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A. Introduction

1. Throughout 2023 the Committee conducted its affairs with heightened sensitivity and attention to ongoing issues and reviews. It closely followed and embraced organizational reforms implemented by the Executive Director and the management team. The Committee concluded a comprehensive self-assessment, and proposed revisions to its term of reference.

2. In June 2023, the Executive Board took note of the revised terms of reference of the UNOPS Audit Advisory Committee to the Executive Board. The revised terms of reference effectuated the outcome of the comprehensive review undertaken by the Committee in 2022, whose objective was to identify measures to enhance and protect the independence of the Committee in fulfilling its advisory function to the Executive Director while accentuating its direct line of reporting to the Executive Board.¹

3. The UNOPS Audit Advisory Committee was first established in 2007² as the Strategy and Audit Advisory Committee (SAAC). In 2015, the SAAC was renamed the Audit Advisory Committee (AAC).³

4. This annual report covers the Committee’s activities in 2023. It is submitted at the request of the Executive Board⁴ and in accordance with the Committee’s terms of reference.

5. The Committee is composed of members who are external to UNOPS. All members confirmed their independence in fulfilling their function. In 2023, the members were:
   a) Sheila Kham (Chair)
   b) Pablo Sanchez-Lozano
   c) James H. Cottrell
   d) Naohiro Mouri
   e) Gautam Sashittal

6. During 2023, the Committee performed its functions in accordance with its terms of reference, set out in Executive Office Instruction number 2 of 2019; and Executive Office Instruction number 1 of 2023 (EOI.ED.2023.01).

7. Pursuant to its revised terms of reference, the Committee is established to serve in an independent expert advisory capacity to assist the Executive Director and the Executive Board in exercising their oversight responsibilities. It provides external, independent, senior-level advice regarding the functioning of audit and oversight in UNOPS; internal and external audit and oversight matters; financial management and reporting; ethics; and strategy implementation.

8. During 2023, the Committee held four meetings (January, April, July and November). In the first week of October 2023, it also visited the UNOPS country-level operations in Sri Lanka.

9. In December 2023, the Chair participated in the eighth meeting of the United Nations system audit and oversight committees. Furthermore, the Chair met with the President of the Executive Board; and representatives of the Committee engaged with the UNDP/UNFPA/UNOPS Executive Board and delivered a statement at the Board’s annual session.

10. Throughout the year the Executive Director provided a secretariat for the Committee. The Committee commended the consistent high substantive quality, effectiveness and timeliness of support provided by the secretariat. It also reminded the Executive Director that the secretariat’s function should be considered an inherent United Nations function, on par with other functions performed for exercising internal and external governance. It urged the use of appropriate contract modalities, and to ensure the autonomy and access to management information needed for the secretariat to assist the Committee in fulfilling its functions.

B. External governance by the Executive Board

11. During 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:
   a) The UNOPS strategic plan, 2022-2025, restated (DP/OPS/2023/6);

¹ The Executive Board took note of the revised terms of reference in its decision 2023/7.
² Executive Board decision 2008/13.
³ Executive Board decisions 2015/4 and 2015/12.
⁴ Executive Board decision 2008/37.
b) The midterm review of UNOPS strategic plan 2022-2025 including the annual report of the Executive Director (DP/OPS/2023/5);

c) The Annual Report of the Internal Audit and Investigations Group on UNOPS internal audit and investigations activities in 2022 (DP/OPS/2023/3);

d) The Annual Report on the activities of the Ethics Office in 2022 (DP/OPS/2023/4);

e) The independent review of the UNOPS Ethics Function;

f) The 2022 annual report on implementation of recommendations of the Joint Inspection Unit (DP/OPS/2023/5 – Annex 5);

g) Financial report and audited financial statements for the year ended 31 December 2022 and Report of the Board of Auditors (A/78/5/Add.11);

h) UNOPS budget estimates for the biennium 2024-2025 (DP/OPS/2023/7);

i) Report of the Advisory Committee on Administrative and Budgetary Questions on the UNOPS budget estimates for the biennium 2024-2025 (DP/OPS/2023/8);

j) Third-party review of UNOPS internal control systems, risk management and overall governance structure;

k) Third-party review of effectiveness of the UNOPS oversight mechanism for Sustainable Investments in Infrastructure and Innovation (S3);

l) The Comprehensive Response Plan to the third-party reviews (DP/OPS/2023/CRP.3);

m) Conference Room Paper on cost recovery and net assets (DP/OPS/2023/CRP.5);

n) Third-party review of UNOPS culture; and

o) UNOPS mandate and portfolio (ref. supplement to DP/OPS/2023/5).

12. The Committee welcomed efforts to ensure that its agenda was prioritized to ensure its engagement with the organization’s significant levels of formal statutory reporting to the Executive Board, as well as the secretariat’s support in enabling its engagement with other topics of relevance to the scope of the Committee’s mandate.

Comprehensive Response plan and internal reform

13. During the year, the Committee was kept abreast of management’s efforts to provide a fast, decisive, and comprehensive response to the recommendations of the third-party reviews concluded in 2022. It noted with appreciation the detailed management response set out in the Comprehensive Response Plan (CRP). Furthermore, it noted the express management intent to ensure the organization’s return to a new normal firmly anchored in the mandate established by the General Assembly.

14. By November 2023, the Committee observed the projection that all actions scheduled for completion by year-end would be implemented on time. It also noted that a few actions, as planned, would continue into 2024, and that efforts relying on digitalization of processes and systems were estimated to continue until 2027.

15. In relation to the arrangements established to enable the Executive Board’s monitoring and oversight of implementation of the CRP, the Committee noted the considerable effort of the Executive Director, who during the year had provided recurrent monthly updates to the Executive Board on progress in implementation of the many actions to which the organization had committed.

16. The Committee noted that management had informed the Board that six transformation initiatives, supported by a structured approach to change management, would frame and organize the remaining longer-term internal reform efforts.

17. Reflecting on the committed pursuit to the CRP implementation, the Committee noted the seemingly positive effects of management’s reform actions on relationships with internal and external stakeholders. It particularly welcomed the fast-tracked yet rigorous midterm review, resulting in refocusing the organization on its original mandate based on the restated strategic plan. In this context it noted with appreciation the effective handover to the new UNOPS Executive Director.

18. The Committee commended the organization’s extensive efforts to engage with, and proactively manage, the mending of its relationships with partners, and urged a continued proactive approach focused on seeking opportunities for collaboration, building on the organization’s strong ability and track-record to respond with speed and quality to expand implementation capacity.

19. In relation to ongoing investigations and efforts to recover funding on the S3i, the Committee noted that the Office of Legal Affairs (OLA) had assumed full responsibility and leadership for the process, which was expected to continue into 2024 and beyond. The Committee observed that progress in this regard was outside the control of the UNOPS Executive Director. In this regard, it noted the associated complexities of managing the expectations of the many stakeholders, with some expecting that UNOPS would be able to bring matters to resolution.

Midterm review of the strategic plan, 2022-2025 and restated strategic plan, 2022-2025

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20. The Committee reviewed the fast-tracked midterm review of the strategic plan, 2022-2025, and the restated strategic plan, 2022-2025. It observed the potential of the clear intent in the restated strategic plan to provide the platform for shifting focus from a short-term crisis response to a long-term transformation guided by a strategic vision, and the intent to rebuild trust in the organization, internally as well as externally.

21. The Committee observed with appreciation the very clear statement in the restated plan that UNOPS would never again engage its reserves in impact investing activities. It also noted the clearly stated UNOPS intent to focus development activities to support acceleration of the sustainable development goals, and to actively engage in combating climate change by limiting greenhouse gas emissions.

22. Pursuant to a briefing by the Executive Director, the Committee affirmed that a clear vision and mission of bringing the organization back to its original mandate would be essential for successfully transforming the organization, and enable the rebuilding of internal and external trust. It also emphasized that any ambitious strategic transformation would require appropriate resourcing, with skilled and experienced personnel appropriately deployed across the organizational structure; and reinforcement through clear communication of vision and intent unilaterally supported by the senior management team.

C. Strategy implementation

Substantive focus and mission-driven approach

23. The Committee emphasized the importance of the organization’s efforts to refocus on the core mandate for expanding the implementation capacity of its partners to pursue the United Nations objectives to accelerate implementation of the sustainable development goals. In this context, it noted the express strategic intent to focus finite organizational resources on harnessing capacity for some designated thematic areas, including health, climate and energy.

24. The Committee noted the express intent that UNOPS, as an organization in and of the United Nations, was firmly anchored in the charter and founding values of the United Nations. In this regard, it observed the ambition to further ready the UNOPS broader engagement across themes and in specific contexts by creating internal fora for collaboration and sharing of knowledge; and noted with interest the establishment of eight ‘Mission Hubs’ to fulfill this purpose as a complimentary and diagonal overlay of regular structures.

Expanded results framework

25. In its review of the restated strategic plan, 2022-2025, the Committee noted that it was accompanied by an expanded results framework, which positioned the organization to account for ambitions for impact, while at the same time setting organization-wide performance indicators intended to reinforce the behaviors expected by management to drive operational and management results. Pursuant, it expressed its interest in following the monitoring and review process intended to reinforce strategy implementation throughout 2024 and 2025.

People and culture

26. The Committee was briefed on the vision, challenges, and short- and long-term priorities of the People and Culture Group (PCG). Reflecting on challenges presented, it underscored the importance to clearly focus efforts and capacitate the HR function accordingly.

27. Briefed by the third-party provider of the review of UNOPS culture, the Committee noted it was unusual that the review had been led by IAIG as opposed to PCG. It also inquired into the applied methodology and noted that some findings had been overtaken by subsequent events.

28. Reflecting on the overall results of the review, the Committee observed an apparent dissonance between the very high level of personnel commitment to the UNOPS mission, and the negative perception of leadership and accountability. It remarked that, in effect, the review had not provided significant new insights, but could serve as a starting point and baseline for management action.

29. It noted management’s reflections on the approach to the expeditious action expected by the Executive Board and senior management. An initial roadmap would be presented to the Executive Board during its first regular session in 2024.

30. The Committee emphasized that the management team would need to take collective responsibility for action, demonstrate ownership, and role-model desired behavior; with the role of PCG being that of a proactive convener and facilitator, providing guidance on substance and process, including milestones and timelines. It also emphasized that desired change would require time.
31. The Committee took note of the results of an end-to-end review of human resources processes; and the ongoing work to define a “UNOPS HR operating model”. It urged management to prioritize attention to optimize processes, which would be the essential foundation for effective digitalization and consistency.

32. Briefed on the intent to develop an integrated people strategy, the Committee underscored the pertinence of aligning it with strategic priorities and themes set by the restated strategic plan and the Executive Director. It emphasized the role of PCG in enabling a collaborative approach to developing a people strategy, and in holding management to account for implementation.

33. During the year, the Committee repeatedly discussed the topic of contract modalities, noting efforts to review the use and conditions of the individual contractor modality. Expressing its concerns with what appeared to have been a lack of principled use of contract modalities in the past, it urged that the review and its outcome be based on a carefully designed framework with clear criteria; and that cost implications be balanced with organizational needs.

External communication and positioning

34. The Committee reflected on the reputation and perception of UNOPS, as gleaned from its engagement with various internal and external stakeholders over the past two years. It observed that the organization’s strong focus on project execution and implementation, and its ability to respond particularly in challenging contexts, was a key strength and distinguishing factor. At the same time, the solution focus could also expose it to misperceptions of operating “outside the rules”.

35. The Committee underscored that, to counter such misperceptions, it would be essential to clearly and repeatedly communicate the organization’s vision and mission, emphasizing its operational value-add; and resolved to offer its support in this regard.

36. The Committee welcomed the intent to reinforce a clear and strong brand identity anchored in operations and the organization’s ability to respond and expand the implementation capacity of its partners. It emphasized the importance of balanced and clear communication to avoid the risk of overpromising and potential misperceptions of the UNOPS substantive intent.

Support services

37. The Committee was briefed on the functions and capacity of the Bangkok Shared Services Centre. It recognized the Centre’s important role for UNOPS and encouraged management to continue to prioritize internal process reforms, digitalization and automation; and to maintain its engagement with the UN system with a view to extending an offer for provision of select global shared services at the appropriate time.

D. External audit and reviews

The United Nations Board of Auditors

38. The Committee reviewed the report of the UNBOA for the period ended 31 December 2022. It noted that the opinion on the financial statements had been unqualified; and that no emphasis of matter had been issued.

39. During the year, the Committee kept itself abreast of the organization’s ongoing engagement with the UNBOA during interim and year-end audits; and took note of the geographical and thematic scope covered by the auditors.

40. In relation to the audit process, the Committee noted the significant efforts to service the auditors in preparation for, and during their audits; with senior management available and engaged at relevant points in the process, and subject matter experts responding to queries and requests for information at short notice. The number of queries had increased by about 70 per cent when comparing the 2022 final audit and the 2023 interim audit.

41. In relation to the implementation of UNBOA recommendations, the Committee noted that the actual implementation rate as per the UNBOA’s report on the year ended 31 December 2022 had been 56 per cent; and that the target implementation rate as of the 2023 interim audit stood at 61 percent, compared to 73 per cent in the previous period. Reflecting on developments during the year, the Committee observed that for about a third of recommendations considered implemented by management, UNBOA had deemed the action insufficient. The Committee inquired about the process for setting targets and implementation timelines in relation to UNBOA recommendations. It noted that both were set by management, and since it was a recurrent event that several targets were missed, it encouraged a more realistic approach balancing needed time and effort with the resources allocated.
42. The Committee took note of several changes in accounting practices, including the discontinuation of the separate budgeting for provisions and write-offs; and, with the introduction of IPSAS 41, the valuation of investments using the methods of amortized costs rather than fair value.

The Joint Inspection Unit

43. The Committee noted that the Joint Inspection Unit, in the wake of the S3i crisis, had been asked to undertake a review of the governance and oversight of several Executive Boards.

E. Internal audit and investigations

44. During the year, the Committee engaged with the Internal Audit and Investigations Group (IAIG) via two briefings and one in-camera session.

45. The Committee reviewed the IAIG report on 2022. It noted the basis for the overall opinion on the adequacy and effectiveness of UNOPS governance, risk management and control processes of “partially satisfactory (major improvements needed)”. It was also briefed on key observations and a project case study.

46. The Committee discussed the overall audit opinion. It noted that in addition to the standard set of criteria, the results of the independent third-party reviews and the IAIG self-assessment had informed the overall opinion; and agreed that for the purpose of assessing the overall control environment, this was appropriate. At the same time, the Committee observed that the performance against the standard set of criteria had not deteriorated and thus by themselves would not have provided sufficient cause for downgrading the overall opinion to “partially satisfactory (major improvements needed)”.

47. The Committee was provided with an update on investigations. In relation to sexual harassment and abuse, it took note that efforts were underway to streamline processes and mechanisms for personnel to raise concerns and issues. It noted that IAIG had established two new positions dedicated to case intake and management. During the year, the Committee reiterated its view that an independent external mechanism for intake of complaints and case management appeared worth considering.

48. The Committee noted the 2023 IAIG work plan and satisfied itself that IAIG had the requisite resources and independence to conduct its work.

49. The Committee took note that IAIG in 2023 continued to pursue all requisite actions for the purpose of ensuring its independence, rebuilding relationships with external stakeholders, servicing requests in relation to the legal actions and investigations by third parties on S3i, and for providing advice to management on reform efforts.

50. During the year, the Committee kept itself abreast of developments in relation to an independent third-party review of UNOPS culture, conducted in the first half of 2023 under the guidance of the IAIG.

51. In reflecting on its engagement with IAIG, the Committee resolved to remain engaged and in dialogue, including in relation to the function’s independence and focus.

F. Ethics

52. During the year, the Committee engaged with the Ethics Office through two in-camera sessions and two briefings.

53. The Committee reviewed the 2022 Annual Report of the Ethics Office. It noted the significant increase in requests for advice and in the overall number of cases; and took note of the different types of cases. In reflecting on this, it suggested that the nature of queries received could be understood as an indication of gaps in e.g. policy and guidance, and thus of potential areas of action for the Office.

54. The Committee was briefed on the 2023 work plan of the Ethics Office. As a main area, this included efforts by the Office to effect positive changes in the process and mechanism for receiving and handling requests for protection against retaliation, as well as various other types of requests. The overall purpose of the efforts was to enable a culture of trust, dialogue and constructive dissent. For this the Office was collaborating with a range of internal and external stakeholders.

55. The Committee acknowledged the need to rebuild trust and a credible mechanism for case intake, distribution and handling, and expressed its confidence in the intent and consultative approach taken by the Office. However, it noted that most case types, as well as the overall process and mechanism, were not under the purview of the Office. Thus, it urged to ensure that ownership remained with the relevant unit(s), and to pursue buy-in from senior management, while paying due regard to the organization’s change absorption capacity.
56. The Committee took note of the outcome and recommendations from an independent review of the Ethics Office; and kept itself informed about actions taken during the year to address the recommendations. It welcomed the closure of all recommendations under the Office’s purview, while also noting that further action was pending in relation to a decision on a tool for managing case intake for requests for protection against retaliation. The Committee reiterated its interest in the matter, and its view that an independent external tool should be considered; and resolved to continue its active engagement with the Ethics function.

G. Internal governance and risk management

Leadership and organizational structure

57. The Committee observed the leadership transition in April 2023, with the mandate of the Acting Executive Director ending on 16 April 2023. The Executive Director took office as of 17 April 2023.

58. During the year, it further observed the appointments of the Deputy Executive Director for Policy and Management as of 1 October 2023; the Chief of Staff as of 12 June 2023; and the Director, People and Culture Group in January 2023. During the year, it was provided with relevant updates on the process for appointment and selection of the Deputy Executive Director for Delivery and Partnerships.

59. The Committee noted the overall segregation of responsibilities in the new high-level organizational structure comprising two Deputy Executive Director positions instead of one. It welcomed this development, deeming it critical for effective checks and balances; and urged a clear communication of the underlying intent to personnel.

60. During the year, the Committee was kept abreast of considerations on the establishment of organizational structures aligned and adequately resourced to implement the significant internal reform efforts and the restated strategic plan. It advised management to remain cognizant that organizational structures are only a means to an end, indicated areas for potential strengthening, and underscored the importance of leadership.

Risk management

61. Throughout the year, all meetings of the Committee involved consideration of risks from a variety of perspectives, including strategic, financial and audit. This included considering the operational reserve as a tool for risk management; risk as a factor in costing and pricing of engagements; risks associated with the efforts of managing for net-zero revenue; effective risk management in relation to cash and investment management; the process and mechanism for requests for protection against retaliation; and branding for mitigation of reputational risks.

62. Reflecting on briefings on risk management and organizational risks, the Committee requested the IAIG to provide advanced information and data, with a clear focus on emerging material risks, and gaps in risk management measures. It also requested the Chief Risk Officer to provide briefings with substantive focus, including an overview of the top five risks faced by the organization.

63. The Committee noted that the risk management function had been strengthened and resourced significantly in response to the third-part reviews of 2022. Ongoing efforts were aiming to embed risk management across policies, guidance and processes, including in planning and management of projects. The overall objective of the efforts is to ensure risk-informed decision-making at relevant levels. Pursuant, it reiterated its resolve to continue its active engagement with the risk management function.

Revision of the UNOPS policy framework, including the Financial Regulations and Rules

64. The Committee noted that a comprehensive review of the organizational policy framework would aim to ensure coherence in risk management understanding and practices. It encouraged the organization to consider accountability as a key concept as part of the overall revision of the policy framework; and to enable focus on effectiveness through a clear distinction between policy, process and guidance.

65. The Committee was briefed on the objective, process and timeline of the ongoing review of the UNOPS Financial Regulations and Rules (FRRs), which are the central pillar of the UNOPS policy framework currently under review. It also noted that the review of FRRs was infrequent and required careful consideration. The current FRRs were adopted by Executive Board decision in 2012, to facilitate the transition from United Nations System Accounting Standards (UNSAS) to International Public Sector Accounting Standards (IPSAS). The final approval of revisions to financial regulations rested with the Executive Board, pursuant to review by the United Nations Office of Legal Affairs, and advice and guidance by the Advisory Committee on Administrative and Budgetary Questions.

66. The Committee noted that it, in accordance with its terms of reference, would receive the zero draft for substantive feedback in 2024. It encouraged management to review and consider corresponding policies from
other UN entities, and include, where appropriate, relevant language. Questioning the length of the review process exceeding a year, it noted that the duration of the process was driven to a significant degree by the need for external consultations, and that the current timeline may even be too optimistic.

H. Financial matters

Financial performance
67. The Committee was briefed on the 2022 financial performance and statements.

68. It noted that UNOPS had closed 2022 with an overall deficit of $28.8 million as per audited financial statements. This was mainly due to write-offs for the S3i, and a net negative finance income. It further noted that net revenue had declined due to an increase in expenses resulting from deliberate efforts to increase resources for personnel and IT systems, as well as from inflation. It also noted, and inquired about, the impact of the closure of the ‘PharmaMx’ project on the organization’s cash position and overall results.

69. In an update in November, it noted that while the overall level of operational activities had reverted to the level of 2019, due to the closure of the ‘PharmaMx’ project and a temporary decrease in new engagements signed in 2022, the organization had adjusted its presence accordingly, and maintained a positive outlook for 2024 and beyond.

Biennial budget estimates
70. The Committee took note that the biennial budget estimates 2024-2025 had been approved by the Executive Board during its second regular session in 2023.

71. The estimates, based on requests derived from Executive Board decisions and oversight recommendations, had included a proposed forward-looking approach for setting indirect cost-recovery rates using estimated operational activities and anticipated revenue needs; and the request to carry forward the amount to fund the implementation of actions remaining from the CRP.

72. The Committee further observed that expenditure was projected to increase, noting that this was to compensate for significant underinvestment in personnel and systems in the past.

Net zero revenue and reserves
73. The Committee took note of significant organizational efforts to meet the requirement for net zero revenue within the two-year timeframe established by the Board; the potential impact on cost recovery rates; and the challenges associated with dynamically managing for net zero revenue in a highly complex operating environment.

74. The Committee expressed its strong support for taking steps to ensure financial and operational sustainability, including appropriate cost recovery, planning for contingencies, and making investments in the organization; and urged the organization to remain actively engaged.

75. On the adjacent topic of reserves, the Committee noted updates in relation to several closely related efforts to ensure adherence to the minimum operational reserve requirements; refund amounts in excess of UNOPS minimum operational reserve to partners; and ensure availability of funding for investment into the organization.

76. It further noted that the Board’s approval would be required before UNOPS could ring-fence any additional reserves beyond the minimum operational reserve. Such a step could help secure the organization’s ability to mitigate potentially material risks of fluctuations in the fair value of investments or ASHI liabilities; and to repurpose any amounts recovered through the ongoing S3i-related investigations by the OLA for investments into the organization.

77. The Committee shared its observation that the purpose of the operational reserve was a tool for risk management and mitigation in view of the organization’s operational model.

Investments in the organization
78. During the year, the Committee remained seized on the topic of investments in the organization, emphasizing the need to address significant past underinvestment in personnel and the operational platform. It noted the Board’s decision to make available in tranches an unspent reserve allocation for the implementation of actions under the Comprehensive Response Plan. Reflecting on this, and on investment needs beyond 2025, the Committee interrogated the organization’s ability to anticipate investment needs and secure the required funding, e.g. in reserves dedicated to future capital investments.

Project classification
79. The Committee inquired on the impact of the project classification as per IPSAS on the financial statements. It noted that, under IPSAS 9 for exchange transactions, project expenses are classified, through a well-defined process based on clear criteria mainly relating to which party was carrying project risks, as either ‘principal’ or ‘agent’. In cases where a project integrated various types of activities, discretionary judgment could be applied.

80. UNOPS, for projects where it acted as principal, recognized the full amount as revenue, while for projects where it acted as agent it only recognized the management fee as revenue. In 2022, out of a total of $3.6bn expense, $1.2bn had been classified as ‘principal’ and recognized as revenue.

**Treasury**

81. During the year, the Committee repeatedly engaged in the work of the treasury function. This included inquiries into the organization’s process and approach for investing its working capital and reserves; its process and use of automation in relation to banking and treasury management; and mitigation approaches for treasury-related risks, e.g. in relation to exchange rates, inflation and interest rates. The Committee requested to receive regular updates on these topics, as well as additional information on specific technical items.

I. Working methods of the Committee

82. Throughout 2023 the Committee conducted its affairs with heightened sensitivity and attention to ongoing issues and reviews. It closely followed and embraced organizational reforms implemented by the Executive Director and the management team. The Committee concluded a comprehensive self-assessment, and proposed revisions to its term of reference. The Executive Board took note of the revised terms of reference in June 2023.

**Visit of the UNOPS office in Sri Lanka**

83. From 4-5 October 2023, three members of the Committee visited the UNOPS office in Sri Lanka. This included the in-person visit to five project sites and exchange with local stakeholders, as well as the UNOPS team. The purpose of the visit was to enhance the Committee’s understanding of UNOPS work in a country of operation, including impact made and challenges faced.

84. In reflecting on the site visits and dialogue, the Committee remarked positively on the level of innovation, deliberate and necessary risk-taking, diligence, and political acumen deployed for the purpose of delivering for partners and beneficiaries; and the competent, diverse and dedicated team.

85. The Committee confirmed the criticality of such visits for its ability to function effectively; and resolved to pursue a yearly visit to a UNOPS country location.

**Meetings**

86. The Committee reflected on the mode of engagement with management during its meetings. It noted that to conduct its affairs effectively, it required relevant, timely information, structured and presented with purpose. In view of this, it decided on the following changes, to be facilitated by the Committee’s secretariat:

- a) Management should articulate a clear intent for its engagement with the Committee, i.e. whether it was ‘sharing information’, ‘requesting commentary’, or ‘seeking advice’.
- b) In instances where management was seeking advice, the request should be based on a sufficiently contextualized proposed solution.
- c) Management should prepare its engagement with the Committee based on a clear understanding of the Committee’s mandate and role, and guidance of the secretariat.
- d) The secretariat should be present during all in-camera segments.

87. Reflecting on the scope of its mandate and its engagements with the organization during the year, the Committee decided to remain seized of key topics, including:

- a) treasury management;
- b) management for net zero revenue;
- c) revision of financial regulations and rules;
- d) target setting and implementation of UNBOA recommendations;
- e) Human Resources matters including culture, contract modalities and people strategy;
- f) process innovation and digitalization;
- g) effectiveness of risk management;
- h) the work and independence of IAIG; and
- i) the work of the Ethics office.
88. The Committee recalled the vital function of its secretariat in ensuring that it can fulfill the statutory role expected by the Executive Board. It reiterated its recommendation to the Executive Director to ensure the AAC secretariat remains appropriately anchored in the organizational structure to perform its functions with autonomy and independence, and sufficient authority and information access. While it deemed the anchoring in the strategy function appropriate, it urged that steps were taken to ensure that positions of secretariat personnel were on levels and with contract modalities appropriate for the inherent United Nations functions performed. It further recalled the provision in its revised terms of reference to ensure the secretariat is included as observer in relevant management fora, on par with the ex-officio status of IAIG and Ethics introduced in 2023.

External engagement

89. On behalf of the Committee, two members attended the annual session of the UNOPS Executive Board in June in New York, USA. Through a public statement they certified that the Committee and the internal oversight function under its purview can act with independence.

90. The Committee discussed its priorities in relation to engagement with external stakeholders. It agreed that the Executive Board remained the primary key stakeholder. It resolved to remain engaged and considered potential topics for conversation. In addition, the committee agreed to remain engaged in the network and annual meeting of the United Nations audit and oversight committees.

New members and conditions of service

91. The Committee initiated the search for new members under the overall guidance and leadership of the Executive Director, in accordance with the stipulations contained in its terms of reference. It considered the skills composition matrix, as devised in the context of its 2022 self-assessment, useful in this regard. It resolved to keep a channel open for expressions of interest by potential new members.

92. The Committee discussed the conditions of serving as a member, and in view of the ongoing process to identify and appoint new members, resolved to seek clarification with the intent to ensure treatment and travel entitlements commensurate with other committees, and with the members’ seniority, role and pro-bono commitment, and to ensure costs-effective use of their personal time.

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Sheila Khama
Chair, UNOPS Audit Advisory Committee
Copenhagen, March 2024