purchase orders.**

A new functionality has been incorporated into the “management workspace” of the procurement practice, which traces purchase orders in amounts less than \$250,000 that have been issued in respect of the same vendor and for the same project in the past 12 months. The resulting list will enable UNOPS personnel and management to access and review data contained in each purchase order, including type of commodity procured, name of supplier, name of buyer, name of approving authority, amount per purchase order, aggregated amount of purchase orders, to identify split purchase orders.

*Department responsible:* Procurement practice group

*Status:* Completed

*Priority:* Medium

*Target date:* Fully implemented

**In paragraph 107, the Board recommended that UNOPS (a) address discrepancies in its asset registers to ensure it is able to accurately account for its assets and prepare accurate opening balances for purposes of the International Public Sector Accounting Standards; and (b) address inconsistencies in the asset inventory certification process.**

UNOPS is in the process of correcting the discrepancies noted in its fixed asset register. Further, it communicated clear Standards-sensible instructions on asset certification and physical verification processes to its field offices during November 2012. Those instructions will be made available on the intranet for ease of access by all personnel involved.

*Department responsible:* Corporate support group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 30 November 2012

**In paragraph 112, the Board recommended that UNOPS improve its leave management controls by ensuring that (a) all leave taken is approved and recorded on the system and is supported by adequate documentation; and (b) regularly review and reconcile leave records.**

The UNOPS human resources practice group has begun reconciling its leave records. It is also confirming each leave balance with the field offices to ensure that all leave records are accurate. A global leave system, developed in 2011, is now in use by all UNOPS staff members, obviating the need for paper-based record-keeping. Further improvements to the global leave system, finalized in September 2012 will record leave for personnel who are not on staff member contracts. These updates for non-staff will be implemented in phases, starting with one region in November, and are planned to be fully implemented by 1 April 2013.

*Department responsible:* Human resources practice group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 1 April 2013

**In paragraph 114, the Board recommended that UNOPS (a) perform monthly validation checks on its payroll to assure completeness and accuracy; and (b) monitor and review all the terminations to ensure that employees are removed from the payroll once they have separated from the organization.**

UNOPS has increased its monitoring of this area and is taking appropriate measures to implement the recommendation. As of now, an ad hoc mechanism has been put in place to conduct checks on the removal of separated staff from payroll. A more systemic method, as well as monthly validation procedures, will be developed in more detail; UNOPS expects to have it in place by the end of the second quarter of 2013.

*Department responsible:* Human resources practice group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 30 June 2013

**In paragraph 118, the Board reiterated its previous recommendation that UNOPS implement a formal disaster recovery and business continuity plan that encompasses all types of disaster events that would have an impact on both information systems processes and end user functions.**

UNOPS is in the process of implementing disaster recovery and business continuity plans for those UNOPS offices which have not yet developed them. There has been a much progress on this front during 2012, during which fifteen offices implemented such plans, while the remaining offices are in the process of finalizing theirs. The Chief of Security has been in contact with all operational units in UNOPS to request that they establish these plans. All plans will be reviewed and approved by the Chief of Security to ensure compliance with the policies of the United Nations Department of Safety and Security.

*Department responsible:* Corporate support group

*Status:* Under implementation

*Priority:* Medium

*Target date:* 31 December 2012

## Annex 2

### Comments on the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2009

In the annex to its report for the financial period ended 31 December 2011 (A/67/5/Add.10), the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Of the 59 recommendations noted from prior periods, 47 were fully implemented, one was overtaken by events, and 11 were under implementation. Information is provided below on the 11 recommendations that were under implementation as listed in the prior biennium audit report of BOA. The Executive Board may wish to recognize that, according to the UNOPS assessment, five of the 11 BOA recommendations relating to previous financial periods have been implemented. The information below is set out in the order in which the recommendations are presented in annex 1 of this report.

The following table summarizes the overall situation.

Table 3

**Status of implementation of recommendations from prior periods considered not fully implemented in the Annex to the report of the Board of Auditors for the financial period ended 31 December 2011**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Finance	6	–	1	5	5	–
Administrative services	3	–	2	1	1	–
Project management	2	–	2	–	–	–
<b>Total</b>	<b>11</b>	<b>–</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>–</b>

**In paragraph 64, UNOPS agreed with the recommendation of the Board that it implement controls and reports to accurately differentiate between project balances receivable and payable and project balances that represent overexpenditure.**

Reports were prepared to accurately differentiate between project balances receivable and payable and project balances that represent overexpenditure. However, project balances receivable and payable were reported at the fund (partner) level. BOA suggested that these be reported at the project level in future financial reporting periods. UNOPS has therefore developed a report that identifies its activities on a project-by-project basis instead of reporting at the fund (partner level). UNOPS will record a receivable for projects that have spent more than the available funding, with an appropriate impairment of such receivables in its International Public Sector Accounting Standards financial statements for 2012.

*Department responsible:* Finance practice group

*Status:* Fully implemented

*Priority:* High

*Target date:* Completed

**In paragraph 83, UNOPS agreed with the recommendation of the Board that it resolve the disputed inter-fund differences in its accounts with UNDP.**

Under the oversight of the United Nations Office of Legal Affairs, UNOPS and UNDP have agreed to a mechanism whereby their respective responsibilities for such disputed balances will be determined by a panel of independent experts and conveyed in the form of recommendations to the management of the two organizations. UNOPS and UNDP agree to implement the recommendations promptly. Terms of reference for this mechanism are currently being finalized.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 30 June 2013

**In paragraph 86, UNOPS agreed with the recommendation of the Board that it: (a) follow up on rejected project expenditures and make appropriate accounting entries; and (b) improve the validation of information captured on its system to ensure that the incidents of rejection are minimized.**

UNOPS submits project expenditure to UNDP on a quarterly basis. In 2009, UNOPS developed a project expenditure validation system to detect possible rejections and to correct data prior to its submission to UNDP. That system has helped reduce the rejection rate to below 1 per cent since 2009. In addition, UNOPS is in the process of implementing controls to prevent posting of project expenditure to an incorrect chart of accounts.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 31 December 2012

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

During the biennium, UNOPS stopped transacting with other United Nations organizations through the inter-fund account and only transacted with them on a cash basis. The inter-fund receivables of \$1.3 million due from those organizations originated in the 2006-2007 biennium and prior bienniums. Following unsuccessful efforts to recover the outstanding amounts, UNOPS made a submission to its headquarters contract and procurement committee for write-off of those amounts. UNOPS also made full provision for the same in its financial statements for the 2010-2011 biennium.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 31 December 2012

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

The UNOPS selection of policies for the valuation of the annual leave liability is based on United Nations system-wide decisions. UNOPS will therefore continue to consult with other United Nations organizations and harmonize its accounting policy for annual leave liabilities with that of the other United Nations organizations.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 30 April 2013

**In paragraph 122, UNOPS agreed with the recommendation of the Board that it develop a funding plan for the end-of-service liabilities.**

UNOPS has invested and set funds aside for all end-of-service liabilities to enable UNOPS to fully meet its obligations with regard to end-of-service benefits as and when they arise. However, BOA recommended that specific investments be set aside to fund UNOPS end-of-service liabilities. A formal funding plan will therefore be implemented to meet the International Public Sector Accounting Standards-related end-of-service liabilities.

*Department responsible:* Finance practice group

*Status:* Under implementation

*Priority:* High

*Target date:* 30 April 2013

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

UNOPS acknowledges the importance of project closure and has taken a proactive approach to increase the speed, quality and accountability for closure of both the operational and financial stages. The project closure tool was implemented in early 2011, and during the 2010-2011 biennium UNOPS closed more than 450 old projects. During the fourth quarter of 2011, UNOPS developed the capability to calculate interest on project funds without dependency on UNDP, which had led to delays in the financial closure of projects in the past. The increase in UNOPS autonomy will speed up future financial closure of projects.

*Department responsible:* Project Management Practice

*Status:* Completed

*Priority:* Medium

*Target date:* Fully implemented

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

The second phase of UNOPS project closure exercise has been launched to expedite the financial closure of operationally closed projects. UNOPS has also strengthened

controls by implementing a quarterly online assurance process for projects, which addresses issues of data quality, delivery, project time, cost and quality. During the 2010/2011 biennium UNOPS closed more than 450 old projects. Furthermore, during the fourth quarter of 2011, UNOPS developed the capability to calculate interest on project funds without dependency on UNDP, which had led to delays in the financial closure of projects in the past. The increase in UNOPS autonomy will speed up future financial closure of projects.

*Department responsible:* Project management practice

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 293, UNOPS agreed with the recommendation of the Board that it: (a) address the discrepancies noted in its asset records; and (b) review all asset registers to ensure that other similar discrepancies are not detected.**

(a) UNOPS has addressed these discrepancies (asset registers are available for review); UNOPS correctly reflected the value of its assets in the 2010-2011 biennium financial statements; and (b) UNOPS conducts annual reviews and physical verification of all its assets to ensure that they are correctly stated. UNOPS will continue to review its asset records to ensure that future discrepancies, if any, are corrected in a timely manner.

*Department responsible:* Corporate support group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 312, UNOPS agreed with the recommendation of the Board that it implement controls to better manage project assets purchased with project funds.**

In December 2011, project assets policies and procedures were developed and communicated to staff. An administrative instruction on “management of assets” (AI/EO/2011/02) was promulgated as part of the implementation of the International Public Sector Accounting Standards. In July 2012, UNOPS completed its physical verification of all UNOPS project assets. Based on that physical verification, UNOPS updated its policies to improve control of project assets. The procurement catalogue that was launched in January 2012 now stores and creates a register for all project assets purchased from 2012 onwards. For the purpose of verifying Standards-compliant opening balances, the project asset register for all projects ongoing as of 31 December 2011 was completed in July 2012, and validation of the same is in progress.

*Department responsible:* Corporate support group

*Status:* Completed

*Priority:* High

*Target date:* Fully implemented

**In paragraph 359, UNOPS agreed with the recommendation of the Board that it implement a formal disaster recovery and business continuity plan that encompasses all types of disastrous events that would have an impact on both information systems processes and end user functions.**

UNOPS is in the process of implementing disaster recovery and business continuity plans for all those UNOPS offices which had not developed them as yet. There has been much progress on this front in 2012, during which 15 offices implemented such plans, while the remaining offices are in the process of finalizing theirs. The UNOPS Chief of Security has been in contact with all business units in UNOPS to follow up on the establishment of these plans. All plans will be reviewed and approved by the Chief of Security to ensure compliance with the applicable policies of the United Nations Department of Safety and Security.

*Department responsible:* Corporate support group

*Status:* Under implementation

*Priority:* High

*Target date:* 31 December 2012

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