

## United Nations Office for Project Services

### Summary of the UNOPS management response; Annual Report on Internal Audit

#### Introduction

1. UNOPS offers the following summary response with respect to the Annual Activity Report of the UNOPS Internal Audit Office for the Year Ended 31 December 2007:

#### I. Internal Audit and Oversight

2. UNOPS management is pleased to take note of the successful integration of the UNOPS Internal Audit Office (IAO) and its performance of an important core function of the organization. Reporting to the Executive Director, the IAO team works within UNOPS to ensure effective internal audit and oversight at every level of the organization. The transition of the internal audit function from UNDP OAPR to UNOPS IAO during 2007 was smooth and IAO is now fully staffed. UNOPS recognizes the benefits derived from an integrated, in-house, internal audit function and views IAO as a valuable investment that will help safeguard UNOPS assets and ensure compliance with all applicable regulations and rules, helping UNOPS remain a financially stable, going concern.

3. In addition to implementation of the new IAO function in 2007, UNOPS has reinforced its accountability and oversight capacities with the introduction of several new committees, policies and procedures. The new UNOPS Accountability Framework provides an overview of initiatives currently underway or soon to be implemented across UNOPS. Initiatives currently underway with respect to internal audit and oversight include:

(a) Strategy and Audit Advisory Committee – established January 2008;

(b) Internal Audit Charter and Workplan for 2008;

(c) Fraud Hotline – telephone and email channels for reporting fraud;

(d) Internal Control Framework – establishes UNOPS risk management overview;

(e) Business Insurance Program – provides much-needed coverage of potential losses associated with common corporate liabilities – Professional Errors & Omissions, Fiduciary Crime, General Liabilities,

Directors & Officers Insurance; policies in place as of January 2008 with a retroactive component.

## II. Finance

4. The UNOPS Finance Office (FO) achieved significant successes in 2007 and early 2008. Most importantly, the FO's transition from New York to Copenhagen concluded successfully during Summer 2007.

5. The FO was fully staffed by the third quarter of 2007, including headquarters components and individuals outposted to regional offices as a key part of UNOPS decentralization initiatives. The Director of Finance, Comptroller and Assistant Comptroller lead a team of professionals in headquarters within the Corporate Controls Centre. Regional Finance Officers posted within every regional office and major operations centre each supervise a staff of finance professionals. Appropriate authority has been delegated to the field, firmly establishing financial controls and oversight within the regions, leaving ultimate accountability with the Comptroller and Director of Finance at headquarters.

6. Major accomplishments by the UNOPS FO in 2007/2008 include:

(a) Significant reductions in the use of imprest accounting in the field offices, with the year-end 2008 goal of an 80 per cent overall reduction in sight;

(b) Implementation of the Cost Recovery and Pricing Policy, based on the UNOPS financial plan and introduced via Organizational Directive No. 23, to ensure consistent client pricing and full cost recovery across UNOPS;

(c) Significant improvement in audit-readiness. The UNOPS Finance Team closed the books for the biennium ended 31 December 2007 on schedule and certified financial statements were issued to the UNBOA in mid-April, a significant improvement over the prior biennium;

(d) Financial conservatism throughout UNOPS. Working closely with the Executive Office, FO has scrutinized accounts more closely and has allocated ample reserves to cover known and potential major liabilities for the biennium ended 31 December 2007;

(e) The Organizational Effectiveness Centre (OEC), working closely with the Executive Office and Finance Office, has implemented a Balanced Scorecard program, which establishes accountability for results at the relevant levels and was integrated in conjunction with the completion of UNOPS first-ever results-based budget submission for the biennium ending 31 December 2009;

(f) FO is currently reviewing and updating the Financial Regulations and Rules, which should be completed by end of 2008.

## III. Human resources

7. The Human Resources function, operating within the Organizational Effectiveness Centre, has significantly improved UNOPS recruitment

functions and oversight of human resources activities. Major initiatives implemented include:

(a) The Individual Contractor Agreement (ICA) now in place has increased UNOPS capacity to hire professional staff for projects, while limiting UNOPS personnel-related liabilities and containing costs;

(b) The Appointment and Selections Panel (ASP) and Appointment and Selections Board (ASB), established via Organizational Directives No. 19 and 20, ensure fair hiring practices and efficient recruitment processes;

(c) A Financial Disclosure policy introduced in March 2008 is being implemented to ensure that relevant UNOPS staff members are required to disclose potential financial conflicts-of-interest to safeguard UNOPS procurement, financial, internal controls, and human resources activities from possible compromise.

#### **IV. Information technology**

8. The IT function grew with the merger of the IAPSO IT functions and the integration of the Web Buy programme within UNOPS, effective January 2008, and by absorbing the IT staff from IAPSO. A recently-introduced comprehensive and long-term ICT Strategy is being implemented.

#### **V. Procurement**

9. The creation of the UNOPS Headquarters Contracts and Procurement Committee (HQPC) in 2007 has served as an effective risk management oversight panel with respect to major UNOPS procurement activities. The partial merger with IAPSO bolstered UNOPS procurement capabilities significantly.

#### **VI. Summary**

10. Specific responses to IAO recommendations for 2007 are in the IAO activity report. UNOPS remains committed to implementing relevant recommendations and cooperating with IAO to ensure compliance, accountability, risk management, and oversight are performed satisfactorily across the board. IAO operates within the Corporate Controls Centre, which includes the Finance Office, General Counsel, Executive Office, and Security functions. Integrating these important functions is substantially improving UNOPS effectiveness.