**Criteria supporting the overall opinion**

1. In accordance with Executive Board decision 2015/13, IAIG has provided an opinion in this annual report, based on: the scope of work undertaken, and the adequacy and effectiveness of the organization’s framework of governance, risk management and control. Furthermore, in accordance with Executive Board decision 2016/13, IAIG herewith provides the rationale for this opinion. The summary of the audit work performed is provided in the body of the annual report, essentially under section V. This annex provides a brief description of the criteria used to support the IAIG opinion.
2. The results of the following are taken into account to support the IAIG opinion:
3. internal audits of field offices;
4. thematic reviews;
5. project audits;
6. forensic project audits;
7. continuous auditing and data analytics programme;
8. findings from investigations; and
9. implementation status of audit recommendations as at the end of the calendar year.
10. The distribution of 2018 audit results regarding the adequacy and effectiveness of the governance, risk management and control (GRC) at the audited entity level is included in annex 2. Table 4 in the IAIG annual activity report shows the distribution of the number of project audit reports that were issued by IAIG in 2018. Refer to table 1 below for the distribution of audit ratings for 2018.

**Table 1: Distribution of audit ratings for 2018**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2018** | | **Restated 2017** | | **2018** | | **Restated 2017** | |
| **Report ratings** | **Internal audits and reviews** | **Project audits** | **Internal audits and reviews** | **Project audits** | **Weighted report ratings\*** | **Per cent of total** | **Weighted report ratings\*** | **Per cent of total** |
| Satisfactory | 0 | 42 | 0 | 38 | 21 | 50% | 19 | 44% |
| Partially satisfactory – Some improvement needed | 3 | 4 | 5 | 3 | 5 | 12% | 6.5 | 15% |
| Partially satisfactory – Major improvement needed | 2 | 0 | 4 | 0 | 2 | 5% | 4 | 9% |
| Partially satisfactory (old rating system) | 0 | 0 | 0 | 5 | 0 | 0% | 2.5 | 6% |
| Unsatisfactory | 3 | 2 | 2 | 5 | 4 | 10% | 4.5 | 11% |
| No rating\*\* | 8 | 2 | 6 | 1 | 10 | 23% | 6.5 | 15% |
| **Total** | **16** | **50** | **17** | **52** | **42** | 100% | 43 | **100%** |
| \* As indicated in paragraph 5, project audit reports have been weighted to count 50 per cent. \*\*No rating is provided for thematic reviews and forensic project audits | | | | | | | | |

1. The following changes were applied to the 2018 overall opinion criteria as compared to 2017:
   1. Project audits may not represent fully the GRC aspects of UNOPS as their scope is different from internal audits of field offices, nonetheless, they provide an indirect indication about the UNOPS GRC. To this effect, IAIG estimates that the results of the project audits give a 50 per cent assurance about UNOPS GRC.
   2. For the purpose of the current calculation, a project financial audit with an unqualified opinion is considered as satisfactory, while a project financial audit with a qualified opinion is considered unsatisfactory. In 2017, project financial audit results were categorized as ‘no rating’.
2. It can be seen from the above table that although the methodology in 2018 was enhanced to include opinions on project audits including project financial audits, there were five unsatisfactory ratings in 2018, down from seven in 2017. In addition, 17 per cent of all audits have a rating “partially satisfactory” (30 per cent in 2017),

where there are deficiencies in governance, risk management and controls which need to be addressed. While 50 per cent of audits had a satisfactory rating (44 per cent in 2017), the audits nonetheless identified areas for improvement.

1. In addition to the criteria above on the audit ratings for individual audits, the below quantitative and qualitative data was considered as part of forming the overall opinion for 2018:

* Quantitative matters – (a) for project financial audits in 2018, the cumulative financial impact of project audit reports with a qualified opinion was $781,431 ($139,315 in 2017)[[1]](#footnote-1); (b) for project internal control reports, the financial impact of audit observations was $69,928 ($171,247 in 2017); (c) in 2018, IAIG substantiated $130,725 in fraud, compared to $268,507 in 2017; and (d) in 2018, IAIG identified $93,588 in payments to sanctioned vendors ($311,188 in 2017), $15,283 in duplicate payments ($30,144 in 2017), and a fall in the frequency of retroactively approved ICA awards across UNOPS, from 27 per cent in the first six months of 2018 to 16 per cent in the last six months.
* Qualitative matters – (a) findings arising from investigations; (b) the implementation rate of internal audit recommendations which at the end of 2018 was 96 per cent, this rate is judged to be “satisfactory”; it is evidence that the organization takes effective and timely action to address deficiencies identified in audits, and represents a four per cent increase in the implementation rate from 92 per cent in 2017; and (c) the decrease in the number of recommendations issued in 2018 (160 recommendations, down from 315 in 2017, and 267 in 2016) stems from an overall improvement in internal controls in the organization.

1. Management took corrective action to address these internal control weaknesses and took commendable action to address the previous opinion in 2017.
2. Based on the scope of work undertaken in 2018, in IAIG’s opinion, the adequacy and effectiveness of the governance, risk management and control in the reports issued in 2018 were, in aggregate, “partially satisfactory (some improvement needed)”. This means that they were generally established and functioning but needed some improvement. Issues identified do not significantly affect the achievement of the objectives of the organization.

1. The financial impact of project audits for 2018 relates to one project. Refer to project audit reports: [8201](https://content.unops.org/documents/libraries/iaig/financial-audit-reports/2018/en/IAIG-8201-FAR-2018_EN.pdf?mtime=20180315165456) and [8206](https://content.unops.org/documents/libraries/iaig/financial-audit-reports/2018/en/IAIG-8206-FAR-2018_EN.pdf?mtime=20180814105757). [↑](#footnote-ref-1)