



JOINT INSPECTION UNIT OF THE UNITED NATIONS SYSTEM

Review Highlights

JIU/REP/2018/3

REVIEW OF MANAGEMENT AND ADMINISTRATION IN THE UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

Background

As part of its 2017 programme of work, the JIU examined the management and administration in UNOPS with the main objective to provide an independent assessment of the regulatory frameworks and related practices and to identify opportunities for improvement. In the report, the JIU takes note of the environment in which the organization is operating and considers the distinctive features of the organization, in particular its self-financing nature and its service delivery mandate. It gives the organization credit for reforms undertaken and the success of its business model. It highlights the specific culture of the organization with a high degree of flexibility.

UNOPS is a unique entity in the United Nations system acting as its operational arm by supporting the implementation of its partners' peace building, humanitarian and development projects with an annual portfolio of around thousand projects, a total project delivery of \$ 1.84 billion in 2017 and a workforce of around 4,000. First created in 1973 and made a separate and identifiable entity of the United Nations in 1995, UNOPS, over the course of years, has realigned its internal structures and business approaches to the changing environment and the needs of its partners, most recently for the implementation of the 2030 Agenda for Sustainable Development.

The methodology and procedures followed in the report are based on the JIU Statute and the JIU Norms and Standards for Inspection. A mixed methodology combining qualitative and quantitative approaches for data collection and analysis was employed and a range of evaluation techniques applied to triangulate the findings and to issue well-supported conclusions and recommendations.

The report draws on information and data, mainly collected in 2017, and relevant comments and additional information received from UNOPS executive management in 2018 during the finalization of the report.

Member States share collective ownership of UNOPS and should exercise their responsibilities of oversight and strategic guidance to UNOPS executive management. They are encouraged to endorse the report's formal and informal recommendations and initiate action through decisions on the implementation of the report's findings. As per JIU practice, the acceptance and implementation of formal recommendations will be tracked by the JIU through its online follow-up system (web-based tracking system).



UNOPS

What the JIU found

The main areas covered in the report are: governance, oversight, ethics, risk management, the management framework including business model, financial and human resources management, administration of justice, information and communications technology and strategic planning.

The report makes three formal recommendations. Two are addressed to member States through the UNDP/UNFPA/UNOPS Executive Board, one is addressed to UNOPS Executive Director. The formal recommendations are complemented by a series of informal recommendations.

Recommendation 1

The Executive Board should adopt, at its 2019 annual session, revised terms of reference for the Audit Advisory Committee, prepared by the Executive Director, in compliance with good practices and established standards, notably with regard to the mandate, independence and composition of the Committee and the procedures for the appointment of its members.

Why was this recommendation made?

The review identified a well-established and comprehensive oversight framework in place. The Internal Audit and Investigations Group (IAIG) generally adheres to professional standards and the required independence. Its work is complemented by external oversight mechanisms such as the Audit Advisory Committee (AAC). The latter was created as an independent committee with the broad mandate of providing advice to the Executive Director regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability.

As stated by JIU in previous reports, oversight committees play a critical role in the United Nations system in assisting both the governing bodies and the executive heads in strengthening oversight, and in ensuring the independence and effectiveness of the internal audit function. The Institute of Internal Auditors views independent audit committees as a mandatory part of public sector governance.

The review of the terms of reference of UNOPS Audit Advisory Committee showed that they do not fully correspond to the requirements of leading practices and good governance as established by the Institute of Internal Auditors and as recommended by JIU. The majority of the United Nations system organizations have reconstituted their oversight committees as external, independent and expert-based advisory bodies. With regard to the AAC, it differs in some respect from similar oversight committees in the United Nations system, in particular with regard to its mandate, independence, the frequency of self-assessments and the procedures for the selection and appointment of its members.

The size of the organization, the volume and financial magnitude of its operations make an effective independent audit committee indispensable, in particular assisting the Executive Board and the Executive Director in effectively fulfilling their governance and oversight responsibilities and providing member States with the necessary assurance that the organization is managed effectively, efficiently and economically.

Recommendation 2

The Executive Director should strengthen the ethics framework, notably by: (a) establishing a full-time Ethics Officer staff position at senior level; and (b) providing additional resources in the management budget 2019/2020 to ensure a more proactive ethics function.

Why was this recommendation made?

Ethical standards and integrity are crucial elements of the United Nations accountability framework. UNOPS ethics function was established in 2009. Through its own internal policies, UNOPS has made all its personnel subject to broadly the same standards of conduct regardless of their contractual status aiming at coherence and ensuring integrity and accountability.

When reviewing the resources and activities of UNOPS Ethics Office, shortcomings were identified in particular with regard to the position of the head of the office in terms of independence and contractual modalities for the post, selection and appointment of the incumbent and the overall resources of the office to cover the responsibilities assigned to it. The JIU therefore recommends that the Executive Director take appropriate measures to strengthen the ethics function, notably by establishing a full-time staff position at senior level for the head of the office. The JIU welcomes that UNOPS executive management intends to initiate implementation of this recommendation and to recruit an Ethics Officer at senior staff level in 2018.

Recommendation 3

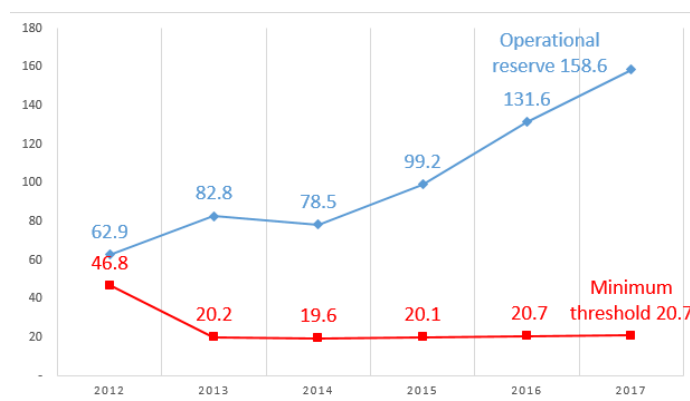
The Executive Board should revisit at regular intervals the contingency provisions under the UNOPS budget to determine the appropriate threshold of the mandatory operational reserve and take a decision on the UNOPS reserves portfolio, starting at the second regular session of the Executive Board in 2019.

Why was this recommendation made?

UNOPS operational reserve was established in 1997 to protect the organization and its partners against risks associated to project delivery. Initially set at four percent of all expenditures of the previous year, in 2013 the minimum requirement was lowered to a four-month average of management expenses of the previous three years which resulted in a more than 50 per cent reduction of the reserve amount. Due to the increasing annual net surplus achieved, the volume of the operational reserve has grown considerably over the past six years.

As a result, its total volume stood at \$ 158.6 million at the end of 2017, with the minimum threshold being at \$ 20.7 million. While noting the measures taken in recent years, the JIU recommends the status of the operational reserve be revisited and discussed by the Executive Board at regular intervals as a more substantial threshold may be required considering the level of risk related to the nature and magnitude of UNOPS engagements which nearly doubled from 2012 to 2017.

Operational reserve with minimum threshold



The review showed that further action could be taken to improve the efficiency and effectiveness in the management and administration of the organization. Therefore, in addition to the three formal recommendations, additional suggestions are made through informal recommendations covering a wide range of topics such as the approval of the Internal Audit and Investigations Charter by the Executive Board, term limits for the post of head of the Internal Audit and investigations Group, review of the recent organizational restructuring, regular review of the information and communications technology strategy, periodical audits of delegation of authority, qualification of certain positions for staff appointments, and the introduction of regional criteria for assessing geographical diversity of the workforce. The implementation of the review's informal recommendations would also contribute to further improving the overall governance and management framework of the organization.

Methodology



Desk review and in-depth analysis of the documents and decisions of the governing bodies and of UNOPS internal documentation



Interviews with Executive Director, Deputy Executive Director, officials in charge of corporate management functions, at headquarters and other locations, representatives of UNOPS personnel, members of the UNDP/UNFPA/UNOPS Executive Board and with UNOPS partners, clients and other stakeholders



Online surveys addressed to the members of the Executive Board and to UNOPS personnel

ABOUT THE JIU

The Joint Inspection Unit is the only independent external oversight body of the United Nations system mandated to conduct evaluations, inspections and investigations system-wide.

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**UNDP/UNFPA/UNOPS Executive Board (New York, 4-7 September 2018)
UNOPS segment (5 September 2018)**

**Review of management and administration in the United Nations Office for Project
Services (UNOPS), (JIU/REP/2018/3)**

Statement by Inspector Ms. Gönke Roscher

Mr. President, Ms. Executive Director, distinguished members of the Board,

Thank you very much for giving me the opportunity to briefly introduce the JIU review of management and administration in the United Nations Office for Project Services. As with similar JIU reviews, the main objective of such a review is to examine the effectiveness of relevant policies and procedures, provide an independent assessment and to identify opportunities for improvement.

In this review, the JIU paid special attention to UNOPS distinctive features, in particular its self-financing nature and its mandate for delivery of services to its partners within and outside the United Nations system. Due credit was given to the organization for reforms undertaken and the success of its business model.

Against the overall positive assessment of the management and administration in the organization, the review identified a few areas in which action is needed to improve the efficiency and effectiveness of the organization and to strengthen integrity and accountability. To this end, three formal recommendations are made, two of which are addressed to member States through the Executive Board, and one to the Executive Director.

We have taken note of UNOPS management response and its generally positive reaction to the report and its findings. There is, however, some divergence of opinion regarding two of the three formal recommendations.



Joint Inspection Unit of the United Nations System

Independent system-wide oversight for efficiency, effectiveness and coordination

In order to clarify matters, I would like to draw your attention to recommendation 1. In general, the review acknowledged a well-established and comprehensive oversight framework in place. As stated in previous JIU reports, oversight committees like the UNOPS Audit Advisory Committee play a critical role in the United Nations system in assisting both the governing bodies and the executive heads in strengthening oversight, and in ensuring the independence and effectiveness of the internal audit function. The Institute of Internal Auditors views independent audit committees as a mandatory part of public sector governance.

The review, however, showed that the AAC's terms of reference do not fully correspond to the requirements of leading practices and good governance. As a result, the AAC differs somewhat from similar oversight committees in the United Nations system, in particular with regard to its mandate, independence, the frequency of self-assessments and the procedures for the selection and appointment of its members.

The JIU recommends to the Board to adopt revised terms of reference for the AAC aligned with good practices and established standards. The size of UNOPS, and the volume and financial magnitude of its operations, make an effective independent audit committee indispensable, in particular for assisting the Executive Board and the Executive Director in effectively fulfilling their governance and oversight responsibilities and providing member States with the necessary assurance that the organization is managed effectively, efficiently and economically.

Let me underline that this recommendation was not formulated to challenge previous decisions by the Executive Board, rather it was made to ensure the continued attention of the Board to this matter and to strengthen its oversight capacity. It is in that spirit that we believe that the terms of reference of the AAC should be reviewed.

With regard to recommendation 3, that the Board revisits the contingency provisions under the UNOPS budget at regular intervals to determine the appropriate threshold of the



mandatory reserve and take a decision on the UNOPS reserve portfolio, we have noted the measures taken in recent years, including the respective decisions of the Board. Considering, however, the level of risk related to the nature and magnitude of UNOPS engagements, which nearly doubled from 2012 to 2017, periodic consideration of this issue by the Board is deemed necessary.

Again, this recommendation was not formulated to challenge previous decisions on this matter by the Board. On the contrary, as for recommendation 1, it was made to ensure the continued attention of the Board to this matter and to strengthen its oversight capacity.

With regard to recommendation 2 on the strengthening of the ethics function, we welcome the intention of UNOPS executive management to implement this recommendation and to recruit an Ethics Officer at senior staff level in 2018. We look forward to the complete implementation of this recommendation.

I also wish to draw your attention to the informal recommendations of the report. These are suggestions for improvement in various areas such as oversight, executive management, human resources management, and information and communications technologies.

As member States share collective ownership of UNOPS, exercise oversight and provide strategic guidance to the executive management, I encourage the Board to endorse the report's formal and informal recommendations and to initiate action through decisions on their implementation.

Thank you for your attention.

