INTERNAL AUDIT REPORT

OF

PROJECT MANAGEMENT PRACTICE (PMP)

Final Audit Report
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Report on the audit of Project Management Practice (PMP)

I. OVERVIEW

Background

1. As part of its annual work plan for 2012, the Internal Audit and Investigations Group (IAIG) conducted an audit of the UNOPS Project Management Practice (PMP).
2. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. These Standards require that IAIG plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit objectives and scope

3. The overall objective of the audit was to assess and provide assurance on the adequacy and effectiveness of the internal controls over the PMP. The audit also aimed to assist management in continuously improving the processes in place. The following elements of the internal controls were covered: control environment; control activities; information and communication; and monitoring of internal control system performance. The assessment was based on the status of the internal control system at the time of the audit (April-May 2012). On-going and planned developments of PMP internal controls were taken into consideration.

Audit rating

4. IAIG's opinion on the overall level of internal control over PMP activities is **Satisfactory.**[1] Ratings for each internal control component are summarized below.

Internal Control Component	Rating	
Control environment	Satisfactory	
Risk assessment	Partially Satisfactory	
Control activities	Satisfactory	
Information and communication	Satisfactory	
Monitoring	Partially Satisfactory	
Overall Rating	**Satisfactory**	

Key audit issues and recommendations

5. The audit report contains 12 recommendations, four of which are considered high priority and the remaining eight medium priority. Based on management action taken since the draft report was issued, one recommendation of medium priority has been closed (recommendation number 5).

6. The review also disclosed several good practices in the work of the PMP. These include: (i) the establishment of sound control environment including statement of practice mission and objectives, a practice strategy and an annual work plan, and a clear assignment of authority and responsibilities; (ii) the development of detailed policies and procedures for project management covering the different stages of the project life cycle; (iii) the development of tools to support implementation of the established policies and procedures; and (iv) the development of multiple

[1] See definitions in Annex 1

resources that were made available to related parties.

7. The high priority recommendations include:

Internal Control Component	Audit issue and recommendation
Control environment	IAIG recommends that the PMP organization structure and staffing be reviewed to assess the adequacy of its resources for the purpose of meeting its objectives. The appropriateness of the contracting type for each position should also be assessed.
Risk assessment	In order to strengthen engagement risk management and costing, IAIG recommends: • Developing appropriate tools for risk management; • Strengthening the requirements for continuous reporting on and monitoring of engagement risks; • Ensuring that risk increment guidelines are issued by Regional Directors for consistency with UNOPS' risk acceptance and mitigation strategy; and • Raising awareness of the importance of risk management and costing.
Control activities	With respect to grant support policy, IAIG recommends enhancing fairness, transparency and competition in grantee selection process by: • Having the Call for Proposal (CFP) approved by a person independent from the one processing the CFP, for proper segregation of duties; • Setting a minimum tender period for submission of proposals; and • Establishing guidelines on handling queries from potential grantees and on making amendments to the CFP during the tender period.
Monitoring	In order to improve documentation of the engagement assurance, IAIG recommends: • Creating a direct link from the assurance tool to the project assurance report; • Enabling provision of explanations to substantiate assigned rates; • Enabling the recording and tracking of issues and action plans to be incorporated in the assurance tool; and • Developing a standard template for project assurance report.

8. The medium priority recommendations included updating OD 15 'UNOPS global structure'; clarifying the certification requirements for Project Managers with respect to Prince 2; clarifying and formalizing the roles and responsibilities of relevant parties in the Project Management (PM) foundation course; revising UNOPS pricing policy; improving projects similarity mapping in the leads system; enhancing grant review and award process; strengthening learning and knowledge management; and ensuring accuracy of projects' data in Atlas.
9. Management accepted most of the audit recommendations and is taking action to implement them. The follow up of the action taken by management to implement the audit recommendations is monitored by IAIG on its web-based issue tracking system.

Background on Project Management Practice (PMP)

1. Establishment of the PMP arose from concerns that the organization's projects do not have a clear and agreed methodology to promote consistency and replication of successful projects. The observable problems included substantial repetition of work, no repository for knowledge, slow project development due to lack of institutional knowledge and project quality inconsistency resulting in risks to the organization that included dissatisfied clients and beneficiaries.
2. The purpose of the PMP is to facilitate efficient and effective provision of support and advice to users and external clients while ensuring adequate internal controls are in place. Thus the PMP has three primary objectives:
   - Structure Project Management professionalism in UNOPS: Strengthen knowledge, skills and career opportunities of UNOPS personnel involved in Project Management.
   - Build a knowledge system among the Practice: Develop and maintain manuals and guidance and provide advice to practitioners. Use the Practice as a channel of communication, reporting and information to Executive Management.
   - Be the advisory body on Project Management within UNOPS: Articulate policies in the form of procedures and business processes governing the operation of the practice, enable operationalization and managerial oversight through appropriate systems and reports, and ensure continual improvement.
3. IAIG extends its appreciation to the management and personnel of UNOPS' PMP, as well as to those who were involved in the audit, for their full cooperation.
4. The detailed audit observations and recommendations are provided in Part II of the report.

II. DETAILED ASSESSMENT

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
Control Environment					
1	**Updating OD 15 UNOPS Global Structure** **Process:** Organizational structure **Comparison Criteria:** OD 27 Internal Control and Risk Management Framework and OD 15 UNOPS Global Structure. **Facts:** As per OD 27 Internal Control and Risk Management Framework, the Control Environment, including organizational structure, provides the discipline and structure for the achievement of the primary objectives of the internal control system. OD 15 UNOPS Global Structure establishes a UNOPS organizational structure that facilitates efficiency and effectiveness in the delivery of services to partners, and defines corporate functions, authorities and accountabilities. Changes to UNOPS Global Structure shall be carried out in coordination with the Corporate Performance and Management Group. In January 2012 PMP became a standalone practice, with its Lead reporting to the Deputy Executive Director. OD15 was not updated to reflect the change in the global structure. **Impact:** Unclear authority, responsibility and accountability. **Cause**: Guidance: Inadequate oversight by Headquarters **Category:** Strategic	(IAIG/2101/01) Update OD 15 UNOPS Global Structure to reflect the recent setting of the PMP as an independent group.	Director, Corporate Performance and Management Group	The midterm review of the UNOPS Strategic Plan 2010-2013 among other things indicated the need for a review of the UNOPS Global Structure, inter alia a review of OD 15 and associated annexes. In light of the formal steps already taken which recognize the establishment of PMPG, as well as the resetting of regional entities in respective target agreements, and with a view to appropriately managing strategic changes pursuant to the midterm review, it has been deemed inappropriate to reissue OD 15 until such time as a more comprehensive review has been concluded.	**Due date** 31/12/2013 **Priority** Medium **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
2	**PMP organization structure and staffing** **Process:** Organizational structure **Comparison Criteria:** OD 15 UNOPS Global Structure and OD 21 Individual Contractor Agreement Policy **Facts:** Since establishment, the PMP was led by a PMP Lead, who served under an ICA contract for more than three years. Subsequent to the departure of the PMP Lead in March 2012, the PMP was composed of: • one staff member at a professional level; • three ICA contractors (two international and one national); • three interns; and • one volunteer. The PMP staffing structure is dominated by ICAs and interns, who are supposed to serve for short periods and not to perform regular core functions. Management has provided a targeted organization structure to be implemented by 2014. This structure will include additional positions including a Director, Project Management, and (under ICA contracts) Regional Practice Advisors. These recruitments are in progress at the time of audit. **Impact:** Insufficient resources to achieve practice objectives **Cause**: Resources – Lack of or insufficient resources **Category:** Strategic	(IAIG/2101/02) Review the PMPG organization structure and staffing to assess the adequacy and sufficiency of PMP resources to achieve its objectives, and the appropriateness of the contracting type for each position.	Director, Project Management Practice Group	Revised work plan already approved by the EO and additional resources allocated for end 2012 and 2013.	**Due date** 01/07/2013 **Priority** High **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
Risk Assessment					
3	**<u>Engagement risk management and costing</u>** **<u>Process</u>:** Risks, both thoroughness and relevance of the risk analysis process, and including estimating the significance of risks, assessing the likelihood of their occurring, and determining needed actions. **<u>Comparison Criteria</u>:** OD 27 Internal Control and Risk Management Framework and OD 33 UNOPS Strategic Risk Management Planning Framework. **<u>Facts</u>:** PMP has issued supporting guidance on risk management including a spreadsheet risk log to help address the specific risks that are typically encountered when implementing Engagements at UNOPS. The log feeds into the Implementation Analysis Note to become part of the Risk Increment. The rate of Risk Increment for each Region, or engagement within the same Region, shall be determined and derived from estimates based on a Region's historical cost overruns, portfolio risk, client payment risk, maturity of financial management infrastructure, etc. A review of the associated risks shall be completed by the Regional Office in coordination with the Director, Finance Practice Group (FPG) and the Executive Office. Risk Increment guidelines must be issued by the Regional Director for his/her region and approved by the Executive Office to ensure consistency with UNOPS' risk acceptance and mitigation strategy. The review of current practice on engagement risk management revealed: • The format used (spreadsheet) does not facilitate dynamic risk management or knowledge sharing on risks. • Risk increment guidelines were not issued by Regional Directors to ensure consistency with UNOPS' risk acceptance and mitigation strategy. • Risk management is a success criterion for OC assurance. It is not	(IAIG/2101/03) Strengthen engagement risk management and costing by: a) Developing appropriate tools for risk management; b) Strengthening the requirements for continuous reporting on and monitoring of engagement risks mainly through engagement assurance; c) Ensuring that risk increment guidelines are issued by Regional Directors; d) Raising awareness among project management practitioners of the importance of proper risk management and costing.	Director, Project Management Practice Group	A revised approach to risk management is already in the PMP work plan. The approach will continue to be based on best practices and provide a tailored approach to risk management. The PM risk increment guidelines are as support to the ROs. The PMPG plays a supportive role to ROs, and not a control function in relation to risks and pricing. However, risk pricing will be reviewed as part of the revised pricing policy in CPMG. The PMPG will continue to provide training, support and guidance on risk management as appropriately tailored to specific engagements. The UNOPS Project Success Criteria already include risk management under Delivery Performance, and will continue to be monitored as part of the quarterly assurance.	**Due date** 01/07/2013 **Priority** High **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	considered a success criterion for engagement assurance, and thus risks may not be closely monitored. • The applied risk increment rate was consistently different from the suggested (lower) rate at the engagement acceptance stage. **Impact:** Engagement risks not properly managed, and risk increment not properly priced to engagements. **Cause**: Guidelines - Inadequate risk management process **Category:** Operational				
Control Activities					
4	**Prince 2 certification requirements** **Process:** Training and support **Comparison Criteria:** OD 1 UNOPS Legislative Framework **Facts:** Prince 2 (Projects In Controlled Environments) is UNOPS project management standard methodology. According to engagement acceptance policy set forth in the Project Management knowledge system, all project managers, portfolio managers and team managers appointed by UNOPS are expected to be certified in Prince 2 (both Foundation and Practitioner level). Further, as per UNOPS Learning and Development Catalogue, Prince 2 Foundation and Practitioner courses are mandatory for all project managers, and the Prince2 Managing Successful Programmes course is recommended to all senior project managers. Upon inquiry, Management informed that the PMP does not consider Prince 2	(IAIG/2101/04) Clarify the certification requirements for Project Managers with respect to Prince 2. The PMP should monitor the status of implementation of the required certification level, if any.	Director, Project Management Practice Group	The practice will issue clarified guidelines on requirements for external PM certification and ensure appropriate monitoring.	**Due date** 31/12/2012 **Priority** Medium **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	certification a requirement for PMs. It only encourages PMs to have Prince 2 certification at the Foundation or Practitioner level. The PMP has also included elements of Prince2 in the PM Foundation Course. Thus, the PMP does not monitor the status of Prince 2 certification among UNOPS Project Managers. **Impact:** Inconsistency between guidelines leading to confusion and potential non-compliance **Cause:** Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational				
5	**PM foundation course roles and responsibilities** **Process:** Training and support **Comparison Criteria:** OD 2 UNOPS Accountability Framework and Oversight Policies **Facts:** UNOPS has launched a Project Manager Certification Programme to promote continuous learning and professional development for those on the project manager career path. Project Manager Certification would demonstrate knowledge and successful application of UNOPS project management methodology and tools. The certification programme includes three steps: PM induction course, PM foundation course, and PM Certification and Maintenance. The PM foundation course involves the PMP, HRPG, Regional Directors (RDs) and the Executive Office (EO). A responsibility assignment matrix that describes the participation by various roles in completing tasks or deliverables was drafted and presented during a joint meeting of PMP-HRPG on 25 November 2011. However, this matrix was not finalized, was not approved by relevant parties (PMPG, HRPG, RDs), and was not put into effect.	(IAIG/2101/05) Clarify and formalize the roles and responsibilities of relevant parties in the PM foundation course.	Director, Project Management Practice Group	Matrix of responsibility that was agreed previously is now signed.	**Due date** 31/12/2012 **Priority** Medium **Status** Closed in view of action taken by manage-ment

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	Impact: Unclear authority, responsibility and accountability **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational				
6	**Revisit UNOPS Pricing Policy** **Process:** Engagement management - pricing **Comparison Criteria:** OD 1 UNOPS Legislative Framework **Facts:** OD 22 Client Pricing Policy enables the Developer to negotiate, and the Engagement Authority to accept, application of discount on management fees under pre-defined conditions and subject to the Deputy Executive Director approval. However, Developers and Engagement Authorities were not provided with clear guidelines for application of management fee discounts. Paragraph 13 of this OD (OD 22) provides that in the event an engagement is cancelled by the client or funding source prior to the completion of the engagement, UNOPS shall levy a cancellation fee. Therefore, all UNOPS engagement agreements should include a cancellation clause. Approval by the Executive Office must be obtained before accepting any engagement where a cancellation clause is not accepted by a client. The review revealed that approval of the Executive Office is no longer required, and approval of the RO must be obtained instead. This process has been confirmed by DED. **Impact:** • Inconsistency in application of discounts and/or cancellation fee;	(IAIG/2101/06) Revisit the Pricing Policy with a view to: a) Issuing guidelines on application of discount on management fees; b) Reflecting the delegated authority to Regional Directors to discard cancellation fee clause.	Director, Corporate Performance and Management Group	These issues are recognized by UNOPS management and will be addressed through the development and implementation of a revised Pricing Policy, including a strengthened process for engagement acceptance.	**Due date** 01/07/2013 **Priority** Medium **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	• Reputational loss: Discounts negotiated/accepted by Developer and rejected by DED; • Financial loss: Excessive discounts accepted and applied to management fee. **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational				
7	**Leads system improvement** **Process:** Engagement management – leads system **Comparison Criteria:** OD 31 Quality Management Policy and OD 4 Engagement Acceptance Policy **Facts:** When entering a lead, the developer is tasked to determine the Engagement type by selecting the most applicable Pillar service line (Project Services, Advisory Services, or Transactional Services). Additional Implementation and management practices can be selected only if specifically relevant to the engagement. As all engagements would focus on at least one of the Management Practices (Project Management, Finance, Procurement, Human Resources) and/or one of the Implementation Support Practices, selection of the most relevant Management and/or Implementation Support Practice should be made mandatory. This will ensure better mapping of engagements and alignment of UNOPS engagements with its strategic plan and will help create links to other engagements in the lessons learned section of the leads system. It would also help the review process. Finally, it would improve the efficiency of engagements' data aggregation.	(IAIG/2101/07) Ensure that Implementation and Management Practices are selected for all engagements along with Pillar service lines (Project services, Advisory services, and Transactional services) in the leads system.	Director, Project Management Practice Group	For improved similarity mapping an additional development is being planned to capture project approach which will provide a much more sophisticated method of mapping than the proposed solution.	**Due date** 01/07/2013 **Priority** Medium **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	Impact: Improper mapping of engagements **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures. **Category:** Operational				
8	**Grantee selection process** **Process:** Engagement management – grants **Comparison Criteria:** OD 2 UNOPS Accountability Framework and Oversight Policies **Facts:** An Administrative Instruction (AI) on Grant Support AI/PM/2012/01, established with effect from 23 April 2012, provides the procedures and requirements governing UNOPS grant support agreements and funding. The review disclosed a number of issues which suggest that the UNOPS grant support policy needs to be revisited: • When a call for proposal (CFP) is used as the grant selection methodology, the CFP documents must be cleared and approved by the relevant Project Manager in each case. This procedure is inconsistent with the internal control's fundamental concept of segregation of duties, and may increase the risk of fraud and errors. • No minimum time period from the issuance of the CFP to the deadline for submission of proposals (tender period) was prescribed. A minimum two weeks tender period is only recommended but not mandatory. This situation may lead to abuse and may compromise competition. • The AI does not include guidelines on handling queries from potential grantees and amendments to CFP during the tender period. • The Standard CFP provides for a stage in the evaluation process where evaluation criteria should be specified. The evaluation committee undertakes the review based on the criteria outlined in the CFP and	(IAIG/2101/08) Enhance fairness, transparency and competition in grantee selection process by: a) Having the CFP reviewed and approved by a person independent from the one processing the CFP for proper segregation of duties. b) Set a minimum tender period for submission of proposals to ensure fairness, transparency and integrity. c) Establish guidelines on handling queries from potential grantees and amendments to CFP during the tender period. d) Prescribe specification of the evaluation methodology and the weighting between the proposal's formal, technical	Director, Project Management Practice Group	The Practice will update the request for grant award template to include additional information on the preparation of the CFP as well as the composition of the Grants evaluation committee.	**Due date** 01/07/2013 **Priority** High **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	assesses the grant proposal's formal, technical and financial aspects. However, specification of the evaluation methodology (e.g. lowest priced most technically acceptable offer methodology, lowest priced substantially compliant offer methodology, cumulative analysis) and the weighting between the proposal's formal, technical and financial aspects as well as the relative weight of each major criterion, are not prescribed. **Impact:** Potential or perceived lack of transparency and fairness in grantee selection process. **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures. **Category:** Operational	and financial aspects as well as the relative weight of each major evaluation criterion in the CFP.			
9	**Enhance grant review and award process** **Process:** Engagement management – grants **Comparison Criteria:** OD 2 UNOPS Accountability Framework and Oversight Policies **Facts:** According to Administrative Instruction (AI) on Grant Support AI/PM/2012/01, an evaluation will review the proposals based on the method of evaluation set out in the CFP. The Evaluation Committee's review should include an assessment of the formal, technical and financial criteria. The Evaluation Committee must comprise a minimum of three individuals, with the majority being UNOPS personnel. Further, when only one proposal is received for any Grant activity, a specific procedure must be followed including prior review by the Regional Procurement Advisor and the Grants Advisor, and application of Delegation of Authority (DoA) for waiver for award. The review of the process for grants review and award revealed:	(IAIG/2101/09) Strengthen grants review and award process by: a) Refining the requirements for designation, composition and functioning of the Grant Evaluation Committee b) Increasing the efficiency and effectiveness of the review process by avoiding duplication.	Director, Project Management Practice Group	No action plan provided. Management made the following comment: The Grant Services manual describes, under Chapter 3 step 2, how to establish the Evaluation Committee. It refers to all critical elements, i.e.: "This Committee or Board should comprise of independent individuals with competence in the primary project's main thematic area (environment, health, rural development etc.) who can make impartial decisions and who have no perceived or actual conflict of interest (i.e. association with potential Grantees). Often the already established Project Board (or	**Due date** 31/12/2012 **Priority** Medium **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	• The AI is not clear about who is supposed to appoint the Evaluation Committee members. It only tasks the Submitting Officer with identifying the members of the Evaluation Committee and their functions in the evaluation report. • Special cases where UNOPS is only administering contracts on behalf of a client should be clarified for the purpose of determining the composition of the Evaluation Committee (e.g. ICA supervised by clients, UNOPS serving as a host agent e.g. for WSSCC, etc.). • The AI refers to the TOR as source for formal, technical and financial criteria to be used for the evaluation. This reference may not be appropriate as the TOR is supposed to describe the scope of grant activity. Reference to the CFP may be used instead. • The AI allows for the Regional Procurement Advisor's recommendation to reject a proposal to be overturned, by submitting the grant request for award to the UNOPS Grants Advisor. This procedure potentially jeopardizes the efficiency and effectiveness of the review procedure due to duplication. **Impact:** Inconsistency in policy application and potential unauthorised decision-making **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational			Project Steering Committee) can be designated in the primary Project Agreement to be responsible for grant selection, following the same impartiality criteria and understanding to prevent conflict of interest situations." However, it cannot prescribe any further details as it would contradict its purpose. IAIG comments: while the above clause in the manual lays down broad principles with respect to locally established grantee evaluation and selection committee, it does not address the audit issues for UNOPS grantee selection committee.	
Information and Communication					
10	**Strengthen learning and knowledge management** **Process:** Information **Comparison Criteria:** OD 31 Quality Management Policy and OD 4 Engagement Acceptance Policy	(IAIG/2101/10) Strengthen learning and knowledge management by: a) Developing guidelines for systematic capture and documentation of lessons learned, including but not limited to lessons learned	Director, Project Management Practice Group	No action plan provided. Management made the following comment: Not all UNOPS engagements merit a lessons learned report, e.g. a procurement work package using LTAs. Such engagements are common place and repetitive	**Due date** 31/12/2012 **Priority** Medium **Status**

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
	Facts: UNOPS PMP has incorporated a lessons learned component in the Leads System to support knowledge sharing and identification of lessons, between projects that hold one or more similar characteristics (Pricing Model, Partner, Donor, OC, Region, Implementation Support Practice (ISP) and Proposal Value). The Developers of the top five similar leads are also automatically notified by email and added as subscribers to encourage knowledge sharing across project and geographic boundaries. The review of learning and knowledge management on projects disclosed: • It is only recommended but not mandatory that project lessons learned be captured and documented in a lessons learned log. • Project lessons learned can also be documented in the end project report. Preparation of such a report is also only recommended, and not mandatory. • Neither the lessons learned log nor the end project report, filed in the project blue file and in the Project Document Centre, are easily accessible, and so do not promote sharing of lessons learned or knowledge. **Impact:** Limited systematic learning from past experiences that could improve future activities **Cause**: Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational	during engagement assurance; b) Consolidating lessons learned to promote easy learning and knowledge sharing.		by nature and mandatory lessons learned would become overwhelming noise for people seeking previous experience, and burdensome for PMs to document. Mandatory lessons learned are not considered best practice. If established as mandatory, it typically results in generic statements such as “team work is important” or “better planning is key”. Best practice is to document lessons learned only if there are specific ones identified. Though we can always improve the communication of lessons we would point out that our system is actually quite advanced and envied by other PM organizations we have spoken with. IAIG comments: audit recommendation has been revised in the light of management comments, by removing the reference to mandatory lessons learnt, yet emphasising the significance of this activity and the scope for improvement.	Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
Monitoring					
11	**Documentation of the engagement assurance** **Process:** Internal assurance **Comparison Criteria:** OD 2 UNOPS Accountability Framework and Oversight Policies **Facts:** Project assurance is carried out throughout the project life cycle, and the project assurance report is the documentary evidence that assurance has taken place. It is the first place of reference for board members, managers, and auditors. Further, an assurance tool has been developed to facilitate and record regular reviews. The review revealed: • Inconsistency across the organization in the level of compliance with project assurance report preparation requirement, and in the formats (templates) used. • The assurance tool is designed to rate engagement performance against predefined success criteria. A three-scale rating is used with the possibility to add comments on overall engagement health at the end. No direct link was made available from the online assurance tool to the respective substantiating assurance report. **Impact:** Ineffective engagement assurance **Cause:** Guidelines - Lack of or inadequate corporate policies or procedures **Category:** Operational	(IAIG/2101/11) Strengthen the online assurance tool by: a) Creating a direct link from the assurance tool to the project assurance report. b) Enabling provision of explanation to substantiate assigned rates. c) Enabling record and track of issues and action plans to be incorporated in the assurance tool. d) Developing a standard template for project assurance report.	Director, Project Management Practice Group	No action plan provided. Management made the following comment: The Project Assurance tool is the basis for capturing information on assurance within the organization. In some projects they like to use an additional suggested template. However, the suggested template "assurance report" is neither mandatory nor appropriate for all projects (as per the tailoring principle of Prince2). The corporate measure of assurance is the online tool and the report is available in the next tab in the management workspace and is hence easily available. IAIG comments: the online assurance does not address all the concerns raised in the audit recommendation, and further action is called for by management to strengthen the assurance process.	**Due date** 01/07/2013 **Priority** High **Status** Open

	Observation / Impact	Recommendation	Responsible Manager	Action Plan	Due Date/ Priority/ Status
12	**<u>Accuracy of Project information in Atlas</u>** **<u>Process</u>:** On-going monitoring **<u>Comparison Criteria</u>:** OD 31 Quality Management Policy and OD 4 Engagement Acceptance Policy. **<u>Facts</u>:** The review disclosed that at the time of audit 110 on-going projects have end dates of 2011 and before. Further, 38 projects were not assigned project managers in Atlas. Management informed that an online handover tool was developed and is expected to be run soon. The proposed tool is expected to provide transparency to the handover process, making it easier to monitor, assure quality and enforce compliance. The review of the handover tool was not included in audit scope. **<u>Impact</u>:** Inaccurate project information. **<u>Cause</u>**: Guidelines - Lack of or inadequate corporate policies or procedures **<u>Category</u>:** Operational	(IAIG/2101/12) As part of the PMP quarterly assurance, due attention should be given to accuracy of project information.	Director, Project Management Practice Group	Management made the following comment: Data quality is always a priority and the PM practice will continue to monitor quality as part of the engagement assurance. Of the 38 identified client projects only seven remain with unknown PMs at the time of review (without further follow up by the Practice).	**Due date** 31/12/2012 **Priority** Medium **Status** Open

ANNEX 1 . Definitions of audit terms – ratings, causes, and priorities

A. AUDIT RATINGS

Effective 1 January 2010, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. CATEGORIES OF ROOT CAUSES OF AUDIT ISSUES

- **Guidelines**: absence of written procedures to guide staff in performing their functions;
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate RO/OC/PC (specify) policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance**: inadequate or lack of supervision by supervisors;
  - Lack of or inadequate guidance or supervision at the RO/OC/PC (specify) level
  - Inadequate oversight by Headquarters
- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function.
  - Lack of or insufficient resources (specify: financial, human, or technical resources)
  - Inadequate training
- **Human error**: Unintentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls
- **Other**: Factors beyond the control of UNOPS

C. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

- **High**: Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium**: Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences);
- **Low**: Action is desirable and should result in enhanced control or better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with the management of the entity under review, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this Report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic:** High level goals, aligned with and supporting the entity's mission
- **Operational:** Executing orderly, ethical, economical, efficient and effective operations; and safeguarding resources against loss, misuse and damage
- **Reporting:** Reliability of reporting including fulfilling accountability obligations
- **Compliance**: Compliance with prescribed UNOPS regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

ANNEX 2. Glossary

AI	Administrative Instruction
Atlas	(the Enterprise Resource Planning system used by UNOPS along with other UN agencies)
CFP	Call for Proposal
CPMG	Corporate Performance and Management Group, UNOPS
DED	Deputy Executive Director
DoA	Delegation of Authority
EO	Executive Office
FPG	Finance Practice Group
HRPG	Human Resources Practice Group
ICA	Individual Contractor Agreement
ISP	Implementation Support Practice
LTA	Long Term Agreement
OC	Operation Centre
OD	Organizational Directive
PM	Project Manager/Management
PMP	Project Management Practice
PMPG	Project Management Practice Group
Prince 2	Projects In Controlled Environments
RO	Regional Office
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
WSSCC	Water Supply & Sanitation Collaborative Council