



**Executive Board of the
United Nations Development
Programme, the United Nations
Population Fund and the United
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Recommendations of the Board of Auditors

UNCDF: Report on the implementation of the recommendations of the United Nations Board of Auditors, 2018

Summary

In July 2019, the United Nations Board of Auditors (UNBOA) formally issued its audit report for the United Nations Capital Development Fund (UNCDF) (A/74/5/Add.2) and awarded UNCDF an unqualified (clean) audit opinion for the year ended 31 December 2018. This is the seventh full year of reporting under the International Public Sector Accounting Standards (IPSAS) and the opinion reiterates the continuing commitment of UNCDF to comply with IPSAS.

The UNCDF Managing Director wishes to emphasize that transparency and accountability for results and impact continue to be top priorities for UNCDF. The governance mechanisms and the accountability framework ensure that funds are administered with appropriate fiduciary accountability, reinforced by a commitment to ongoing improvement and innovation. UNCDF continuously learns from and implements the recommendations of its independent oversight bodies to help drive efficiency and effectiveness.

This document reports on the implementation status of the recommendations of the UNBOA for the year ended December 2018 and earlier. Pursuant to Executive Board decision 2010/9, details of the implementation status of the individual audit recommendations and the full audit report of the UNBOA are available on the UNDP Executive Board website.

Elements of a decision

The Executive Board may wish to: (a) note the unqualified audit opinion issued by the UNBOA for 2018; (b) support the ongoing efforts of UNCDF management in implementing the recommendations of the UNBOA for the year ended 31 December 2018 as well as the remaining recommendations from prior years.



I. Introduction

1. UNCDF has received an unqualified (clean) audit opinion from the UNBOA on its financial statements for the year ended 31 December 2018. For UNCDF, this marks seven consecutive years of unqualified audit opinions since UNCDF presented its own separate financial statements in 2012. This achievement confirms the Fund's commitment to continuous improvement in financial management, transparency and accountability. UNCDF will continue to strive for greater operational excellence. The tone set at the top, by the Managing Director and the Executive Secretary, has been instrumental in enabling UNCDF to receive unqualified audit opinions from its external auditors.

2. UNCDF has put in place close oversight mechanisms to ensure full implementation of all audit recommendations, including adequate mitigating strategies and controls. In the following sections, UNCDF provides an update on process made in implementing audit recommendations.

II. Status of audit recommendations of the Board of Auditors for the year ended 31 December 2018

3. For the year ended 31 December 2018, the UNBOA, in its audit report of UNCDF (A/74/5/Add.2), issued seven audit recommendations (2017: seven recommendations). Of those, four were classified as 'high priority', while the remaining three were assigned a 'medium priority' rating. Management agreed with all recommendations issued. The recommendations have target completion dates in the first and second quarters of 2020.

4. Of the seven recommendations issued, five relate to loan management (improve loan policy and strengthen its implementation), one to revenue recognition and one to utilization of grant module. Implementation of the recommendations will require in particular efforts by UNCDF management to further improve policy and business processes related to its loan portfolio management.

5. Consistent with practices adopted in previous years, and as agreed with the UNBOA, UNCDF has adopted a phased approach for implementing the audit recommendations, with clear accountabilities for the implementation of each recommendation and target completion dates. The phased approach is based on the complexity and time required to resolve and discuss each issue with the UNBOA. It is important to note that implementation of the 2018 recommendations could start only after issuance of the final report of the UNBOA in July 2019.

6. As of end-November 2019, four months after the formal release of the report of the UNBOA and despite the 2020 due dates, UNCDF was pleased to note that management had already indicated that two of the recommendations were implemented, pending review by the UNBOA. Actions had already commenced on five of the remaining audit recommendations to ensure full implementation by the target completion dates. Pursuant to Executive Board decision 2010/9, a tabular listing of the status of audit recommendations' implementation is available on the Executive Board web page.

Table1. Implementation status by target completion dates – UNCDF

Target completion date	Number	Implemented or closure requested	In progress	To be started	Total
2020, 1st quarter	2		2	0	2
2020, 2nd quarter	5	2	3	0	5
Grand total	7	2	5	0	7
Percentage	100%	29%	71%	0	100%

Table 2. Implementation status by priority – UNCDF

Priority	Implemented or closure requested	In progress	To be started	Total
High	1	3	0	4
Medium	1	2	0	3
Total	2	5	0	7
Percentage of total	29%	71%	0	100%

III. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2017 and prior years

7. As of November 2019, of the 22 audit recommendations issued to UNCDF for the 2017, 2016 and 2015 financial years, 21 were assessed as fully implemented by the UNBOA and one as fully implemented but waiting for UNBOA final assessment.

IV. Conclusion

8. UNCDF is pleased to receive an unqualified audit opinion from the UNBOA. This is a testament to the hard work of all staff throughout UNCDF offices globally. UNCDF does not currently have any recurring audit issues. UNCDF management will continue to closely monitor the implementation of all audit recommendations in order to ensure that UNCDF continues to enhance the productivity, accountability, transparency and performance for results and impact, while making every effort to close the recommendations of the UNBOA in a timely manner.