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 United Nations Board of Auditors, 2017

Summary

In July 2018, the United Nations Board of Auditors (UNBOA) formally issued its audit report for UNDP (A/73/5/Add.1) and the United Nations Capital Development Fund (UNCDF) (A/73/5/Add.2), including an unqualified (clean) audit opinion to UNDP and UNCDF for the year ended 31 December 2017. This marks 13 consecutive years of unqualified audit opinions for UNDP, and 2017 was the sixth full year of reporting under the International Public Sector Accounting Standards (IPSAS). The opinion confirms the continuing commitment of UNDP and UNCDF to comply with IPSAS.

The Administrator wishes to emphasize that productivity, transparency and accountability for results and impact continue to be top priorities for UNDP. 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. UNDP continuously learns from and implements recommendations of its independent oversight bodies to help drive efficiency and effectiveness. For the year 2017, UNDP received a "satisfactory" rating of its governance, risk management and control framework from its internal auditors, the Office of Audit and Investigations (OAI). Moreover, in 2018, UNDP was ranked among the top two organizations in the "Publish What You Fund" aid transparency index.

As it improves its standards of organizational transparency and accountability, UNDP will continuously monitor the strategic management of top audit-related priorities closely, with the direct engagement of the Administrator and the Associate Administrator.

For UNDP, the present report: (a) includes the final assessment of the top seven audit-related management priorities for 2016-2017 (as presented in document DP/2017/11 and supported by Executive Board decision 2017/5), noting progress in certain areas within the audit priorities; (b) presents the suggested, refined top seven audit-related management priorities for the biennium 2018-2019, as established by management and endorsed by its oversight bodies; and (c) reports progress on the implementation status of the recommendations of the UNBOA for the year ended December 2017 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) welcome the unqualified audit opinions issued by the UNBOA for 2017; (b) note progress made by UNDP and UNCDF in addressing the top seven audit-related priorities in 2016-2017; (c) endorse the suggested, refined top seven audit-related management priorities for the biennium 2018-2019; and (d) support the ongoing efforts of UNDP management to implement the recommendations of the UNBOA for the year ended 31 December 2017 as well as the remaining recommendations from prior years.

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I. Introduction

1. UNDP and UNCDF have received an unqualified (clean) audit opinion from the UNBOA on their financial statements for the year ended 31 December 2017. For UNDP, this marks 13 consecutive years of unqualified audit opinions – an achievement that confirms the organization's commitment to continuous improvement in financial management, transparency and accountability. UNDP will continue to strive for greater operational excellence. The tone set at the top, by the Administrator and the Associate Administrator, has been instrumental in enabling UNDP to receive unqualified audit opinions from its external auditors and the first "satisfactory" rating of the governance, risk management and control framework from OAI in 2017.

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 their 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.

3. In the following sections, UNDP assesses progress in implementing the top seven audit-related management priorities for 2016-2017. Thereupon, UNDP suggests its refined top seven audit-related management priorities for the biennium 2018-2019. An overview of the top audit related management priorities is also listed in annex 1.

4. UNDP has made continuous improvements in addressing its audit priorities, as indicated in its progressive reduction in the number of priorities from the original 15 in 2006-2007 to the current seven priorities. In order to sustain these improvements and realize additional gains, UNDP will continue to be proactive in its oversight and monitoring, in line with the tone set at the top of the organization.

5. In establishing the list of the suggested, refined top seven audit-related management priorities for 2018-2019, which have been endorsed by the Organizational Performance Group and the Executive Group, management has consulted the UNBOA, OAI and the Audit and Evaluations Advisory Committee (AEAC). The list reflects the recurring issues raised by the oversight and governing bodies.

II. Review of progress made in addressing the top seven audit-related management priorities for 2016-2017 and definition of the suggested, refined top seven audit-related management priorities for 2018-2019

6. Based on OAI findings in 2018, as well as those of UNBOA for the period ended 31 December 2017, and based on discussions with AEAC, there is general agreement that further progress has been made on addressing all top seven audit-related priorities for 2016-2017. The 2017 OAI rating of the adequacy and effectiveness of the UNDP governance, risk management and control framework as "satisfactory" has contributed to this positive assessment.

7. The seven priorities nevertheless continue either to be mentioned frequently in audit reports or to pose risks for UNDP, indicating that more work needs to be done. In turn, UNDP is suggesting retaining all audit-related management priorities, with modifications for the biennium 2018-2019.

8. It should be noted that UNDP in 2018 has embarked on reviews of its policy advisory services as well as its management services and business processes. The implementation of the results of these reviews is expected to yield further advances in some of the top seven audit priorities.

A. Implementing partner fiduciary and capacity management

9. This priority seeks to address the management of unique issues associated with the national implementation modality and implementation of projects through non-governmental organizations. UNDP relies heavily on regular project monitoring and compliance with the harmonized approach to cash transfers (HACT) framework and related UNDP guidelines, complemented by financial audits of such projects, where applicable, to provide assurances on how such projects are managed.

10. The rigorous implementation of HACT continues to be among the top priorities for UNDP to assist in the risk management of implementing partners and responsible parties by selecting and updating the implementation and cash transfer modality based on the results of micro assessments and assurance activities. HACT can also be used for the coordination of required capacity-building among implementing agents. The 2014 revised HACT framework was rolled out mid-cycle for many offices and, as they come to an end of their current programme cycles and enter new cycles, compliance with HACT guidelines is expected to improve further. This provides an opportunity for HACT to be embedded at the outset in the project planning phase and the full cost of HACT activities to be factored into project budgets. Cooperation from programme governments, who expect their institutions to be involved in implementing projects funded with government cost-sharing funds, continues to be a challenge, especially where the institutions are deemed not to have adequate capacity.

11. As of October 2018, based on a new calculation method, 85 per cent of country offices had carried out macro-assessments. In addition, 1,236 micro-assessments of implementing partners had been completed by October 2018, compared to 794 as of November 2017. Clauses in programme agreements have been supplemented with fraud clauses on fiduciary risk management and controls.

12. In order to enhance the oversight and management of implementation partners, in 2018 UNDP has: (a) launched the revised prescriptive content on programme and project management, which enhances clarity and consistency in managing the risk of implementing partners in the wider context of project implementation; (b) launched the updated HACT monitoring platform, which has been developed to provide a more robust platform for tracking and reporting HACT implementation and to better support decision-making by UNDP offices and their respective bureaus; (c) developed a new, streamlined capacity assessment tool for implementing partners, which replaces nine earlier partner assessment tools; (d) included HACT in the mandatory year-end assertion process to ensure that issues relating to the management of implementing partners continue to be addressed by heads of office; (e) ensured that offices transitioning to the full elements of the HACT framework continue to perform project financial audits; (f) developed a new inter-agency anti-fraud e-course, "Fraud and Corruption Awareness and Prevention", in coordination with UNCDF, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and UNFPA, which is designed to complement existing UNDP policies and trainings, including the UNDP anti-fraud policy, and is available to staff and non-staff personnel; (g) launched a new inter-agency 'request for proposal', in coordination with UNCDF, UN-Women and UNFPA, for selecting third-party providers to perform HACT assessments and assurance activities; and (h) launched a new inter-agency guide to financial management for implementing partners.

13. As these initiatives will begin to bear fruit over time and are expected to contribute to significant improvements, it is expected that issues related to implementing partners will become less of a common audit issue over time than they are currently.

B. Programme/project management and evaluation

14.   This priority includes improving the quality of results-centred programme and project management through the UNDP integrated results and resources framework 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.

15.   In early 2016, UNDP launched quality standards for programming to fulfil a commitment of the Strategic Plan, 2014-2017, to establish "uniform quality standards and processes for which managers will be accountable". The quality standards define corporate expectations for quality programmes and projects and support learning and decision-making to improve quality over time. As of October 2018, 100 per cent of ongoing UNDP projects have been quality assured using the new system, with most projects assured several times. An evaluation conducted in 2017 found that newer projects are of significantly higher quality than older projects, indicating that the quality of UNDP programming should improve significantly over time by using the new system. The evaluation also found that a majority of staff use the new quality standards for learning. More intensive, systematic training in programming management is required to ensure that programming staff have the capacities to ensure quality programming at all stages. As a result, UNDP is planning to introduce a "Managing Successful Programmes" certification to staff starting in 2019.

16.   Recognizing that improving the quality of programming requires a multi-pronged and sustained effort, management took additional steps to revise the prescriptive content for programme and project management so that it reflects a more differentiated approach to programming requirements and reduces unnecessary administrative burdens, thereby improving the pace of implementation. This was completed and launched in June 2018.

17.   The new evaluation policy, adopted by the Executive Board in its decision 2016/17, aims to strengthen the evaluation function both in its institutional mission to support accountability and learning and in the quality of independent and decentralized evaluations. UNDP and the Independent Evaluation Office work to improve the quality and utility of the decentralized evaluation function and promote evidence-based programming. They strive to: (a) strengthen the normative basis for evaluations; (b) support capacity development of monitoring and evaluation staff, processes and systems; (c) enhance the utility and effective use of evaluations for learning and results; and (d) establish and support national evaluation capacities.

18.   In the annual report on evaluation, 2017 (DP/2018/12), 74 per cent of assessed evaluations were rated 'satisfactory' or 'moderately satisfactory'. These ratings are in line with the 2016 reading and indicate that the evaluations followed the minimum evaluation criteria stated in the yellow handbook guidance on planning, monitoring and evaluating for development results. To better understand and further strengthen the utility of decentralized evaluations, the 2017 results-oriented annual reports continued to capture feedback from country offices on the quality of evaluation recommendations and their relevance for future programming. The consolidated rating indicated that 77 per cent of the 2017 decentralized evaluations were considered 'useful' or 'moderately useful', which is in line with the 2016 reading and a ten percentage point increase compared to the 2015 rating. In 2018, UNDP, led by the Independent Evaluation Office and in consultation with all bureaux, updated its evaluation guidelines to reflect changes in context, clarify roles and responsibilities for evaluation, and strengthen the culture of evaluation across the organization. The updated guidelines will be supported by a rollout and training programme in 2018-2019 and are expected to contribute to improved evaluation quality over time.

19.   Country offices also showed an improvement in closing inactive projects, with a 64 per cent reduction in inactive projects by October 2018 compared to early 2016. Performance in closing inactive trust funds also improved in 2017 and 2018, with the number of inactive trust funds dropping to 103 in October 2018, which is a 50 per cent reduction compared to December 2015. While management's efforts have yielded significant results, inactive project and trust fund closure remains a challenging area. Further progress is needed through engagement with external stakeholders to ensure timely closure. There is active follow-up with all bureaux, through quarterly communications to all offices from the Chief Finance Officer, to ensure that required actions are being taken. In addition, quarterly one-page reports by the Office of Financial Resources Management/Bureau for Management Services are shared with all country offices and bureaux.

20.   UNDP has recently rolled out many of the measures recently, including required training. As such, their impact will be felt over a period of time. For the programme/project management and evaluation management priority, UNDP is expecting further improvements in the aforementioned areas for the biennium 2018-2019. This applies particularly to further strengthening of programme quality through effective quality assurance, improving staff capacity and further strengthening evidence-based programming. In addition, UNDP is also prioritizing better management of project pipelines for improved delivery planning.

C.   Procurement oversight and fraud mitigation strategies

21.   This priority seeks to improve process compliance (monitoring and oversight) based on evidence and risk-based approaches to monitoring and oversight; mitigate procurement-related fraud risks; and improve recovery of assets lost due to fraud.

22.   Progress has been made in 2018. To increase country-level capacity, UNDP has successfully rolled out the regional procurement specialist positions in regional hubs and has coordinated regional-level procurement activities.

23.   In order to address the deficits in procurement planning, UNDP has further implemented the use of the consolidated UNDP procurement planning platform (PROMPT), allowing the consolidation of demand projects at country office, regional and global levels across priority categories. A 2.0 PROMPT enhancement project has been developed and included in the 2019 budget process in order to further strengthen UNDP procurement planning capacity.

24.   In an effort to further increase its procurement capacity, UNDP continues to provide a growing number of annual courses as part of the procurement certification road map. Apart from UNDP staff, these courses are increasingly popular with staff from other United Nations organizations, international financial institutions, and governments: 2,212 personnel were trained in 2017 and the scope has increased extensively in 2018.

25.   The supplier of interest (SOI) project was established to address the recommendations from the 2016 OAI audit of vendor management. The project established the Atlas vendor management workbench, the SOI dashboards, and rolled out the mandatory fields in the Atlas vendor module to address recommendations pertaining to the centralization of vendors, monitoring and oversight, and the automation of Atlas vendor management processes. The archiving process was also automated and has reduced the vendor records by 60 per cent. The next phase of the SOI project will focus on improving vendor management, including the establishment of vendors' self -registration.

26.   The management of contracts was automated with the rollout of the contract management module in Atlas in mid-2018 in order to increase visibility and monitoring of contractual activities.

27. Despite of this progress, the frequency of audit findings in procurement and supply chain indicate that further efforts are needed. For the biennium 2018-2019, UNDP will invest further in digitizing and integrating the procurement function, including through: greater centralization and consolidation and further rollout of e-tendering, end-to-end automation of the management of individual contractors, and development of an e-commerce platform to provide seamless access and integration with the procure-to-pay process, in order to increase levels of transparency, integrity and accountability. However, these are contingent on availability of funds in the current, challenging financial environment.

D. Human resources management and appropriate organizational structures

28. Under this priority, UNDP seeks to ensure effective human resources management, align structures with its strategic direction, mitigate fraud risks, and improve recovery of fraud-related losses from staff and service contractors.

29. As reported in DP/2018/7, UNDP has invested heavily in training programmes over the last two years. It is also working on a new people strategy to be published in 2019, which will focus on organizational development, redesign of the human resources function, and a talent management strategy and system. UNDP will also assess the structure of human resources management as part of its current review of management services and business processes. Also part of the human resources priorities for 2019 is improved leave monitoring.

30. While some key management actions are still underway, OAI and UNBOA recommendations related to human resources have recently focused on two issues: the completion of mandatory courses and the management of service contracts. The completion of mandatory courses is addressed through various channels, including through reminders sent to staff and a dashboard to review completion status. The management of service contracts is part of a review of the current types of appointment and other contractual modalities, which UNDP will undertake as part of the new people strategy.

E. Financial management and sustainability of country offices

31. Financial accountability is a major priority for the organization as it seeks 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.

32. Key progress has been recorded in several of these areas. After successfully implementing the clustering of financial services in one region, the business case for further roll out of this clustering initiative is currently under development. Any decision on clustering will include lessons learned from the initial region.

33. Banking risks were further reduced in part through the phased implementation of banking platforms for the secure transfer of electronic funds for local payments, with a total of eight additional country offices going or having gone live in 2018 and 2019, bringing the total number of offices to 39.

34. In 2016, a task force chaired by the Bureau for Management Services was established to evaluate the recovery of assets lost due to fraud and theft in recent years. The task force explored the challenges in asset recovery, as well as best practices and solutions, so as to increase the rate of recovery. Approximately $2.67 million was recovered in 2017, from seven cases reported in previous years. In addition, in 2017 UNDP recovered approximately $12,000 (2 per cent) of the $0.57 million loss identified in the same year.

35. To further build capacity among its employees, UNDP has also continued to implement its financial training programme, which is expected to yield further improvements in the control environment in the mid-term. By then, in order to support country offices, the Office of Financial Resources Management will have integrated its dashboards for greater transparency and analytical strength and improved monitoring of emerging risks. Furthermore, a new asset and liability management study, to be conducted in 2019, will ensure that funding plans and other valuation assumptions, including end-of-service liabilities, are appropriate.

36. As reported last year, at the beginning of 2017, UNDP rolled out phase one of 'self-assertion' (attestation), with all heads of offices required to certify the performance of key controls in their offices. As a result, 164 offices (99 per cent response rate) submitted their assertion statements in 2017, including 20 headquarters offices and 10 regional bureaux and regional hubs.

37. Financial issues continue to be among the most commonly identified audit findings in country office and other audits. Frequent issues include cost recovery, management of advances and project financial management. Driven by changes in the UNDP institutional budget process, the sustainability of country offices is currently no longer a frequent audit observation. Therefore, it is suggested to rephrase the priority to 'financial management' only.

38. For the biennium 2018-2019, the most important improvement projects include further streamlining of processes as part of the review of management services and business processes.

F.   Partnerships and resource mobilization

39. Under this priority, UNDP continues to diversify its regular resource funding sources, strengthen partner engagement, and improve donor intelligence and mapping to align with organizational priorities.

40. UNDP continues to work on expanding and strengthening its catalogue of financial instruments to help programme countries access development finance opportunities and to provide partners with different modalities for investing in the 2030 Agenda for Sustainable Development. Some of the key areas of focus over the past year have been the enhancement of UNDP performance-based payment modalities to deliver measurable and sustainable results as well as the strengthening of operational guidance on existing modalities based on leading practices.

41. Contributions to regular resources were $612 million in 2017 and are expected to be around $630 million in 2018. Contributions from the private sector also increased by 46 per cent from 2016 to 2017 to $67 million.

42. Despite these positive developments, further progress is required to transform the objectives laid out in the Strategic Plan, 2018-2021, to actionable activities that will reverse the decline in core resources and further broaden the UNDP funding base. With support from funding partners, UNDP will further work to change the mix and quality of resources, with the objective of transitioning from heavily earmarked to less earmarked funding and providing more agility to respond to development and crisis situations in the period 2018-2021.

G. Integration   and   operationalization   of   enterprise   risk management

43. UNDP provided enterprise risk management training to all regions in 2016 and early 2017. The annual workplans of all offices include risk logs. As part of the launch of the new prescriptive content on programme and project management, risk management was a key topic. Programme and project management workshops (including training of trainers) were provided to almost all regions.

44.   For reporting and monitoring purposes, the risks from all offices are populated in the corporate planning system. UNDP prepares a quarterly (from 2019 onward: semi-annual) report on corporate risks, which are considered by the risk management committee chaired by the Associate Administrator.

45.   UNDP also reviewed its enterprise risk management policy in 2018 to ensure alignment with the updated ISO standards (2018), the new direction for UNDP envisioned in the Strategic Plan, 2018-2021, programme and project management reform, and review of management services and business processes.

46.   The new enterprise risk management policy aims to equip the organization with:

(a) a unified and integrated approach to institutional and programmatic risk management across different types of risk and corporate, unit/programme and project levels;

(b) an improved system   and basis   for   foresight   and   risk-informed decisions across all levels of the organization. Such a system would help staff and partners continuously identify, analyze, monitor and report on existing and emerging risks. Such a system would also enable better targeting of support to where it is most needed, early warning and shared learning;

(c) the basis for building a mature risk culture and competencies in UNDP, with emphasis on shifting behaviours, mind-sets and capacities related to risk management, not solely as a compliance process but rather as an enabling tool for risk-informed decision-making and learning from 'failures'; and

(d) reinvigorated and realigned risk governance mechanisms necessary to ensure effective accountability, oversight, support and controls.

47.   While UNDP is convinced that the above improvements will enhance the organization's risk management processes, such improvements will require time and will only gradually lead to a reduction of audit issues noted in risk management.

III.   Status of audit recommendations of the Board of Auditors for the year ended 31 December 2017

48.   For the year ended 31 December 2017, the UNBOA, in its audit report of UNDP (A/73/5/Add.1), issued 31 audit recommendations (2016: 32 recommendations). Of those, 14 were classified as 'high priority' while the remaining 17 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 2019.

49.   Of the 31 recommendations issued, six relate to information technology, five to the implementation of HACT, four each to project design, management, evaluation and human resource management (mandatory courses and service contract management) and 12 to several other areas. Implementation of the recommendations will require continuous efforts by UNDP management to address underlying issues, primarily the need for project-level quality assurance, monitoring and evaluation, monitoring of activities carried out through implementing partners, and monitoring compliance.

50.   Consistent with practices adopted in previous years, and as agreed with the UNBOA, UNDP 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 UNBOA. It is important to note that implementation of the 2017 recommendations could start only after issuance of the final report of the UNBOA in July 2018.

51. As of end-November 2018, four months after the formal release of the UNBOA report and despite the 2019 due dates, UNDP was pleased to note that management had already indicated that five of the recommendations were implemented, pending UNBOA review. Actions had already commenced on all remaining 26 audit recommendations to ensure full implementation by the target completion dates. Pursuant to Board decision 2010/9, a tabular listing of the status of audit recommendations implementation is available on the Executive Board webpage.

Table 1. Implementation status by target completion dates – UNDP

Target completion date	Number	Implemented or closure requested	In progress	To be started	Total
2019, 1st quarter	14	0	14	0	14
2019, 2nd quarter	17	5	12	0	17
Grand total	**31**	**5**	**26**	**0**	**31**
Percentage	**100%**	**16%**	**84%**	**0**	**100%**

Table 2. Implementation status by priority – UNDP

Priority	Implemented or closure requested	In progress	To be started	Total
High	0	14	0	14
Medium	5	12	0	17
Total	**5**	**26**	**0**	**31**
Percentage of total	**16%**	**84%**	**0**	**100%**

52. For UNCDF, UNBOA issued a total of seven audit recommendations for the 2017 financial year, with target completion dates in the first and second quarters of 2019. Despite of the completion dates in 2019, UNCDF was pleased to note that management had already indicated that one of the recommendations was implemented, pending UNBOA review. The remaining six recommendations are in progress.

Table 3. Implementation status by target completion dates – UNCDF

Target completion date	Number	Implemented or closure requested	In progress	To be started	Total
2019, 1st quarter	3	1	2	0	3
2019, 2nd quarter	4	0	4	0	4
Grand total	**7**	**1**	**6**	**0**	**7**
Percentage	**100%**	**14%**	**86%**	**0**	**100%**

Table 4. Implementation status by priority – UNCDF

Priority	Implemented or closure requested	In progress	To be started	Total
High	1	2	0	3
Medium	0	4	0	4
Total	**1**	**6**	**0**	**7**
Percentage of total	**14%**	**86%**	**0**	**100 %**

IV. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2016 and prior years

53. Of the 65 audit recommendations issued to UNDP for the 2016 and 2015 financial years, 49 (75 per cent) have been assessed as 'fully implemented' by UNBOA; 12 (18 per cent) are in progress. Further, three recommendations (5 per cent) from 2015 remain as reiterated, and one recommendation (2 per cent) was overtaken by events.

54. The recommendations from prior years that remain in progress or have been reiterated are part of the top seven audit priorities. Details on all recommendations yet to be implemented are included in annex 2.

Table 5. Implementation status of previous years' recommendations (2015-2016) – UNDP

Recommendation status	Number of recommendations	Percentage of total
Implemented	49 (2016-21, 2015-28)	75%
Overtaken by events	1 (2015-1)	2%
Reiterated	3 (2015-3)	5%
In progress	12 (2016-11, 2015-1)	18%
Total	**65**	**100%**

55. For UNCDF, of the 15 recommendations issued for the 2016 and 2015 financial years, 12 (80 per cent) were assessed as fully implemented by the UNBOA; one (7 per cent) is in progress and two (13 per cent) were overtaken by events. Details on all recommendations that have not been implemented yet are included in annex 2.

Table 6. Implementation status of previous years' recommendations (2015-2016) – UNCDF

Recommendation status	Number of recommendations	Percentage of total
Implemented	12 (6 in 2016, 6 in 2015)	80%
Overtaken by events	2 (1 in 2016, 1 in 2015)	13%
Reiterated	0	0%
In progress	1 (2016)	7%
Total	**15**	**100%**

V. Conclusion

56. UNDP and UNCDF are pleased to receive an unqualified audit opinion from UNBOA. This is a testament to the hard work of all staff across UNDP and UNCDF offices globally. The suggested, refined top seven audit-related management priorities for 2018-2019 and the actions required to address them establish a framework for UNDP management to respond to ongoing and emerging challenges, including changes in the leadership of country offices resulting from the delinking of the resident coordinator system from UNDP and the appointment of new resident representatives. The Executive Group and the Organizational Performance Group will closely monitor these changes and the progress made in addressing audit-related management priorities, with a view to ensuring that UNDP and UNCDF continue to enhance productivity, accountability, transparency and performance for enhancing results and impact, while making every effort to close the recommendations of the UNBOA in a timely manner.

Annex 1. UNDP top seven audit-related management priorities for 2016-2017 and assessment of progress and definition of the suggested, refined top seven audit-related management priorities for 2018-2019

1. Implementing partner fiduciary and capacity management.	(cyan)	5. Programme/project management and evaluation.	(yellow)
2. Procurement oversight and fraud mitigation strategies.	(yellow)	6. Human resources management and appropriate organizational structures.	(cyan)
3. Financial management and sustainability of country offices. *(suggested to be rephrased to "Financial management")*	(yellow)	7. Partnerships and resource mobilization.	(yellow)
4. Integration and operationalization of enterprise risk management.	(cyan)		

Legend used	Colour code
Conditions effectively addressed.	**5** (green)
Good improvements noted. On target.	**4** (cyan)
Improvements noted. More work remains.	**3** (yellow)
Remedial actions yet to be fully taken or intended effects of actions yet to be fully realized or inherent risks to be mitigated.	**2** (orange)
Conditions worsened.	**1** (red)