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

UNDP and UNCDF: Report on the implementation of the recommendations of the Board of Auditors, 2015

Summary

In July 2016, the United Nations Board of Auditors formally issued its audit reports for UNDP (A/71/5/Add.1) and the United Nations Capital Development Fund (UNCDF) (A/71/5/Add.2) and awarded both entities unqualified (clean) audit opinions for the year ended 31 December 2015. For UNDP, this is the eleventh consecutive year of unqualified audit opinion and for both organizations, this is the fourth full year of reporting under the International Public Sector Accounting Standards (IPSAS), reiterating the continuing commitment of senior management to compliance with IPSAS and to transparency and accountability. In 2016 UNDP was, for the second time, rated by the International Aid Transparency Initiative‒ which ranks 46 aid organizations including bilateral donors, United Nations agencies and other multilateral organizations − as the most transparent aid organization in the world, having maintained this ranking from the last assessment in 2014.

UNDP adopts a risk-based approach in addressing recurring audit matters. Based on the observations and risks raised in reports issued by the Board of Auditors, the Office of Audit and Investigations (OAI) and the Audit and Evaluations Advisory Committee (AEAC), as well as the decisions of the Executive Board and the Executive Group, UNDP management has continued to establish audit-related management priorities on a biennial basis since 2006. Progress is monitored against baseline indicators through regular meetings chaired by the Administrator and Associate Administrator and reported annually to the Executive Board at its first regular session.

For UNDP, the present report reviews the final assessment of the top eight audit-related management priorities for 2014–2015 (as presented in DP/2015/8 and supported by Executive Board decision 2015/5); presents the top seven audit-related management priorities for 2016–2017 established by management and endorsed by the Board of Auditors, OAI and the AEAC, and management actions that will be taken to address each priority; and reports progress on the implementation status of the recommendations of the Board of Auditors for the year ended December 2015. Pursuant to Executive Board decision 2010/9, details of the implementation status of the individual audit recommendations and the full audit report of the Board of Auditors are available on the UNDP Executive Board website.

Elements of a decision

The Executive Board may wish to: (a) note the 2015 unqualified audit opinions issued by the United Nations Board of Auditors for both UNDP and UNCDF; (b) take note of the progress made by UNDP in the final evaluation of the top eight audit-related priorities in 2014–2015; and (c) support the ongoing efforts of UNDP management in addressing the revised top seven audit-related management priorities for the 2016–2017 biennium and in implementing the recommendations of the Board of Auditors for the year ended 31 December 2015.

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I. Introduction

1. The unqualified (clean) audit opinions received by UNDP and the United Nations Capital Development Fund (UNCDF) from the United Nations Board of Auditors on the financial statements for the year ended 31 December 2015 reflect the commitment of senior management to continuous improvement in financial management, transparency and accountability. UNDP will continue to be vigilant and strive for greater excellence in its operations. The tone set by the Administrator and Associate Administrator has been instrumental in enabling UNDP to receive these unqualified audit opinions.

2. UNDP adopts a risk-based approach in addressing recurring audit issues. The purpose of setting the organization's top audit-related management priorities is to identify, from the perspective of internal and external oversight and governing bodies, significant, recurring or emerging risks and the associated inherent root causes. This allows management, on a priority basis, to ensure that adequate mitigating strategies and controls are put in place to address such issues. The top seven audit-related management priorities for the biennium 2016–2017 are listed in annex 1 and the final assessment of the priorities for 2014–2015 is in annex 2. UNDP has made continuous improvement in addressing its audit priorities, as indicated in the progressive reduction in the number of priorities from the original 15 in 2006–2007 to the current seven priorities. In order to sustain this improvement and realize additional gains, UNDP will continue to be proactive in its oversight and monitoring. The recent strengthening of regional hubs to provide oversight services closer to country offices is one of the actions taken by management to strengthen oversight.

3. The present report is divided into four sections: the introduction; the final assessment of progress made in addressing the eight top audit-related management priorities for 2014–2015; the proposed top seven audit-related management priorities for 2016–2017; and a report progress on implementation of audit recommendations for 2015 and prior years.

4. In establishing the list of the top seven audit-related management priorities for 2016–2017, which have been endorsed by the Organizational Performance Group and the Executive Group, management has consulted the Board of Auditors, the Office of Audit and Investigations (OAI) and the Audit and Evaluations Advisory Committee (AEAC). The list is a reflection of the recurring issues raised by the oversight and governing bodies.

II. Review of progress made in addressing the top audit-related management priorities in 2014-2015

5. The assessment reviews progress as of end–2015 against the baseline indicators established in 2013. In cases where specific planned actions within a priority were not fully addressed, these elements have been carried forward to the priorities for 2016–2017.

6. Four priorities have been assessed as being fully addressed. These priorities are related to (a) structural change management and benefits realization; (b) inventory and asset management and compliance with the International Public Sector Accounting Standards (IPSAS) on project assets; (c) recruitment management and separation controls; and (d) long-outstanding audit recommendations.

7. Residual challenges remaining in four priorities are proposed to be carried forward to 2016–2017, incorporating elements of emerging challenges. The four priorities are: (a) implementing partner fiduciary and capacity management; (b) programme and project management and quality assurance; (c) management accountability and implementation of field-level controls; and (d) procurement planning and professionalization/capacity strengthening. Most of the geographical areas where UNDP has its largest projects are high-risk environments with associated challenges of attracting qualified talent. Section III below highlights some of the proposed management actions to address this challenge.

A.   Implementing partner fiduciary and capacity risk management

8. This priority sought to address the management of unique issues associated with the national implementation modality (NIM) and implementation of projects through non-governmental organizations (NGOs). UNDP relies heavily on regular project monitoring and compliance with the harmonized approach to cash transfers (HACT), complemented by the annual financial audits and evaluations of such projects to provide assurances on how such projects are managed.

9. During 2014–2015, improvements were noted in the status of NIM/NGO audit report submission by deadline, from 81 per cent in 2013 to 93 per cent in 2015. There was also a decrease in projects with negative audit opinions; net financial impact of expenditure in the NIM/NGO audits; and the number of projects with recurring modified audit opinions between baselines established in 2013 and final assessment in 2015. Performance under the HACT indicates that macro assessments were carried out in 72 per cent of UNDP offices and micro assessments carried out for 68 per cent of implementing partners as of December 2015. Although the roll-out of HACT was launched in 2015, more work remains to be done in the areas of implementing partner fiduciary and capacity risk management, which continue to be raised by both the external and internal auditors due to capacity challenges and lack of compliance with the Programme and Operational Policies and Procedures. The organization is working to address implementing partner capacity and risk management through the HACT roll-out and the inclusion of standard clauses for fiduciary management content in project documents as well as the addition of the UNDP anti-fraud policy as an annex to all project documents which involve a transfer of funds to an implementing partner or responsible party. When implementing partners do not have an anti-fraud policy, they are encouraged to adopt the UNDP policy. Additional management actions to increase HACT coverage are outlined in section III below.

10. The following elements of this priority have been carried forward to 2016–2017: (a) continued efforts to ensure the full roll-out of HACT; and (b) the revision and compliance monitoring of the national execution (NEX)/NIM manual. These elements will be consolidated together with other emerging priorities under this audit area.

B.   Programme/project quality and risk management

11. This priority included improved quality of results-centred programme and project management through the Integrated Results and Resources Framework (IRRF) and the project-level quality assurance system; strengthened risk management of high-risk projects of the Global Fund to Fight AIDS, Tuberculosis and Malaria; improved pace of programme and project implementation; and timely financial closure of projects and refunds to donors.

12. Improvements were noted, under this priority although more work remains. Using the IRRF data, UNDP conducted – for the first time in the United Nations system – a statistical analysis to identify drivers of development performance which informed the strategic decisions of UNDP. This improved results orientation, informed by evaluations and other evidence, is based on theory of change analysis. Offices have one year to comply with the quality assurance requirements for all new and ongoing projects. The 2016 OAI performance audit on results-based management (RBM) rated UNDP as 'satisfactory', the highest rating possible. The audit concluded that "the current policy reforms and practices of RBM addressed the challenges related to the quality of programmes and projects and brought more coherence to the work of managing for results in UNDP, both at the corporate and at the field level". The Executive Group, chaired by the Administrator, regularly reviews programme delivery against targets, with improvements noted from the average baseline of 73 per cent in 2013 to 82 per cent in 2015. The benefits of the programme and project management reforms that were launched in March 2016 may take a few more years to be fully embedded and for UNDP to see a significant shift in better management of programmes and projects. The structural change that enables regional hubs to take a bigger role in supporting country offices provides a good platform for UNDP to address these priorities by the end of 2017.

13. Timely closure of projects and management of the recurring audit issues related to the procurement and supply chain management under Global Fund projects require more work and are therefore carried forward to 2016–2017. Under timely closure of projects, various challenges including delays in receiving instructions from donors on what to do with balance of funds and restrictions in national legislation affecting timely disposal or transfer of assets continue to create challenges in closing projects. Under procurement and supply chain management, the main recurring audit observation relates to non-compliance with the quality assurance requirements for storing medical inventories. This is a challenging endeavour as in most countries, transport, logistics and the full supply chain rely on national systems and are not under the control of UNDP, so that success in addressing the issues raised in audits requires strong collaboration with national counterparts. Section III below highlights the management actions proposed for 2016–2017 to address these two elements that are carried forward.

C.   Procurement planning and professionalization/capacity strengthening

14. Included under this priority were enhanced procurement compliance and risk management (planning, certification, capacity assessments); and strengthened consolidated category-based procurement and proactive investigations to mitigate risk of procurement-related frauds.

15. Progress is noted under this priority. Timely procurement planning by the end of the first quarter and the minimum buyer certification requirement targets were met. Recognizing that many country offices require a high level of procurement support, UNDP is still in the process of developing a comprehensive risk-based approach to monitoring and oversight. In 2014, the preliminary capacity risk assessments of offices were initiated and UNDP is formulating a comprehensive strategy of risk-based oversight and support to country offices that will encompass the results of the assessments. UNDP has carried forward the risk-based oversight management aspects from this priority to 2016–2017.

D. Management accountability and implementation of field-level controls

16. This priority included the corporate accountability framework strengthened through organizational structural changes (e.g., functional alignment); and improved enterprise risk management (ERM) implementation guided by external consultancy recommendations. Progress during 2014–2015 was assessed as 'improvements noted and on target'.

17. UNDP launched its corporate accountability framework in 2015 and added operational accountabilities later that year. The accountability framework aims to identify one primary bureau for each functional area, while still identifying all the other bureaux that play critical supporting roles, and how the joint activities are managed (specifically, identifying the bureau with primary accountability to complete the activity/function). The new ERM policy was approved and training was piloted in one region. Cost centres identify potential risks during the annual planning process. In addition, all recommendations of the 2013 ERM audit have been fully implemented, although there is still work to be done in the integration of risk management throughout the organization's operations and systems. Residual challenges under this priority include monitoring compliance of delegated authority for key senior management at all offices and the full roll-out of ERM training to all regions. These elements have been carried forward to 2016–2017.

E. Structural change management and benefits realization

18. This priority included establishment of clear criteria to assess whether the restructuring has achieved its objectives and that the risks associated with structural changes are mitigated.

19. All conditions under this priority are considered effectively addressed and it will be removed from the audit priority list. New structures in headquarters and at regional levels took effect on 1 October 2014, with the final phase for the Bureau for Management Services being operational on 1 October 2015, and all planned implementation activities such as relocations, training, etc. have been completed. A paper on lessons learned was finalized and annexed to the 2016 midterm review of the UNDP Strategic Plan, 2014–2017.

F. Inventory and asset management and IPSAS compliance on project assets

20. This priority included enhanced asset and inventory management (recording, verifying, certifying and proper storage, particularly Global Fund project inventories); and IPSAS compliance with respect to project asset accounting transitional provisions as of 1 January 2015.

21. Conditions under this priority are considered to have been effectively addressed and the issue will be removed from the audit priority list. Specifically, UNDP successfully recorded all the project assets in the assets module in January 2015, and noted improvements in timeliness and accuracy of inventory and fixed-assets certifications.

G. Recruitment management and separation controls

22. Included in this priority was recruitment lead-time monitoring; compliance with Compliance Review Board or Panel requirements; and closer monitoring of staff separation processes vis-a-vis Atlas access rights.

23. Conditions under this priority are considered effectively addressed and the issue will be removed from the audit priority list. Achievements include the roll-out of the e-Recruit/e-Hire platform in April 2016. The platforms will strengthen compliance with the rules governing recruitment and will further facilitate monitoring and reporting. All interview panels include a human resources representative familiar with the rules and regulations governing recruitment. This representative will ensure compliance with regard to composition of the panel and other requirements. With regard to staff separation and system controls, a system solution was identified to provide a monitoring tool for separated staff and required Atlas access.

H. Long-outstanding audit recommendations

24. This priority included a reduction in audit recommendations outstanding after 18 months. The target was to be within 5 per cent of total recommendations issued over the past three years with an implementation rate of 85 per cent as per the corporate IRRF targets.

25. Progress during 2014–2015 is assessed as 'conditions effectively addressed' and the issue will be removed from the audit priority list. The implementation rates of audit recommendations issued over the past three years for internal and external audits were 85 and 99 per cent respectively, well within the corporate IRRF target. Improvements were also noted in the long-outstanding external audit recommendations, from a baseline of 42 per cent in 2013 to 13 per cent in 2015. Although the long-outstanding internal audit recommendations issued over the past three years reflected an increase from the baseline of 0.8 per cent in 2013 to 2.8 per cent in 2015, this was still below the established indicator of 5 per cent. UNDP management is closely monitoring this area and senior management continues its regular monitoring efforts to ensure that all risks associated with audit recommendations are addressed on a timely basis.

III. Planned management actions for addressing top seven audit-related priorities in 2016-2017

26. In addition to the four priorities brought forward and updated from 2014–2015 (implementing partner fiduciary and capacity risk management; programme/project management and evaluation; procurement oversight and fraud mitigation strategies; integration and operationalization of ERM), three new priorities have been added. These are: human resources management and appropriate organizational structures; financial management and sustainability of country offices; and partnerships and resource mobilization. Some elements of these priorities are interlinked.

27. The first three priorities will be given the utmost focus as key priorities as elements of these priorities have recurred in audit reports over the past five years. UNDP will seek to implement the proposed action plans to address the root causes of these recurring issues.

A. Implementing partner fiduciary and capacity risk management

28. The NIM continues to be widely used in UNDP. Noting both how significant NIM partners are to the effective delivery of the UNDP mandate and the recurring concerns raised by the oversight and governing bodies, this is a priority area that has been ranked as high impact. Although much has been achieved in the past biennium, given the importance of HACT implementation as a key measure in the management of risks and capacity-building under NIM, UNDP will focus on ensuring implementation in line with the HACT framework and operational policies. This priority includes the assessment and the enhanced risk management of implementing partners, strengthened financial management of projects and the mitigation of implementing partner-related fraud risks including the improved recovery of fraud-related losses.

29. Management will undertake the following actions to address this priority: (a) ensure full implementation of HACT, combined with capacity-building initiatives where gaps are identified and the change of implementation modality where an implementing partner has recurring negative audit ratings; (b) issuance of a updated NIM manual and the development of tools for compliance monitoring; and (c) where frauds are substantiated, pursuing full recovery of lost funds based on the actions proposed by a cross-functional task force established to improve recovery of funds lost due to fraud. In most cases, UNDP relies on the national judicial systems to pursue cases of substantiated frauds within the country. Effective partnership and collaboration with the national authorities are critical to the success of the proposed management action. Under HACT implementation UNDP has developed monitoring tools to monitor the implementation of all the elements of HACT and ensure that regular spot checks are carried out in line with the risk ratings accorded to the implementing partner.

B. Programme/project management and evaluation

30. Effective implementation of programmes is the bedrock of UNDP work, directly translating to the positive results that the organization seeks in order to support countries in achieving he Sustainable Development Goals. Evaluations and knowledge-sharing enable UNDP to continuously improve through lessons learned. Under this priority, plans are underway to address: improvements in the quality of programme/project design, implementation and evaluation; timely closure of projects and trust funds; strengthening sub-recipients and procurement and supply management of Global Fund projects; and continued improvement in the pace of budget implementation.

31. Management actions include the following: (a) the programme and project management reforms that were rolled out in March 2016, including the new quality assurance system, with which country offices have been given one year to become compliant; (b) roll-out of the new strategy to strengthen decentralized evaluation and the development of guidance; (c) tools, training and processes to address the recurring risks under sub-recipients and procurement and supply management in Global Fund projects; and (d) addressing timely closure of projects through effective oversight and monitoring, noting that occasionally some of the challenges are due to pending actions from external stakeholders like donors or implementing partners. The Global Fund Partnership Team and Development Impact Group provide dedicated support to regional bureaux and country offices to improve performance and management of all Global Fund and other UNDP projects. The Executive Group will continue to closely monitor rates of programme implementation and remedial action taken, to address significant shortcomings. To reinforce the actions required under timely closure of projects, the

Associate Administrator has communicated with country offices and the issue will be included in the performance assessment of all managers and staff entrusted with these functions.

C. Procurement oversight and fraud mitigation strategies

32. Over the past two years, procurement fraud has remained one of the main issues highlighted in the annual report of OAI to the Executive Board. Plans to address the challenges faced in the area of procurement in 2016–2017 include improved process compliance (monitoring and oversight) based on evidence- and risk-based approaches to monitoring and oversight; mitigation of procurement-related fraud risks; and improved recovery of assets lost due to fraud.

33. Proposed management actions include: (a) consolidation and centralization of high-risk/high- volume procurement to the regional hubs and the Global Shared Services Unit when the procurement capacity of an office is assessed to be low; (b) development of an action plan to improve the recoveries from fraud based on root-cause analysis; (c) development and roll-out of anti-fraud training; and (d) roll out of the e-Tendering platform to improve compliance during the bidding process.

34. UNDP reflected an annual procurement volume of $2.7 billion in 2015. A recent report on joint procurement activities between UNDP, the United Nations Population Fund and the United Nations Office for Project Services presented to the Executive Board at the second regular session of 2016 (DP-FPA-OPS/2016/1) indicated that the development and the sharing of long-term agreements between the agencies and throughout the United Nations system resulted in concrete savings or cost avoidance of up to 35 per cent. There is opportunity for efficiency and cost-saving gains in the planned management actions to address the current procurement challenges. In order to reap such benefits, UNDP has mainstreamed in its policies the utilization of other agencies' long-term agreements in the spirit of promoting mutual recognition of policies and procedures among United Nations entities. Effective and timely procurement planning is closely linked with good and timely programme planning. UNDP has introduced an enhanced planning system that ensures that the annual workplans are approved earlier. This change will result in timely planning of programme and procurement-related activities that will enable timely decisions on the consolidation and the consideration of various alternatives to deliver the goods or services.

D. Human resources management and appropriate organizational structures

35. Recruitment and retention of staff with appropriate skills is key to the effective delivery of actions supporting both the UNDP Strategic Plan, 2014–2017 and the Sustainable Development Goals. Under this priority, UNDP seeks to ensure effective human resources management, the alignment of structures with the organization's strategic direction, mitigation of fraud risks and improved recovery of fraud-related losses from staff and service contractors.

36. Key proposed management actions to address these concerns include: (a) the development and implementation of a corporate human resources strategic plan; (b) the establishment of a corporate compliance board to assess required action on identified fraud; (c) development of dashboards and tools to monitor compliance under key risk areas; and (d) roll-out of training for human resources practitioners.

37. Management actions seek to ensure the consistency in the provision of human resources services, transparency in recruitment and responsiveness and adaptability to a

fast-changing environment. This is being achieved through outposting of human resources business partners in the regional hubs to provide oversight closer to where the services are delivered. Fraud risks and recovery of funds affect human resources through the management of service contractors that account for a significant number of the UNDP workforce and the management of medical claims which are susceptible to fraud.

E.   Financial management and sustainability of country offices

38. UNDP senior management continues to set the right tone on matters related to accountability and transparency. Financial accountability is a major priority for the organization and management has action plans to address the following challenges: (a) financial sustainability of country offices; (b) management of advances; (c) management of banking risks; (d) accurate recording of expenditures; (e) document management for financial transactions; and (f) mitigation of fraud risks and improved recovery of fraud-related losses.

39. Key management actions to address the financial management issues include: (a) an enhanced strategy for cost recovery (general management support, government local office contribution collection, direct project charging implementation, strengthening of cost recovery from other United Nations agencies); (b) reducing the number of banks by concentrating banking relationships and expanding the use of electronic fund transfers to local payments (c) carrying out a root cause analysis of factors contributing to the main reasons for the net financial impact (inaccurate recording of expenditures and lack of supporting documents) and developing the strategies to address them; (d) establishing a corporate compliance board to assess required action on identified fraud; (e) reducing the time taken to complete investigations and improve recovery of funds lost due to fraud; and (f) enhanced planning and budgeting.

40. Some of the financial management issues are encountered at the implementing partner level and while capacity-building and training endeavours may partially address the risks, systemic and structural challenges at the implementing partner level that give rise to such financial risks often require significant resource outlays in order to mitigate the risks. This means that UNDP will increasingly carry out an assessment to enable it make a judgement call on when the risks are too high and as such, the implementation modality should be changed to either direct implementation or country office support to NIM. With regard to management of advances and inadequate supporting documents, several of these issues relate to inadequate capacity of partners. Effective implementation of HACT should adequately inform UNDP on the best cash transfer option to use depending on the various risk levels identified at the implementing partner level. On the other issue under fraud mitigation and recovery of funds, a cross-functional task force has been constituted to address the issue of low rate of recovery of funds lost due to fraud, which has been a source of concern for the Executive Board. Most of the issues related to country office financial sustainability raised in the audit reports will be addressed through enhanced planning.

F.   Partnerships and resource mobilization

41. Funding that is less flexible and unpredictable negatively impacts the ability of UNDP to invest in long-term development in key strategic areas and countries. Under this priority, UNDP continues to work on diversifying its core funding base, strengthening partner engagement and improving donor intelligence and mapping to the organizational priorities.

42. Key management actions under this priority include: (a) development of country resource mobilization action plans; and (b) prioritization of corporate and country office resource mobilization efforts that feed into the action plans. These efforts will assist countries to access, leverage and use all available financing.

43. Despite the challenges highlighted in this area, UNDP is pleased to note that there are opportunities in domestic resource mobilization, UNDP funding windows and pooled funding under the Sustainable Development Goals. To improve the adequacy and the quality of funding, UNDP will seek to achieve, flexibility, predictability and diversification of its funding. UNDP has prepared resource mobilization action plans based on in country donor intelligence both at the corporate and country office levels. Over the next two years, the regional bureaux, with technical advisory support from the Bureau of External Relations and Advocacy, will support country offices in the implementation and updating of such plans. UNDP plans to be more agile and adaptable to the changing funding landscape.

G. Integration and operationalization of enterprise risk management

44. UNDP is exposed to a variety of external and internal factors that create uncertainty regarding the realization of organizational goals. The effect of this uncertainty on the objectives is also referred to as 'risk'. The UNDP ERM system allows the organization to identify and manage these risks to ensure accountability and protect its reputation. This priority includes the roll-out of ERM training to all regions, accountability through delegation of authority and the effective monitoring and management of corporate risks.

45. Management actions to address these risks include: (a) roll-out of ERM training to all regions; (b) formal delegation of authority for key senior management staff for all offices; (c) attestation of internal controls; and (d) regular monitoring of corporate risks identified during the planning process by the Risk Management Committee.

46. The Risk Management Committee, a subcommittee of the Executive Group chaired by the Associate Administrator and comprising members of the Senior Management Team, reports to the Executive Group on a quarterly basis. It is responsible for ensuring the effective implementation of the UNDP ERM policy including its integration in all aspects of work.

IV. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2015

Note: Annexes 3 and 4, which appear on the Executive Board website, provide further details of the 33 (UNDP) and 7 (UNCDF) audit recommendations reflected below.

47. Both organizations monitor implementation of audit recommendations by target implementation dates. As of 11 November 2016, for UNDP two of the three recommendations (67 per cent) with a target implementation date of 31 December 2016 have either been implemented or overtaken by events and eight recommendations with future target implementation dates have already been implemented, bringing the overall implementation rate to date (three months after issuance of the Board of Auditors report) to 30 per cent. For UNCDF, all seven recommendations are in progress.

48. A summary of outstanding recommendations, progress on implementation and target completion dates for UNDP and UNCDF for 2015 and prior years is set out below.

Table 1. Implementation status by target completion dates - UNDP

Target completion date	Number of recommendations	Implemented	In progress	Overtaken by events	Total
2016, 4th quarter	3	1	1	1	3
2017, 1st quarter	23	7	16	0	23
2017, 2nd quarter	7	1	6	0	7
Grand total	**33**	**9**	**23**	**1**	**33**
Percentage	**100%**	**27%**	**70%**	**3%**	**100%**

Table 2. Implementation status by priority - UNDP

Priority	Implemented	In progress	Overtaken by events	Total
High*	2	11	0	13
Medium	7	12	1	20
Low	0	0	0	0
Total	**9**	**23**	**1**	**33**
Percentage of total	**27%**	**70%**	**3%**	**100%**

Table 3. Implementation status by target completion dates - UNCDF

Target completion date	Number of recommendations	Implemented	In progress	Total
2016, 4th quarter	3	0	3	3
2017, 1st quarter	4	0	4	4
Grand total	**7**	**0**	**7**	**7**
Percentage	**100%**	**0%**	**100%**	**100%**

Table 4. Implementation status by priority - UNCDF

Priority	Implemented	In progress	Total
High*	0	3	3
Medium	0	4	4
Low	0	0	
Total	**2**	**7**	**7**
Percentage of total	**0%**	**100%**	**100%**

UNDP and UNCDF have prioritized implementation of 'high priority' recommendations, with both organizations having a target completion date of nine months after issuance of the Board of Auditors report for over 75 per cent of the recommendations and the remaining 25 per cent within 12 months.

V. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2014 and prior years

Note: Annexes 3 and 4, which appear on the Executive Board website, provide further details of the audit recommendations for UNDP (7) and UNCDF (3) mentioned below.

49. As of 1 November 2016, of the 31 UNDP audit recommendations reported as unimplemented from previous years' reports of the Board of Auditors, 90 per cent (28) were assessed as 'fully implemented' or 'reiterated' and thus closed, and 10 per cent (3) are under implementation. For UNCDF, of the 16 recommendations reported as unimplemented from previous years' reports, 94 per cent were assessed as 'fully implemented' or 'overtaken by events' and thus closed, and 6 per cent are under implementation. Various factors contributed to delays in the full implementation of the seven (UNDP) and three (UNCDF) pending audit recommendations reported in the 2015 report, such as:

(a) UNDP considers the recommendation as implemented while the Board of Auditors requests a higher performance standard to assess the recommendation as implemented (one UNCDF recommendation on project closures that have achieved a closure rate of 80 per cent, one UNDP recommendation on communications with staff council during structural review exercise in 2015);

(b) UNDP and UNCDF are awaiting assessment by the Board of Auditors (three UNDP and two UNCDF recommendations);

(c) Implementation awaits factors beyond the sole control of UNDP (one UNDP recommendation on a country office review of a United Nations Development Assistance Framework (UNDAF) and a new UNDAF which includes all stakeholders in the country including the government counterparts; one UNDP recommendation that was awaiting judicial process review of a sovereign State; and one recommendation on reconciliation of current account with the United Nations that was dependent on inputs from the United Nations Secretariat).

Table 5. Implementation status of previous years' recommendations - UNDP

Recommendation status	Number of recommendations	Percentage of total
Implemented or reiterated	28	90%
In progress	3	10%
Total	**31**	**100**

Table 6. Implementation status of previous years' recommendations - UNCDF

Recommendation status	Number of recommendations	Percentage of total
Implemented	14	88%
In progress	1	6%
Overtaken by events	1	6%
Total	**16**	**100**

VI. Conclusion

50. UNDP and UNCDF are pleased to receive an unqualified audit opinion on their respective financial statements from the Board of Auditors for the fourth consecutive year following IPSAS implementation. The organizations are committed to continue these achievements and to remain vigilant in addressing the risks identified by the Board of Auditors. The revised audit related management priorities for 2016–2017 set the tone at the corporate level and communicate the management response to existing and emerging risks. The Administrator, together with the Associate Administrator, continues to track implementation progress in addressing audit priorities, while mitigation of relevant enterprise risks is closely monitored by the Organizational Performance Group, chaired by the Associate Administrator.

Annex 1. Top seven audit-related UNDP management priorities for the 2016-2017 biennium

Implementing partner fiduciary and capacity risk management	**Programme/project management and evaluation**
Procurement oversight and fraud mitigation strategies	**Human resources management and appropriate organizational structures**
Financial management and sustainability of country offices	**Partnerships and resource mobilization**
Integration and operationalization of enterprise risk management (ERM)	

Annex 2. Final assessment of progress of the top eight UNDP audit-related management priorities for the 2014-2015 biennium

1. Implementing partner fiduciary and capacity risk management	**3**	5. Structural change management and benefits realization	**5**
2. Programme/project quality and risk management	**3**	6. Inventory and asset management and IPSAS compliance on project assets	**5**
3. Procurement planning and professionalization/capacity strengthening	**4**	7. Recruitment management and separation controls	**5**
4. Management accountability and implementation of field-level controls	**4**	8. Long-outstanding audit recommendations	**5**

Legend used	**Color code**
Conditions effectively addressed	**5**
Good improvements noted. On target	**4**
Improvements noted. More work remains	**3**

Legend used	**Color code**
Remedial actions yet to be fully taken or intended effects of actions yet to be fully realized or inherent risks to be mitigated	**2**
Conditions worsened	**1**