



**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, 2022**

*Summary*

UNOPS is pleased to respond to the recommendations made in the report of the United Nations Board of Auditors (A/78/5/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 2022 was unqualified.

*Elements of a decision*

UNOPS management emphasizes the importance of addressing audit concerns. According to UNOPS assessment, progress has been achieved in the implementation of recommendations made for the year ended 31 December 2022. 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 works to expand the implementation capacity of its partners in the United Nations system and beyond. With its cost-effective services, it enables partners to help people in need through sustainable implementation, and to support countries in accelerating achievement of the Sustainable Development Goals. It is able to support all Goals through its expertise in sustainable, resilient and inclusive infrastructure; public procurement and supply chains; and project and programme implementation, through sustainable approaches. Its mandate is not programmatic, and the substantive focus is determined by the demand of its partners.

2. As an integral part of its commitment to build a better future for beneficiaries, UNOPS places a strong emphasis on improving control environments by addressing audit priorities, strengthening project service delivery, and enhancing process excellence. This is reflected in its renewed focus on improving the implementation rate of audit recommendations, which increased from 53 per cent in 2021 to 56 per cent in 2022, with an overall closure rate of 73 per cent in 2022 (58 per cent in 2021).

### **B. Strengthening project service delivery**

3. UNOPS implemented new requirements and guidelines for grant support, funds management, monitoring and evaluation, and quality guidelines to support improved project risk management and delivery. The organization continued to deepen the mainstreaming of gender and social inclusion with the release of its Gender Equality and Social Inclusion Mainstreaming Strategy and Action Plan for projects.

4. UNOPS released e-learning courses on project management and infrastructure design management to strengthen understanding of those topics so as to further improve the implementation of its projects.

5. UNOPS furthered its work on sustainable infrastructure with the publishing of the 'Inclusive Infrastructure for Climate Action' document, commenced work to reduce carbon emissions in its projects, and digitalized a suite of tools supporting those activities.

6. By the end of 2022, UNOPS had identified which Sustainable Development Goal(s) each of its projects intended to contribute to, and initiated processes to ensure that all new projects identify the relevant Goals. During 2023, analysis was provided to the Executive Board as a supplement to the midterm review of the UNOPS strategic plan.

7. In 2022, to further support UNOPS project delivery and contributions to the 2030 Agenda for Sustainable Development, UNOPS strengthened the Sustainable Procurement Framework, an effort recognized by the United Nations Sustainable Procurement Award. UNOPS systematically embeds sustainability considerations into procurement policies, procedures, and guidance to complement and enhance the sustainable impact of its projects and operations.

### **C. Enhancing process excellence**

8. In 2022, the Information Technology Group attained several significant milestones in bolstering the UNOPS technological landscape. The successful migration of our data centre to the Google Cloud marked a pivotal step forward, enhancing the scalability, resilience, and efficiency of our digital infrastructure. Implementation of multi-factor authentication fortified our security posture, providing an extra layer of protection for accessing UNOPS applications. The release and integration of a travel and daily subsistence allowance calculation module within the streamlined enterprise resource planning travel-related processes optimized operational efficiency. The introduction of 'oneUNOPS Collect' revolutionized data collection processes, making data-

gathering more streamlined and efficient, while the successful launch of the ‘Locations’ project offered improved location-based insights and management capabilities. The rollout to field offices of the ‘office-in-a-box’ initiative exemplified our commitment to providing a modernized and secure information technology environment, ensuring seamless operations across the organization. UNOPS implemented a health, safety, social and environmental management system, addressing the corporate priority of achieving ‘Goal Zero’ and allowing UNOPS to more effectively and efficiently manage health, safety, social and environmental risks in the organization. Finally, UNOPS took its first steps towards digital transformation by identifying options and opportunities for digital transformation to create the UNOPS digital strategy.

9. Under the Goal Zero initiative for occupational health and safety, UNOPS increased efforts to identify and address hazards before they caused harm to the workforce by performing more inspections at workplaces. Mandatory inspections increased from 7,957 in 2021 to 8,852 in 2022. The number of hazards addressed before they caused harm rose from 5,491 in 2021 to 11,990 in 2022.

#### **D. Risk, challenges, and corrective measures**

10. The United Nations Board of Auditors issued an unqualified audit opinion for UNOPS for the year ended 31 December 2022. The emphasis of matter included in the audit opinion for 2021 was no longer applicable for 2022 as the Sustainable Infrastructure Impact Investments (‘S3i’) initiative special-purpose vehicles related to social housing across the Caribbean, Ghana, India, Kenya, and Pakistan had been fully impaired, and the equity shares and compulsorily convertible debt shares associated with a 250 MW solar project in India had been sold.

11. Further to the potential failures related to the S3i initiative becoming apparent in late 2021, UNOPS, under the guidance of the Executive Board, launched and implemented an initial 10-point action plan in 2022. By November 2022, the Executive Board had welcomed the fact that all activities of the S3i initiative had been suspended. At the request of the Board, UNOPS developed a comprehensive response plan to address recommendations of third-party reviews; the plan was welcomed by the Board in early 2023.

12. As of 31 December 2022, end-of-service and post-retirement benefits for both management-funded and project-funded staff amounted to \$74.8 million (\$63.4 million for after-service health insurance, \$11.1 million for repatriation grants, and \$0.3 million for death benefits). All end-of-service and post-retirement benefit liabilities were fully funded as of 31 December 2022.

13. The United Nations Board of Auditors noted that UNOPS incurred an overall deficit for the first time since it began to implement the International Public Sector Accounting Standards (IPSAS) framework in 2012. It reported a deficit of \$28.78 million, due mainly to the recognition of the impairment of S3i investments, and a net finance loss on treasury investments during the period attributable to the market conditions prevailing at the time. The Board did not identify significant errors, omissions, or misstatements in the UNOPS financial records for the year ended 31 December 2022. UNOPS took note of scope for improvement identified by the auditors in the areas of financial and budget management, investment management, and project management, and noted that the lessons learned in that connection would enhance UNOPS management in those areas.

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

14. In its report for the year ended 31 December 2022 (A/78/5/Add.11), the United Nations Board of Auditors issued five recommendations classified as high priority and 14 classified as medium priority. The implementation of all recommendations is on track for completion within the established timelines. Because the recommendations were issued in July 2022 and many of them require long-term attention, UNOPS will need to work beyond financial year 2022 to implement them successfully. Annexes 1 and 2 provide individual responses to those 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 2022. In the implementation schedule included in this report, UNOPS is targeting an implementation rate of better than 60 per cent for the 2023 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 2022. UNOPS is confident that all of the 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 31 December 2022

### Implementation of the recommendations contained in the report of the United Nations Board of Auditors for the year ended 31 December 2022 (A/78/5/Add.11)

17. The Board of Auditors made 19 new recommendations for 2022. Tables 1 and 2, below, summarize the implementation status of all recommendations for the financial period ended 31 December 2022.

**Table 1. Status of main recommendations for 2022, by thematic area**

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Financial management	2	1	1
Project management	2	-	2
Risk management	1	-	1
<b>Total</b>	<b>5</b>	<b>1</b>	<b>4</b>
<b>Percentage</b>	<b>100%</b>	<b>20%</b>	<b>80%</b>

**Table 2. Status of all recommendations for 2022 by thematic area**

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Budget management	2	1	1
Financial management	5	2	3
Grant management	2	-	2
Information technology	1	-	1
Procurement management	2	-	2
Project management	5	-	5
Risk management	2	1	1
<b>Total</b>	<b>19</b>	<b>4</b>	<b>15</b>
<b>Percentage</b>	<b>100%</b>	<b>21%</b>	<b>79%</b>

18. The following paragraphs report on the status and management action plans for every recommendation issued by the Board of Auditors for 2022.

#### A. Budget management

19. In paragraph 35, the Board recommended that UNOPS conduct a thorough review of its revenue and make reasonable revenue forecasts to ensure the integrity of revenue estimates in the budget preparation process in accordance with its financial regulations and rules.

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Third quarter 2025

20. In line with the recommendation, and through the budget estimates for the biennium 2024-2025 (DP/OPS/2023/7, paragraph 41), UNOPS has committed to adopting an approach that will integrate all its income into its planning processes for the next budget estimates. Management will, however, seek to identify a solution at the earliest opportunity.

**21. In paragraph 47, the Board recommended that UNOPS adhere to the provisions of IPSAS 24 and assess the appropriateness of including write-offs and provisions in the budget to ensure budgeting accuracy and reliability.**

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

22. The UNOPS budget estimates for the biennium 2024-2025 were endorsed by the Executive Board following a review by the Advisory Committee on Administrative and Budgetary Questions during the second regular session 2023. Chapter IV, Budget estimates for 2024-2025, section D, Operational reserve protecting against risks (paragraph 115) provides details, while the resource plan (table 3) demonstrates the exclusion of the budget amount for “provisions, liabilities and contingencies” compared to previous biennia.

## B. Financial management

**23. In paragraph 26, the Board recommended that UNOPS review its budget- and price-setting practices and take measures to ensure that the cost recovery/fee-setting algorithm is based on the needs of UNOPS to fund its management expenses for the budget period.**

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

24. The UNOPS budget estimates for the biennium 2024-2025 were endorsed by the Executive Board following a review by the Advisory Committee on Administrative and Budgetary Questions during the second regular session 2023. Chapter II, Financial context, of the budget estimates provides details of the UNOPS full cost-recovery model, with the details on the management fee-setting algorithm in annex II.

**25. In paragraph 58, the Board recommended that UNOPS conduct a comprehensive assessment of the causes behind delays in internal investment projects and take measures to improve the budget performance.**

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

26. In line with the recommendation, the UNOPS Internal Investment Committee conducted a review of the root causes, and the Chief Financial Officer shared the results with the management team in June 2023. The impact of the actions is expected for the full year 2023, and the Committee follows the implementation status of the budget on a monthly basis. Overall, the implementation rate is expected to improve considerably in year 2023 as a result.

**27. In paragraph 68, the Board recommended that UNOPS take all measures necessary within its remit to recover the funds associated with S3i investments' losses.**

<i>Business unit responsible:</i>	Legal Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter 2025

28. UNOPS continues to work with the United Nations Office of Legal Affairs to recover funds related to Sustainable Infrastructure Impact Investments (S3i). The Office of Legal Affairs, with the assistance of outside counsel, is still leading efforts on a recovery strategy, which includes assessing possible avenues for the recovery.

**29. In paragraph 80, the Board recommended that UNOPS conduct a review to identify the root causes of the over-recovery of locally managed direct costs and regionally managed direct costs at the project level, and integrate any lessons learned into its shared services management processes.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2024

30. UNOPS has embarked on the requested root cause analysis. The results of that analysis will be shared with the Board of Auditors. They will also be incorporated into the overall improvement of the cost recovery processes that UNOPS will develop through a third-party review and internal conversations with key stakeholders.

**31. In paragraph 81, the Board further recommended that UNOPS establish a global budgeting and recovery approach of locally managed direct costs for client projects to keep the recovery at a reasonable level.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2024

32. UNOPS decided to have a full third-party review of its current cost recovery model. Within this review and the implementation of the resulting recommendations, UNOPS will define a global approach to budgeting and managing its locally managed direct cost. The ambition of the review is to ensure an adequate and transparent way to ensure that any budgets and charges made under this recovery model are well documented, justified, and concordant with partner agreement.

### C. Grant management

**33. In paragraph 136, the Board recommended that UNOPS establish a centralized management mechanism for grant projects, including a digital system to conduct effective monitoring at organization level.**

<i>Business unit responsible:</i>	Infrastructure and Project Management Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2025

34. UNOPS has developed a business case for a grant management system, and worked with the United Nations International Computing Centre to finalize the business case and steps required



for UNOPS to join the United Nations Partner Portal. The business cases for both the grants management system and the Partner Portal have been included in the broader UNOPS Business Transformation and Digitalization Programme, and work is ongoing with an information technology consulting firm to develop key capability requirements for the system. UNOPS has established a cross-functional grants management system task force, consisting of personnel from across the organization, to inform the system requirements and design. The goal of the grants management system as defined by the task force is to establish an agile, relational (connected with UNOPS and other systems), user-friendly system that both prioritizes end-user/stakeholder needs and expectations and fulfils the audit recommendations. The grants management system will facilitate all steps of the UNOPS grant support process, from planning to closure, ensuring grant support transparency that is robust and aligned with industry best practices.

35. As of October 2023, capabilities have been mapped, and end-user and initial system requirements identified. Members of the task force will develop system requirements with information technology experts in early November 2023.

36. **In paragraph 145, the Board recommended that UNOPS develop guidelines to improve the timeliness, completeness and accuracy of grantee reporting, and integrate it with the upcoming digitization system for more effective grantee reporting management.**

<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 2024

37. UNOPS refined the implementation schedule for the roll-out of the Grant Support Operational Instruction. UNOPS is developing policies related to asset management and grant financial reporting, and, in October 2023, initiated development of the monitoring and evaluation requirements. UNOPS developed a business case for the development of a grant management system as part of the UNOPS Business Transformation and Digitization Programme. The business case aligns with the Grant Support Operational Instruction and policy requirements. In addition, a working group consisting of personnel from headquarters, country and regional offices is developing reporting requirements for system developers. UNOPS conducted training on the new grant support policies in three regions from July-October 2023, reaching over 100 personnel working in grants management, which will aim to strengthen management of implementing partners, including reporting.

#### **D. Information technology**

38. **In paragraph 171, the Board recommended that UNOPS prepare an overarching plan for the digital transformation programme, including a robust forecast of costs and a timetable.**

<i>Business unit responsible:</i>	Digital Transformation Programme
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2023

39. UNOPS has continued to work with the external consultancy to support the detailed costing and timeline, as well as the relevant digital systems leveraging existing United Nations experience and 'best of breed' tools. This will be updated based on the decisions of the management team when the proposed costs and timelines are presented at the end of 2023.

## E. Procurement management

40. **In paragraph 115, the Board recommended that UNOPS assess the procurement procedures of asset manager selection to ensure a robust management structure with clear reporting lines and sufficient division of procurement duties.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2023

41. UNOPS Treasury, with the support and guidance of the Procurement Group and the Investment Advisory Committee, will redevelop the guidance and process specific to the selection of external asset managers.

42. **In paragraph 181, the Board recommended that UNOPS strengthen the approval process of pre-selection requests from United Nations funding sources and assess the feasibility of obtaining endorsement from their headquarters office so as to better implement the principle of mutual recognition of best practices in the United Nations development system.**

<i>Business unit responsible:</i>	Procurement Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2024

43. UNOPS will analyse the review process of pre-selection letters prior to their acceptance and the processing of procurement activities.

## F. Project management

44. **In paragraph 104, the Board recommended that the UNOPS include a detailed reference to the treatment of interest collected on prepayments made by the partners, as well as a clear reference to UNOPS investment principles in all legal agreements with partners, to ensure that partners are fully informed of their use by UNOPS of prepayments for investment.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter 2023

45. UNOPS has included the review of this standard clause in the legal agreement as part of the engagement review checklist. This will ensure that reviewers include the required language in the legal agreements signed. It is to be noted that the interest clause cannot be included in agreements where we have predetermined templates which are requested by the donors. For these, UNOPS will need to rely on the preference of the partners.

46. **In paragraph 126, the Board recommended that UNOPS conduct a comprehensive review and analysis of the consolidated purchase of medicines and medical supplies, with a focus on identifying the causes of early termination to improve project management.**

<i>Business unit responsible:</i>	Internal Audit and Investigations Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter 2023

47. The draft review report was shared with the stakeholders (Latin America and the Caribbean Regional Office and Mexico Office), and feedback was received in September 2023. The review report will be issued in the fourth quarter of 2023.

**48. In paragraph 150, the Board recommended that UNOPS conduct a detailed analysis of the reasons for the write-offs, and produce a report with recommendations as part of its continuous improvement and lessons learned management.**

<i>Business unit responsible:</i>	Infrastructure and Project Management Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	First quarter 2024

49. A detailed analysis of the reasons for the write-offs is being coordinated with the Finance Group and Contracts and Property committees. Lessons learned will be developed through the collection and analysis of contemporary records and targeted stakeholder interviews. Recommendations will form part of the report, and of a continuous improvement process.

**50. In paragraph 157, the Board recommended that UNOPS take effective measures to appropriately record all financial reports to clients in its financial reporting monitoring dashboard to ensure effective and timely internal oversight.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2024

51. UNOPS has started to report on the completeness of the information to senior management. This supports our collection of data inputs from the project teams. UNOPS has already observed great improvement for some regions already. This information continued to be requested during engagement reviews, at the creation as well as during amendments, further improving data quality. UNOPS is on track to close the recommendation with an extended target date, given the amount of information to be collected.

**52. In paragraph 163, the Board recommended that UNOPS meet all the needs of the close-out to ensure that all financial closure activities are implemented in a timely manner.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter 2024

53. We are continuing to work on project closure in collaboration with the regions. The work is advancing, and UNOPS is on track to close additional projects.

## G. Risk management

54. **In paragraph 93, the Board recommended that UNOPS conduct a thorough identification and assessment of the potential portfolio risks to ensure that risks are mitigated.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter 2023

55. UNOPS reviewed the portfolio risks of the operational reserve portfolio at the Investment Advisory Committee meeting held on 30th August 2023. UNOPS will finalize the review of risks for the working capital portfolio and the after-service health insurance portfolio at the Investment Advisory Committee meeting scheduled for 8 December 2023.

56. **In paragraph 187, the Board recommended that UNOPS continuously improve the functioning of the Internal Audit and Investigations Group and ensure the independence of the Group for improved risk management.**

<i>Business unit responsible:</i>	Internal Audit and Investigations Group
<i>Status:</i>	Closure requested
<i>Priority:</i>	Medium
<i>Target date:</i>	Not applicable

57. This is considered implemented, as the independence of the Internal Audit and Investigations Group has been strengthened through its revised charter. The strengthening measures are also being applied in practical terms, including that the Director of the Group now has unrestricted access to the Executive Board and the Audit Advisory Committee. Since ensuring the independence of the Group is not a one-time event, this activity will be strictly and continuously monitored by its Director.

## Annex 2. Status of recommendations from prior financial periods

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

58. In the annex to its report for the year ended 31 December 2022, the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Information on the 12 recommendations that were under implementation is provided below. UNOPS considers four of the 12 recommendations relating to previous financial periods to be implemented. The table below, summarizing the overall situation, is set out in the order in which the recommendations are presented in the annex of the audit report.

**Table 3. Status of outstanding recommendations from prior years**

<i>Thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Financial management	1	-	1
Human resource management	2	-	2
Information technology	2	-	2
Procurement management	1	-	1
Project management	3	2	1
Risk management	3	2	1
<b>Total</b>	<b>12</b>	<b>4</b>	<b>8</b>
<b>Percentage</b>	<b>100%</b>	<b>33%</b>	<b>67%</b>

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

59. 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 2020
<i>Revised target date</i>	First quarter 2024

60. UNOPS is working to complete the automation of the corporate financial statements. Phase I of the project has been completed, leading to the generation of statements I and II in the system. Phase II of the project, which is ongoing, will lead to the automation and final visual outputs of five statements and 45 tables.

61. In paragraph 174, the Board recommended that UNOPS automate preparation of financial statements to ensure the credibility of financial information. UNOPS should also prioritize 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 2020
<i>Revised target date</i>	First quarter 2024

62. UNOPS is working to complete the automation of the corporate financial statements Phase I of the project has been completed, leading to the generation of statements I and II in the system. Phase II of the project, which is ongoing, will lead to the automation and final visual outputs of five statements and 45 tables.

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

63. **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 2021
<i>Revised target date</i>	Fourth quarter 2023

64. UNOPS established a global task force for the development of a 'liquidated damages guidance' document to support the current provisions in the Procurement Manual. The liquidated damages guidance is expected to be released by the end of 2023.

### **C. Report of the United Nations Board of Auditors for the year ended 31 December 2020 (A/76/5/Add.11)**

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

<i>Business unit responsible:</i>	Helsinki Office
<i>Status:</i>	Closure requested
<i>Priority:</i>	Medium
<i>Original target date:</i>	First quarter 2022
<i>Revised target date</i>	Not applicable

66. This recommendation is considered overtaken by events, as UNOPS has terminated the S3i initiative and is in the process of closing down the Helsinki Office (previously known as the S3i Office). Furthermore, all of the S3i investments have been impaired and the equity deal in India has been disinvested. There is therefore no ground for monitoring the S3i investments. Recovery efforts for the S3i investments are managed by the United Nations Office of Legal Affairs.

67. **In paragraph 73, the Board recommended that UNOPS update guidelines to complement 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 to the applicability of the pricing model during the engagement acceptance process.**

<i>Business unit responsible:</i>	Finance Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Original target date:</i>	Fourth quarter 2021
<i>Revised target date</i>	Second quarter 2024

68. UNOPS postponed the revision of the risk increment calculation approach as its management decided to have a full third-party review of its current cost recovery model. Within this review and the implementation of the resulting recommendations, UNOPS will also consider

the approach to the risk increment and its design. The ambition of the review is to secure an adequate and transparent way to ensure that the UNOPS minimum operational reserve is appropriately refilled if and when needed.

#### **D. Report of the United Nations Board of Auditors for the year ended 31 December 2021 (A/77/5/Add.11)**

**69. 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>	Helsinki Office
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Original target date:</i>	Fourth quarter 2022
<i>Revised target date</i>	Fourth quarter 2024

70. In late 2022, UNOPS commissioned a third party to conduct a comprehensive, in-depth and adequate evaluation/review of the decision-making, management and internal control of the We Are The Oceans and Ocean Generation projects. The report was shared with the UNOPS Executive Director on 17 February 2023.

71. In 2023, UNOPS established its Quality Assurance Group, which is reviewing and updating UNOPS policies and processes for compliance and due diligence, thus strengthening UNOPS compliance and accountability mechanisms. A new operational directive outlining the due diligence framework at UNOPS was promulgated in April 2023. Its purpose was to align the due diligence processes conducted within UNOPS with that of the United Nations Sustainable Development Goals common approach to prospect research and due diligence for business sector partnerships, as well as to establish the overarching guiding principles and framework on the basis of which UNOPS will undertake such due diligence across the organization. The recruitment of the strengthened due diligence team is in its final phase (offers being made). The recruitment of the compliance team will commence in the fourth quarter of 2023. In the meantime, a Senior Compliance Advisor, recruited on a retainer contract, is drafting an anti-corruption and anti-bribery policy for UNOPS on a priority basis. This recommendation is considered to be under implementation.

**72. In paragraph 99, the Board recommended that UNOPS take measures to finalize the key controls to make sure that quarterly reporting is conducted on the effectiveness of internal control.**

<i>Business unit responsible:</i>	Risk Group
<i>Status:</i>	Closure requested
<i>Priority:</i>	Medium
<i>Original target date:</i>	Fourth quarter 2022
<i>Revised target date</i>	Not applicable

73. UNOPS has concluded the identification of key controls across its core processes. Quarterly testing of the key controls was initiated in third quarter of 2022. These cover the following core processes: project delivery, procure-to-pay, human resources, information technology, and financial closure.

**74. In paragraph 115, the Board recommended that UNOPS review its human resources services provided 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.**

*Business unit responsible:* Partnership and Liaison Group  
*Status:* Under implementation  
*Priority:* Medium  
*Original target date:* Second quarter 2023  
*Revised target date:* Fourth quarter 2023

75. UNOPS is collaborating with its counterparts in the United Nations Secretariat to expedite negotiations aimed at agreeing to a new memorandum of understanding. Taking into consideration progress made to date, as well as the complexity of the memorandum of understanding and related negotiations, every effort is being made to conclude negotiations and have a final memorandum by no later than end of 2023.

76. The draft memorandum of understanding clarifies UNOPS roles with respect to the provision of its services, which may include human resource services needed for the delivery of support services. Those personnel will come under the UNOPS legislative framework and policies.

77. The draft report of the Joint Inspection Unit on its review of the use of non-staff contracts in the United Nations system has been released for comments. The final report will provide additional guidance on this matter.

**78. 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 the UNMAS project assets and their records in oneUNOPS.**

*Business unit responsible:* Peace and Security Cluster  
*Status:* Closure requested  
*Priority:* Medium  
*Original target date:* Second quarter 2023  
*Revised target date:* Not applicable

79. UNOPS has revised its standard operating procedure and established a mechanism to check the data consistency between WASP (inventory management) and oneUNOPS project asset records. UNOPS considers this recommendation to have been implemented and requests its closure by the Board of Auditors.

**80. 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.**

*Business unit responsible:* Peace and Security Cluster  
*Status:* Under implementation  
*Priority:* High  
*Original target date:* Second quarter 2023  
*Revised target date:* Fourth quarter 2023

81. UNOPS is collaborating with its counterparts in the United Nations Secretariat to expedite negotiations aimed at agreeing to a new memorandum of understanding. Taking into consideration progress made to date, as well as the complexity of the memorandum of understanding and related negotiations, every effort is being made to conclude negotiations and have a final memorandum by no later than end of 2023.

**82. In paragraph 147, the Board recommended that UNOPS strengthen the physical verification of UNMAS project assets.**



<i>Business unit responsible:</i>	Peace and Security Cluster
<i>Status:</i>	Closure requested
<i>Priority:</i>	Medium
<i>Original target date:</i>	Second quarter 2023
<i>Revised target date</i>	Not applicable

83. UNOPS has revised its standard operating procedure; amended its internal asset reporting and verification template; and introduced a joint UNOPS/UNMAS monthly asset meeting. Training for all mine action offices has been conducted and the processes are fully implemented. UNOPS considers this recommendation to have been implemented and requests its closure by the Board of Auditors.

**84. In paragraph 206, the Board recommended that UNOPS list clearly in its rules the positions that entail “inherently United Nations activities”, which 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 Culture Group
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Original target date:</i>	Fourth quarter 2022
<i>Revised target date</i>	Fourth quarter 2024

85. UNOPS is on track to complete the first phase of its review of contractual modalities by 31 December 2023. The approach and implementation plan were endorsed by the Executive Board at its second regular session 2023. In this phase, 73 new fixed-term appointment posts are to be established and filled in accordance with the staff regulations and rules of the United Nations. The next update will be provided at the first regular session of the Executive Board 2024. UNOPS also recognizes the importance of the findings of the United Nations Joint Inspection Unit on the review of the use of non-staff personnel and related contractual modalities in the United Nations system (Joint Inspection Unit project A.468) to guide future decisions regarding UNOPS application of individual contractor agreements across the organization.

## **E. Conclusion**

86. UNOPS welcomes the report of the Board of Auditors on the financial statements for the year ended 31 December 2022 and its overall conclusion that UNOPS closed 2022 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 for improvement identified in the report and will continue to strengthen and widen the scope of these initiatives.