

ANNEX 3:

**United Nations Office for Project Services (UNOPS)  
Strategy and Audit Advisory Committee  
Annual Report 2009**

1. Background.

In accordance with the Organizational Directive number 5, the Strategy and Audit Advisory Committee (SAAC) of the United Nations Office for Project Services (UNOPS) was established in November 2007. The nature of the SAAC shall be advisory to the Executive Director. The SAAC held its inaugural meeting in January 2008.

During the period covered by this report (1 January 2009 to 31 December 2009), the SAAC operated under Terms of Reference (ToR) approved by the Executive Director of UNOPS and as amended during the year in consultation with the SAAC and based on the decisions of the Executive Board. In accordance with its ToR, the SAAC during this period provided independent, senior level advice regarding UNOPS' strategic, business and audit objectives.

This annual report of the SAAC is being submitted at the request of the Executive Board.

2. Composition of the SAAC:

For the period 1 January to 31 December 2009, the SAAC membership was comprised of the five members listed below, who also served in 2008.<sup>1</sup> Their mandates were renewed by UNOPS Senior Management pursuant to the ToR (attached as Appendix 1):

- Mr. Peter E. Pedersen (Chair)
- Ms. Eimi Watanabe (acting Chair at the November 2009 meeting)
- Mr. Robin McPhail
- Ms. Anne Kristin Sydnes
- Ms. Gunilla Hesselmark.

3. SAAC Meetings:

During 2009, the SAAC held three meetings, namely in March, May and November. The meetings were all attended by the Executive Director as well as by other staff from the UNOPS Management team to the extent they were available, including the Deputy Executive Director and the Head of the Internal Audit and Investigations Group (IAIG). In addition, the SAAC met with staff from various departments as well as four new directors and legal and procurement staff from UNOPS field offices.

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<sup>1</sup> In accordance with the ToR, subsection 1.6, the SAAC shall consist of at least five members.

#### 4. UNOPS Risk Management Systems

Pursuant to section 6.2.2 of the ToR, the SAAC reviewed the soundness of the risk management systems in UNOPS. It was noted that UNOPS' risk management system is set out in a few separate documents, instead of one comprehensive document.

The SAAC noted that in most organizations, the greatest risk arises from time pressure that leads to staff cutting corners. Thus, risk management is everyone's responsibility, and such awareness should be driven through the organization. The SAAC also noted that when it asked questions regarding risk, UNOPS generally had good answers, and there did not seem to be big gaps in the UNOPS risk management system. The SAAC cautioned that efforts must be made to ensure that risk management systems do not subtly break down, as had happened in the well-publicized case of a prominent accounting services organization. The SAAC noted that for UNOPS, there are probably a handful of critical risks around a small number of projects, and management needs a process to identify these projects and then to monitor them closely. SAAC advised that the Risk Management Framework might include the General Counsel and SAAC which have been left out.

#### 5. Implementation of Revised Financial Regulations and Rules

Pursuant to section 6.2.3 of the ToR, the SAAC reviewed information provided to it regarding the implementation of UNOPS revised financial regulations and rules (FRR) approved by the Executive Board by decision 2009/04 with a view to their further improvement. The discussion focused on some of the 39 points in the briefing notes sent to UNOPS staff at the beginning of the year regarding the new FRR.

Throughout the year the SAAC was kept informed of progress made by UNOPS towards IPSAS implementation. The SAAC has advised that in its view the biggest question facing UNOPS in respect of IPSAS implementation was the impact on its financial position of full implementation and that the SAAC sees this as a priority for the recently recruited Director of Finance.

#### 6. Other Issues discussed:

UNOPS' Management identified a range of issues which formed the basis for the discussions during 2009 and these were supplemented by other topics at the request of the SAAC. The key issues for the reporting period can be summarized as follows:

- (i) Since its inception, the SAAC had emphasised the importance of putting in place a revised engagement acceptance policy and is delighted that this was achieved in 2009. A draft policy was presented to the SAAC for review and advice in the March 2009 meeting and a revised version was adopted in September 2009. SAAC reiterates its advice to the Executive Director to keep under review the application

in practice of the policy to ensure that an appropriate balance is maintained between risk, responsiveness and entrepreneurship.

- (ii) The discussions in the May 2009 meeting were primarily centred on an in-depth review of the first draft of the 2010-2013 Strategic Plan. The SAAC, whilst observing that the draft energized its readers and improved their understanding of UNOPS, made a number of substantive comments. The SAAC agreed with the UNOPS Management's analysis that there was a need for UNOPS to focus, and thus enable other UN organizations to work with UNOPS, but did not see the initial draft as sufficiently addressing this need. The SAAC also suggested that the strategic plan should give specific examples of the roles in which UNOPS could, for example, contribute to rebuilding peace and stability after conflicts. The SAAC also noted that UNOPS Management may wish to be more assertive in those situations where there is clearly an unmet need, such as mission support in the post-conflict regions, especially when international aid organizations have been expelled from that region. The SAAC further noted that the strategic plan should also clearly refer to capacity building by UNOPS, and that it may be useful if the strategy plan included a goal. The SAAC was pleased to see its comments addressed in the final version of the Strategic Plan which was presented to the Executive Board and endorsed without any changes.
- (iii) The SAAC was briefed throughout the year by the Head of Internal Audit and Investigations Group (IAIG). The SAAC was pleased to note that the IAIG had been found to comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditing. The SAAC noted with satisfaction the overall high scores given by the external consultant assessing compliance, particularly given the fact that the Head of IAIG had only recently taken over responsibility for IAIG and had come from outside the United Nations system.

Prior to the November 2009 meeting, the SAAC reviewed two internal audit reports. The SAAC has requested that the IAIG report tracking sheet should be placed on the SAAC page of the UNOPS intranet so that SAAC members can refer to it as and when they consider appropriate.

- (iv) The SAAC reviewed with UNOPS Senior Management the implications of Executive Board decision 2009/05. The SAAC remarked on the significance of the new right for UNOPS to appoint representatives. The SAAC noted with satisfaction that internal legal guidance had been given to all Regional Directors regarding the UNOPS representative role and its use. The SAAC re-states its endorsement of UNOPS Senior Management's decision to reserve this role for staff members operating at a high level and not to seek to confer the status on persons from each field location in which UNOPS is active.

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- (v) Throughout the year the SAAC was kept informed of difficulties experienced by UNOPS in attracting senior level staff to Copenhagen. The SAAC is pleased to note that three key director level posts were finally filled. The SAAC hopes that the post reclassification exercise will reduce UNOPS attrition rates.
- (vi) In the March 2009 meeting the SAAC reviewed the proposed new global organizational structure. The SAAC, noting that the majority of work is won by UNOPS at country level, endorsed the proposal that the geographic structure remain the dominant structure for UNOPS. In its November meeting, the SAAC was presented with the final new global organizational structure adopted it.

**Conclusion:**

In discharging SAAC's advisory function, the SAAC in 2010 expects to further refine its role as provided in its Terms of Reference, as well as seek a stronger basis for providing support to the Executive Director through greater exposure to UNOPS staff in general, including to field office managers to the extent possible.