



Administrative Instruction

Date: 13 September 2010
To: All UNOPS Personnel
From: Mark Fitzgerald,
Director, Internal Audit and Investigations Group
AI Reference: AI/IAIG/2010/02
Subject: Management, Implementation and Monitoring of Internal Audit Recommendations

1. Introduction:

- 1.1. This Administrative Instruction outlines the procedures required to be followed for effective management, implementation and monitoring of internal audit recommendations.
- 1.2. In accordance with Organisational Directive 25 ("Charter of the Internal Audit and Investigations Group"), I promulgate this Administrative Instruction AI/IAIG/2010/02 to provide procedures concerning the follow up of audit recommendations.

2. Effective Date:

- 2.1. This AI is to be implemented as of **1 October 2010**.

**ADMINISTRATIVE INSTRUCTION
(AI/IAIG/2010/02)**

**MANAGEMENT, IMPLEMENTATION AND MONITORING OF INTERNAL AUDIT
RECOMMENDATIONS**

1. Introduction

- 1.1. In accordance with its mandate, as defined in Regulation 5.03 of the UNOPS Financial Regulations and Rules (FRR) issued as Organisational Directive 3 and the Charter of the Internal Audit and Investigations Group (IAIG) issued as Organisational Directive 25, the IAIG issues internal audit reports which contain audit recommendations to mitigate risks and improve the effectiveness of the risk management, control and governance processes of UNOPS. The success of an audit occurs when the audited entity takes appropriate steps to reduce risks or improve operations as recommended by the audit.
- 1.2. This AI details the procedures to be followed for the effective management of audit recommendations, within the distinct phases of the audit cycle.

2. Standards

- 2.1. The IAIG follows the International Standards for the Professional Practice of Internal Auditing, which forms part of the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors. In accordance with Standard 2500, the IAIG must establish a follow up process and maintain a system to monitor the disposition of results communicated to management and ensure that management actions have been effectively implemented. Accordingly, the IAIG has the responsibility to monitor and communicate its status and determination as to whether or not the audited entity¹ has taken steps to adequately and effectively address the matters reported in audit findings and recommendations in line with the agreed timeframe.

3. Principles

- 3.1. This AI is based on the principle that it is the responsibility of management to implement and follow up the audit recommendations. The IAIG is responsible for monitoring and reporting on the status of the implementation. Management have several opportunities to provide comments on the audit recommendations, as explained below.

4. Audit Cycle

- 4.1. For the purpose of audit recommendations, the audit cycle begins with the issue of preliminary audit observations and the provision of management comments and action taken during field work and at the exit conference.

¹ The responsible official for the audited entity is deemed to be the Regional Director in cases of Regional Offices (RO), Operations Centres (OCs), Project Centres (PCs) and Clusters and at headquarters, the directors of the relevant function.

- 4.2. Subsequently, these management comments are incorporated in the audit observations and audit recommendations in the following stages of the cycle for subsequent follow up and implementation:
- (a) Draft Audit Report; and
 - (b) Final Audit Report.
- 4.3. Audit recommendations are entered in the web based Audit Information System (“Issue Track” module of “Auto Audit”) by IAIG, to facilitate their effective follow up. This is currently done after the issuance of the Final Audit Report, but it is expected to be done concurrently with the issuance of the Draft Audit Report in due course.
- 4.4. The responsibilities of management during these stages of the audit recommendations cycle are delineated below.
- 5. Draft Audit Report (for Regional Offices, Operations Centres, Project Centres and Clusters)²**
- 5.1. Management are invited to comment on Draft Audit Reports against the issuance of the report to the Regional Director and copied to the head of the audited entity. Management’s collective response to the Draft Audit Report shall be provided by the Regional Director, along with supporting documentation, names of responsible manager and the expected completion date, within two weeks of the date of issue of the draft report.
- (a) In cases, where audit recommendations have cross-cutting functional impact, the Regional Director, to whom the report is issued, shall be responsible for gathering responses from the functional heads at headquarters or other field units and collating and submitting consolidated response to IAIG within the given timeframe.
 - (b) In case the Regional Director needs more time to respond to the audit recommendations, a written request shall be made to the Director, IAIG, along with sufficient justification. The Director, IAIG will review the justification for the request and may at his/her discretion allow it.
 - (c) Upon receipt of management comments from the Regional Director, duly incorporating headquarters comments where required, IAIG will review these along with supporting documentation, and either decide to close the recommendation or update the same, incorporating the management comments and further comments of IAIG, and issue the Final Audit Report. Further, for each audit recommendation, a responsible manager is designated by the IAIG in consultation with auditee management and an expected completion date is indicated.

² For HQ units and functional audits, please see section 8 below.

- (d) If no management response is received within the stipulated time (or the extended date, as the case may be), it will be assumed that management has no comments to offer, and IAIG will proceed to issue the Final Audit Report accordingly.

6. “Issue Track”

- 6.1. With the issue of the Final Audit Report, further follow up will be monitored in the web-based Audit Information System (“Issue Track”), managed by the IAIG, and can be accessed through the audit intranet page. Issue Track is a customized module of the audit management software “AutoAudit” which is used by IAIG. It is currently maintained by the IAIG and the various coordinators assigned by IAIG to input the action taken on the audit recommendations in the system. The head of the auditee unit is responsible for coordinating with IAIG to obtain access to Issue Track and the nomination of coordinators for this purpose.

7. Final Audit Report

- 7.1. The responsibilities for monitoring of the action taken on the audit recommendations in the Final Audit Report, on the Issue Track system, are as follows:
 - (a) The responsible manager (the position to whom the audit recommendation is assigned), shall take action to implement the same. Wherever action has been taken to implement the audit recommendations, documentary evidence should be uploaded in Issue Track, along with the description of action taken and the status of the audit recommendation, on or before the expected completion date.
 - (b) The overall responsibility for implementation of audit recommendations and monitoring the status of all outstanding recommendations lies with the Regional Director. The head of the audited entity shall ensure that the responsible managers have taken action to implement the audit recommendation on or before the expected completion date and shall exercise due care in responding to reported recommendations in a timely manner.
 - (c) IAIG will review the action taken by management and may either close the audit recommendation if, in its opinion, sufficient action has been taken by management to address the audit recommendation, or provide further comments, with revised expected completion date, for further follow up by management.

8. Audit of headquarters (HQ) units and Functional audits

- 8.1. While the above procedure shall apply for the internal audit of all organisational units, including Regional Offices, Operations Centres, Project Centres, clusters and HQ units, and functional audits, it is clarified that the following provisions shall apply in the case of audit of Regional Offices, HQ units and functional audits:
 - (a) Regional Offices: in this case, the responsibilities of head of the auditee entity are assigned to the Regional Director, as both functions are combined.

- (b) HQ units and functional audits: in this case, the Director concerned of the functional group in HQ will perform the role assigned to the Regional Director and the head of the auditee entity as above.

9. Resolving non-implemented recommendations

- 9.1. In accordance with Standard 2600 of the International Standards for the Professional Practice of Internal Auditing, where management decides to assume the risk of not implementing a recommendation, and when the Director, IAIG believes that audited entity's management has accepted a high level of residual risk that may be unacceptable to the organization, the auditor-in-charge of the audit of a particular entity shall discuss the matter with the audited entity's management. If the matter remains unresolved, the Director, IAIG shall discuss it with the Executive Director. If the decision regarding residual risk is not resolved, the Director, IAIG may close the audit recommendation with the remarks 'closed without implementation – auditee management accepts responsibility for residual risk' and may, at his/her discretion, report the matter to the Strategy and Audit Advisory Committee (SAAC), as well as include this in the Annual Activity Report of the IAIG to the Executive Board.

10. Monitoring and Reporting

- 10.1. The Regional Director and/or Directors of functional units, in consultation with the head of the auditee, shall be responsible for communicating to the Director, IAIG, on at least a six monthly basis, the status of the progress made to resolve audit issues. The status of audit recommendations can, however, be updated continuously in the Issue Track system.
- 10.2. Based on best practices observed in some regions, IAIG suggests the establishment of a regional oversight body, and the designation of a focal point in each region, for overall responsibility for follow up of audit recommendations.
- 10.3. The status of outstanding recommendations, including those that are more than 18 months old, is available, on a real time basis, on the UNOPS intranet/management workspace and the audit intranet page. This information is used by management for purposes of the monitoring the performance of organizational units. IAIG reports the status of outstanding recommendations in its Annual Activity Report submitted to the Executive Board.
- 10.4. In order to clarify the roles and responsibilities of different functionaries involved in the process of management of audit recommendations, a process map has been prepared and is attached as Annex 1 to this Administrative Instruction.

Annex 1: Management of Audit Recommendations – Process flow for Roles and Responsibilities



