



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

Distr.: General
12 November 2013

Original: English

First regular session 2014

27 - 31 January 2014, New York

Item 8 of the provisional agenda

Recommendations of the Board of Auditors

**UNOPS: Report on the implementation of the recommendations of the
Board of Auditors for the year 2012**

Summary

UNOPS is pleased to respond to the recommendations made in the report of the Board of Auditors (A/68/5/Add.10) and to provide an update on the current status of implementation. The Board's report for the year ended 31 December 2012 was unqualified. This opinion represents a major achievement for UNOPS and is an indication that the organization has successfully implemented the International Public Sector Accounting Standards (IPSAS). UNOPS management continues to emphasize addressing audit concerns, to which the present document testifies, by highlighting the current status and management plan for the audit recommendations yet to be implemented.

IPSAS implementation

Since UNOPS went live with the implementation of IPSAS as of January 2012, it has overcome the challenges pointed out in the report presented to the Executive Board at the first regular session of 2013 (DP/OPS/2013/1). Among the challenges faced was the need to use external expertise in the review and classification of more than 1,000 project types and the preparation of the first set of IPSAS-compliant financial statements. UNOPS has worked hard to avoid the use of external consultants in the preparation of its annual financial statements and has organized training sessions and webcasts for all UNOPS personnel, which will contribute to a smoother process in the future. UNOPS prepared the interim financial statements for the period January to June 2013 solely with internal resources and likewise plans that the final 2013 annual financial statements will be prepared using internal resources alone.

Elements of a decision

According to the assessment by UNOPS, some progress has been achieved in the implementation of the various recommendations made for the year ended 31 December 2012 and efforts are currently in progress to ensure that the remaining recommendations are successfully implemented. The Executive Board may wish to acknowledge that the recommendations were issued to UNOPS in July 2013 and many are of a long-term nature and thus can only be implemented beyond the year 2013.



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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 2013, UNOPS continued to maintain sound internal control systems, while successfully managing its broad portfolio of risks. So as to maintain its standards of efficiency and effectiveness, UNOPS further deepened specific business practices and procedures related to the accuracy of its accrual accounting, while ensuring ongoing client satisfaction.

2. UNOPS launched a sustainability programme early in 2013 to embed sustainability principles, including the focus on outcomes, in its operations. As part of the sustainability programme, a strategy for mainstreaming sustainability was released and several orientation workshops have been conducted for staff at headquarters and in operations centres.

3. UNOPS built on its global 'ISO 9001' certification by introducing the internationally recognized best practice excellence model from the European Foundation for Quality Management (EFQM) to conduct a comprehensive self-assessment of its organizational maturity. The UNOPS Excellence Model is based on fundamental concepts of excellence that have been researched and refined in thousands of organizations, in both the public and private sectors, over many years. These fundamental concepts are: adding value for partners; creating a sustainable future; developing organizational capability; harnessing creativity and innovation; leading with vision, inspiration and integrity; managing with agility; succeeding through the talent of people; and sustaining outstanding results. This Excellence Model is used to link excellent performance (e.g., partner, society, personnel results) with a holistic set of enablers (leadership, strategy, personnel, partnerships and resources, and processes, products and services). The result of this external assessment was that UNOPS was awarded the EFQM 'Recognized for Excellence 4 Star' certification. The report of the assessors will be used as further input into the organization's efforts towards systematic and continual improvement.

B. Present challenges and measures that address them

4. In its report for the year ended 31 December 2012, the Board of Auditors gave UNOPS an unqualified audit opinion. This was a major achievement as UNOPS has managed to obtain an unqualified audit opinion after a very challenging transition to IPSAS.

5. Further, UNOPS has managed to exceed the operational reserves target despite the knock-on effect of transition to accrual accounting and the recognition of all the organization's end-of-service and post-retirement liabilities for both management budget-funded and project budget-funded staff, including their after-service health insurance (ASHI) obligations. The formula for calculating the operational reserve requirements, originally approved by the Executive Board in 2003, stipulated that the operational reserve should be equivalent to 4 per cent of the rolling average of the combined administrative and project expenditures for the last three years of

operations. The operational reserves requirement as of 31 December 2012 was \$46.8 million. For the year ended 31 December 2012, the operational reserves were \$62.9 million, which exceeded the minimum required level by 34 per cent. The comparative figure for the year ended 31 December 2011 was \$63.3 million or 31 per cent above the then applicable operational reserves requirement. With effect from 12 September 2013, the Executive Board approved the change of the minimum requirement for the operational reserve of UNOPS to be set at four months of the average of the previous three years' expense under its management budget. Going forward, UNOPS will be reporting its new minimum operational requirements in its financial statements.

6. The end-of-service and post-retirement benefits for both management-funded and project-funded staff as at 31 December 2012 amounted to \$39.2 million (\$26.1 million for ASHI and \$13.1 million for repatriation grants). The Executive Board may wish to acknowledge that all UNOPS end-of-service and post-retirement benefit liabilities are fully funded as at 31 December 2012. As mentioned in its 2013 report to the Executive Board (DP/OPS/2013/1), UNOPS planned to engage with actuaries to obtain an actuarial valuation for project-funded staff based on UNOPS-specific historical data and statistical trends. The actuarial valuation for the year 2012 was based on assumptions specific to the UNOPS business model and was unique compared to those used to compute the employee benefit liabilities for all other United Nations agencies as at 31 December 2012.

Issues to watch and risks to mitigate

7. UNOPS continues to maintain narrow operational margins, keeping its fees low so as to pass on the maximum value and benefit to its partners and beneficiaries. UNOPS actively seeks to further improve efficiency. The average global management fee for 2012 was approximately 6 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.

8. While the organization's operational reserves exist as a risk-mitigating measure, it should be noted that unforeseen catastrophic events, such as a punitive legal damages being awarded or significant fraud, could reverse much of the gains established during the past seven years. In particular, the UNOPS business model makes it vulnerable to certain operational risks. To reduce its exposure further, in 2013 UNOPS implemented the following initiatives: (a) issuance of several guidance notes to field personnel; (b) development of an IPSAS accounting policy manual; (c) continued updating of the internal control framework; (d) issuance of over 40 organizational directives and supporting business policies to date; and (e) acquisition of 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, which is why it is required to maintain its operational reserves at a level set by the Executive Board.

9. Robust project and budgetary management continues to remain a core organizational requirement so as to reduce instances of over-expenditure 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 project performance analytics. Routine quarterly quality assurance reviews of all projects are carried out to ensure timely execution and completion. In 2011,

UNOPS launched an in-house project management foundation course to train project managers through cross-practice knowledge-sharing. This training is now conducted on a quarterly basis and UNOPS is already able to see its benefits in the projects being implemented. Because of the importance of communicating the new infrastructure strategy effectively to all personnel, particularly the infrastructure practitioners, since September 2013 an additional two-day training workshop on sustainable infrastructure for project managers has been added to the regular project management foundation course. This will help to ensure that the new infrastructure strategy is effectively communicated to senior infrastructure personnel.

10. Negotiations are under way between the senior management of UNDP and UNOPS to resolve the settlement of the pre-2007 inter-fund balance, with an outcome expected by the end of 2013. Further, the inter-fund balance with UNDP was fully reconciled as of 31 December 2012.

11. Regarding assets, UNOPS has adopted the transitional provision allowed by IPSAS 17–Property, Plant and Equipment (PP&E) and will not be recognizing its PP&E for a period not exceeding five years from 1 January 2012. Obtaining clean asset data that are accurate and complete is proving to be a difficult task as UNOPS will have to capitalize PP&E for its project assets, which are spread all over the globe. UNOPS has been making continuous efforts to collect accurate and complete asset data so as to bring them into the books as early as possible and thus not utilize the entire transition period.

12. The implementation of IPSAS 2012 presented a significant challenge for UNOPS because of the nature of its business model. The adoption of IPSAS also required that the organization's accounts be closed and audited annually, instead of every second year as was the case until 2012. Further, IPSAS reporting required a change in the way that UNOPS presents its accounts to its internal and external stakeholders; these new financial statements need to be better understood first by UNOPS internally and then by its external stakeholders.

13. New IPSAS-compliant processes were introduced into the Atlas system and are fully functional. Currently, the adoption of a new enterprise resource planning (ERP) system is being considered to allow for better alignment of systems and processes with IPSAS and to better address the need to increase the quality of information for management decision-making.

14. In order to ensure a smoother 2013 year-end closure process and to minimize the risk of obtaining a negative audit opinion for 2013, UNOPS has drafted an interim set of financial statements the 2013 year in accordance with the 23 applicable IPSAS policies. The dual purpose is to ensure that these annual accounts can be prepared without the need for external expertise and to identify any bottlenecks prior to the preparation of the final 2013 financial statements, which now must be submitted to the Board of Auditors one month earlier than in preceding years. UNOPS issued its 2013 guidelines for year-end closure in mid-October 2013 to enhance the 2013 closure of accounts and facilitate the early preparation of its corporate financial statements.

15. In September 2013, UNOPS conducted in-person training for about 70 of its finance staff and shared lessons learned during the 2012 audit cycle. The training

also established some best practices to assist field offices in preparing the closure of their accounts, which should result in a reduction in audit queries.

16. UNOPS is working to address two remaining challenges — the automation of the process for preparing the financial statements and maintaining a clean audit opinion for the 2013 financial year.

17. Under IPSAS, all liabilities are recorded. UNOPS continues to manage all known liabilities, and wherever necessary, has sought through negotiation or arbitration to reduce or settle its exposures. Since financial and reputational risks from litigation can never be totally eliminated, UNOPS aims to reduce the potential impact of such claims wherever possible.

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

18. The Board of Auditors has issued eight main recommendations classified as high priority and 10 recommendations classified as medium priority. UNOPS management has made some progress in implementing these recommendations, and the implementation of all recommendation is on track for completion per the set timelines. The Executive Board may wish to acknowledge that the recommendations were issued to UNOPS in July 2013 and many are of a long-term nature and thus can only be implemented beyond the year 2013. UNOPS is presenting the specific responses to these recommendations in annexes 1 and 2 below.

III. Conclusion

19. UNOPS is pleased to reply to the report of the Board of Auditors for the year ended 31 December 2012. Based on the developments and improvements made since the end of 2012 and bearing in mind the high degree of dedication and commitment from all personnel, UNOPS is confident that all issues highlighted in the report of the Board of Auditors will be addressed in a satisfactory manner.

Annex 1**Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2012****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</i>	<i>No target date set</i>
Finance Practice Group Sustainable Infrastructure Practice Group	3	-	1	2	2	-
Internal Audit and Investigations Group	3	-	-	3	3	-
Corporate Performance and Management Group	1	-	1	-	-	-
	1	-	-	1	1	-
Total	8	-	2	6	6	-

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 set</i>
Finance Practice Group	5	-	2	3	3	-
Human Resource Practice Group and Sustainable Procurement Practice Group	1	-	-	1	1	-
Sustainable Infrastructure Practice Group	9	-	-	9	9	-
Internal Audit and Investigations Group	1	-	1	-	-	-
Corporate Performance and Management Group	1	-	-	1	1	-
Legal Practice Group	1	-	-	1	1	-
Total	18	-	3	15	15	-

In paragraph 19, UNOPS agreed with the Board's recommendation that it: (a) establish a detailed timetable for the year-end preparation of its financial statements encompassing the cleansing of accounting records, the preparation of comprehensive supporting schedules, and detailed and evidenced-based management review of the draft financial statements prior to their submission to the auditors; (b) develop an IPSAS accounting manual to provide guidance to staff on accruals accounting; and (c) considers preparing interim financial statements to spread the workload of finance more evenly across the year and to facilitate early identification of accounting issues.

UNOPS has: (a) taken steps to ensure a more organized and pragmatic approach to the 2013 accounts closure, including evidence-based management reviews of the financial statements, and has set a timetable for the preparation of its accounts for the year ended 31 December 2013; (b) organized additional technical training and enhanced guidance on accrual accounting; and (c) prepared interim financial statements as part of the annual work plan for its finance team.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed

In paragraph 24, the Board recommended that UNOPS: (a) clearly identify the envisaged benefits from accruals-based information and associated revised management procedures; and (b) appoint a senior responsible owner for realizing such benefits and embedding new ways of working across the organization.

UNOPS agreed with the recommendation and will work to identify the envisaged benefits and will appoint a senior owner responsible for realizing such benefits and embedding new ways of working across the organization.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2014

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

UNOPS is currently working with UNDP Treasury Section to increase the visibility of the funds invested towards the end-of-service liabilities, by having these funds ring-fenced solely for the purpose of serving UNOPS end-of-service liabilities.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	First quarter of 2014

In paragraph 35, the Board reiterated its previous recommendation that UNOPS resolve the dispute over inter-fund differences in its accounts with UNDP.

In January 2013, UNDP and UNOPS appointed a panel of three experts to review this outstanding matter relating to inter-fund differences. Currently, both UNOPS and UNDP are waiting to hear from the panel any requests for clarification it may have on the claim memorials and reply memorials submitted in May and August 2013 respectively, and for its final advisory opinion setting out the panel's final recommendation to resolve the parties' disputes. The parties have already agreed to follow the panel's recommendations promptly. UNOPS is expecting to resolve this matter by the end of 2013.

<i>Department responsible:</i>	Legal Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2013

In paragraph 37, the Board recommended that UNOPS reconcile the inter-fund account with UNDP on a regular and at least quarterly basis, posting correcting entries as appropriate to its accounting system to maintain the overall reliability of the accounting records.

Already in 2013, UNOPS has initiated reconciliation of the inter-fund accounts on a quarterly basis, aligned to the quarterly closure of books by both entities. UNOPS aims to have better control and overall reliability of accounting records by making monthly cash settlement of inter-fund transactions combined with quarterly reconciliation.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2013

In paragraph 38, the Board recommended that when UNOPS has resolved its accounting differences with UNDP, it establish additional safeguards to avoid differences arising in future, including fully settling transactions in cash at regular intervals.

UNOPS has noted the value of such safeguards and has already implemented safeguards such as the quarterly reconciliation of inter-fund balances, which will help to keep track of balances and promptly identify issues.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	Medium
<i>Target date:</i>	Completed

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

In response, UNOPS: (a) will appoint a senior risk officer to support senior management in exercising this responsibility, particularly with regards to fraud; (b) launched the 2013 integrity, ethics and anti-fraud survey on 15 October 2013, with the Internal Audit and Investigations Group (IAIG) to receive and collate the anonymous and confidential responses and prepare a report for UNOPS management. IAIG has included in its 2014 annual work plan an organization-wide fraud risk assessment, to be led by management with IAIG providing the necessary support; and (c) will continue to review its accountability framework to ensure that it is appropriately calibrated to reflect the organization's tolerance to different types of fraud risk.

<i>Department responsible:</i>	Corporate Performance and Management Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2014

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

The UNOPS Sustainable Procurement Practice Group recognizes the potential benefits of using formal background checks and similar tools for suppliers, contractors and partners based on the risk profile of the supplier and/or the project. Sustainable Procurement Practice Group and IAIG have agreed to work together to assess the costs and benefits of applying mandatory formal background checks for vendors, contractors and partners. This assessment is scheduled to begin during the fourth quarter of 2013. The analysis by the Human Resource Practice Group has indicated that benefits will outweigh the cost, and the group has begun to undertake background checks for specific positions, which will be implemented in all necessary recruitments beginning in the fourth quarter of 2013.

<i>Department responsible:</i>	Human Resource Practice Group and Sustainable Procurement Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2013

In paragraph 55, the Board recommended that UNOPS: (a) review and analyze the results of the fraud and ethical behaviour survey as part of its review of fraud policies and procedures; and (b) consider whether its personnel require further training in expected ethical behaviour and in procedures to be followed when reporting fraud or misconduct.

UNOPS has: (a) conducted a follow-up survey which was launched on 15 October 2013, with IAIG to collate the anonymous and confidential responses and prepare a report for UNOPS management, after which the necessary steps will be envisaged; and (b) engaged an external firm to conduct an in-person ethics training workshop for personnel on 7 November 2013.

<i>Department responsible:</i>	Internal Audit and Investigations Group
<i>Status:</i>	Fully Implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed

In paragraph 62, UNOPS agreed with the Board's recommendation to give careful consideration to ensuring that the new infrastructure strategy is understood by all infrastructure staff.

UNOPS accepts the importance of communicating the new infrastructure strategy effectively to all personnel, particularly to the infrastructure practitioners. To this effect, from September 2013 an additional two-day training workshop on sustainable infrastructure for project managers was added to the regular project management foundation course to ensure that the new infrastructure strategy is effectively communicated to senior infrastructure personnel. The strategy was also communicated through various other methods including the annual Global Management Meeting and the Sustainable Infrastructure Community of Practice. The strategy provisions ultimately will be embedded in all guidance material and govern the organization's infrastructure delivery. UNOPS will consider the cost/benefit of a non- headquarters infrastructure training programme in order assure that the policy provisions are embedded in operations.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Second quarter of 2014

In paragraph 67, UNOPS agreed with the Board's recommendation to examine the extent of changes to agreements and the causes of delays in the completion of projects across its infrastructure portfolio.

UNOPS will examine the extent of changes to agreements and the causes of delays in the completion of projects across its infrastructure portfolio. UNOPS will develop a system to collect and analyze relevant data on both

individual construction contracts and overall infrastructure projects to enable a systematic review of the underlying factors and hence to be better able to influence the timeliness of project delivery.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Second quarter of 2014

In paragraph 76, UNOPS agreed with the Board’s recommendation that its clients be encouraged to accept the inclusion of contingency budget for projects, which might necessitate a corresponding reduction in other components of the budget as well as processes for releasing contingency that are acceptable to clients.

UNOPS released a project-level budgeting toolkit in early July 2013 that provides guidance on how to build, communicate and monitor project budgets. The guidance also discusses the use of contingency budgets.

At the level of construction contracts, all new infrastructure (works) contracts are now required to include a contingency as part of the estimated construction cost. Any deviation requires approval from the Head of Construction Management, with appropriate justification.

UNOPS is currently developing a project and programme risk management strategy and will provide further guidance on contingency budgets. The actual acceptance of project-level contingencies by clients will be handled on a case-by-case basis, depending on clients' policies regarding contingencies and their willingness to embrace the use of contingency budgets as a best practice for project budgeting.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2014

In paragraph 77, UNOPS agreed with the Board’s recommendation that it investigate the extent and causes of ‘precision spending’, and assess whether its processes or guidance need to change as a result.

UNOPS will investigate the extent and causes of ‘precision spending’ and assess whether its processes or guidance need to change as a result. This will be included as a work item in the 2014 work plans of the Project Management and Infrastructure Practice Groups.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Second quarter of 2014

In paragraph 80, UNOPS agreed with the Board’s recommendation that it assess the value of mandatory design reviews for projects where the risk of problems with design is high, and in such a way as to minimize the cost to clients.

UNOPS considers design reviews to be an essential component of good practice in infrastructure design. UNOPS has drafted a design planning manual for buildings, setting out the technical objectives and functional statements, performance recommendations and requirements, and minimum standards for infrastructure design, with the aim of establishing clear and consistent guidelines for UNOPS designers (both in-house and external). A review of best practices in the construction industry will be carried out, including a cost/benefit analysis of design review methodologies which may also include value engineering and constructability reviews. An assessment of potential

risk reduction and cost savings to projects will be made. Consideration will then be given to the need for mandatory design reviews for high-risk projects.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Second quarter of 2014

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

Performance of infrastructure post construction is a core element of delivery of sustainable solutions, and will be embedded as a sustainability element throughout UNOPS delivery. UNOPS also considers post-completion performance (normally referred to as post-occupancy evaluation) as an important knowledge-generation tool. The need for performance feedback on completed buildings is recognized as part of the ISO quality assurance process now in place in UNOPS. The method for implementation is being considered as part of the development of the infrastructure practice strategy. The implication for this post- occupancy evaluation process, which may involve multiple stakeholders and the resultant outcomes, requires further analysis.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2014

In paragraph 85, UNOPS agreed with the Board’s recommendation to develop a strategy to encourage clients to engage more with the partner centre, including providing feedback.

UNOPS will devise a strategy to further engage clients through the partner centre. Currently, UNOPS is using the project management foundation course to promote the use of the partner centre and provide advice to attendees on how to engage clients via the partner centre. A series of communication releases are planned to advise operations centres on the availability of the partner centre.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Third quarter of 2014

In paragraph 90, UNOPS agreed with the Board’s recommendation that it work with its partners to establish processes to better capture information on the outcomes to which UNOPS activities contribute, particularly in terms of the beneficiaries of projects.

UNOPS appreciates the needs to transform project outputs in capabilities that deliver tangible outcomes. The new UNOPS strategic plan for 2014-2017 focuses on sustainability and national capacity in three key operational areas— project management, infrastructure and procurement—in an effort to contribute to partners’ results and their achievement of development outcomes.

UNOPS launched a sustainability programme early in 2013 to embed sustainability principles, including the focus on outcomes, in its operations. As part of the sustainability programme, a strategy for mainstreaming sustainability was released and several orientation workshops have been conducted for staff at headquarters and operations centres.

In addition, the 2013 UNOPS Global Management Meeting focused on sustainability with the following specific objectives: (a) to understand our partners' needs and challenges so that we can make the business case for sustainability; (b) to ensure that our products, services and tools are developed and prioritized to deliver on our promise of sustainability; and (c) to exchange best practices around sustainability, celebrate success and be inspired by new ideas.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2014

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

UNOPS agreed with the Board's recommendation and will review and decide to either enhance the online assurance tool to enable drilling down to project-level assurance where an engagement includes multiple large projects, or set up more of its engagements as single projects and apply accordingly.

<i>Department responsible:</i>	Sustainable Infrastructure Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2014

Annex 2**Comments on the status of implementation of the recommendations of the Board of Auditors for prior years**

In the annex to its report for the financial period ended 31 December 2012 (A/68/5/Add.10), the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Of the 31 recommendations noted from prior periods, 15 were fully implemented, 1 was overtaken by events and 15 were not implemented or under implementation. Information is provided below on the 12 recommendations that were under implementation and 3 recommendations that were yet to be implemented. The Executive Board may wish to recognize that, according to the UNOPS assessment, 6 of the 15 recommendations of the Board of Auditors relating to previous financial periods have now been implemented. The information below is set out in the order in which the recommendations are presented in annex 1 of this report.

The table below summarizes the overall situation.

Table**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 2012**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>		<i>Target date set</i>	<i>No target date set</i>
			<i>In progress</i>			
Corporate Support Group	3	-	3	-	-	-
Finance Practice Group	3	-	1	2	2	-
Human Resource Practice Group	1	-	1	-	-	-
Legal Practice Group	2	-	-	2	2	-
Sustainable Project Management Practice Group	5	-	-	5	5	-
Sustainable Procurement Practice Group	1	-	1	-	-	-
Total	15	-	6	9	9	-

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.

Drawing lessons from best practices for monitoring and controlling projects, the quarterly assurance review allows UNOPS to better track the status of projects including the documentation of projects needing closure. UNOPS established an on-line 'project closure tool' to help field offices which track projects to close and facilitate a smooth closure process. The project closure tool has helped to reduce the backlog of projects needing closure. The tool has also been included in the topics discussed during the project management foundation course.

Further, UNOPS has set-up a task force informally, which includes the relevant practices (i.e. Project Management, Integrated Practice Advice and Support (IPAS), Finance), to review all projects and identify those that need to be closed.

Department responsible: Sustainable Project Management Practice Group
Status: In progress

Priority: Medium
Target date: Fourth quarter of 2014

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 conducted a ‘maturity assessment mission’ in the Democratic Republic of the Congo from July 22 to July 25, 2013, to assess management controls, benefits management, financial management, stakeholder management, risk management, organizational governance and resource management.

UNOPS plans a follow-up mission early in 2014 to undertake a series of actions which include project governance, planning, change control and project structure to support the Democratic Republic of the Congo Operations Centre to address project-related challenges.

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

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

UNOPS is addressing the adequacy of its oversight and support in high-risk environments on two fronts: (a) risks in the country of operation; and (b) project and programme risks. UNOPS planned seven ‘maturity missions’ to support centres operating in high-risk environments (i.e., Afghanistan, Democratic Republic of the Congo, Haiti, Myanmar, South Sudan, Sri Lanka and State of Palestine (Jerusalem)). Three missions have already been completed. They have allowed a better understanding of the challenges faced by the centres and the development of targeted improvements. UNOPS plans to expand the ‘maturity missions’ in the coming years to support other centres and assess progress in those which have already benefited from these missions. UNOPS is currently developing a project and programme risk management strategy.

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

In paragraph 62, UNOPS agreed with the Board’s reiterated recommendation that it resolve the dispute over inter-fund differences in its accounts with UNDP

In January 2013, UNDP and UNOPS appointed a panel of three experts to review this outstanding matter relating to inter-fund differences. Currently both UNOPS and UNDP are waiting to hear from the panel any requests for clarification it may have on the claim memorials and reply memorials submitted in May and August 2013 respectively, and for its final advisory opinion setting out the panel’s final recommendation to resolve the parties’ disputes. The parties have already agreed to follow the panel’s recommendations promptly. UNOPS is expecting to resolve this matter by the end of 2013.

Department responsible: Legal Practice Group
Status: In progress
Priority: High
Target date: Fourth quarter of 2013

In paragraph 64, UNOPS agreed with the Board's recommendation that it: (a) strengthen its project monitoring controls relating to management service agreements to detect system coding and other errors in a timely manner; and (b) obtain confirmation of outstanding amounts from UNDP before closure of its accounts to ensure that reconciling items are detected.

UNOPS has implemented appropriate controls to prevent errors in the coding and reporting of inter-fund transactions to UNDP. Furthermore, appropriate mitigating controls have been put in place to ensure that errors are detected in a timely manner. UNOPS has also initiated the obtaining of confirmations of inter-fund amounts.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed

In paragraph 71, UNOPS agreed with the Board's recommendation that it review the financial statements preparation process to ensure that the gaps identified by the Board are addressed through its processes.

All findings noted per this recommendation will be taken into account with the preparation of UNOPS IPSAS accounts for the year ended 31 December 2013. UNOPS undertook to prepare a set of full interim financial statements to ensure that gaps identified by the Board of Auditors in the 2012 financial statements process are alleviated.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	First quarter of 2014

In paragraph 99, UNOPS agreed with the Board's recommendation that it: (a) maintain adequate central records of exception cases approved by the local contract and procurement committees (LCPCs) ; and (b) monitor, analyze 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.

The records of exception cases approved following review by the LCPCs have been centralized. The Headquarters Contract and Property Committee (HQPC) met in September 2013 specifically to examine these records in order to report to the Executive Chief Procurement Officer on trends and any underlying problems. This meeting is in addition to the regular monitoring and support of the LCPCs by HQPC. Further, the Procurement Practice Group monitors all cases and picks up salient issues from those cases and takes appropriate action on an ongoing basis, e.g., training interventions, production of knowledge pieces and review of procurement policies. In 2013, this has been done on a number of occasions, e.g., with webcasts and newsletters on specific topics to all procurement practitioners.

<i>Department responsible:</i>	Procurement Practice Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed

In paragraph 107, UNOPS agreed with the Board's recommendation that it: (a) address the discrepancies in its asset registers to ensure that it is able to accurately account for its asset inventory and prepare accurate opening balances for IPSAS purposes; and (b) address the inconsistencies in the asset inventory certification process.

UNOPS has corrected the discrepancies noted in its fixed asset register and shared clear IPSAS instructions on asset certification and physical verification processes with its field offices as part of the certification process of project

assets for 2012. Although UNOPS has opted to take the Transitional Provisions per IPSAS 17, this recommendation as it relates to the finding noted by the Board is deemed implemented.

<i>Department responsible:</i>	Corporate Support Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	Medium
<i>Target date:</i>	Completed

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

In line with the service level agreement between UNOPS and UNDP, the payroll function for staff is performed by UNDP. UNDP performs monthly validation checks on the payroll to assure its completeness and accuracy and also ensures that employees are removed from the payroll once notified by UNOPS that they have been separated from the organization. In order for a second control mechanism to be available for part (b) above, UNOPS has added an additional control in the Finance Practice Group to check that terminated staff members are removed from the payroll in order to avoid overpayments.

<i>Department responsible:</i>	Human Resource Practice Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	Medium
<i>Target date:</i>	Completed

In the annex to the Board's report for the biennium 2004-2005, UNOPS agreed with the Board's recommendation to resolve the disputed inter-fund differences in its accounts with UNDP.

In January 2013, UNDP and UNOPS appointed a panel of three experts to review this outstanding matter relating to inter-fund differences. Currently, both UNOPS and UNDP are waiting to hear from the panel any requests for clarification it may have on the claim memorials and reply memorials submitted in May and August 2013 respectively, and for its final advisory opinion setting out the panel's final recommendation to resolve the parties' disputes. The parties have already agreed to follow the panel's recommendations promptly. UNOPS is expecting to resolve this matter by the end of 2013.

<i>Department responsible:</i>	Legal Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2013

In the annex to the Board's report for the biennium 2004-2005, UNOPS agreed with the Board's recommendation to: (a) continue to follow up on the unreconciled inter-fund differences in its accounts; and (b) engage with the relevant United Nations agencies in order to resolve the old inter-fund differences.

UNOPS has been engaged actively with the agencies concerned and aims to close all the outstanding balances in the coming months.

<i>Department responsible:</i>	Finance Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2013

In the annex to the Board's report for the biennium 2008-2009, UNOPS agreed with the Board's reiterated prior recommendation that it analyze all currently listed projects and identify projects that need to be closed.

Identification of projects that need to be closed is a continuous activity. The quarterly assurance review is used to document the status of project closure. UNOPS established an on-line 'project closure tool' to help operations centres track projects to close and facilitate a smooth closure process. A task force has been set-up informally which includes the relevant practices (i.e., Project Management, IPAS, Finance) to review all projects and identify those that need to be closed.

<i>Department responsible:</i>	Sustainable Project Management Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2014

In the annex to the Board's report for the biennium 2008-2009, the UNOPS Africa Regional Office and Senegal Operations Centre agreed with the Board's reiterated prior recommendation to 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 status of UNOPS projects is monitored through regular management meetings in the operations centres and using the management workspace tool, which reflects the project status in Atlas. The quarterly assurance review also documents the status of project closure. Following the Board's audit, UNOPS established an on-line 'project closure tool' to help operations centres to track projects for closure and to facilitate a smooth closure process. With regard to the projects listed in the Board's report for the Senegal Operations Centre, 90 per cent have been fully closed as of September 2013. The pending cases are being processed and are expected to be closed by the end of 2013.

<i>Department responsible:</i>	Sustainable Project Management Practice Group
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2013

In the annex to the Board's report for the biennium 2008-2009, UNOPS agreed with the Board's recommendation to: (a) address the discrepancies noted in its asset records; and (b) review all asset registers to ensure that other similar discrepancies are not detected.

UNOPS has corrected the discrepancies noted in its fixed asset register and shared clear IPSAS instructions on asset certification and physical verification processes with its field offices as part of the certification process of project assets for 2012. Although UNOPS has opted to take the Transitional Provisions per IPSAS 17, this recommendation as it relates to the finding noted by the Board is deemed implemented.

<i>Department responsible:</i>	Corporate Support Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed

In the annex to the Board's report for the biennium 2008-2009, UNOPS agreed with the Board's recommendation to: (a) implement controls to enable project managers to better control assets purchased with project funds; and (b) investigate the circumstances around the use of project funds to purchase these fixtures.

In December 2011, project assets policies and procedures were developed and communicated. Administrative Instruction AI/EO/2011/02 on 'Management of Assets' was promulgated as part of IPSAS implementation. In July 2012, UNOPS completed its physical verification of all UNOPS projects assets. Based on this physical verification, UNOPS has updated its policies to enhance control of project assets. Furthermore, 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 IPSAS-compliant opening balances, the project asset register for all projects ongoing as of 31 December 2011 was completed in July 2012.

<i>Department responsible:</i>	Corporate Support Group
<i>Status:</i>	Fully implemented
<i>Priority:</i>	High
<i>Target date:</i>	Completed
