United Nations Office for Project Services (UNOPS)

UNOPS Management Response to
the Activity Report for 2013 of IAIG and the Activities of the Ethics Officer in 2013

A. Introduction

1.   UNOPS offers the following response with respect to the Activity Report for 2013 of the Internal Audit and Investigations Group of the United Nations Office for Project Services (DP/OPS/2014/4) and the Activities of the Ethics Office in 2013 (DP/OPS/2014/5).

B. UNOPS Strategy and Audit Advisory Committee

2.   Management is pleased to note the significant contributions provided by UNOPS Strategy and Audit Advisory Committee (SAAC) and its concurrence with the observations reflected in the Committee's 2013 annual report (DP/OPS/2014/4 – Annex 3). Management notes that the Committee, in its sixth full year of operations, continues its substantive engagement with the Organization, demonstrating the value-add of executive advice on strategic risk management and audit, as well as on policy and other strategic organizational issues. In addition, the Audit Advisory Subcommittee (AAS) continues to enhance the Committee's dedicated focus in the areas of audit and internal control. Finally, management would like to extend its appreciation to the current and past members of the Committee.

C. Role and functions of the Internal Audit and Investigations Group

1. Role and functions
3.   Management recognizes the important role Internal Audit and Investigation Group (IAIG) plays in providing assurance, offering advice, recommending improvements, and helping to enhance the Organization's risk management, control and governance systems.

4.   Management also recognizes IAIG's role in promoting and supporting accountability by conducting investigations of potential violations of applicable regulations, rules and administrative or policy directives. Furthermore, IAIG endeavours to support management in the application of UNOPS general policies and objectives as described in the UNOPS Strategic Plan, 2010-2013 (DP/2009/36) are highly appreciated. As such, IAIG is a central component of UNOPS accountability framework, adding valuable contributions to management of risks.

5.   UNOPS management is pleased to note that the IAIG in its sixth full year of operations has maintained a steady level of internal audit coverage.

2. Mandate
6.   The mandate of UNOPS internal audit and investigation function was updated to reflect the revision of UNOPS Financial Regulations and Rules (FRRs), which took effect on 1 January 2012 in preparation for implementing the International Public Sector Accounting Standards (IPSAS). The revised FRRs prescribe IAIG's responsibility under Regulations 6.01, 6.02 and 6.03 and Rules 106.01, 106.02 and 106.03 in Article 6[1].

3. Coordination and collaboration
7.   Management encourages IAIG continuous coordination with the United Nations Board of Auditors (UNBOA), the Office of Internal Oversight Services (OIOS), the Representatives of the Internal Audit Services of the United Nations Organizations (UN-RIAS) and the Joint Inspection Unit (JIU).

8.   Management also supports IAIG collaboration with various UNOPS units, including the Legal Practice Group, the Human Resources Practice Group, the Ethics Officer and several regional/country offices, promoting inter-departmental cooperation, support and continuous follow up on specific matters.

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[1] An extract of Regulations 6.01, 6.02 and 6.03, and Rules 106.01, 106.02 and 106.03 can be found in Annex I.

D. Reports and recommendations issued by IAIG in 2013

1. Types of audit reports and recommendations issued by IAIG

9.   IAIG internal audits comprise three types: a) IAIG internal audits, b) project audits and c) audits of significant programmes, as summarized in Table 1. Management notes that the overall number of reports in 2013 is lower compared to 2012. Management also notes that this is attributable to the fact that no audits were requested by the client for the Small Grants Programme and the Mine Action Programme. The overall number of reports decreased in 2013, due to the decrease by four reports for IAIG internal audits, five reports for project audits, and four reports for audits of significant programs. Management commends IAIG on its efforts to complete current and prior year workplans, which resulted in zero audit assignments carried over to 2014.

Table 1: Number of internal audit reports issued*			
Year issued	**2012**	**2013**	**Change**
# IAIG internal audits	12	8	(4)
# Project audits	18	13	(5)
# Audits of significant programmes	4	0	(4)
Total # of internal audits	**34**	**21**	**(13)**
*Developed based on IAIG annual reports for 2012 (DP/OPS/2013/5) and 2013 (DP/OPS/2014/4).			

10.   In total, IAIG issued 135 recommendations in 2013 compared to 357 in 2012. Management notes that the overall average number of recommendations per IAIG internal audit report was reduced from 15 to 11 for the same years. The average number of recommendations for project audit reports was reduced from 8 in 2012 to 4 in 2013, which is in line with recommendations from SAAC to further focus the recommendations issued and lower the average number of recommendations per report.

Table 2: Number of internal audit recommendations issued*				
Year issued	**2012**		**2013**	
	total	average	total	average
# IAIG internal audits	180	15	87	11
# Project audits	139	8	48	4
# Audits of significant programmes	38	10	0	0
Total # of internal audits	**357**	**11**	**135**	**11**
*Developed based on IAIG annual reports for 2012 (DP/OPS/2013/5) and 2013 (DP/OPS/2014/4).				

2. Significant improvement in overall implementation rates

11. UNOPS management has further enhanced the rate of implementation of internal audit recommendations. The overall percentage of implemented recommendations remained stable at 93% 2012 to 2013. The total number of open recommendations was reduced by 10% from 291 at the end of 2012 to 261 at the end of 2013. Continuing the process which was initiated in 2011, management made coordinated efforts to address outstanding aged audit recommendations in 2013. As a result, the number of open recommendations aged more than 18 months since date of issuance reached a new low, at 6.

3. IAIG internal audits

12. Based on IAIG overall rating, management notes that three of the IAIG internal audits conducted in 2013 were rated 'satisfactory', which is on par with the number of 'satisfactory' ratings for 2012. Also in continuation of 2012, there were no audits rated 'unsatisfactory'. It is recognised that ratings of 'partially satisfactory' indicate room for further improvement.

Table 3: IAIG overall rating of IAIG Internal Audits*		
Year issued	**2012**	**2013**
Satisfactory	3	3
Partially Satisfactory	9	5
Unsatisfactory	0	0
Not rated	0	0
Total # of IAIG Internal Audits	**12**	**8**
*Developed based on IAIG annual reports for 2012 (DP/OPS/2013/5) and 2013 (DP/OPS/2014/4).		

13. Management notes a relative increase in recommendations of high importance compared to recommendations of medium importance. Management believes that this relative increase is a consequence of IAIG's efforts to focus recommendations and reducing the average number of recommendations per report. As in 2012, there were no recommendations of low importance issued in 2013. Management believes that the system of categorization by level of importance has potential for further integration into the risk management system of UNOPS and facilitation of prioritization of recommendations to be addressed.

Table 4: IAIG categorization of IAIG Internal Audit recommendations, by level of importance*						
Level of importance	**Number of recommendations**			**Percentage of total**		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
High	53	59	52	35	33	60
Medium	93	121	35	62	67	40
Low	5	0	0	3	0	0
Total	**151**	**180**	**87**	**100**	**100**	**100**
*Developed based on IAIG annual reports for 2012 (DP/OPS/2013/5) and 2013 (DP/OPS/2014/4).						

a. Enhanced implementation rates across Corporate Functions

14. Management notes that the overall implementation rate for IAIG internal audit recommendations issued in 2013 is 6%, for 2012 it is 72% and for 2011 it is 100%. This is a decline of implementation rates for current and prior year recommendations which stood at 38% and 88% respectively in 2012. The implementation rate for 2010 audit recommendations in 2012 however was only at 95%. While it may be expected that the implementation rate for more recent year recommendations is lower, it is noted that of the 87 recommendations issued in 2013, 32% were issued in the last quarter of the year and 82% were issued in the second half of 2013.

Graph 1: IAIG internal audit recommendations by functional area, including implementation rate
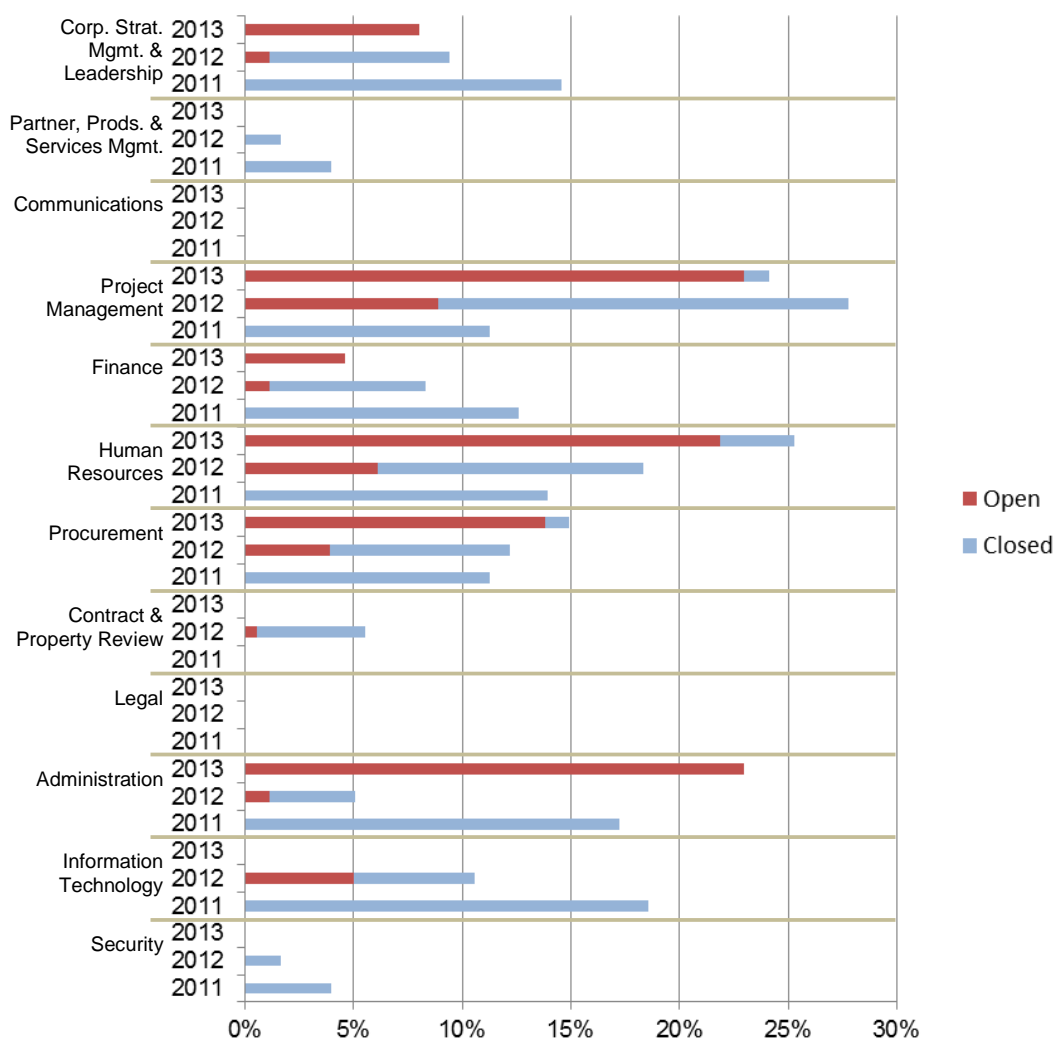
15. With regard to the functional distribution of recommendations, management notes that peaks in internal audit recommendations for Information Technology in 2011, Project Management, Human Resources, and Information Technology and Procurement in 2012, and Administration and Human Resources in 2013 correlate to functional audits of these areas in the same years.

b. Causes of audit issues
16. As of 2011, IAIG considers 'compliance' as an outcome of an underlying cause which was then reported for internal audit recommendations. Management notes the distinction and appreciates the potential for further analysis that this enables. Management also notes that lack of, or inadequate, guidance and guidelines remain the main causes of audit recommendations, with the proportion of audit recommendations caused by lack of guidance from different levels increasing slightly from 54% in 2012 to 63% in 2013.

c. Addressing the causes of audit issues
17. To address guidance and other causes of audit recommendations which are attributable to inadequate knowledge, UNOPS offers its personnel access to individual certification programmes, based on externally recognized international standards: Prince2 for project management (578 personnel enrolled in 2013), Chartered Institute of Purchasing and Supply for procurement (104

personnel enrolled in 2013), Association of Chartered Certified Accountants for finance (65 personnel enrolled in 2013), and online language classes (180 personnel enrolled in 2013). At the senior management level, the UNOPS leadership team completed the 'Leading for results' leadership development programme in August 2013, with a 90 percent completion rate globally for 44 participants.

18. In addition, 163 personnel participated in the internally developed Project Manager Certification Programme in 2013, building on the project management training course launched in 2011. Furthermore, 600 people completed the online corporate induction programme in the same year.

d. Improvements in corporate strategic management and leadership

19. With regard to IAIG observations in relation to 'corporate strategic management and leadership', management notes that the new Pricing Policy that came into force on 1 July 2013 highlights the principles of fair and full attribution of costs as well as full cost recovery. This includes decentralisation of budgets to regional offices and operational hubs, operations and project centres, and the Global Partner Services Office and associated clusters, in line with the operational structure.

20. The management budget and target setting process continued to deepen its utility as an informed and formally structured management assessment of the viability and sustainability to create new, or relocate existing, organizational entities. To enhance coordination , entities share their annual work plan articulating their priorities for the year and how they will contribute to implementing the UNOPS strategy. Regions are also encouraged to provide investment plans, which are considered and prioritised for funding over and beyond the regular management budget based on the extent to which they support the implementation of the strategic plan.

21. Building on an extensive consultative process during 2012, management initiated the global realignment of core functions and geographical presence in 2013. Extensive internal consultation with relevant managers was undertaken to establish clarity on the purpose and core functions of regional entities including the office of the regional director and operational hubs. Management prepared detailed information material addressing specific questions raised, and issued addendum 2 of Organization Directive 15 on UNOPS global structure on 15 March 2013. The addendum codifies the criteria for the establishment of entities at regional level, as well as the geographical scope of entities, and introduces the possibility to facilitate detailed management oversight.

22. By the end of 2013, a review of the functional arrangements at the UNOPS HQ was initiated. As the recommendations of the review are implemented it is envisaged that further details on the global structure will be promulgated.

e. Attention to partnerships, products and services quality management

23. In 2013, UNOPS solicited partner reactions to the UNOPS 2014-2017 Strategic Plan as well as feedback on performance since the extensive partner survey in 2012. Feedback from more than 200 respondents reflected strong support for UNOPS strategic plan and a continued high level of satisfaction with UNOPS at 75 per cent.

4. Project audits

24. Overall, management notes a moderate increase in the level of unqualified opinions on financial situation with regard to project audits in 2013. Management also notes that there were no unsatisfactory ratings of the overall level of internal control in 2013, indicating the solidity of systems and operational practices on the ground.

Table 5: IAIG summary of project audit opinions and ratings of internal controls for project audits, 2011 - 2013*

| Type of opinion or rating	Number of audit reports			Percentage of total		
	2011	2012	2013	2011	2012	2013
Audit opinion on financial situation of project						
Unqualified opinion	13	15	12	81	88	92
Qualified opinion	3	2	1	19	12	8
Total	**16**	**17**	**13**	**100**	**100**	**100**
Rating of overall level of internal control						
Satisfactory	7	10	8	47	59	67
Partially satisfactory	8	7	4	53	41	33
Unsatisfactory	0	0	0	0	0	0
Total	**15**	**17**	**12**	**100**	**100**	**100**
Replicated from IAIG annual reports for 2013 (DP/OPS/2014/4).						

25.   In terms of categorization of project audit recommendations by level of importance, management notes a slight increase in the percentage of high priority recommendations. Management also notes a significant decrease in audit recommendations with low level of importance, enabling management to focus on addressing identified high and medium priority issues.

Table 6: IAIG categorization of project audit recommendations, by level of importance, 2011 - 2013*

Level of importance	Number of recommendations			Percentage of total		
	2011	2012	2013	2011	2012	2013
High	16	18	9	14	13	19
Medium	85	98	38	75	70	79
Low	12	23	1	11	17	2
Total	**113**	**139**	**48**	**100**	**100**	**100**
Replicated from IAIG annual reports for 2013 (DP/OPS/2014/4).						

a. Implementation rates and change in distribution across Corporate Functions

26.   In respect of project audit recommendation implementation rates, management notes that the rate for recommendations issued in 2013 is 14%, 47% for 2012 and 100% for 2011. While it may be expected that the implementation rate for more recent years would be lower, it is noted that of the 48 recommendations issued in 2013, 54% were issued in the last quarter of the year, and 71% in the second half of the year.

27. In terms of functional area distribution, management notes that the project audit recommendations relate chiefly to the delivery and management practices involved in the implementation of projects.

Graph 2: Project audit recommendations by functional area, including implementation rate
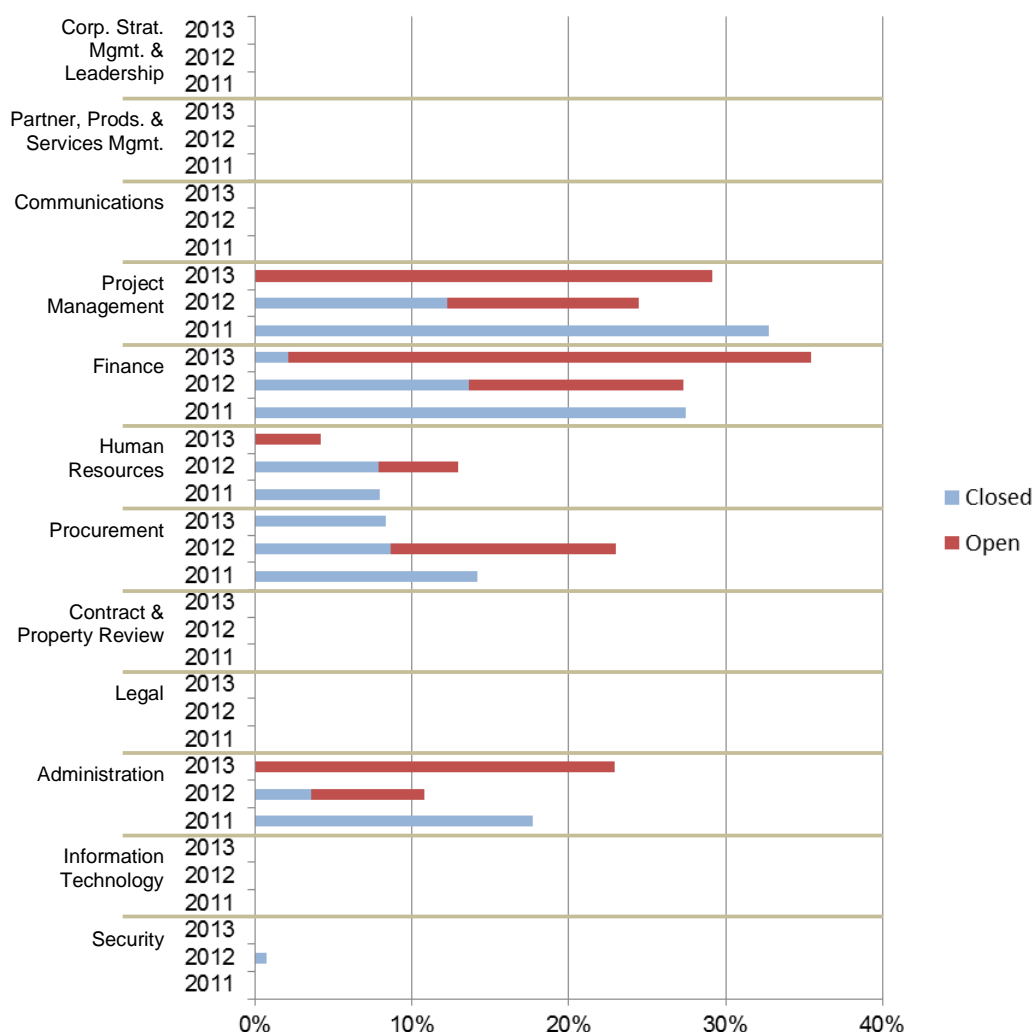
b. Reclassification of the causes of audit issues

28. With regard to causes of audit issues, management is pleased to note that for project audit recommendations, reclassification of 'compliance' has been implemented. Management also notes a significant increase of the cause 'guidance' from 41% in 2012 to 85% in 2013, as well as a significant decrease of the cause 'guidelines' from 21% in 2012 to 8% in 2013.

5. Audits of significant programmes

29. It is noted that IAIG audits cover two significant programmes, parts of which are executed by UNOPS on behalf of its partners, the Small Grants Programme and the Mine Action Programme. In 2013, no audits were requested by the client for the Small Grants Programme and the Mine Action Programme. Hence, there were no audit recommendations issued for significant programmes in 2013.

6. Close coordination on investigations

30. Management notes IAIG investigation function's attention to ensuring close coordination with relevant internal and external entities, inter alia, through internal collaboration with UNOPS Legal Practice Group, the Human Resources Practice Group, and the Ethics Office; as well as external collaboration in the context of the United Nations Head of Investigations Group, with the OIOS, the investigation services of the other UN funds and programmes, and investigations offices of other international and national agencies.

31. It is noted that the number of complaints received and duly processed by IAIG went down from 88 in 2012 to 74 in 2013. It is also noted that out of these 74 complaints, 44 became investigation cases, which is a decrease of 10 compared to last year. Management notes the 20 cases of alleged fraud or financial irregularities and supports IAIG in its efforts to work with the Regional Legal Advisors of the Integrated Practice Advice and Support, and the Vendor Review Committee to deter issues of this nature and reduce recurrence.

32. Management also notes IAIG's attention to ensure deployment of resources to facilitate management of case load, including the continued implementation of its automated case management system and filling of internally transferred personnel resources.

33. With regard to training and fraud prevention, management notes IAIG's continued efforts to raise personnel awareness on compliance and ethics in collaboration with the Ethics Officer and the Human Resources Practice Group.

E. UNOPS internal control framework and management of risks

1. Refinements to UNOPS policy framework and management coordination

34. Already at a significant level of maturity, management primarily focused on further refining the existing policy framework for practical application in 2013.

35. In line with its self-financing business model, UNOPS revised its Client Pricing Policy to adhere to the principles of fair attribution of costs and full cost recovery. Subsequently, and in order to align with the new Pricing Policy, the Administrative Instruction on Client Pricing was revised as well to include details on how UNOPS recovers its direct and indirect costs.

36. In addition, the Charter for the Internal Audit Function was revised in line with the recommendation of the external assessment of the Internal Audit function. Management notes that IAIG's submits its annual activity report directly to the Executive Board, with effect from 16 December 2013.

37. UNOPS ended 2013 with its policy framework comprising 35 Organizational Directives and 63 Administrative Instructions[2]. Management will continue to review and revise UNOPS overall framework of management policies to ensure its appropriateness for the Organization's ever-changing business environment and maturity level.

38. Management coordination and cross-functional integration are important means of mitigating risks. In 2013, UNOPS sustained efforts to strengthen the Organization's management fora and throughout the year the senior management team convened fifteen formal meetings allowing collective deliberation and decisions. The Management Practice Group and the Corporate Operations Group meetings covered a wide range of topics which included, inter alia, the Strategic Plan 2014 - 2017, pricing and costing, and business planning.

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[2] A complete list of new and revised Organizational Directives and Administrative Instructions, including a short summary of their purpose, can be found in Annex II.

2. Providing direction and focus to position UNOPS as a valued partner

39. UNOPS defines strategic risks as arising from strategic decisions which are associated with the long-term direction and viability of UNOPS, including reputational risks.

40. In 2012, UNOPS conducted a mid-term review of its 2010 – 2013 Strategic plan, which included a stocktake of the organization's interrelated policy framework, risk management systems and mechanisms of external and internal oversight and assurance.

41. Building on the results of the mid-term review and the 2012 Global Management Meeting (GMM), the UNOPS Strategic Plan 2014 – 2017 was submitted to and subsequently endorsed by the Executive Board during its 2013 Annual Session (DP/OPS/2013/3). The new Strategic Plan provides direction and focus for the organization as a valued partner for advisory, implementation and transactional support services in sustainable project management, infrastructure and procurement.

42. During 2013, the revision of UNOPS organizational structure was implemented and operationalized with the goal of increasing focus and value-add, optimizing presence, controlling costs and strengthening business development throughout the organization. The revision will be concluded in 2014 with the alignment of corporate functions.

3. Delivering in accordance with international standards and recognized best practice

43. External certification of compliance with internationally recognized standards is a central component of UNOPS phased implementation of its risk management system. Furthermore, the Organization is committed to benchmarking its effectiveness and results against a range of industries and organizational types.

44. In 2013, UNOPS underwent the European Foundation for Quality Management Recognised for Excellence Assessment, which it concluded with a 4 star rating. The results of this assessment will be used to support continuous improvement, as a focus for training, and as motivation in the drive to instil a culture of excellence. Already during the 2013 management budget and target setting process, the framework was utilized to support entities in the articulation of work plans, which included prioritized objectives addressing specific identified risks.

45. UNOPS delivery practices continue to pursue external partnerships, accreditations from global institutions, and certification against internationally recognised standards. In 2013, the Sustainable Project Management Practice Group received accreditation from APMG as an Accredited Consulting Organization (ACO) and an Accredited Training Organization (ATO), and became a PMI Registered Education Provider (REP) and PMI Registered Consultant (RC). The Sustainable Procurement Practice Group was awarded the Silver Certification by the Chartered Institute of Procurement and Supply Chain (CIPS) for UNOPS leadership in sustainable procurement.

46. Under leadership from the Sustainable Infrastructure Practice Group (SIPG), UNOPS successfully piloted certification of its infrastructure operations against ISO14001 (environmental management). The global roll out of ISO14001 will commence in 2014. Likewise, the organization aims to introduce ISO18001 (health and safety) during 2014-2015. Furthermore, to improve the speed, quality and sustainability of infrastructure projects and support project operations, SIPG continues the partnerships with ARUP and DLA piper.

4. Maintain UNOPS viability and integrity as a self-financing organization

47. The General Assembly in its Quadrennial Comprehensive Policy Review of operational activities for development of the United Nations system (A/RES/67/226) acknowledged the principle of full cost recovery, and requested the United Nations funds and programmes to pursue further reductions in management costs. In line with this, UNOPS implemented a new pricing policy in June 2013, which established the principles of full cost recovery and fair attribution of costs. Furthermore, UNOPS target setting process was further strengthened by initiating alignment to the internationally recognised framework of the Beyond Budgeting Round Table Europe.

48. In 2012, UNOPS successfully transitioned to International Public Sector Accounting Standards (IPSAS) with an unqualified certified financial statement for the year and fully funded employee benefits and related liabilities.

49. Upon UNOPS request, an external consulting firm conducted a review of the operational reserve and the mandated minimum requirement in view of the transition to IPSAS. Following careful review of the options presented, UNOPS proposed to the Executive Board that the appropriate minimum requirement for the UNOPS operational reserve should be the equivalent of four months of the average of previous three years' expense under the management budget (DP/OPS/2013/CRP.1).

50. In its report on Administrative and Budgetary Questions (DP/OPS/2013/7), the Advisory Committee of the Executive Board commended UNOPS on the successful transition to IPSAS and raised no objection to the proposed minimum requirement for the operational reserve.

5. Enhancing process compliance, performance and management oversight
51. UNOPS defines operational risks as arising from day-to-day decisions which are associated with the adequacy of internal processes, people and systems, or triggered by external events. During 2013, several initiatives were implemented to enhance risk mitigation and strengthen managerial oversight.

52. Tools supporting corporate processes are a critical contributor to organizational efficiency, effectiveness and compliance. In 2013, UNOPS introduced an online tool for managing ICA payments, and a new tool for management of internal audit recommendations, and updated the Global Personnel Recruitment System (GPRS) and the system to manage the business lead process. Furthermore, the organization initiated the process to identify and establish a new Enterprise Resource Planning (ERP) system.

53. Management monitoring and oversight was further enhanced with the upgrade of the business intelligence platform, which leverages data captured in corporate systems and provides visualization of live indicators of UNOPS performance over the four dimensions of the balanced scorecard.

54. Going forward, management aims to strengthen the performance review and monitoring process through cascading accountability, and by leveraging the quarterly assurance process. This includes the use of enhanced tools providing relevant data in corporate systems, at the appropriate level. In addition to informing the process in an improved way, the envisioned approach seeks to shape an integrated conversation around risk and results management.

55. Management notes with satisfaction the unprecedented low level of audit recommendations open for more than 18 months at the end of 2013, and will continue its coordinated drive for the implementation of audit recommendations. It is also noted that in March 2014, an agreement on reconciliation of the UNDP-UNOPS interfund was reached, addressing one of the aged audit recommendations listed in IAIG's 2013 activity report (DP/OPS/2014/4)[3].

6. Transparency enhancing oversight and accountability
56. In the UNOPS Strategic Plan, 2010-2013, four core values and principles are listed; the first of which is "Accountability for results and the efficient use of resources". Management believes that transparency furthers accountability both internally and externally, and enhances effective oversight. These beliefs were further confirmed by the General Assembly Resolution (A/RES/67/226) on the Quadrennial Comprehensive Policy Review (QCPR) which affirmed the importance of accountability and transparency.

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[3] The recommendation in question was: "Take further steps to resolve the un-reconciled items by a defined and acceptable target date." (Audit report 2010 9102 Interfund Reconciliation).

57. Pursuant to Executive Board decision 2012/18, which established that "(…) the Director of Internal Audit (…) will make publicly available the executive summaries of all internal audit reports issued after 30 June 2012 and (…) all internal audit reports issued after 1 December 2012", in 2012 UNOPS made publicly available executive summaries of all internal audit reports; by December 2012 all internal audit reports were made publicly available in full, and reports issued in 2013 were likewise provided on the UNOPS website. Management believes that this reinforces and supports the Organization's pursuit of further transparency, and commends IAIG efforts in this regard.

58. In 2012, UNOPS launched its new website data.unops.org, which provides detailed information on more than 1,000 ongoing UNOPS projects. The projects are geo-coded, tagged by development sector and the data structure is compliant with guidelines from the International Aid Transparency Initiative (IATI). The website enhances oversight by allowing external stakeholders and the general public to easily access, explore and further analyze up-to-date project data. Further to this, in 2013 UNOPS successfully bid for the hosting and secretariat role of IATI, chairing the annual steering committee and participating in a panel discussion at the UK Government hosted Open Government Partnership (OGP) Summit in London in November 2013.

59. Going forward, management aims to also publish outputs on data.unops.org, further enhancing how UNOPS informs its stakeholders. The Organization compiles and quality-assures the data in the context of the annual results-based reporting (RBR) exercise.

F. Fostering a culture of ethics, transparency and accountability in UNOPS and beyond

60. Management notes with appreciation the report on the Activities of the UNOPS Ethics Office in 2013 (DP/OPS/2014/5), which covers the fifth full year of its operation as a separate and independent function in UNOPS. During the year, the Ethics Office has assisted the Executive Director in ensuring that all staff conducts themselves with integrity and professionalism and uphold the Charter of the United Nations.

61. Established pursuant to General Assembly resolution 60/1, the Office operates in accordance with the terms of reference laid out in the Secretary-General's bulletin (ST/SGB/2007/11, as amended). Its mandate is to promote the highest standards of integrity and to foster a culture of ethics, transparency and accountability within UNOPS.

1. Administering the UNOPS financial disclosure programme
62. Management notes that, also in 2013, 100 per cent compliance with requirements for financial disclosure was achieved. It is further noted, that around 10 per cent of the disclosures gave cause for further scrutiny. One case of actual conflict of interests was identified and management notes with appreciation that appropriate measures were taken to mitigate the potential risks to the organization.

2. Protecting staff against retaliation for reporting misconduct
63. Management notes the importance of the ethics function's impartial preliminary review of complaints of retaliation, its close collaboration with the Internal Audit and Investigations Group, and advice on measure to protection from retaliation. Furthermore, management concurs with the Ethics Office that raising further awareness of the protection-against retaliation policy is an important means of preventing retaliation and promoting an environment that encourages personnel to speak out against behaviour that places the reputation and standing of UNOPS at risk.

3. Developing standards, training and education, and reaching out on ethics issues
64. Management appreciates the Office's active contributions, and collaboration with audit, investigations and human resources, to further develop training materials on ethics issues, inter alia, the online learning programme Integrity Awareness Initiative. Ready for roll-out by the end of 2013, the initiative targets personnel at all levels for the purpose of raising awareness to UNOPS core values

and standards of integrity. Management looks forward to following the propagation and effect of this new initiative across the organization.

65. Management notes the Ethics Officer's engagement with the UNOPS Strategy and Audit Advisory Committee, through its Audit Advisory Subcommittee. It further notes that the Officer, as ex officio member of senior management groups, has kept abreast of agendas and minutes of UNOPS senior management meetings, and participated as observer in relevant meetings.

66. In addition, the Ethics Officer has worked closely with other corporate functions, including procurement, human resources, legal, internal audit and investigation providing advice and guidance on clarification or interpretation of UNOPS regulations, rules and standards concerning prohibited or restricted activities and ethical dilemmas; and supported specific initiatives targeting anti-corruption and identification of risk in procurement.

4. Providing confidential advice and guidance to staff on ethical issues
67. Management notes that during 2013 the office received 416 requests for services, a number which has been relatively stable since 2010. It is further noted that in 2013 around half of these requests pertained to individual ethics advice. This number is comparable to 2012, and may indicate general awareness and confidence among personnel to engage with the ethics function for advice. Furthermore, management notes that in recent years the number of service requests pertaining to financial disclosure has declined, indicating that this process is better understood and embraced by the organization.

5. Supporting ethics standard-setting and policy coherence within the UN system
68. Also in 2013, the Office has exercised its mandate in close coordination and collaboration with the Ethics Panel of the United Nations and played an active role in the Ethics Network for Multilateral Organizations, for which the UNOPS Ethics Officer was elected vice-chair for 2013-2014.

69. UNOPS is pleased to be able to further contribute to the promotion of system-wide collaboration and coherence on ethics-related and integrity issues, through hosting the sixth meeting of the Ethics Network in its headquarters in Copenhagen during 8-11 July 2014.

70. Finally, management is pleased to note that the UNOPS Ethics Office has successfully set up an ethics function in the World Tourism Organisation (UNWTO). In accordance with the recommendations of the Joint Inspection Unit it has been decided to insource this ethics function to UNOPS.

Annexes

Annex I – Extract from UNOPS Financial Regulations and Rules, effective 1 Jan. 2012

Regulation 6.01
The Internal Audit and Investigations Group shall be responsible for the internal audit of UNOPS. It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon. It shall exercise operational independence in the performance of its duties.

Regulation 6.02
The Internal Audit and Investigations Group shall be responsible for assessing and investigating allegations of fraud and corruption committed by UNOPS personnel or committed by others to the detriment of UNOPS.

Regulation 6.03
The internal audit function's purpose, authority and responsibility shall be further defined in the Charter of the Internal Audit and Investigations Group.

Rule 106.01
The Internal Audit function shall evaluate the adequacy and effectiveness of governance, risk management and control processes regarding the:
(a) reliability and integrity of financial and other information;
(b) effectiveness and efficiency of operations;
(c) safeguarding of assets; and
(d) compliance with legislative mandates, regulations, rules, policies and procedures.

Rule 106.02
The Internal Audit and Investigations Group shall have free access to the organization's records, personnel and premises, as necessary, in its opinion, for the performance of its duties.

Rule 106.03
The Internal Audit and Investigations Group shall submit its results to the Executive Director and other senior managers as appropriate. At least annually, the Director of the Internal Audit and Investigations Group shall submit a report to the Executive Board on the internal audit and investigation activities and on significant findings, providing insight into the efficient and effective utilization of resources.

Annex II – UNOPS new and revised policies, issued in 2013

UNOPS new and revised Organizational Directives (ODs)

a. OD 40 – Sustainable Infrastructure Practice Group: Environmental Management Policy (10 January 2013); *UNOPS' Sustainable Infrastructure Practice Group endeavors to design and implement infrastructure projects in a manner that respects the principle of environmental responsibility and sustainability, including preventing or mitigating adverse impacts on the environment and identifying strategies for improved environmental performance.*

b. OD 41 – Framework for Determining Vendor Ineligibility/Sanctions (24 September 2013); *the purpose of which is to establish the necessary policies and mechanisms to meet the standards of integrity and competency expected by UNOPS as provider of choice of public services and to establish, by virtue of incorporating the Model Policy Framework (MPF) for Agencies of the UN System (Agencies) adopted by the High Level Committee on Management Procurement Network, a framework which will enable UNOPS to cooperate with Agencies in order to avoid inconsistent treatment of Vendors within the UN System; and to enable UNOPS to offer a comprehensive framework for other Agencies to use for their own Vendor eligibility purposes.*

c. OD 15 – UNOPS Organizational Structure (addendum 2, 15 March 2013); *the purpose of which is to establish the UNOPS Global Structure, 2013.*

d. OD 21 – Individual Contractor Agreement Policy (rev 5, 23 July 2013); *the purpose of which is to supersede section 3.2.1(e) of Organizational Directive No. 16 (revision 1) ("Procurement Framework") on scope of review of Headquarters Contracts and Property Committee (HQCPC) and Local Contracts and Property Committees (LCPC) of activities related to the engagement of individual contractors.*

e. OD 22 – Client Pricing Policy (rev 2, 14 May 2013); *the purpose of which is to further improve UNOPS pricing by establishing an internal minimum fee helping the organisation in the engagement acceptance process. The minimum fee supports small and big projects of all service types and delivery practices. It relies on four distinct cost drivers, namely 'Engagement Start-up', 'UNOPS Personnel', 'Non-personnel resources', and 'Risk'. The new pricing policy does not change the UNOPS average price upward or downwards, but enables advisory Services to be priced in line with other UNOPS engagements and sets financial incentives to advance Development Effectiveness.*

f. OD 25 – Charter of the Internal Audit and Investigations Group (rev 2, 9 December 2013); *the purpose of which is to implement the recommendations of the External Quality Assessment of the Institute of Internal Auditors (IIA). Thus, the main change refers to the submission of IAIG's annual activity report directly to the Executive Board.*

g. OD 38 – UNOPS Personnel Performance Management Policy (rev 2, 8 July 2013); *the purpose of which is to amend paragraph 10.2 to reflect that performance appraisals for individual contractors follow the calendar year.*

UNOPS new and revised Administrative Instructions (AIs)

a. AI/LPG/2013/01– Claims Reporting Obligation of UNOPS Personnel (new, 17 January 2013); *the purpose of which is to set forth an obligation for all UNOPS personnel to report any claim against UNOPS and its personnel, or any circumstance that might give rise to such claim, as well as any loss suffered by UNOPS as a result of a theft of, or criminal damages to, a property for which UNOPS is legally responsible.*

b. AI/HRPG/2013/01 – Rest and Recuperation (new, 02 May 2013); *the purpose of which is to clarify the policy and procedure for Rest and Recuperation travel, taking into account General Assembly resolution 65/248, and the R&R Framework introduced by the International Civil Service Commission (ICSC)and approved by General Assembly resolution 661235.*

c. AI/CSPG/2013/01 – Management and Use of Vehicles (new, 22 May 2013); *the purpose of which is to provide instructions on proper usage, management and assignment of motor vehicles in UNOPS such as motor bicycles, cars and trucks.*

d. AI/HRPG/2013/02 – Separation from Service of Staff Member (new, 22 July 2013); *the purpose of which is set out, in alignment with the UN Staff Regulations and Staff Rules and related UNOPS Organizational Directives and AIs, detailed instructions and procedures for managing separations from service of UNOPS Staff Members.*

e. AI/CSPG/2013/02 – Approval process for visa support letters (new, 26 July 2013); *the purpose of which is to provide the process for obtaining visas for purposes related to official business of UNOPS, which should also serve as a mechanism to prevent unwanted situations where the relationship with a host country government or country of destination government is damaged and/or the processing of visas by such governments for legitimate cases is slowed down due to suspicion that a visa request is inappropriate.*

f. AI/SPMPG/2013/01 – Grant Support - Instructions (new, 7 August 2013); *the purpose which is to Change the reference number of this Administrative Instruction from A//PM/2012/01 to A//SPMPG/2013/01 to reflect the changes to the UNOPS organizational structure that came into effect on 15 March 2103; and amend section 6.1 (vi.) to introduce the requirement for the members of the Grant Evaluation Committee to disclose any actual or perceived conflict of interest.*

g. AI/SPPG/2013/01 – UNOPS Vendor Review Procedures (new, 24 September 2013); *the purpose of which is to establish UNOPS Procedures to be followed with regards to allegations of proscribed practices in relation to activities undertaken for the procurement of goods, works and services by UNOPS.*

h. AI/CSPG/2013/03 – Hospitality Policy (rev 2, 24 September 2013); *the purpose of which is to amend paragraph 24 of the Hospitality Policy (AI/OEC/2008/02 (rev. 1)) to reflect the establishment of "Operational Hubs" pursuant to OD No. 15 (Addendum 2) that came into effect on 15 March 2013.*

i. AI/HRPG/2013/03 – Special Operations Approach (rev 1, 11 November 2013 2013); *the purpose of which is to clarify the contradictions in Administrative Instruction (AI) AI/DHRM/2001/05 "Special Operating Approach" and AI/HRPG/2009/01 (rev. 1) "Entitlement Travel" and to reflect the decisions of the General Assembly regarding the conditions of service in non-family duty stations and the contractual reform.1.2. The reference number of this AI changes from AI/DHRM/2001/05 to AI/HRPG/2013/03(rev. 1) to reflect the updated UNOPS organizational structure.*

j. AI/EO/2009/01 – Client Pricing Policy (rev 1, 11 July 2013); *the purpose of which is to set out details as to how UNOPS recovers its direct and indirect costs.*

k. AI/HRPG/2009/01 – Entitlement Travel (rev 2, 11 November 2013); *the purpose of which is clarify the contradiction in AI/DHRM/2001/05 "Special Operating Approach" and AI/HRPG/2009/01 (rev. 1) "Entitlement Travel" and to update the chapter on "Chartered Medical Evacuation".*

l. AI/HRPG/2010/02 – Renewal of Fixed-Term Appointments (rev 1, 1 May 2013); *the purpose of which is to re-name this AI to "Renewal of Fixed-Term Appointments, and clarify the conditions and process for renewal of fixed-term appointments.*

m. AI/HRPG/2012/06 – Recruitment – Instructions and Procedures (rev, 10 January 2013); *the purpose of which is to clarify how the point-system works; and allow points for technical/professional diploma; technical/professional license; and PhD.*

n. AI/HRPG/2012/02 – Working Hours and Leave for Individual Contractors engaged under the Individual Contractor Agreements (rev., 27 November 2013); *the purpose of which is to introduce maternity leave provision for international individual contractors, revise the provisions on sick leave, and revise the provisions on overtime.*