

Annex 1

Audit of organizational units, functions or project activities

Rec. No.	Issue identified in OAPR internal audit reports in 2005	UNOPS strategy for addressing issue			
		Management comments at the time of the audit	Strategy	Time frame	Indicator of progress/ completion
	Functional audit of a cluster of UNOPS project activities in Myanmar				
5	The sub-imprest account monthly reports should be submitted to the main imprest holder as soon as possible after the end of the month. Submission dates should be monitored and remedy sought for causes of late submission.	<p><i>“APRO has noted the comments made on the Imprest Account Operations and the recommendation made and would take the necessary steps to ensure adequate staffing so that procedures are followed accordingly. APRO would also like to share the comments of the Agency Project Manager:</i></p> <p><i>1. “Under the CDRT the report states, ‘the sub-imprest accounts are not being operated in compliance with the provision of the imprest holder delegation in that no verifying officers have been designated’. In order to follow the guidelines that verifying and alternative verifying officers be nominated we would need to appoint new staff. In order to reduce overhead costs, UNDP reduced one position from the Area Office for MYA/01/002. This position would need to be reinstated in order to have the alternative verifying officer and follow the guidelines as recommended. We have had problems negotiating new staff positions with UNDP because of the existing high numbers of staff already employed under HDI.”</i></p> <p>Comment from project manager (PM): <i>“Nevertheless, based on audit observation, APRO will take up the discussion with UNDP again.”</i></p>	<p>Discuss staffing issues with the UNDP country office and project office.</p> <p>To recruit admin. assistant for all area offices. The admin. assistant will take responsibility as verifying officer for sub-imprest account at area level. This position will be added under new expansion plan of the project.</p> <p>Sub-imprest account to close at 22nd of each month and monthly report sent to Yangon office. The main imprest account in Yangon office will compile all reports to be sent directly to New York, arriving on the 5th of each month.</p>	<p>Nov-Dec. 2004</p> <p>Once the expansion plan approved, the recruitment process will follow</p>	<p>Noted; budget revision in early 2005 with expansion plan to indicate additional staff.</p> <p>The recruitment of the administrative assistant has been completed and all staff have been placed at area offices since October 2005. The designation of authority for verifying officer will be finalized within next two months (by 1 June 2006).Orientation and training of staff had to be completed prior to this delegation.</p> <p>Already done; the imprest monthly report is now sent directly from Yangon to New York as of July 2005.</p>

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		<p>2. "It also mentions 'Sub imprest accounts are not submitted to the imprest holder in a timely manner'. This issue has been raised before and will continue to be a problem in the operation of the sub imprest accounts. Each sub imprest account covers 4-5 townships, which are several days away from the office of the sub-imprest account holder. This office is likewise 5 days (or more) away from the Yangon office. In each area accounts need to be collated and checked. It is extremely difficult to manage the financial reporting in these areas. In our areas which are extremely remote and transport and communication is difficult (we don't have telephone contact with many offices) it is sometimes difficult to meet the guideline that 'the main imprest cashbook and supporting documentation should be submitted to the Division for Finance and Administration within two weeks of the end of the month'. If we need to meet these criteria I would suggest that the Imprest Account modality is not suited to our area and project activities and request that an alternative financing mechanism be found. The difficulties in managing the imprest accounts for a project like CDRT has been discussed with UNOPS and UNDP on previous occasions and these difficulties have been acknowledged. It is unfortunate that the Audit Team has only looked at the paper trail without understanding the complexities involved."</p> <p>PM's comment: " In light of the recommendations of the Audit team, APRO proposed a joint discussion with UNDP and UNOPS to identify customized procedures for Myanmar executed projects which meet financial requirements taking into consideration the context in which these projects operate."</p>		Once new expansion plan approved (March 2005).	

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8	Unliquidated obligations should be reviewed prior to the year-end closing of the accounts. Any obligations not supported by valid commitments should be cancelled.	<i>“Generally speaking, year-end obligations are usually done during the last quarter of the year and more so in the month of December. In the case of Myanmar and the obligations mentioned especially under the CDRT project pertain to community development activities in very remote areas, which because of the remoteness and isolation, the completion of the paperwork to facilitate the liquidation of unused obligations could not have been completed in a timely manner. Nevertheless, APRO has noted the comments of the team and will work on corrective measures, putting mechanisms in place to improve the efficiency.”</i>	To review the project plan and budget regularly on a quarterly basis	Beginning of 2005	After introduction of the ATLAS system, this issue has been solved (since the beginning of 2005).
10	The status of advances should be monitored on a continuous basis. Outstanding advances should be followed up with the recipient to ensure timely settlement.	<i>“APRO has noted the recommendations and has already discussed this with the project offices. Petty Cash account requests are under discussion with the Finance Section</i>	1. Discuss with all sub-imprest account holders to perform proper checking before making any advances. 2 All advances have to be settled within a 3-month period	June 2005	Already done
12	Contracts between UNOPS and third parties must only be entered into by officials holding an appropriate, valid delegation of authority. With regard to the specific contracts with Dana Phyo Cooperative Society, Mon Literature and Culture Committee and U Aung Zaw Hein, a post-facto approval should be sought from senior management to accept related charges as valid expenditures.	<i>“Reference should be made that because of the improper application of the UNOPS procedures, APRO formally requested immediate audit on these activities. It should also be noted that upon the arrival of the new portfolio manager, immediate action began to take place in order to review the circumstances how these contracts were issued and request investigation as well. APRO also reviewed the budget and expenditures. In addition, based on the report of the first audit team, 2 training workshops were conducted by the new portfolio manager (one in February in Yangon with the inclusion of all project personnel located in Yangon, as well as, a more detailed training workshop with the finance and administration personnel of the projects in Kuala Lumpur).</i>	A new delegation of authority was issued for the agency project manager (APM) in March 2004. Training on proper procedures by the UNOPS Regional Office; regular briefing of all staff on procedures and contractual arrangements	Ongoing	DOA as the basis for signing contracts One training in June 2004; Refresher training/discussion by PM and APM on regular basis on procedures (the last was in February 2006). Plans for another training for the project’s finance specialist by mid 2006. Ongoing briefing with all project staff.

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		<i>APRO will take the necessary corrective measures pertaining to the subcontracts as per the recommendation."</i>	Double-checking of contracts by the administrative unit before signing by designated official		Corrective measures put in place: Administrative assistant to refer to manual of operations for all contracts
	Financial Audit of the Afghanistan Programme Implementation Facility				
1	An administrative expenditure budget should be established for the APIF from 2005 onwards. In addition, a written policy for charging and allocating APIF costs to projects should be established.	<i>"UNOPS HQ and APIF had agreed to an Administrative budget for APIF in 2004. At the time of the audit it had not been finalized and put into Atlas. That has since been changed (started in 2004) and APIF has an Administrative budget sufficient to cover the size of the operation. A policy to charge admin budgets for admin charges is now covered by sufficient funds in the APIF budget, so that core agency costs are administratively charged including all or a substantial percentage of Senior Management team for APIF. Other miscellaneous indirect costs are charged to APIF admin or charged back to HQ through AOS."</i>	Refer to the management comments.	Implemented	The admin. budget was established is in full use. \$12 million was allocated for 2005.
2	APIF activities for which use of the advances recoverable locally (ARL) facility is appropriate should be identified and the use of the ARL should be restricted accordingly.	<i>"Agreed – Please note that APIF suggest that the use of ARL may be within the appropriate levels and is currently restricted. Only 3 years ago, the APIF was based on two projects and less than \$2 million in project portfolio, with one officer using any delegation of authority or substantial delivery, - for which an ARL moved up and down within a range of \$10,000 to \$100,000. APIF has a current Portfolio of \$600 million based on 23 major projects and more than 40 office locations. The increase in size of the operation is actually larger than the prorated increase in the size of the running ARL, and while the</i>		Implemented	The activity use of ARL for 2005 was appreciably less than in 2004 as was recommended. With the full implementation of Atlas in 2006 planned, it is expected that the use of ARL will decrease even more.

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		<i>ARL should be restricted accordingly, the size represents an operation in excess of delivery for most other UNOPS Divisions combined, and relative to past programmes – is perhaps not as excessive as it appears at first glance. APIF agrees that the use of ARL has not been sufficiently described and has since worked with HQ Finance to develop a consensus on the use of ARL that will restrict its size but more particularly insure its regular tracking. APIF has worked to bring down the running ARL by 75% but recognizes that this level may spike due to operational modalities during the year but will be monitored under the new Imprest/ARL policy.”</i>			
3	The terms “minimal” and “fully explained and justified” used in the imprest holder’s designation should be defined and clarified.	<i>FIN: “We agree and will work with field staff to (a) identify extenuating circumstances and scenarios that justify exceeding 90 days and (b) establish criteria for assessing the minimum advance necessary. These will be incorporated in our imprest guidelines, which will also state the requirement for documentary evidence to substantiate such circumstances.”</i> <i>APIF: “Agreed – This has been done through above mentioned policy to the degree possible perhaps still allowing more discretion to the term ‘minimal’ but adding justification and tracking to a much greater degree.”</i>	Refer to the management comments.	Ongoing	Revised imprest guidelines.
4	An aged ARL statement should be submitted to FIN for its review on a monthly basis. Excessive or inappropriate usage of the ARL facility and advances that have been outstanding for excessive periods of time should be followed up for settlement.	<i>“We agree. As 2004 documentation was not examined until the end of the year, this was not enforced heavily in 2004. As of January 2005 we now enforce and have received monthly ARL statements which are examined thoroughly. Enforcement of non-compliance has included withholding replenishments until ARL’s are cleared.”</i>	Refer to the management comments.	On-going	The use of advances was streamlined in 2005 and clearances of these advances were completed in accordance with the time constraints for this type of transaction.
5	Purchase orders should be raised and approved in Atlas on a timely basis	<i>“We do not believe the problems will be solved by ATLAS system based on the facts so far and have</i>	Refer to the management comments.	Ongoing	Due to a lack of training and a slow response in issuing

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	and in respect of commitments to specific vendors/	<p><i>worked to find the interface from FASS/Imprest as soon as possible. As sizeable portion of the APIF admin budget is going to develop the interface.</i></p> <p><i>“Recognizing that this will not happen overnight we have hired more staff who are ATLAS trained and expanded the role of the Project Support Officers to address the Purchase Order issues as well as increasing the number of those officers by 200%.”</i></p>			<p>passwords for staff who had been trained, implementation of purchase orders was slow.</p> <p>APIF is not in full PO production and yet there is still a need for proper training on the system to meet the needs the internal control framework.</p>
	Follow-up audit project RAF/98/G31, Mauritania and Senegal				
3	We reiterate our recommendation in the 2004 audit report that, as a matter of priority, the requirement for an annual external audit by an independent auditor should be clarified with the counterpart office of UNDP and with the donors.	<i>“Noted action will be taken.”</i>	Governments and UNDP country office will be informed of this policy issue by UNOPS regional office for Western and Central Africa.	During the second quarter of 2006.	No independent audit will take place.

Annex 2

Audit of GEF/Small Grants Programme

Rec. No.	Issue identified in OAPR internal audit reports in 2005	UNOPS strategy for addressing issue			
		Management comments at the time of the audit	Strategy	Time frame	Indicator of progress/ completion
(EGY/98/G52) 2	Any new contract with [host institution] should include such elements as description of duties, relationship between [host institution] and the national coordinator (NC), reference to the Guidelines and consistency in the labeling and use of annexes.	(EGY/98/G52) <i>“UNOPS agrees with the recommendation. This improvement is already standard practice for the other NHI contracts awarded in 2005 where not already applied earlier.”</i>	Incorporate the elements recommended in the new contract.	Immediately	Elements incorporated.
(TUN/98/G52) 2		(TUN/98/G52) <i>“By the time the audit report was received UNOPS had already dispatched the contract with only the possibility to incorporate the recommendations made by the auditors during the debriefing. As such the new contract includes the TORs for the contractor in the Annex which outlines all services to be provided. In the case of Tunisia there is no other relationship between the NC and the Host-institution than what is stated in the TOR, namely that AE is the host-institution.”</i>	Incorporate the elements in the new contract as annexes, where applicable.	Immediately	Applicable elements incorporated.
(EGY/98/G52) 3	In the section on “Price and Payment” in any new contract with [host institution], a clarity with regards to the submission of supporting documentation to UNOPS and the inclusion of a provision for access by UNOPS and its auditors to financial and accounting records should be ensured.	(EGY/98/G52) <i>“Agreed and will be noted in the contract.”</i>	To incorporate in the new contract.	As soon as the new contract is drafted.	Elements incorporated in the new contract.

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(TUN/98/G52) 3		(TUN/98/G52) <i>"We take note of the recommendation for future reference. By the time the audit report was received UNOPS had already dispatched the contract with only the possibility to incorporate the recommendations made by the auditors during the debriefing."</i>	Incorporate the clarity in the new contract as annexes, where applicable	During debriefing.	Clarity incorporated.
(EGY/98/G52) 4	The lack of clarity and differences of opinion between AOYE and UNOPS with regard to the programme assistant's salary should be considered and clarified when a new contract is signed.	<i>"The recommendation will be immediately implemented and applied to the text of the contract. This improvement is already standard practice for the other NHI contracts awarded in 2005 where not already applied earlier."</i>	Incorporate the recommendation in the contract.	Immediately	Clarification incorporated in the contract.
(EGY/98/G52) 14	It should be ensured that before any grant payment is made (other than upon MOA signature), a certification of receipt and acceptance has been made on (a) the relevant progress report and (b) the related 'Request for Direct Payment' form submitted to the UNDP Country Office.	(EGY/98/G52) <i>"The following sentence has already been introduced in UNOPS notifications to the UNDP COs: 'Please note that no payments to any of the SGP grantees should be made without a certification of the SGP National Coordinator that the projects did submit the necessary progress reports and that the projects are being implemented in line with the project proposals.'</i> <i>The National Coordinators and Program Assistants were also informed of the same in a circular message introducing the management practices under the Operational Phase 3 of SGP started in March 2005."</i>	Recommendation conveyed to the UNDP country office and to the national coordinators and programme assistants.	Immediately	Recommendation conveyed.
(TUN/98/G52) 6		(TUN/98/G52) <i>"With reference to the divergence in recording of payments on the grant table prepared by the NC and the actual dates of payment as agreed at the auditor's de-briefing, the following sentence has already been introduced in UNOPS' notifications to the UNDP Cos: 'Please note that no payments to any of the SGP grantees should be made without</i>	Recommendation conveyed to the UNDP country office and to the national coordinators and programme assistants	Immediately	Recommendation conveyed.

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(URT/98/G52) 5		<i>a certification of the SGP National Coordinator that the projects did submit the necessary progress reports and that the projects are being implemented in line with the project proposals' The National Coordinators and Program Assistants were also informed of the same in a circular message introducing the management practices under the Operational Phase 3 of SGP started in March 2005."</i>			
(ECU/98/G52) 1		(URT/98/G52) "Agree on all three recommendations. Further to this, UNOPS requests now for all the signed MOAs to be sent to New York for review by the Cluster prior to the release of the first disbursements with a view to verify a) and b) and request an amendment whenever the payments schedule contained in the original MOA is modified due to delays in project activities."	All signed MOAs to be sent to UNOPS New York before 1 st payment is made and amendment to be made when activities get delayed	Immediately	MOAs being sent to UNOPS.
(COS/98/G52) 4		(ECU/98/G52) "UNOPS introduced a statement on all Notifications on grant payments that the UNDP Country Office needs to verify that the National Coordinator has verified, certified, and approved the progress report related to the specific payment. NC needs to sign off on the reports and UNDP CO needs to verify."	Introduction of statement.	Immediately	Statement introduced.
(GUA/98/G52) 6		(COS/98/G52) "All of the above recommendations have already been incorporated in the revised Basic Model Memorandum of Agreement between UNOPS and local community based NGOs and community based organizations (contract for provision of grants) Rev, June 2005."	Not Applicable since already incorporated.	Already done.	Recommendations incorporated.
		(GUA/98/G52) "Regarding a) and b): MOAs are screened to ensure that the latest revised MOA sample format is used and that both parties have signed and dated the document prior to authorizing the first disbursement; further, the NCs are	(a) and (b) instructions have been given so that MOAs are screened; (c) and (d) revision of MOA format.	Instructions given and MOA format revised.	Issues already dealt with.

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		Management comments at the time of the audit	Strategy	Time frame	Indicator of progress/ completion
(UGA/98/G52) 5		<i>requested to send scanned copies of the MOA to UNOPS HQ. Points c) and d) have been addressed by revising the MOA model, which has been in use since June 2005.</i>			
		(UGA/98/G52) <i>"The above recommendations have already been incorporated in the revised Basic Model Memorandum of Agreement between UNOPS and local community based NGOs and community based organizations (contract for provision of grants) Rev, June 2005."</i>	Not applicable since recommendations already incorporated.	Already implemented .	Recommendations incorporated.
(KEN/98/G52) 7		(KEN/98/G52) <i>"The above recommendations have already been incorporated in the revised Basic Model Memorandum of Agreement between UNOPS and local community based NGOs and community based organizations (contract for provision of grants) Rev, June 2005."</i>	Not applicable since recommendations already incorporated	Already implemented .	Recommendations incorporated.
(URT/98/G52) 8	Appropriate measures should be taken to ensure that the UNDP country office management will promptly communicate directly with the NSC, the UNDP SGP global manager and the UNOPS portfolio manager on its concerns about any key aspects of the SGP process.	<i>"It is the responsibility of the National Coordinator to flag problematic management issues with UNOPS and CPMT, while at the same time UNDP COs would also need to inform UNOPS and CPMT if they suspect irregularities with respect to SGP implementation in the country. It is suggested that the Global Manager on behalf of the SGP implementing agency – UNDP, communicates these issues to the UNDP COs."</i>	Remind national coordinators to flag management issues.	May 2006	Message sent out to national coordinators.
(URT/98/G52) 9	When a project proposal is received from a proponent that has received a previous grant (and the proposal is deemed to be qualified to go forward and constitutes an activity that is a continuation of that covered by the previous grant) it should be ensured that before it is brought to the NSC, the previous grant is fully accounted for and a final report submitted and certified as accepted.	<i>"Agreed."</i>	Remind the national coordinators of this procedure.	May 2006	Message sent out to national coordinators..

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(ECU/98/G52) 6	In future, separate MOAs should be prepared for funds received from different donors.	<i>"Agreed. National Coordinator should ensure that a different legal instrument be used (other than the UNOPS MOA) for donors that provide cost-sharing to SGP."</i>	Inform national coordinators that UNOPS MOAs cannot be used for co-financing not going through UNOPS.	May 2006	National coordinators informed.
(GUA/98/G52) 1	UNOPS headquarters should follow-up with the UNDP country office to address the Atlas related problems affecting the timely processing of payments to grantees.	<i>"The delays are caused by two factors: lack of training or over-worked staff. Given that the problem is not limited to Guatemala, UNOPS has taken the initiative to address the first problem on a wider scale by preparing ad-hoc guides to be shared with the UNDP CO buyers."</i>	Give buyer status to the national coordinators.	December 2006	National coordinators granted buyer status.
(KEN/98/G52) 1	The process of recruiting a national coordinator should be expedited.	<i>"A new National Coordinator was appointed in December 2005."</i>	Not applicable since already implemented.	Not applicable	National coordinator appointed.

Annex 3

Audit of project financial statement for certain management services agreement project activities

Rec. No.	Issue identified in OAPR internal audit reports in 2005	UNOPS strategy for addressing issue			
		Management comments at the time of the audit	Strategy	Time frame	Indicator of progress/ completion
	UNOPS implementation of World Bank-funded project activities under management services agreements				
3	In compliance with the UNOPS Handbook, the balances of outstanding encumbrances should be reviewed on a regular basis to ensure that the accounting records show only those that are still valid.	<p><i>“The balances of outstanding encumbrances are reviewed on a regular basis. The non-cancellation of the outstanding balances was due to a misunderstanding: the PM understood that they were valid. The error was discovered after the deadline for closing the invalid ULOs. We will continue reviewing these encumbrances on a regular basis.”</i></p> <p><i>“CANANE confirms that the balances of outstanding encumbrances have been reviewed and action has been taken to ensure that the accounting records show only those that are still valid. Specifically,</i></p> <ul style="list-style-type: none"> <i>• All cancellations of <u>prior year obligations</u> have been executed as requested by CANANE division for a total amount of US\$1,255,570.10.</i> <i>• <u>Total cancellation of Prior Year Obligation in 2005</u> US\$1,326,902 (*) as per Finance division calculation.</i> <i>• Final Financial statement has been issued by Finance as at 20 September 2005 reflecting the above-mentioned cancellations, plus, the <u>2004 interest earning</u> for a total amount of US\$76,632.</i> <i>• Finance is currently reviewing the ULOs entries to identify the double credit (if any) caused by the automated and manual entries. <u>The last transaction would be to charge the audit cost</u>, the project would be then ready for closure and refund however available funds balance to</i> 	Review the balance of all purchase orders every quarter to determine whether an increase is needed for the upcoming period of a decrease due to change or reprogramming of activities. We are also training the project staff in how to better monitor their own budgets and purchase orders and to understand why it is important to cancel or liquidate unused balances before year end.	Quarterly throughout 2006	All unliquidated purchase orders reviewed and balances either cancelled or adjusted on a regular basis and definitely by year end.

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		Management comments at the time of the audit	Strategy	Time frame	Indicator of progress/ completion
		<p><i>both Donor (funds) and Government of Turkey (earned interest) as per final financial statement.”</i></p> <p><i>(*This amount might slightly change when final audit cost will be charged.</i></p>			
5	In line with UNOPS financial regulation 5.5, project expenditures for foreseen project activities should not exceed funds received.	<p><i>“The final Statement of Expenditures (SOE) presented by UNOPS to the World Bank on 28th October 2005, evidences in and of itself the fact that never actually was a real over-expenditure in the above-referred MSA. This fact had been properly anticipated in our communications to OAPR of 26 July 2005 and 3 August 2005. Indeed, it remains our contention that expenditures in excess of funds was never the result of an excess in the outlay of cash received nor the result of over-encumbering funds available, rather the over-expenditure was the direct result of incorrect recording of expenditures. This assertion was corroborated by our communication to FBA dated 31 of August 2005 that included the summary of 42 transactions that composed the series of incorrect charges that had led to an excess in expenditures. As evidenced in that summary (attached herewith for reference) all transactions were the result of errors or incorrect charges to the project.</i></p> <p><i>As the available record also evidences, the unit made all efforts to have the necessary adjustments made prior to the official closure of the books by the business owners but our unit never received an acknowledgment to our numerous requests for the corresponding correcting actions. It is our belief that this lack of response factored into the books closing with the wrong figures.</i></p> <p><i>In analyzing the nature of the over-expenditures we concluded the following type of charges was never consulted with the Client Service Division:</i></p>	<ul style="list-style-type: none"> - Tighten monitoring of expenditures to ensure compliance with regulation 5.5 - Obtain access to the SOE module in the BRIO system to more closely monitor expenditures - More closely interact with FBA to ensure journal vouchers and any other correcting entry made by FBA are consulted with PM prior to being posted in the project books; - Implement the necessary changes in the reporting systems that enable the client service divisions to have the quarterly financial statements four times a year on a timely basis. 	<p>Daily to weekly monitoring of expenditures through the BRIO report;</p> <p>Quarterly monitoring of project status based on the project financial statements</p>	<ul style="list-style-type: none"> - Similar situation is prevented from reoccurring in the future for this and other projects; - Project expenditures fall within budget and cash outlays are less than the sum total of deposits; - Increased client satisfaction manifested through a decreased level of complaints

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		<ul style="list-style-type: none"> - UNSECCORD Charges; - Incorrect IOV charges; - Incorrect project allocation; <p><i>The Action Unit agrees entirely with the recommendation and will continue to strictly follow UNOPS financial rules and regulations in this regard."</i></p>			
6	The portfolio manager should coordinate with FIN to review the over-expenditures and effect account adjustments as appropriate.	<p><i>"This unit confirms that all transactions necessary to correct the recorded over-expenditure in the books have already taken place. The Final Statement of Expenditures submitted to the World Bank containing the full rendition of the US\$20M were duly reported. This activity was coordinated between the PM and the Finance department.</i></p> <p><i>The Action Unit takes this opportunity to point out that, today, the existing expenditure and budget controls are designed mostly as an internal control of the Client Services Divisions but this control is not made extensive to those transactions carried out by the Finance Department of UNOPS.</i></p> <p><i>That is, anyone in Finance can 'incur expenditures' by overriding the internal controls applicable to the Client Services Divisions. This is how the incorrect posting of excess management fees and incorrect IOV charges actually took place. Given the fact of a limited amount of cash available in the Project, the system should have prevented the over-expenditure transaction to ever take place; this did not occur. The inherent ability of the FBA officer to override over-expenditures as is the case of many transactions (such as JV, DV, etc.) may continue to produce expenditures in the project without involvement or consultation with the PM or anyone in the Client Service Divisions.</i></p>	<p>In concurrence with FIN, the PM has designed a form and a procedure that minimizes the research and time consuming efforts needed by FIN to validate the correcting actions to the deviations or errors produced in the posting of expenditures, regardless of the source.</p> <p>PM willing to work with FIN in establishing a closer process of consultation to minimize similar situations from re-occurring in the future.</p>	<p>Resolved</p> <p>On-going</p>	<p>The specific observation in point 6 has been resolved by an informal task force made up by the PM and FIN.</p> <p>The integration in Atlas of the payments and accounting systems is expected to reduce the number of deviations and errors over time</p>

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		<i>We believe that the present arrangement will continue to generate similar problems in the future for other MSA. In this regard, this unit takes also the opportunity to suggest the need for a dedicated Finance Officer to interact with the Client Service Division so as to anticipate and quickly correct any deviation in the recording and reporting of expenditures."</i>			
	UNOPS implementation of IFAD-funded project activities under MSA				
1	ESARO should closely monitor project expenditures for SOM/01/R74 and ensure that these do not exceed funds received.	<i>"Recommendation is endorsed. ESARO has since early 2005 formed a Finance Team which reviews on a monthly basis project expenditure to ensure early warning of budgets nearing full utilization."</i>	Establish monthly finance team meetings to review project expenditures	Early 2005	Monthly meetings have been held since early 2005
3	The processing of project disbursement documents should be streamlined for a more efficient use of UNOPS resources. The feasibility of processing project disbursements directly into Atlas by ESARO should be considered.	<i>"ESARO uses ATLAS to the maximum extent possible, however in a situation such as Somalia where there is no banking system, it is necessary to use the imprest system and banking agent to make payments."</i>	ESARO is moving to make payments to moneytraders from Atlas	30 June 2006	Significantly reduced payments to moneytraders through Imprest
5	ESARO should ensure compliance to the requirements specified on the contract when processing payments to the subcontractor.	<i>"Due to the communication problems in Somalia, the Certification of Payments and Reports on Project Progress were normally provided by the Consultant Engineer via e-mail. The payment of US\$80,754, was made upon receipt of an e-mail certification and progress report dated 30th August 2004 from the Consultant Engineer that the main activity output, which was the drilling of the borehole, had been successfully completed."</i>	ESARO is ensuring that all necessary documentation is received prior to payment. Payment is withheld in the absence of appropriate documentation.	Immediate	Achieved

DEFINITIONS OF STANDARD AUDIT RATINGS

The following standard audit ratings have been defined so that management can place in context the opinions given in internal audit reports.

Definition of performance

Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under the control of management. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency, and whether management has put in place mechanisms to accurately monitor and assess whether programmes are meeting planned objectives. Operational audits do not report on the achievement of results.

Performance also refers to the manner in which activities are conducted, i.e., whether they are conducted in accordance with UNDP and UNOPS values. UNDP and UNOPS values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

Standard Rating

Definition

Satisfactory

In general, controls were in place to ensure that operations are economic, efficient and effective; and that activities are conducted with due regard to UNDP and UNOPS values. Any weaknesses identified were not significant enough to compromise the overall performance and the control environment. The range of corrective actions required by management is moderate.

Partially satisfactory

The majority of key controls were applied. However, significant control weaknesses were identified. Timely corrective action by management is required to control these weaknesses.

Deficient

Control weaknesses identified were widespread or were significant enough to have a negative impact on performance. Management needs to take immediate corrective action to improve the control environment.