

### 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:
  - (a) internal audits of field offices;
  - (b) thematic reviews;
  - (c) project audits;
  - (d) forensic project audits;
  - (e) continuous auditing and data analytics programme;
  - (f) findings from investigations; and
  - (g) implementation status of audit recommendations as at the end of the calendar year.
3. The distribution of 2020 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. Figures 5 and 6 in the IAIG annual activity report shows the distribution of the number of project audit reports that were issued by IAIG in 2020. Refer to table 1 below for the distribution of audit ratings for 2020.

**Table 1: Distribution of audit ratings for 2020**

Year	2020		2020		2019		2019	
	Internal audits and reviews	Project audits <sup>1</sup>	Weighted report ratings <sup>2</sup>	Per cent of total	Internal audits and reviews	Project audits	Weighted report ratings*	Per cent of total
Satisfactory	0	46	23.0	56%	0	38	19.0	45%
Partially satisfactory – some improvement needed	3	2	4.0	10%	2	5	4.5	11%
Partially satisfactory – major improvement needed	5	0	5.0	12%	3	1	3.5	8%
Unsatisfactory	1	0	1.0	2%	0	1	0.5	1%
No rating <sup>3</sup>	8	0	8.0	20%	13	3	14.5	35%
<b>Total</b>	<b>17</b>	<b>48</b>	<b>41</b>	<b>100%</b>	<b>18</b>	<b>48</b>	<b>42</b>	<b>100%</b>

4. The following overall opinion criteria that have been adopted since 2018 are as follows:
  - a) 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 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.
  - b) 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.

<sup>1</sup> Financial audit report and internal audit report of the same project are counted as two project audits in this table.

<sup>2</sup> As indicated in paragraph 4, project audit reports have been weighted to count 50 per cent.

<sup>3</sup> No rating is provided for thematic reviews, advisory reviews, follow-up audits and forensic project audits.

5. From the above table, it can be seen that there was only one unsatisfactory rating in both 2020 and 2019. In addition, 22 per cent of all audits have a rating “partially satisfactory” (19 per cent in 2019), where there are deficiencies in governance, risk management and controls which need to be addressed. Eight audits have no rating in 2020, down from 13 in 2019. While 56 per cent of audits had a satisfactory rating (45 per cent in 2019), the audits nonetheless identified areas for improvement.
6. 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 2020:
  - a) For project financial audits in 2020, no project audit reports with a qualified opinion were issued (one in 2019)<sup>4</sup>;
  - b) For project internal control reports, the financial impact of audit observations was \$255,061 (\$10,853 in 2019);
  - c) In 2020, IAIG substantiated \$217,300 in fraud, compared to \$78,302 in 2019;
  - d) No payments to sanctioned vendor were substantiated in both 2020 and 2019;
  - e) In 2020, IAIG substantiated \$46,290 in duplicate payments (\$3,000 in 2019);
  - f) Findings arising from investigations;
  - g) The implementation rate of internal audit recommendations, which at the end of 2020 was 96 per cent, which is judged to be “satisfactory”, as it is evidence that the organization takes effective and timely action to address deficiencies identified in audits; and
  - h) The decrease in the number of recommendations issued in 2020 (148 recommendations) as compared to 2019 and 2018 (174 and 160 recommendations, respectively), which stems from an overall improvement in internal controls in the organization.
7. Based on the scope of work undertaken in 2020, in IAIG’s opinion, the adequacy and effectiveness of the governance, risk management and control in the reports issued in 2020 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.

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<sup>4</sup>The cumulative financial impact of the project financial audit with a qualified opinion in 2019 was \$339,413.