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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors on the financial statements of the United Nations funds and programmes for the financial period ended 31 December 2016

Report of the Secretary-General

Summary

The present report is submitted in accordance with resolution 48/216 B in which the General Assembly requested the executive heads of the United Nations funds and programmes to report to the General Assembly, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, on measures taken or to be taken to implement those recommendations.

The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the funds and programmes, namely the International Trade Centre, the United Nations University, the United Nations Development Programme, the United Nations Capital Development Fund, the United Nations Children's Fund, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the United Nations Institute for Training and Research, the voluntary funds administered by the United Nations High Commissioner for Refugees, the Fund of the United Nations Environment Programme, the United Nations Population Fund, the United Nations Human Settlements Programme, the United Nations

* Annotated preliminary list (A/72/100)

Office on Drugs and Crime, the United Nations Office for Project Services, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia, and the International Residual Mechanism for Criminal Tribunals.

The present report provides information further to the comments already submitted to the Board of Auditors, which, in some cases, were included in the Board's final reports to the executive heads of the respective funds and programmes. The executive heads have concurred with most of the Board's recommendations, and many of the comments of the executive heads have been duly reflected in the reports of the Board. Therefore, in an effort to reduce redundancy and streamline documentation, the present report provides additional comments from the executive heads only where required, as well as information on the status of implementation, the office responsible, the estimated completion date and the priority for each recommendation contained in the reports of the Board of Auditors. In addition, the present report contains an updated status of the implementation of the recommendations of the Board relating to prior periods that were considered by the Board as not having been fully implemented.

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I. Introduction

1. The present report is submitted to the General Assembly in accordance with the provisions of paragraph 7 of resolution 48/216 B of 23 December 1993, whereby the Assembly requested the executive heads of the United Nations funds and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, to provide their responses to the Assembly and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. In preparing the present report, account was taken of the provisions of the following General Assembly resolutions:

(a) Resolution 52/212 B (in particular, paras. 3-5) and the note by the Secretary-General transmitting the proposals of the Board for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex);

(b) Resolution 71/261, in which the General Assembly, in paragraph 8, reiterated its request to the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations of the Board of Auditors and the related recommendations of the Advisory Committee in a prompt and timely manner, to continue to hold programme managers accountable for the non-implementation of recommendations and to effectively address the root causes of the problems highlighted by the Board. In paragraph 9, the General Assembly reiterated its request to the Secretary-General to provide in his reports on the implementation of the recommendations of the Board of Auditors a full explanation for the delays in the implementation of the recommendations of the Board, in particular those recommendations not yet fully implemented that are two or more years old; and in paragraph 10, the General Assembly also reiterated its request to the Secretary-General to indicate in future reports an expected time frame for the implementation of the recommendations of the Board of Auditors, as well as the priorities for their implementation and the office holders to be held accountable.

3. In respect of time frames, every effort has been made by the executive heads to establish target dates to complete the implementation of the recommendations.

4. Regarding prioritization, it is noted that the Board categorizes the most important recommendations as "main" recommendations. While all accepted recommendations of the Board will be implemented in a timely manner, the main recommendations will be considered of the highest priority.

II. United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

A. Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2016

5. Tables 1 and 2 below summarize the status of implementation of recommendations as at August 2017.

Table 1
Status of implementation of main recommendations

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Programme Division	1	-	-	1	1	-
Division of Management and Administration	2	-	-	2	2	-
Total	3	-	-	3	3	-

Table 2
Status of implementation of all recommendations

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Division of Management and Administration	7	-	2	5	5	-
Division of Management and Administration and Programme Division	4	-	-	4	4	-
Office of Human Resources	2	-	-	2	2	-
Programme Division	7	-	1	6	6	-
Total	20	-	3	17	17	-

2. In paragraph 15, UN-Women agreed with the Board's recommendation to comply with advance regulations to ensure prompt recovery of the advances through payroll and corrective actions in a timely manner.

3. UN-Women has strengthened its systems to ensure compliance with staff advance regulations, including Regional Offices performing quarterly reviews of outstanding staff advances and setting up a new intranet page for greater visibility of general ledger reconciliations. The local payroll service provider and the Office of Human Resources are engaged in efforts to deal with the delayed recoveries.

Department responsible: Division of Management and Administration
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

4. **In paragraph 20, UN-Women agreed with the Board's recommendation to establish comprehensive risk mitigation actions follow up plans to enable the establishment of long-term methodologies, monitoring of actions taken, criteria and risk matrices and a time frame for addressing the established risks.**

5. UN-Women has commenced an upgrade of the Enterprise Risk Management OneApp platform with a task management module that will prompt risk focal points and risk owners to review the status of implementation of their mitigation actions on a quarterly basis. This tool will also facilitate oversight by generating a report of uncompleted tasks related to mitigation actions and related plans. Over and above this, this task management module will be linked to the Country Office Assessment Tool in OneApp to drive compliance and enhance the sustained practice of risk management.

Department responsible: Division of Management and Administration
Status: In progress
Priority: High
Target date: Fourth quarter of 2017

6. **In paragraph 26, the Board recommended that UN-Women (a) finalize the appointment of Country Office Representatives, and (b) find a means to catalyse the negotiations regarding Standard Basic Assistance Agreement to enable the office to exercise full mandate on raising and using resources for programmes and projects.**

7. UN-Women makes every effort to appoint Country Representatives in a timely manner. If exceptional delays are anticipated which are beyond UN-Women's control, an Officer-In-Charge is designated to deal with negotiations of the Standard Basic Assistance Agreement without further delay. In the last six months, UN-Women has appointed eight new Country Representatives with the average recruitment process ranging from 4.1 to 5.7 months to select a new Country Representative. UN-Women is finalizing a review of all outstanding Standard Basic Assistance Agreements and a protocol is being formulated to provide guidance in establishing them.

Department responsible: Programme Division

Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

8. **In paragraph 30, UN-Women agreed with the Board's recommendation that it develops and disseminates finance policies and procedures for engaging in activities on urgent basis and in crises environment.**

9. UN-Women has finalized and disseminated the human resources fast-track procedures. Other components of the procedures will be released before the end of 2017. Following the complete roll-out of all fast track procedures, UN-Women will conduct webinar sessions outlining the fast-track procedures and their application. .

Department responsible: Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

10. **In paragraph 36, UN-Women agreed with the Board's recommendation to (a) review the Service Level Agreement (SLA) with UNDP and incorporate a clause on mandatory assessment of the services rendered; and (b) regularly review SLAs and perform assessment of the services rendered in order to enhance best value of the services provided.**

11. UN-Women has conducted a review of Service Level Agreements in place at country offices level. The key performance indicators will be included in all Service Level Agreements to be assessed on an annual basis and factored into the level of services to be renewed.

Department responsible: Division of Management and Administration and Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

12. **In paragraph 42, UN-Women agreed with the Board's recommendation to (a) ensure the selection of the IPs is strengthened and the requirements of the POM on the selection process are adhered to; and (b) perform partners risk rating to identify the score for each implementing partner against the tolerable risk levels.**

13. UN-Women has finalized and disseminated the updated Programme and Operations Manual Chapter. The revised Manual will strengthen the requirements for the selection of implementing partners.

Department responsible: Programme Division
Status: Implemented
Priority: Medium
Target date: Not applicable

- 14. In paragraph 48, the Board recommended that UN-Women (a) introduce guidance note to field offices for documenting the whole process of determining support cost rates with implementing partners, including the criteria or basis to apply when negotiating support cost rates; and (b) follow up with the field offices to ensure that budget and expenditure codes are specified for the contingent funds.**

- 15.** UN-Women is carrying out a review of Project Cooperation Agreements which will limit the support costs of implementing partners in line with the cost recovery policy. UN-Women will reinforce the guidance to field offices in the monthly closure certification to ensure that the budget and expenses codes are specified.

Department responsible: Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

- 16. In paragraph 53, the Board recommended that UN-Women (a) take steps to improve the completion rate of activities under the integrated monitoring, evaluation and research plan in its field offices; and (b) ensure the Monitoring, Evaluation and Research Plans (MERP) identifies clearly the activities to be achieved with the proposed funding and set realistic target dates for starting and completing the activities under MERP.**

- 17.** UN-Women has improved the implementation rate of planned evaluations. Improvements in monitoring and evaluation skills at field offices were made through a new training module. Additionally, the guidance for the preparation of the 2018 Strategic Notes and Annual Work Plans has emphasized that offices are to clearly identify measures to enable them to implement their Monitoring Evaluation and Research Plans. To further improve compliance, technical guidance and oversight provided by the Regional Offices are reinforced with the close monitoring and required annual reporting at headquarters of the status of the implementation of the Monitoring Evaluation and Research Plans.

Department responsible: Programme Division
Status: In progress
Priority: Medium
Target date: Second quarter of 2018

- 18. In paragraph 58, the Board recommended that UN-Women (a) expedite the development of policy and guideline which will clearly define the rationale for the**

establishment of the programme presence and management of programme and field presences; and (b) develop business cases for the already established programmes and field presences so as to suit the current needs and situation.

19. UN-Women is developing the country presence assessment tool which defines the criteria for country presence based on the principles outlined in the draft Strategic Plan 2018-2021. The tool will be rolled out with a policy and guidance on its application.

Department responsible: Programme Division
Status: In progress
Priority: High
Target date: Second quarter of 2018

20. **In paragraph 63, UN-Women agreed with the Board's recommendation to approve and submit the reports to donors within the timeframe to maintain sound relationship and future sustainable funding from the present and prospective donors.**

21. UN-Women has decentralized the responsibility and accountability of the donor reporting to the Heads of Offices. In addition, UN-Women is strengthening the staff capacity for donor financial reporting and project financial closure both at the headquarters and regional levels. The first stage of the automation of financial donor reports was successfully tested in June 2017 and the development of the second stage is ongoing. The Donor Agreement Management System dashboard shows overdue reports, which are also reported on a monthly basis to senior management for follow-up and action.

Department responsible: Division of Management and Administration and Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

22. **In paragraph 67, the Board recommended that UN-Women expedite financial closure of all operationally closed projects within 12 months of operational closure as required by the Financial Regulations and Rules.**

23. UN-Women launched the new automated operational and financial project closure workbench tool that is embedded in the Atlas system in late May 2017. Entity-wide training was provided through webinars to all offices in early June 2017. Oversight is being provided from headquarters via a dashboard. Delayed closure of projects is monitored on a monthly basis via a dashboard and reported to senior management for follow-up and action.

Department responsible: Division of Management and Administrative and Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

24. **In paragraph 72, UN-Women agreed with the Board’s recommendation to enhance its accountability and monitoring of advances to implementing partners at the project level in order to ensure adequate recovery of such balances as deemed appropriate.**

25. Aged advances decreased in 2016 to \$3.5 million from \$5.2 million in 2015 (a decrease of 32.7 per cent). These advances comprised \$2.7 million issued to implementing partners and \$0.8 million to other United Nations agencies. Heads of Offices and Sections are engaged in resolving long outstanding partner advances that are reported to senior management. UN-Women corporately reviews and reports aged partner advances twice a month and has put in place a dashboard to capture such data for ease of follow up.

Department responsible: Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

26. **In paragraph 81, UN-Women agreed with the Board’s recommendation to (a) consider the use of implementing partner agent code in the chart of accounts for Atlas to enhance efficiency and effectiveness; (b) work closely with the global auditors to review the audit process to ensure that project audit reports are submitted timely; and (c) enhance the capacity of the Audit Coordination Unit to ensure that it supports effectively the oversight function in the organization.**

27. With regard to part (a) of the recommendation, UN-Women is currently reviewing the introduction of the implementing agent code, which involves the Atlas administrator (i.e., UNDP) and engagement of regional offices. This will start with all new advances once the policy and protocol is established. Regarding part (b) of the recommendation, UN-Women will proceed with the development or adoption of related computerized systems with other United Nations agencies upon the full application of the implementing agent code. Having a computerized system in place to support project audit activities will allow for timely audit planning, facilitate earlier start of audits resulting to timely submission of audit reports. Discussions with the global auditors on improving timely delivery have been ongoing and it has been mutually agreed that timelines will be changed once the system is completed to support the project audits. With regard to part (c) of the recommendation, the capacity and structure of the Audit Coordination Unit is under review.

Department responsible: Division of Management and Administration
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2018

28. **In paragraph 86, the Board recommend that UN-Women field offices (a) minimize errors by strengthening asset management function through improvement of the internal check system; (b) exclude taxes when recording the asset in the system, and claim tax refund from the government, (c) update assets register with the current physical locations of all presented assets so that they can be traced reliably, and (d) ensure that the write off of lost assets follows the guidelines of the Programme and Operations Manual (POM) by investigating and documenting the results from disposal arrangements.**

29. UN-Women is enhancing the asset management function by upgrading the internal check system and by recruiting Asset Specialist staff to strengthen the capacity for providing corporate guidance and monitoring of the accuracy of entity-wide assets management. Monthly review of the asset register is required under the month-end closure instructions.

Department responsible: Division of Management and Administration and Programme Division
Status: In progress
Priority: Medium
Target date: First quarter of 2018

30. **In paragraph 90, UN-Women agreed with the Board's recommendation to ensure compliance with the automated leave management system in place through Atlas to enable timely submissions of leave requests by staff members and subsequent approval by supervisors.**

31. UN-Women has issued updates on the leave management process. Necessary webinars and training on timely submission and approval of leave requests were made available to all staff.

Department responsible: Office of Human Resources
Status: In progress
Priority: Medium
Target date: Third quarter of 2018

32. **In paragraph 95, the Board recommended UN-Women ensure that staff performance reviews are done in compliance with the requirement of the POM.**

33. UN-Women has increased the organizational awareness on Performance Management and Development through dedicated training and information sessions (over 400 have been

staff trained) and strengthened the monitoring of compliance through an online dashboard with real time statistics. This has enabled a more efficient and effective follow up with departments and has contributed to greater staff compliance with an increase for the Performance Management and Development cycle from 35 per cent in 2015 to 89 per cent in 2016.

Department responsible: Office of Human Resources
Status: In progress
Priority: Medium
Target date: Second quarter of 2018

- 34. In paragraph 100, the Board recommended that UN-Women field offices (a) comply with the travel policy requirements so as to make use of the possible savings that may result from early booking of travel tickets, and (b) ensure early liquidation of F-10 forms after travel mission by introducing enforcement mechanisms to enable timely liquidation of travel advances.**

35. UN-Women rolled out a corporate travel monitoring tool, which facilitates the oversight of outstanding travel advances. The “Duty Travel” chapter of the Programme and Operations Manual has been updated to enforce early booking of travel tickets as well as strict requirements for liquidation of travel advances, where no new advances will be made to travellers unless prior advances are settled. UN-Women, through its monthly certification also instructs offices to ensure timely settlement of travel advances.

Department responsible: Division of Management and Administration
Status: Implemented
Priority: Medium
Target date: Not applicable

- 36. In paragraph 106, the Board recommended that UN-Women (a) review job descriptions of IST staff on periodic basis to provide complete and clear direction regarding the roles and responsibilities of each staff in accordance with actual ICT services and support; and (b) develop an interface which to be used by application business owners for user access provisioning in One App with segregation of duties.**

37. UN-Women is reviewing and updating the job descriptions of its ICT staff. UN-Women has developed and rolled out a user access control interface that ensures segregation of duties.

Department responsible: Division of Management and Administration
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

38. **In paragraph 111, the Board recommended that UN-Women (a) document the processes used to destroy data before the disposal of its ICT asset; and (b) record details of each destroyed data storage device, verify and approve the action taken.**

39. Following the audit recommendation, UN-Women formalized written instructions on the process for destruction of data media in Headquarters. A new process for documenting data wiping has also been implemented.

<i>Department responsible:</i>	Division of Management and Administration
<i>Status:</i>	Implemented
<i>Priority:</i>	Medium
<i>Target date:</i>	Not applicable

40. **In paragraph 116, the Board recommended that UN-Women (a) finalize the development and implement formal procedures to grant, revoke and monitor logical access for all ICT systems; (b) review and remove or disable all user accounts for former staff that separated from UN-Women; and (c) strengthen country offices assessment tool to include country office compliance with ICT standards to enforce field offices to provide information about local situation and details on gateway protections to central ICT function for support from corporate ICT.**

41. Regarding part (a) of the recommendation, UN-Women has established formal procedures for managing user access. This will be combined with automation of the process to disable system access when personnel leave the organization, covering part (b) of the recommendation. With regard to part (c), UN-Women is revising the structure and functions performed by staff resources in the ICT Section, which includes an increased focus in the Infrastructure team on providing stronger advisory services to field offices. As part of this change, processes will be established to flag non-compliance to country office management.

<i>Department responsible:</i>	Division of Management and Administration
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Fourth quarter of 2017

B. Implementation of the recommendations contained in the report of the Board of Auditors for prior financial periods

1. In the annex to its report for the financial period ended 31 December 2016, the Board provided a summary of the status of implementation of recommendations for previous financial periods. Information is provided below on the five recommendations listed as

outstanding from prior periods. The information is set out below in the order in which the recommendations are presented in the annex.

2. The following table summarizes the overall situation.

Table 3

Status of implementation of recommendations from prior periods considered not fully implemented in the annex to the report of the Board of Auditors for the financial period ended 31 December 2016

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Programme Division	2	-	-	2	2	-
Division of Management and Administration	2	-	2	-	-	-
Division of Management and Administration and Programme Division	1	-	-	1	1	-
Total	5	-	2	3	3	-

Report of the Board for the year ended 31 December 2014

3. In paragraph 15, the Board recommended to ensure that (a) all relevant data are available at the time of the preparation of the annual Workplan; and (b) all field offices establish baselines and targets for all expected outputs, outcomes and indicators in the annual workplans as required by the programme and operations manual.
4. UN-Women is on track in implementing this recommendation by 4th Quarter, 2017. The guidance for the preparation of the 2018 Strategic Notes and Annual Work Plans particularly requires that baselines and targets be established for all expected outputs, outcomes and indicators. When proposing new interventions, it is strongly emphasized that data statistics and evidence should be used. Additionally, the rolled-out Results-based Management System requires the inclusion of baselines and targets as of November, 2017 for the year 2018.

Department responsible: Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

Report of the Board for the year ended 31 December 2015

5. In paragraph 22, the Board recommended that UN-Women strengthen asset management controls in the field by: (a) continuing training on the management of

assets to address the deficiencies identified; (b) provide central oversight reviews on a monthly basis of asset management reports to ensure that serial numbers are correctly entered; and (c) investigate why Atlas module software controls could not prevent the occurrence of duplicate serial numbers within the same business unit.

6. Part (a) of the recommendation was deemed implemented by the Board. Part (b) UN-Women headquarters performs monthly review and follow up to reduce the assets without serial numbers and the recruitment of an Asset Specialist will provide additional capacity in giving corporate guidance and monitoring the asset register for accuracy. Part (c) The Asset module in the Atlas system has been investigated and its built-in function to prevent duplication of asset serial numbers has been ensured. All recommendations have been completed within the new targeted date.

<i>Department responsible:</i>	Division of Management and Administration
<i>Status:</i>	Implemented
<i>Priority:</i>	Medium
<i>Target date:</i>	Not applicable

7. **In paragraph 36, the Board recommended that UN-Women expedite the revision of POM and related business process review so that the inconsistencies and the ambiguous language in the Annex D of Programme and Operations Manual (programme and project formulation) are addressed and cleared in a timely manner.**
8. UN-Women is conducting the final review of the updated Programme and Operations Manual Chapters before dissemination. The revised Chapters will strengthen the selection of implementing partners as well as address the language in Annex D. UN-Women has set a new target implementation date for this recommendation.

<i>Department responsible:</i>	Programme Division
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Third quarter of 2017

9. **In paragraph 50, the Board recommends that UN-Women improve the quality of the data maintained in Atlas regarding the status of projects.**
10. UN-Women has launched the Project Closure tool which facilitates the monitoring of projects and allow the review of project status in a timely manner. Accuracy of project status in Atlas has improved but there are still inconsistencies with end date of projects noted. The automated tool and associated Dashboard expedites the review process and allows for improved oversight. UN-Women has set a new target implementation date for this recommendation.

Department responsible: Division of Management and Administration and Programme Division
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2017

11. In paragraph 56, the Board recommends that UN-Women further improve its integrated budget and enhance its results-based budgeting in line with the harmonization requirements of UNDP, UNFPA and UNICEF.

12. UN-Women has completed action on this recommendation for the Board's assessment. UN-Women remains aligned with the harmonized results-based budgeting and cost classification methodology as applied by UNDP, UNFPA, and UNICEF. The 2018-2019 Integrated Budget is prepared with the strengthened linkages between results and resources.

Department responsible: Division of Management and Administration
Status: Implemented
Priority: Medium
Target date: Not applicable