



United Nations

Financial report and audited financial statements

for the biennium ended 31 December 2007 and

Report of the Board of Auditors

United Nations Office for Project Services

General Assembly

Official Records

Sixty-third Session

Supplement No. 5J (A/63/5/Add.10)

Chapter III

Audit opinion

We have audited the accompanying financial statements of United Nations Office for Project Services (UNOPS) comprising statements numbered I to III, schedule 1 and 2, and the supporting notes, for the biennium ended 31 December 2007. These financial statements are the responsibility of Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of UNOPS that have come to our notice, or which we have tested as part of our audit have in all significant respects been in accordance with the UNOPS Financial Regulations and Rules and legislative authority.

Without qualifying our opinions expressed above, we draw attention to the following matters:

(a) The Board issued a qualified opinion in the previous biennium due to UNOPS' inability to confirm its interfund receivable balance of \$9.9 million with UNDP. The unconfirmed interfund balance difference between UNOPS and UNDP had increased to approximately \$33.9 million as at the end of the 2006-2007 biennium. UNOPS had not sent the Project Delivery Repts amounting to \$16.4 million to UNDP, and approximately \$17.5 million has not been confirmed or agreed to by UNDP. UNOPS has made a cumulative provision for non-recovery of the UNDP interfund debtor amounting to \$10.3 million. The Board obtained confirmations from five other UN agencies that were in disagreement with the interfund amounts recorded by UNOPS and was not able to confirm 21 balances with other entities. These findings indicate the need for improved financial control over the recording and reconciliation of transactions between UNOPS and other UN entities.

(b) The Board has reported shortcomings in asset management, and noted significant errors in the asset registers that support the amount of \$10.3 million disclosed in the non-expendable property note (note 14) of the financial statements. UNOPS performed a comprehensive review of all the

submissions received from its regional offices and operations centres and made adjustments of \$2.3 million (related to the assets recorded) to the value of non-expendable property disclosed. As this was performed subsequent to the Board's detailed audit fieldwork, the Board was unable to verify the accuracy and completeness of the corrections made. UNOPS effort to rectify its asset records, including the implementation of the Atlas module on assets were ongoing.

(c) In UNOPS transition to Atlas in January 2004, there were instances where balances and transactions relating to projects were not accurately transferred resulting in ineffective controls to perform project management and monitoring in Atlas. The Board further observed that UNOPS had not exercised strict reconciliation of its income received in advance account, and had charged project over-expenditures to this account, thus under-recording expenditure. During this biennium, UNOPS has focused on improving its project controls, which was ongoing..

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNOPS.

(Signed) **Philippe Séguin**

First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors

(Signed) **Terence Nombembe**

Auditor-General of the Republic of South Africa
(Lead Auditor)

(Signed) **Reynaldo A. Villar**

Chairman, Philippine Commission on Audit

30 June 2008