**United Nations Office for Project Services (UNOPS)**

**Audit Advisory Committee**

**Annual Report 2018**

**(DP/OPS/2019/4 – Annex 3)**

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# Background

1. The Audit Advisory Committee (“Committee”) of the United Nations Office for Project Services was established in 2015 in accordance with Executive Board decisions 2015/4 and 2015/12 on the Committee’s Terms of Reference laid out in DP/OPS/2015/CRP.1.

2. Pursuant to its Term of Reference, its purpose is to assist the Executive Director in fulfilling his/her responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability. The primary role of the Committee is to advise the Executive Director, taking into consideration the Financial and Staff Regulations and Rules as well as the policies and procedures applicable to UNOPS and its operating environment.[[1]](#footnote-1)

3. The Committee held its inaugural meeting on 4 March 2015 and operates under the Terms of Reference laid out in the Organizational Directive no 5, rev. 5 of 1 September 2015.

4. This annual report covers the year 2018. It is submitted at the request of the Executive Board (decisions 2008/37 and 2015/4), and in accordance with section 31 of the Committee’s Terms of Reference. The report provides a summary of the areas covered by the Committee and contains five recommendations.

# Committee members, meetings and working methods

5. During the 2018 cycle, the Committee convened for its 11th – 14th meetings. The Committee comprised the following members, all of whom confirmed their independence in fulfilling their function:

1. Bente Svensson (Chair 12th – 14th meeting; member 1st – 11th meeting)
2. S. Bhaskar (member 5th – 14th meeting)
3. Pablo Sanchez-Lozano (member 11th – 14th meeting)
4. Anni Haraszuk (Chair 1st to 11th meeting)
5. Robin McPhail (member 1st – 11th meeting)

6. In addition to members of the Committee, meetings were attended by the UNOPS Executive Director and the Deputy Executive Director. Throughout the year the Committee invited members of the senior management team for deliberation on specific topics under its purview. These included the Director of IAIG, the Chief Financial Officer, the Director of Ethics, the OIC for Communications, the Chief Information Officer, the Director of Procurement, the Director of Quality Monitoring, the Director of People and Change, the Director of Infrastructure and Project Management, and the Head of Corporate Strategy. In addition members of the UNOPS Strategic Advisory Group of Experts joined the Committee’s 13th meeting.

7. Pursuant to section 15 of its Terms of Reference the Executive Director provided secretariat for the Committee. The Committee commends the substantive quality, effectiveness and timeliness of support provided by the executive secretariat.

8. During the year the Committee discussed its working methods. In relation to fulfilling its formal requirements, including review of governance reports, it agreed to establish a forward annual scheduled aligned with that of the Executive Board. To increase flexibility it decided that the current practices of in-person meeting at the UNOPS headquarters should be supplemented by virtual meetings and a meeting at an alternate UNOPS location. The latter would give members a better appreciation for the organization’s work and operational context.

9. In 2018, the Chair participated in the third meeting of the United Nations system oversight committees, along with representatives from 19 other committees in the system. The meeting agenda included: (a) relationship with external auditors, (b) emerging trends in internal auditing, (c) funding for employee benefit liabilities, (d) the focus and priorities of the finance network, including fraud, risk management, IPSAS, automation and the future data-cube for reporting; (e) sexual and non-sexual harassment and bullying; (f) organizational culture; (g) the role of oversight committees in the 2030 Agenda; (h) statement on internal control; and (i) continuous auditing. During the year the Committee covered a number of these issues.

# Governance reports for the Executive Board

10. Pursuant to section 2 of its Terms of Reference the Committee provided independent advice to the Executive Director and UNOPS management on governance reports for the Executive Board.

11. Throughout the year, the Committee reviewed and provided advice on relevant governance reports and followed the outcomes of UNOPS official reporting to the Executive Board, including:

1. Report of UNOPS on the status of implementation of the recommendations of the Board of Auditors for 2016 (DP/OPS/2018/1)
2. Annual report of the Executive Director (DP/OPS/2018/2)
3. Activity report for 2017 of the Internal Audit and Investigations Group (DP/OPS/2018/3)
4. Activities of the UNOPS Ethics Officer in 2017 (DP/OPS/2018/4)
5. The UNOPS response to the JIU review of management and administration in UNOPS (DP/OPS/2018/6)
6. Financial report and audited financial statements for the year ended 31 December 2017 and Report of the Board of Auditors (A/73/5/Add.11)
7. Report of UNOPS on the status of implementation of the recommendations of the Board of Auditors for 2017 (DP/OPS/2019/1)

12. In overall reflection on the governance reports produced and presented, the Committee notes the organization’s diligence in ensuring compliance therewith, and enabling the Committee’s engagement while the reports are still in draft. At the same time the Committee notes that the reporting requirements, when compared to experience from other sectors, seems very elaborate and at times of a highly technical nature.

# External audit and review

13. Pursuant to sections 6.e, 6.g, and 6.h of its Terms of Reference the Committee reviewed and advised on risk, internal control and allied matters raised/suggested by UNBOA and the JIU.

*The United Nations Board of Auditors*

14. The Committee was updated on the status of UNBOA recommendations under implementation throughout the year, and the findings of the long form report for the period ended 31 December 2017. The Committee notes that UNBOA in preparation of the long form report had reviewed a range of managerial issues, and made a total of twelve recommendations in the areas of finance, project management, procurement, gender mainstreaming, enterprise resource management, human resources, business continuity and disaster recovery. It notes that management by the end of the year had requested closure of four of these recommendations, and twenty from prior periods, and that the remaining recommendations had been scheduled for implementation before the end of 2019.

15. The Committee concurs with the UNBOA emphasis on reversing the downward turn of the implementation rate for recommendations from past periods. It notes that management has analysed the situation and taken steps to strengthen internal accountability for adherence to implementation schedules reported to the Executive Board. Appreciating the steps taken by management, the Committee finds that a more frequent interface with the UNBOA for verification of the completeness of management actions, and as needed advice on additional measures, may be warranted in order to achieve the ambitious schedules reported to the Executive Board and significantly increase the implementation rate.

16. The Committee recalled the provisions in its term of reference that it engages with external audit on a regular basis. It notes that over the years the level and substantive nature of its engagement with the UNBOA has varied. It further notes that establishment of a regular interface to the UNBOA at the right level would be important for the work of the Committee and its ability to advice the Executive Board and management.

17. **The Committee recommends that the UNBOA designate a focal point at the appropriate level to engage with the with the Committee and/or the Chair to discuss, inter alia, the UNBOA prior year report and work plan for the following year. Considering the topics it recommends that the meeting is scheduled to take place in the fourth quarter of the year.**

*The Joint Inspection Unit*

18. During the year, the Committee Chair engaged with the Joint Inspection Unit and UNOPS management on the ongoing Joint Inspection Unit review of audit/oversight committees in the United Nations system.

19. The Committee engaged with the Joint Inspection Unit review of management and administration in UNOPS (JIU/REP/2018/3) and the UNOPS management response thereto (DP/OPS/2018/6).

20. The Committee commends UNOPS for the continuous development of the organization over the past twenty years, which, as evidenced by the report, had been supported by effective change management and innovation. It notes the Inspector’s: (a) repeated confirmation of the viability of the self-financed UNOPS business model, based on neither assessed nor voluntary contributions; (b) positive assessment of the UNOPS arrangements for management and administration; and (c) confirmation of the specific culture of the organization, its high degree of flexibility, and its strong and successful business orientation. The overall findings of the Inspector compares well with the Committee’s own impression of the organization.

21. In relation to the recommendations addressed to the Executive Director, the Committee notes the swift action to initiate the process to implement the formal recommendation relating to the ethics function; and the organization’s intent to consider incorporation of relevant suggestions for improvement offered through the twenty-four informal recommendations in a phased manner.

22. In relation to the recommendation addressed to the Executive Board concerning the UNOPS Audit Advisory Committee, the Committee notes that the Executive Director has taken steps to ensure expansion of the Committee membership, and that it in 2019 will have achieved gender parity. In relation to the Terms of Reference, the Committee recalls that these have been developed pursuant to, and in accordance with, a number of Executive Board decisions. In further notes that the Executive Director has informed the Executive Board of the intent to merge the Committee with the Strategic Advisory Group of Experts, for efficiency purposes.

23. The Committee notes that since the review was concluded, a benchmarking study performed by, and for, the third Annual Meeting of United Nations Oversight Committees, had suggested that all main features of the Committee are comparable to those of the majority of similar committees in the United Nations system. At the same time, it notes the added benefit to the Executive Board and UNOPS management in further aligning the Committee’s role with the provisions already established in the UNOPS financial regulations and rules, particularly in relation to strategic advice.

24. The Committee discussed the recommendation addressed to the Executive Board concerning contingency provisions, operational reserves and the reserves portfolio. It notes the emphasis in the management response that no evidence in the review suggested that the UNOPS self-financed business model had changed materially since Executive Board decisions 2012/5 and 2013/33, through which the financial regulations and reserve requirements had been established in accordance with General Assembly resolution 60/283 on the introduction of International Public Sector Accounting Standards.

25. The Committee notes that the Executive Board at its second regular session had taken note of the findings of the review and the management response. Pursuant to the additional actions taken, the two recommendations addressed to the Executive Board can therefore be considered closed.

26. In relation to the overall acceptance and implementation of recommendations issued by the Joint Inspection Unit, the Committee commends UNOPS for being among the organizations with the highest levels of maturity, and for its high level of responsiveness to the acceptance and implementation of recommendations made by the Inspectors. At the same time, the Committee urges due consideration of the UNOPS unique business model when the cost-benefit of implementing specific system-wide recommendations is considered.

# Internal audit and investigations

27. Pursuant to sections 6.e, 6.f, 6.h of its Terms of Reference the Committee reviewed and advised on internal audit and investigation matters.

28. During the year, the Committee followed the implementation of the IAIG work plan, and reviewed its work plan for 2019. The Committee notes the continued focus on enhanced use of data, such as the continuous auditing tool and ambitions to enhance the organization’s oversight recommendations dashboard. It encourages the vision to further leverage IT for data analytics and monitoring of recommendations, which could enable provision of assurance in a more efficient and timely manner.

29. The Committee discussed the overall opinion in the report on internal audit and investigations for 2017. It notes that management has taken action to ensure accountability for timely action, including by instilling on managers responsible for internal and project audits with unsatisfactory opinions that associated issues should have immediate priority. At the same time, the Committee advises that it may be useful to further calibrate the substantiation of the audit opinion, including by considering management actions in response to issues and findings which are an important part of a well-functioning internal control framework.

30. During the year, the Committee followed the work of IAIG. It notes that the external quality assessment had been completed with the highest possible rating. It further notes the continued IAIG ambition to strengthen its role as a strategic business partner for management. In relation to reviews and assessments managed by IAIG, it reiterates the importance of ensuring that observations and recommendations are founded in a solid understanding of the organization and its operating environment. Therefore, it may be prudent to minimize reliance on external consultancies for said activities. In relation to organizational risks identified by IAIG, the Committee reiterates the importance of focusing audit recommendations on key risk and capabilities in need of strategic improvement.

31. The Committee commends UNOPS continued efforts in enhancing monitoring and implementation of all oversight recommendations; it notes the continued effect of the inclusion of a composite Key Performance Indicator (KPI) in internal scorecards to focus efforts on recommendations requiring address during the year. The Committee notes that the KPI is being tracked on a quarterly basis through the corporate performance dashboard. It reiterates that considering the volume of recommendations managed on an annual basis throughout the global organization, there would be room to draw further advantage of IT tools to facilitate the process, and notes that this is still an ambition.

32. The Committee reviewed and advised on the IAIG work plan for 2019. It notes that internal operations audits of field offices have been determined based on a risk assessment; underlines the important role internal audit has in helping identifying strategic organization-wide issues and risks; and expresses appreciation for the attention to continued advancement of the sophistication of the continuous auditing tool and approach.

33. **The Committee recommends that internal audit continues its pursuit of strengthening its role as a strategic business partner for management, including through further enhancement of the continuous auditing tool and approach, and support to systematic identification of strategic risks observed through its audit coverage of the organization.**

# Ethics

34. Pursuant to section 6.b of its Terms of Reference the Committee reviewed and advised on Activities of the UNOPS Ethics Office.

35. The Committee reviewed the 2017 Annual Report of the Ethics Officer. It notes that components of the work of the Ethics Office had seen particular activity, including an increase in the number of referrals to the Ethics Office, pursuant to the second year of the new approach to financial disclosure focused on conflict of interest.

36. Briefed on the results of the 2017 Integrity, Fraud and Ethics Awareness Survey, the Committee notes that the response rate in 2017 had increased to 61 per cent, compared to 42 per cent in 2016. It commends the significant increase in the response rate. With a view to further increasing personnel engagement, it encourages considerations to including these topics into the UNOPS people survey.

37. The Committee notes that the financial disclosure and conflict of interest programme, first piloted in 2016, had been extended in 2017. The objective of the new approach had been, inter alia, to focus the programme to more effectively identify potential conflict of interest. The Committee notes that an internal review indicated that the pilot had proved to be a success. It commends the achievement and the formalization of the approach through issuance of an operational instruction in 2018.

38. The Committee notes that inquiries to the UNOPS Ethics Office had increased substantively in 2017. It notes that 44 per cent of the ethics advice provided in 2017 was in relation to outside activities. This suggests increased awareness among personnel of the importance of ensuring that there is no conflict of interest.

39. In relation to protection against retaliation the Committee notes that coupling formal procedure with dedicated management intervention for conflict resolution could be a useful and efficient approach, particularly when the issue relates to context-specific supervisor behavior.

40. In relation to outreach and awareness on ethics, the Committee notes that a new online ethics course, developed by the Secretariat, had been released on the UNOPS learning platform. Deployment of the mandatory course through the platform would allow systematic tracking of completion throughout the organization. It further notes that an ethics component has been included in audit and investigations training for field offices.

41. The Committee notes that the Secretariat was reviewing the Secretary-General’s Bulletin 2007/11 and that the outcome of the review may result in a change in the Ethics Office terms of reference in 2019. In this context it notes the importance of maintaining appropriate division of labour and strong collaboration between the ethics, human resources, audit and investigations functions.

42. In relation to potential improvements to consider, the Committee advises that documentation and dissemination of generic and people-centered examples and lessons learned from past cases could be a means of reducing the risk of reoccurrences in the future. Furthermore, it advises that drawing on external best practices for use of IT tools and data analytics could aid the work of the Ethics Office.

43. The Committee notes that the current level of resourcing of the Ethics Office was deemed appropriate for it to fulfil the role and function of its terms of reference. **Considering the global distribution of UNOPS personnel the Committee recommends that the persistent and systematic efforts towards sustaining a sound ethical culture throughout the organization are maintained**.

# Financial matters

44. Pursuant to sections 6.c and 6.d of its Terms of Reference the Committee advised on financial matters and related reporting.

45. During the year, the Committee was kept abreast of the organization’s overall financial performance. Presented with an update on the indicative financial performance for 2017, it noted the indications of strong financial performance and a solid financial position. This was subsequently confirmed when the Committee was presented with the final audited financial statements. The Committee notes that the UNOPS financial statements are fully IPSAS compliant. It emphasizes the possibility to further enhance financial analysis based on the IPSAS compliant reporting.

46. In relation to the statement of financial position for 2017 - the balance sheet - the Committee notes that unlike in previous years when liquidity had been under pressure, with current liabilities exceeding current assets, current assets exceeded current liabilities in 2017, owing mainly to a shift in the investment portfolio from long-term to short-term investments. The Committee further notes that UNOPS, unlike many other United Nations organizations, has fully funded after service health insurance and other liabilities associated with post-employment benefits.

47. In relation to the UNOPS operational reserve the Committee notes that based on the 2017 results the reserve continued to exceed the minimum reserve requirements established by the Executive Board. It notes that contingent liabilities had been disclosed in notes to the financial statements, and that the solid financial position would enable continued pursuit of the social impact investment strategy laid out in the strategic plan, 2018-2021. Throughout the year the Committee was kept abreast of the development in this strategic initiative.

48. In relation to the statement of financial performance for 2017 - the income statement - the Committee notes that the UNOPS revenue for project activities had increased from USD 788 million to USD 832 million. It further notes that the revenue included principal expense of USD 742 million, and fees on principal and agent activities of USD 90 million. It further notes that in 2017 the UNOPS delivery had included an additional USD 1,105 million of agent expense.

49. The Committee notes that also in 2017, the UNOPS revenue from project implementation services had been recognized as exchange transactions in accordance with IPSAS 9, and IPSAS 11 for construction contracts. It noted that exchange transactions in internal United Nations financial reporting are understood as part of revenue from other activities. In view of this it notes that the UNOPS revenue is unlike that of the majority of United Nations organizations, who derive their revenue for non-exchange transactions, which are recognized in accordance with IPSAS 23. In internal United Nations reporting non-exchange transactions are understood as assessed, and voluntary core, or earmarked non-core contributions.

50. In relation to financial aspects of the reform of the Resident Coordinator system the Committee notes that UNOPS has taken steps to ensure payment of the doubled agency cost sharing. It further notes that the one per cent coordination levy was intended to apply to tightly earmarked third-party non-core contributions to development-related activities, and that the technical interpretation of this aspect had been initiated in 2018.

51. In relation to management of organization-wide strategic risks, the Committee recalls that the UNOPS financial statements are audited as a going concern. UNOPS is with its unique self-financed business one of few United Nations organizations for which this is the case.

52. The Committee repeats its past encouragements that UNOPS continue its pursuit to leverage the strategic advantage presented by IPSAS for enhanced transparency and accountability, including for external reporting and internal performance management, as well as reporting against requirements and standards established within the United Nations system. In this context it notes the ambition to significantly shorten internal financial closure cycles.

# Strategic management of oversight recommendations and associated risks

53. The Committee notes with appreciation management’s continued effort to ensure accountability for implementation of the significant volume and variety of the different types of oversight recommendations the organization manages on an annual basis. It notes that the inclusion of relevant recommendations in target agreements and performance monitoring of responsible managers has increased the focus and speed of implementation.

54. The Committee notes that UNOPS management during 2018 ensured implementation of a total of 423 oversight recommendations, including 248 deliberately targeted through internal scorecards. It further notes that 82 per cent of the recommendations addressed were made by internal audit through a number of different engagements, including thematic reviews. Overall the Committee notes: (a) the very high implementation rate of 96 per cent for recommendations made by internal audit; (b) the high responsiveness to recommendations issued by the Joint Inspection Unit; and (c) that management took additional measures to strengthen internal accountability for achievement of implementation schedules for UNBOA recommendations.

55. Notwithstanding the significant results achieved the Committee believes the strategic value-add of the recommendations made by different oversight functions, including the medium-term risk mitigation effect of their address, could be further enhanced through a more systematic approach to identification of lessons learned in different functional areas. Said approach would enable the organization to draw further advantage of the governance, risk and compliance framework adopted.

56. By conducting an ex-post assessment of issues observed over several years the organization would be able to strategically leverage the investment in knowledge and information generated by the oversight functions and the management responses implemented. This would on the one hand enable management to systematically plan and prioritize strategic interventions in key areas; and on the other hand enable the Committee to engage more strategically with the functionally responsible managers on: (a) strategic and/or recurrent issues and risks identified; (b) the planned mitigation measures; and (c) the efficacy of the response implemented.

57. In order to introduce a more strategic approach and enable the Committee’s engagement therewith, **the Committee recommends that relevant functional managers, upon its request, prepare analysis of recommendations within their functional purview and engage with the Committee on risks identified, the planned mitigation and the efficacy thereof.**

58. To enable this approach, including the Committee’s systematic identification of functional areas of priority for sequenced engagement with the responsible managers, records of all oversight recommendations should be maintained in a coherent manner. To ensure cost-effective records management and dissemination across the organization this should be supported by appropriate IT tools.

59. The Committee notes the organization’s intent to put in place an integrated IT tool, inter alia, providing a one-stop-shop for senior management monitoring of implementation status of all oversight recommendations under their purview. This tool would in turn provide a database in which recommendations of all oversight functions are systematically maintained based on, inter alia, functional nature, cause and objective. Managers with functional policy and control responsibility can conduct qualitative analysis of key issues and risks associated with past recommendations.

60. The Committee notes that systematic analysis based on key parameters potentially can aid identification of the theme(s) under the UNOPS governance, risk and compliance framework that would frame the strategic responses. It further notes that a qualitative analysis of issues and recommendations would enable differentiation between (a) risks stemming from recurrent issues relating to continuous process improvement, and (b) potential strategic risks identified by the oversight functions. The Committee expressed a strong interest in following the development of the IT tool envisaged to support the enhanced approach to strategic management of oversight issues and associated risks.

61. **The Committee recommends that the entities responsible ensure that oversight recommendations records under their purview are uniformly and systematically maintained in accordance with key parameters, and that the oversight recommendation monitoring tool is demonstrated to the Committee during 2019.**

# Governance, Risk and Compliance

62. Pursuant to section 6.a and 6.i of its Terms of Reference the Committee reviewed and advised on the development and soundness of UNOPS Risk Management Systems as per UNOPS Financial Regulations and Rules, Article 4, Rule 104.03, including the governance, development and management information technology systems impacting financial management and reporting.

63. During the year the Committee was kept abreast of the continued progress of the social impact investment initiative (S3I). The Committee noted the significant additional contributions UNOPS can make through the initiative and commended the additional progress achieved during the year. It expressed appreciation for the clear strategic focus on social housing and renewable energy. From a risk management perspective it further noted the differentiated approach to potential investments in the two areas and the close involvement of the Investment Committee in relevant aspects.

64. During the year the Committee was kept abreast of the ongoing implementation of the overarching framework for the organization’s risk management systems - the governance, risk and compliance framework, implemented under the auspices of the Legislative Framework Committee (LFC). It noted that pursuant to the legislative framework, organizational principles and governance model established in 2017, UNOPS had in 2018 aligned the global structure accordingly, inter alia, clearly delineating operations management from policy and control. In addition, the review of organizational directives and instructions managed by the LFC had seen significant advancement during the year. The Committee notes that while the new policy framework had not fundamentally altered the UNOPS operations environment, it had enabled simplification, particularly through a clearer differentiation between mandatory and discretionary elements.

65. In relation to the roll-out of the new policies the Committee notes the importance of enabling personnel compliance. It notes that the majority of related processes were being documented in the process and quality management system. The process documentation includes guidance and lays out internal controls and checks and balances. The Committee notes that continuous improvement of the supporting IT systems landscape - OneUNOPS - would be essential to ensure day-to-day compliance. It further notes that continuous auditing and sampling of individual offices was envisaged as important means of testing the robustness and identification of gaps in the policy framework, associated processes and IT systems.

66. In relation to the development of the OneUNOPS systems landscape, the Committee notes the organization’s three-pronged IT strategy, focused on: (a) risk and business continuity, (b) business operations support, and (c) growth and innovation. It further notes that internal arrangements had been established to manage strategic and operational IT development priorities. In relation to the implementation of the strategy it notes the strong competition for IT talent, and emphasized the importance of continued focus on management of potential risks associated with IT security and privacy.

67. The Committee discussed the UNOPS vision for, and the concrete steps undertaken towards, the integration of UNOPS key systems landscape, OneUNOPS; as well as the complimentary roll-out of the knowledge management initiative and a suite of tools for collaboration and communication.

68. With regard to the maturity journey into an integrated OneUNOPS landscape of systems across the corporate functions of finance, project management, procurement and human resources, the Committee notes the role of enabling tools in facilitating day-to-day compliance with existing policies and related processes. The integrated platform was highlighted as essential for enhancing the internal control framework, through the availability of data, integrated project risk assessments, and a move towards process automation. The Committee notes that continued improvement in these areas was seen to hold significant potential for enhanced management information and the organization’s approach to internal auditing and fraud detection.

69. The Committee notes that the structural arrangements and clear segregation of duties managed through the LFC, and supported by integrated tools in OneUNOPS, are important prerequisites for internal governance, including accountability for management of risks. At the same time it emphasizes the importance of focus on organizational culture and behavior. In this context it expresses appreciation for the complimentary “Reimagine Work” programme, with its important focus on further growing a culture of collaboration and joint knowledge management, it was seen to facilitate the minimization of duplication of efforts, and increase the predictability and consistency of results. The Committee highlights the strong link between knowledge management and effective risk management, as well its positive effects on quality and cost efficiency. It further notes the enhanced security due to a cloud-based IT infrastructure.

70. The Committee advises: (a) to ensure a data-driven monitoring and assessment of the success of implementation of the programme and its uptake among personnel; (b) to continuously demonstrate the progress by using a sequenced roll-out approach; and (c) to facilitate adoption through a targeted communications campaign. The Committee also stresses the importance of continued senior management sponsorship, and a clear communication on mandatory and optional elements.

# Conclusion

71. Throughout 2018, UNOPS has identified opportunities to further optimise its contributions and value-add to the UN System and beyond. At the same time UNOPS has kept focus on enhancing the management systems, guarding against risks that may affect the medium-term sustainability of its unique self-financing business model. In its advisory capacity, the Committee has reviewed the governance reports presented pursuant to decisions of the General Assembly and Executive Board. Through this report the Committee provides five recommendations in relation to areas in its Terms of Reference.

72. The Committee notes UNOPS continued solid financial position evidenced by the audited financial statements. It further notes that the Joint Inspection Unit confirmed the viability of the self-financed UNOPS business model in the comprehensive review it completed in 2018. During the year, UNOPS continued to service the increasing partner demand for its project services, acting as both agent and principal in delivery of exchange transactions.

73. In relation to overall management of strategic risks the Committee notes the organization’s continued focus on review and adjustment of its policy framework and structures, and the attention to ensuring that day-to-day implementation is supported by IT tools, which are continuously prioritized for improvement. It notes that the overall arrangements for management and administration were positively assessed by the Joint Inspection Units review.

74. In relation to risk management and continuous improvement, the Committee notes procedures and tools in place to ensure internal accountability for timely implementation of oversight recommendations; and management’s ambition to draw further advantage of this significant source of business intelligence for strategic lessons learned.

75. Finally, the Committee notes that UNOPS during the year initiated implementation of its strategic plan, including strengthening of leaderships and knowledge management capabilities supported by innovative IT solutions. At the same time the organization continued to advance its self-financed ambition to engage more strategically to support countries expand the pool and effect of resources available to achieve the 2030 Agenda.

76. In 2019, the Committee will continue to perform its advisory functions in accordance with the provisions of its Terms of References. This will include, inter alia, particular focus on the organization’s measures to prevent sexual and non-sexual harassment; deter and detect fraud; and manage cyber security and risks.

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Bente Svensson

Chair, UNOPS Audit Advisory Committee

Copenhagen, March 2019

1. In the period 2007-2014, the UNOPS Strategy and Audit Advisory Committee (SAAC) fulfilled these functions and responsibilities in accordance with its Terms of Reference. [↑](#footnote-ref-1)