



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

Distr.: General
19 December 2022

Original: English

First regular session 2023

30 January to 3 February 2023, New York

Item 3 of the provisional agenda

Recommendations of the Board of Auditors

**UNDP: Report on the recommendations of the United Nations
Board of Auditors for 2021: Status of implementation**

Report of the UNDP Administrator

Summary

In July 2022, the United Nations Board of Auditors formally issued its audit report for UNDP (A/77/5/Add.1) and awarded UNDP an unqualified (clean) audit opinion for the year ended 31 December 2021. This is the tenth full year of reporting under International Public Sector Accounting Standards (IPSAS), and the opinion reflects the continuing commitment of UNDP to comply with IPSAS. This achievement marks 17 consecutive years of unqualified audit opinions for UNDP.

Transparency and accountability for results and impact continue to be the top priority of UNDP. Its governance mechanisms and the accountability framework ensure that funds are administered with appropriate fiduciary accountability and integrity, reinforced by a commitment to ongoing improvement and innovation. UNDP learns continuously from and implements recommendations of its independent oversight bodies to help drive efficiency and effectiveness. UNDP continues to maintain its position as one of the most transparent aid organizations in the world, according to the Aid Transparency Index 2022. UNDP management is committed and will continue to implement United Nations Board of Auditors audit recommendations to improve UNDP governance, risk and control processes.

The present report reviews the progress made in the implementation status of the recommendations of the United Nations Board of Auditors for the year ended December 2021 and prior years. Pursuant to Executive Board decision 2010/9, details of the implementation status of the individual audit recommendations and the full audit report of the United Nations Board of Auditors are available on the UNDP Executive Board website.

Elements of a decision

The Executive Board may wish to: (a) welcome the unqualified audit opinion issued by the United Nations Board of Auditors for 2021; (b) note progress made by UNDP in closing open audit recommendations; and (c) support the ongoing efforts of UNDP management to implement the recommendations of the Board of Auditors for the year ended 31 December 2021.



I. Overview

1. The United Nations Board of Auditors has issued an unqualified (clean) audit opinion on UNDP financial statements for the year ended 31 December 2021. This marks 17 consecutive years of unqualified audit opinions for UNDP – an achievement that confirms the organization’s continued commitment to transparency and accountability. 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 ensures UNDP will continue to strive for greater operational excellence.
2. The Board of Auditors issued 33 audit recommendations for the period under review, compared to 43 recommendations in 2020. Of the 33 recommendations, 11 were classified as main (high priority) recommendations, which are further elaborated on in the present document. The remaining 22 recommendations were considered to be of medium priority. Management agreed with all recommendations and has started to implement them.
3. UNDP fully implemented 68 per cent of the 56 outstanding recommendations that were open at the beginning of the financial year 2021 and aims to close the remaining outstanding recommendations in 2023.

II. Introduction

4. Pursuant to the Board decision 2022/1, paragraph 2, in which the Board recalls its decision 2021/1 and calls upon UNDP, the United Nations Capital Development Fund (UNCDF), UNFPA and UNOPS to harmonize further their reporting formats on the implementation of the Board of Auditors recommendations, as appropriate, including, where possible, the time frames for their detailed reporting and the thematic categorization of recommendations into those that are priority, and any other priorities, and requests to work with the United Nations Children’s Fund (UNICEF), the United Nations Entity for Gender Equality and Women’s Empowerment (UN-Women) and the World Food Programme (WFP) in that regard, as appropriate. The present management response has been reformatted and renamed as agreed with UNCDF, UNFPA, UNOPS, and UNICEF to provide the Executive Board with comparable reporting on the key findings and recommendations of the report of the Board of Auditors for the year ended 31 December 2021.
5. UNDP management places the highest priority on addressing audit findings and implementing recommendations of the Board of Auditors, which are closely monitored and regularly reported upon.
6. Consistent with practices adopted in previous years, and as agreed with the Board of Auditors, UNDP has a phased approach for implementing audit recommendations, with clear accountabilities for the implementation of each recommendation and target completion dates.
7. The phased approach is based on the complexity and time required to resolve and discuss each issue with the Board of Auditors. It is important to note that implementation of the 2021 recommendations could start only after issuance of the final report of the Board of Auditors in July 2022.

III. Status of recommendations for the year ended December 2021

8. In its report (A/77/5/Add.1), the Board of Auditors made 33 new recommendations for 2021. Tables 1 and 2 below summarize the implementation status of both main and all recommendations for the financial period that ended on 31 December 2021.

Table 1. Status of main recommendations for 2021 by thematic area

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
<i>Cost recovery</i>	2	-	2
<i>Accountability and oversight</i>	3	-	3
<i>Sustainable procurement</i>	4	-	4

<i>Human resources</i>	1	-	1
<i>Internal controls</i>	1	-	1
Total	11	-	11
Percentage	100%	%	100%

Table 2. Status of all recommendations for 2021 by thematic area

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
<i>Financial statements and accounting-related matters (#28)</i>	2	1	1
<i>Cost recovery</i>	6	-	6
<i>Accountability and oversight</i>	5	-	5
<i>Sustainable procurement</i>	11	-	11
<i>Environmentally sustainable operations</i>	2	-	2
<i>Human resources</i>	5	-	5
<i>Internal controls</i>	1	-	1
<i>Information and communication technology (#314)</i>	1	1	-
Total	33	2	31
Percentage	100%	6%	94%

9. The following paragraphs report on the status and management action plans for every recommendation issued by the Board of Auditors for 2021.

A. Financial statements and accounting related matters

10. In paragraph 28, the Board recommended that UNDP take measures to enhance appropriate recording of purchase orders and receipts of goods and services.

Department(s) responsible:	Regional bureaux
Status:	Closure requested
Priority:	Medium
Target date:	First quarter of 2023 (Q1 2023)

11. Management response: The recommendation concerns only three cases, and there is a policy in place that provides guidance on the requirements for the creation of multiple-line purchase orders. Additionally, through the clustering of finance services, the Global Shared Services Centre (GSSC) provides quality controls for payments.

12. In paragraph 37, the Board recommended that UNDP streamline and clarify policies for the recording of expenses reported by partners to ensure that expenses are accounted for in the correct period.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management
Status:	Under implementation
Priority:	Medium
Target date:	Third quarter of 2023 (Q3 2023)

13. Management response: UNDP management is working on updating the 'direct cash transfers and reimbursements' and 'direct payments' policies to address the timing issue of ensuring expenses are recorded in the correct accounting period. The standard operating procedures for voucher processing used by the Global Shared Services Centre will then also be updated for consistency to leave no room for interpretations.

B. Cost recovery

14. In paragraph 56, the Board recommended that UNDP perform regular reviews of prices used for cost recovery for global services rendered under a contractual arrangement and adjust prices as identified by those reviews to avoid material shortcomings.

Department(s) responsible:	Bureau for Management Services
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

15. Management response: UNDP management is working with the respective units to address this recommendation.

16. In paragraph 57, the Board recommended that UNDP define clear responsibility for the review of prices used for cost recovery for global services rendered under a contractual arrangement.

Department(s) responsible:	Bureau for Management Services
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

17. Management response: UNDP management is working with the respective units to address this recommendation.

18. In paragraph 65, the Board recommended that UNDP use prices for cost recovery based on actual work performed relying on tracked data of actual service provisions instead of using lump sums to ensure transparency and that neither profits nor losses occur.

Department(s) responsible:	Bureau for Management Services/Office of Legal Services
Status:	Under implementation
Priority:	Medium
Target date:	First quarter of 2023 (Q1 2023)

19. Management response: UNDP management is preparing a service-level agreement for the concerned client, with billing to be costed by reference to a formula based on recorded time, and not an annual lump-sum payment.

20. In paragraph 69, the Board recommended that UNDP aim to re-establish a contractual arrangement for all services, including legal services provided to United Nations entities at headquarters level with a view to determining arrangements for price adjustments as necessary and ensuring full cost recovery in line with the principles for costing and pricing services.

Department(s) responsible:	Bureau for Management Services
Status:	Under implementation
Priority:	Medium
Target date:	Third quarter of 2023 (Q3 2023)

21. Management response: UNDP management plans to negotiate a new service-level agreement for legal services with the concerned client, with costing to be based on the most recent pro forma costs, rather than having a multi-year service-level agreement with a price escalation clause.

22. In paragraph 78, the Board recommended that UNDP follow a consistent approach in line with the established memorandum of understanding to recover costs for rented vehicles as part of transportation services which incorporates the aim of neither making a neither profit nor incurring a loss as agreed in the principles for costing and pricing services.

Department(s) responsible:	Bureau for Management Services/Directorate and regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	First quarter of 2023 (Q1 2023)

23. Management response: Management would like to note that transportation services for the resident coordination system are currently in the process of transitioning to the United Nations Secretariat, and will discontinue. Management will remind the concerned UNDP country offices that still provide transportation services to the resident coordinator about the methodology for cost recovery for such services.

24. In paragraph 84, the Board recommended that UNDP improve the complete and timely cost recovery for all services provided to other United Nations entities.

Department(s) responsible:	Bureau for Management Services/Office of Legal Services and regional bureaux
Status:	Under implementation
Priority:	High
Target date:	First quarter of 2023 (Q1 2023)

25. Management response: The Office of Legal Support has already billed the concerned client for quarters 1 and 2 of 2022 and will ensure that billing for the remaining quarters of 2022 is issued on a timely basis.

C. Accountability and oversight

26. In paragraph 96, the Board recommended that UNDP update the UNDP accountability system and the corporate accountability framework.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management
Status:	Under implementation
Priority:	High
Target date:	Third quarter of 2023 (Q3 2023)

27. Management response: UNDP management is taking the necessary steps to address this recommendation, and actions taken will be informed by, and refined with, the expansion of clustering and the roll-out of the enterprise resource planning system.

28. In paragraph 103, the Board recommended that UNDP maintain evidence of the spot checks of quality assurance reports.

Department(s) responsible:	Regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Fourth quarter of 2022 (Q4 2022)

29. Management response: UNDP management will remind respective offices to ensure compliance with the UNDP policy on quality standards for programming.

30. In paragraph 114, the Board recommended that UNDP assess whether guidelines for oversight established for Global Environment Facility projects could be applied to other UNDP projects.

Department(s) responsible:	Bureau for Policy and Programme Support and regional bureaux
Status:	Under implementation
Priority:	High
Target date:	Third quarter of 2023 (Q3 2023)

31. Management response: UNDP management is looking to explore the option of developing a corporate approach to defining and managing high-risk projects.

32. In paragraph 115, the Board recommended that UNDP facilitate the sharing of tools and best practices between regional bureaux.

Department(s) responsible:	Regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

33. Management response: Regional bureaux are already sharing tools and best practices and will continue this good practice in the future. Management is exploring the creation of a single, harmonized system to assess country offices' capacity, oversight and performance to meet the bureaux needs.

34. In paragraph 125, the Board recommended that UNDP ensure timely completion of the annual performance reviews.

Department(s) responsible:	All bureaux
Status:	Under implementation
Priority:	High
Target date:	First quarter of 2023 (Q1 2023)

35. Management response: Management has introduced a new performance management development compliance dashboard that allows personnel and managers to transparently monitor the annual performance review, the midterm review, and goal planning status of their teams, offices and bureaux, and it will reiterate to all managers and staff the importance of timely completion of the performance review exercise.

D. Sustainable procurement

36. In paragraph 152, the Board recommended that UNDP, in line with established good practices and international standards, continue to integrate sustainability into the organization's procurement policy and strategy.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

37. Management response: The new UNDP procurement strategy, 2022-2025, has been approved and integrates sustainability as one of five main pillars. The Procurement Office will design and advocate for the adoption and implementation of practical sustainable procurement solutions, which can be scaled across the UNDP corporate procurement architecture to accelerate sustainable procurement integration

and innovation uptake that contributes to the wider the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

38. In paragraph 153, the Board recommended that UNDP, in line with established good practices and international standards, develop and implement a sustainable procurement action plan which includes elements such as, but not limited to, sustainable procurement objectives and targets, clarification of responsibilities and accountabilities with regard to sustainable procurement and a performance measurement framework.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

39. Management response: The Procurement Office is working on the action plan and plans to circulate it for internal review and clearances in early 2023.

40. In paragraph 163, the Board recommended that UNDP include sustainable procurement-related goals that are specific, measurable, attainable, relevant and time-bound in individual performance management agreements for all procurement support unit staff.

Department(s) responsible:	Bureau for Management Services/Procurement Office and regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

41. Management response: Team leads in the Procurement Support Unit have standard performance management and development goals for sustainable procurement for 2022 and beyond. Management is working to incorporate sustainable procurement goals in the performance management and development goals of Procurement Support Unit staff in the remaining staff categories.

42. In paragraph 164, the Board recommended that UNDP develop and distribute examples of sustainable procurement-related individual performance goals for key internal stakeholders of the procurement process, such as local heads of procurement, programme managers and operations managers.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

43. Management response: The Procurement Support Unit is working on developing standard performance management and development goals for various procurement staff categories and will circulate this information to all country offices.

44. In paragraph 174, the Board recommended that UNDP review existing guidance on sustainable procurement practices and continue to enable its staff to implement existing sustainable procurement requirements stipulated in UNDP programme and operations policies and procedures.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

45. Management response: The Procurement Office is working on developing an outreach plan for the integration of sustainable procurement practices drawing on the updated related guidelines, policy and specifications.

46. In paragraph 185, the Board recommended that, based on a sustainability risk analysis, UNDP develop and continuously update sustainable procurement specifications and regularly communicate those specifications to its requisitioners.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

47. Management response: UNDP has developed a sustainability risk analysis tool to identify the top risk categories for which sustainable procurement guidelines and specifications are being developed.

48. In paragraph 196, the Board recommended that UNDP establish a control mechanism to ensure that country offices request non-hydrofluorocarbon refrigerants, where available and feasible, with an ultra-low global warming potential so as to comply with related provisions of UNDP social and environmental standards.

Department(s) responsible:	Bureau for Management Services/Procurement Office and regional bureaux
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

49. Management response: The Procurement Office has developed draft sustainable procurement guidelines for refrigerants and is preparing to circulate it for internal review and clearances. The guidelines contain a list of minimum requirements for sourcing refrigerants with low global warming potential.

50. In paragraph 206, the Board recommended that UNDP revise its corporate templates for requests for proposal to include mandatory and optional sustainability criteria in all templates.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

51. Management response: UNDP management agrees with the recommendation and is currently implementing it.

52. In paragraph 207, the Board recommended that UNDP include clear instructions and requirements on the use of mandatory and optional sustainability criteria for evaluation of offers in the related policy.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

53. Management response: UNDP management agrees with the recommendation and is currently implementing it.

54. In paragraph 219, the Board recommended that UNDP manage the greenhouse gas emissions from its freight-forwarding long-term agreements and include sustainability criteria in any extension or new contract agreements with freight forwarders.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

55. Management response: Current joint United Nations freight-forwarding long-term agreements include sustainability reporting requirements for reducing greenhouse gas emissions. The long-term agreements have recently been extended until June 2024. Ahead of the re-tendering process, UNDP will develop a strategy for incorporating sustainability criteria in the tender evaluation process. In this regard, within the Sustainable Working Group of the High-level Committee on Management (HLCM) Procurement Network, UNDP is taking the lead to establish a United Nations-wide methodology for capturing scope three emissions from its procurement activities.

56. In paragraph 220, the Board recommended that UNDP report greenhouse gas emissions related to the contracted freight-forwarding services in its greenhouse gas inventory and offset them.

Department(s) responsible:	Bureau for Management Services/Procurement Office and Information and Technology Management Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

57. Management response: UNDP is holding an internal discussion on how it can strategically manage its scope three emissions, including from freight forwarders. The work is also coordinated with the Greening Moonshot team to ensure consistency of methodology for measuring greenhouse gas emissions. Within the Sustainable Working Group of the HLCM Procurement Network, UNDP is taking the lead to establish a United Nations-wide methodology for capturing scope three emissions from its procurement activities, including freight forwarding.

E. Environmentally sustainable operations

58. In paragraph 231, the Board recommended that UNDP improve performance monitoring for all its solar photovoltaic installations at its own facilities and analyse the reasons for the low energy production.

Department(s) responsible:	Bureau for Management Services/Information and Technology Management Office and regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

59. Management response: UNDP management is updating its environmental management tool to collect photovoltaic-related data consistently and to allow for the comparison of its reported generation with expected generation by individual offices.

60. In paragraph 232, the Board recommended that UNDP take necessary steps to ensure that solar photovoltaic installations at its own facilities are properly operated and maintained to enhance the most economic and environmental benefits.

Department(s) responsible:	Bureau for Management Services/ Information and Technology Management Office and regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

61. Management response: With the improvement of the environment management tool, offices with the under-performing photovoltaic systems will be engaged to review those under-performing systems and guided on required remediation steps.

F. Human resources

62. In paragraph 246, the Board recommended that UNDP evaluate the appropriateness of the authorization process in the identified cases and follow up with corrective measures.

Department(s) responsible:	Bureau for Management Services/Global Shared Services Centre and regional bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Fourth quarter of 2022 (Q4 2022)

63. Management response: UNDP management agrees with the recommendation and is currently implementing it.

64. In paragraph 247, the Board recommended that UNDP review its oversight functions and internal controls in place to ensure compliance with the stipulations for danger pay due to COVID-19.

Department(s) responsible:	Bureau for Management Services/Office of Human Resources and Global Shared Services Centre
Status:	Under implementation
Priority:	High
Target date:	Second quarter of 2023 (Q2 2023)

65. Management response: UNDP management agrees with the recommendation and is currently implementing it.

66. In paragraph 264, the Board recommended that UNDP review and update its policy on termination indemnities in line with the staff regulations and rules of the United Nations to ensure that additional termination indemnities are paid according to clearly defined criteria.

Department(s) responsible:	Bureau for Management Services/Office of Human Resources
Status:	Under implementation
Priority:	Medium
Target date:	Third quarter of 2023 (Q3 2023)

67. Management response: UNDP is developing a revision to its current policy on termination indemnities to ensure that the criteria for payment of termination indemnities is clearly specified in line with United Nations staff regulations and rules, in particular in relation to the payment of additional termination indemnities. The revised draft policy is currently going through the internal consultation and approval process, and it is anticipated that it will be promulgated before the end of 2022. The revised policy will not result in any change in the amount or eligibility to the additional termination indemnity. The purpose is to formalize the current practice, which is currently contained in a guidance note, in detail at the policy level.

68. In paragraph 279, the Board recommended that UNDP ensure compliance with the existing [overtime] policy.

Department(s) responsible:	All bureaux
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

69. Management response: UNDP offices, both at the headquarters and country levels, will be reminded to follow the overtime policy in place and to ensure the standard overtime forms are used when submitting overtime requests.

70. In paragraph 280, the Board recommended that UNDP implement adequate tools for monitoring overtime as well as internal controls to ensure compliant processes at all duty stations.

Department(s) responsible:	Bureau for Management Services/Office of Human Resources, and Information and Technology Management Office
Status:	Under implementation
Priority:	Medium
Target date:	Second quarter of 2023 (Q2 2023)

71. Management response: UNDP is working on the automation of the overtime payment process with a self-service-based approval workflow process.

G. Internal controls

72. In paragraph 292, the Board recommended that UNDP further enhance its internal financial control system by identifying key controls with the aim of improving data quality and limiting risks of errors and by specifying documentation requirements which evidence the performance of these control procedures.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management
Status:	Under implementation
Priority:	High
Target date:	Fourth quarter of 2023 (Q4 2023)

73. Management response: UNDP management is exploring the avenues to address this recommendation; this work will be informed by, and refined with, the expansion of clustering and the roll-out of the enterprise resource planning system.

H. Information and communications technology

74. In paragraph 314, the Board recommended that UNDP further enhance the close monitoring for cost recovery of Quantum-related costs and strengthen efforts to ensure timely billing for all Quantum services provided to other United Nations entities.

Department(s) responsible:	Bureau for Management Services /Information and Technology Management
Status:	Closure requested
Priority:	Medium
Target date:	Fourth quarter of 2022 (Q4 2022)

75. Management response: All 2021 Quantum-related billing was issued, and all due payments were received in full. Quantum-related billing for 2022 was issued to all participating organizations and payments have been received in full.

IV. Status of recommendations from prior financial periods

76. In annex 1 to its report for the year ended 31 December 2021, the Board of Auditors provides a summary on the status of implementation of recommendations from previous financial periods. Below is a summary and details of the action plans and expected completion target dates for those recommendations reported as outstanding to date by the Board.

Table 3. Status of outstanding recommendations from prior years

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Enterprise risk management (2019: #77; 2020: #166, #167)	3	3	-
Fraud risk management (2019: #101, #124)	2	2	-
Internal controls (2019: #148, #159; 2020: #118, #119, #142, #148)	6	4	2
Financial statements and accounting-related matters (2020: #83, #89)	2	2	-
Harmonized approach to cash transfers (2020: #190)	1		1
Contractual services (2020: #290, #334)	2	1	1
Total	16	12	4
Percentage	100%	75%	25%

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77. In paragraph 77, the Board recommended that UNDP enhance awareness of country offices and other units on how to conduct fraud risk assessments in an integrated manner, for example, by presenting good practices at regional or annual retreats of its managers.

Department(s) responsible:	Bureau for Management Services /Directorate
Status:	Closure requested
Priority:	High
Original target date	Third quarter of 2021
Revised target date:	Second quarter of 2023 (Q2 2023)

78. Management response: UNDP has implemented specific actions to enhance fraud awareness: guidance documents on how to conduct fraud risk assessments were provided to country offices and regional bureaux; reminders were sent to include fraud risks on the risk registers; and all staff were required to complete anti-fraud mandatory training. As of 3 November 2022, the completion rate is at 92 per cent. Furthermore, fraud awareness was discussed at the resident representatives retreat in October 2022.

79. In paragraph 101, the Board recommended that UNDP enhance awareness of country offices and other units on how to document fraud risk treatment actions in the corporate risk management tools available, for example, by presenting good practices at regional or annual retreats of its managers.

Department(s) responsible:	Bureau for Management Services/Directorate, central and regional bureaux
Status:	Closure requested
Priority:	Medium
Original target date	First quarter of 2021
Revised target date:	Second quarter of 2023

80. Management response: As part of UNDP efforts to strengthen fraud risk management and to support managing, preventing and mitigating fraud risks across the organization, the Bureau for Management Services has developed a risk fraud assessment guide, which is available in the enterprise resources management toolkit page, to support UNDP personnel in preventing, detecting and responding to fraud. In addition, long-term agreements to conduct fraud and corruption risk assessment have been made available to country offices since October 2021. Also, there has been a significant improvement in recording fraud risks at the project and programme levels. As of September 2022, there are a total of 177 fraud risks in 158 projects, versus seven risks in seven projects in 2019; and a total of 39 fraud risks in 18 offices, versus 11 fraud risks in 11 offices in 2019 when the recommendation was made.

81. In paragraph 124, the Board recommended that UNDP further enhance its continuous efforts to raise fraud awareness with external partners.

Department(s) responsible:	Bureau for Management Services/Procurement and Bureau for External Relationships and Advocacy
Status:	Closure requested
Priority:	Medium
Original target date	Second quarter of 2021
Revised target date:	Second quarter of 2023

82. Management response: UNDP has added an anti-fraud link to all its local websites, connecting users to the UNDP accountability page. The link is also shared with relevant stakeholders. Templates used with external parties (i.e., implementing partners) have likewise been updated to include fraud-related information.

83. In paragraph 148, the Board recommended that UNDP assess the application of good practices such as rotation of tasks among personnel in contexts where a higher risk of fraudulent acts has been identified.

Department(s) responsible:	Bureau for Management Services/Procurement Office, Office of Human Resources, and Global Shared Services Centre
Status:	Closure requested
Priority:	High
Original target date	Second quarter of 2021
Revised target date:	Fourth quarter of 2023

84. Management response: UNDP has clustered at the Global Shared Services Centre several country office functions. Rotation is already offered within the Global Shared Services Centre Finance Unit for capacity building. Procurement personnel are subject to the human resources mobility policy. Additionally, as has been previously noted, a large proportion of procurement fraud cases pertain to vendors activities that are duly reported by country offices, which indicate that UNDP compliance and other oversight measures are effective at the process level in identifying instances of fraud when they occurs. Procurement personnel diligently report such cases.

85. In paragraph 159, the Board recommended that UNDP establish a detective control at global shared services unit level to ensure that information entered by country offices into the enterprise resource planning system is correct and accurate.

Department(s) responsible:	Bureau for Management Services/Global Shared Services Centre and Office of Human Resources
Status:	Closure requested
Priority:	Medium
Original target date	Fourth quarter of 2021
Revised target date:	Second quarter of 2023 (Q2 2023)

86. Management response: With human resources clustering, all UNDP human resources transactions were moved from country offices to the Global Shared Services Centre, which gradually took over all the entry of human resources data in the enterprise resources planning system. The human resources clustering was completed with the phasing out of the service contract modality in June 2022. UNDP replaced the service contract with the national personnel services agreement contract modality, and the Global Shared Services Centre took over the administration. As a result, UNDP country offices are no longer entering human resources transactions in the enterprise resources planning system. Country offices now submit their requests for human resources transactions to the Global Shared Services Centre, which makes the entries into the enterprise resources planning system.

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87. In paragraph 83, the Board recommended that UNDP assess measures to mitigate the risk of erroneous asset or expense recognition resulting from use of an incorrect catalogue code upon the initial purchase.

Department(s) responsible:	Bureau for Management Services/General Operations
Status:	Closure requested
Priority:	Medium
Original target date	Second quarter of 2022
Revised target date:	Second quarter of 2023

88. Management response: The Atlas approach of multiple item catalogues (one for internal use items and another for external use items) has been replaced with a single/unified catalogue in Quantum. Rules have been configured in procurement to derive the appropriate account code based on multiple parameters (item category, unit cost, attractive item or not, internal/external use). The only input required from the requisitioner is the selection of asset use value (internal, external) to indicate if the asset is for internal use or external use. This minimizes the erroneous capitalization or expensing of asset items.

89. In paragraph 89, the Board recommended that UNDP record revenue from exchange transactions in the period in which services were rendered and assess how the enterprise resource planning system could support this accounting approach to ensure an appropriate process, follow-up and complete recovery of revenue from exchange transactions.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management and regional bureaux
Status:	Closure requested
Priority:	High
Original target date	Second quarter of 2022
Revised target date:	Second quarter of 2023

90. Management response: UNDP issued guidance in 2022 second and third-quarter closure instructions to UNDP offices on the requirement to have a standard process in place to follow up on outstanding amounts for services provided by UNDP to agencies. Guidance was also issued to prevent incorrect recording of exchange revenue, because revenue from exchange transactions must be recorded in the period in which services were rendered. This included the information that financial authorizations are received upfront, prior to UNDP providing services to United Nations organizations.

A similar message was sent out via Yammer to UNDP revenue focal points in September 2022. Billing for agency services in Quantum is now automated, which was the root cause of the issue.

91. In paragraph 118, the Board recommended that UNDP further automate preventive controls with respect to assigning staff functions to non-staff and include all minimum control functions that must be held by staff.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management
Status:	Under implementation
Priority:	High
Original target date	Second quarter of 2022
Revised target date:	Second quarter of 2023

92. Management response: Work is ongoing as part of the transition to Quantum to further automate preventive controls on assignment of certain minimum functions to staff.

93. In paragraph 119, the Board recommended that UNDP review the cases of non-compliance and analyse the why country offices did not fully comply with the corporate internal control framework but still confirmed compliance during the annual assertion exercise.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management and regional bureaux
Status:	Closure requested
Priority:	Medium
Original target date	Second quarter of 2022
Revised target date:	Second quarter of 2023

94. Management response: UNDP analysed the 101 cases and took action to deactivate those human resource administrator and position administrator roles that were not dummy workflow assignments. Additionally, internal control framework training was delivered to all offices during the first half of 2022, emphasizing the importance of ensuring the veracity of annual representation statements. The Office of Financial Management in the Bureau for Management Services reviewed 2021 annual representation submissions and the results were individually discussed with each regional bureau to address cases of non-compliance.

95. In paragraph 142, the Board recommended that UNDP explore possibilities for integration of the delegation of authority process, which is currently paper-based, into its enterprise resource planning system.

Department(s) responsible:	Bureau for Management Services//Office for Legal Affairs, and Information and Technology Management
Status:	Under implementation
Priority:	High
Original target date	Third quarter of 2022 (Q3 2022)
Revised target date:	Second quarter of 2023 (Q2 2023)

96. Management response: Work to revise the current delegation of authority policy, including the associated templates, is continuing. The possibility of enterprise resources planning integration will be progressed after this work is completed.

97. In paragraph 148, the Board recommended that UNDP explore whether an automated control could be implemented in the enterprise resources planning system to prevent users from approving payments for themselves.

Department(s) responsible:	Bureau for Management Services/Information and Technology Management
Status:	Closure requested
Priority:	Medium
Original target date	Second quarter of 2022 (Q2 2022)
Revised target date:	Third quarter of 2023 (Q3 2023)

98. Management response: Automated controls are built into the Quantum platform. These controls have also been tested as part of the user acceptance testing (UAT) cycle.

99. In paragraph 166, the Board recommended that UNDP ensure that country offices record project-related risks for all of their projects and that risk entries are complete.

Department(s) responsible:	Bureau for Management Services/Bureau for Performance and Compliance and regional bureaux
Status:	Closure requested
Priority:	High
Original target date	First quarter of 2022 (Q1 2022)
Revised target date:	Fourth quarter of 2022 (Q4 2022)

100. Management response: UNDP introduced Quantum+ in April 2022 and is working to transition risk registers into the new platform. As of October 2022, all country offices, regional/central bureaux have recorded their programme risks in Quantum+, and 91 per cent of UNDP projects have completed their risk registers in Atlas. A PowerBI Dashboard is available to facilitate the monitoring of project risks.

101. In paragraph 167, the Board recommended that UNDP ensure that directors of bureaux fulfil their responsibilities with regard to enterprise risk management and ensure that offices under their supervision keep their risk registers up to date.

Department(s) responsible:	Bureau for Management Services/Bureau for Performance and Compliance and regional bureaux
Status:	Closure requested
Priority:	Medium
Original target date	First quarter of 2022 (Q1 2022)
Revised target date:	First quarter of 2023 (Q1 2023)

102. Management response: Following the launch of the risk module in Quantum +, country offices entered their risk registers into the new application, which were reviewed by the regional bureaux. Risk assessment is a dynamic process and country offices are required to update their risks regularly.

103. In paragraph 190, the Board recommended that UNDP include documentation of harmonized approach to cash transfers (HACT) implementation in the new cloud-based enterprise resource planning system and that UNDP include functional controls within the system to ensure compliance with HACT policies.

Department(s) responsible:	Bureau for Management Services/Office of Financial Management
Status:	Under implementation
Priority:	Medium
Original target date	Second quarter of 2022
Revised target date:	Third quarter of 2023

104. Management response: An exercise to migrate the HACT application tool from SharePoint to cloud-based Quantum+ is underway and scheduled for roll out in January 2023. The new tool will retain existing functionality from HACT SharePoint with some additional functionality, such as issue/risk

tracking, paperless HACT workflow approvals, and enhanced access controls. This tool will enhance planning and management of micro-assessments and assurance activities, a key component of HACT compliance. A second phase of enhancements which will incorporate electronic submission and processing of FACE forms is scheduled to be launched after rollout and stabilization of Quantum enterprise resource planning.

105. In paragraph 290, the Board recommended that UNDP explore possibilities for robust data input controls and regular data maintenance mechanisms in the new supplier portal that ensure accurate, complete and reliable vendor master data.

Department(s) responsible:	Bureau for Management Services/Procurement Office
Status:	Under implementation
Priority:	High
Original target date	First quarter of 2022 (Q1 2022)
Revised target date:	First quarter of 2023 (Q1 2023)

106. Management response: The roll out of phase 2 of Quantum, which covers spend-authorized suppliers, is scheduled for January 2023, at which point the implementation of the recommendation will be fully completed.

107. In paragraph 334, the Board recommended that UNDP avoid publishing contact details from staff members and consultants in advertisements and solicitation documents.

Department(s) responsible:	Bureau for Management Services/Procurement Office, and Information and Technology Management
Status:	Closure requested
Priority:	Medium
Original target date	Second quarter of 2022 (Q2 2022)
Revised target date:	Implemented

108. Management response: UNDP has introduced a generic procurement team email in the solicitation template in the new Quantum sourcing platform that is now used globally. UNDP considers this recommendation to have been implemented and requests its closure by the Board.

109. UNDP has identified and assessed few recommendations currently marked “under implementation” as overtaken by events. These recommendations were submitted to the Board of Auditors for their consideration.

V. Conclusion

110. UNDP welcomes the report of the United Nations Board of Auditors for the UNDP financial statements for the year ended 31 December 2021 and its overall conclusion that UNDP closed 2021 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. UNDP is committed to addressing the areas of improvement identified in the report and will continue to strengthen and widen the scope of these initiatives.