Executive Office Instruction Ref. EOI.ED.2023.01
Audit Advisory Committee Terms of Reference

Authority:

This Executive Office Instruction (EOI) is promulgated under Executive Office Directive Ref. EOD.ED.2017.02 - Organizational Principles and Governance Model, by the Executive Director on the basis of authority under UNOPS Financial Regulations 3.02 and 4.01, Rule 104.03, as issued by the Executive Board through decision 2012/5, and the authorities granted through Executive Board decisions 2008/37, 2009/4, 2015/4, 2015/12, and 2023/7.

Purpose

This EOI provides the terms of reference for the UNOPS Audit Advisory Committee.

The EOI effectuates the outcomes of a comprehensive review undertaken by the Audit Advisory Committee in 2022, and the recommendations issued from there, with the objective to identify measures to enhance and protect the independence of the Committee in fulfilling its advisory function to the Executive Director and the Executive Board.

Effective Date:

This EOD shall become effective immediately.

Consequential Changes

This EOI replaces Executive Office Instruction Ref. EOI.ED.2019.02 of 4 November 2019.

[signature redacted]

Jorge Moreira da Silva
Executive Director

1. Purpose

1.1 The Audit Advisory Committee ('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 in accordance with relevant best practices, industry standards, financial and staff regulations and rules, as well as policies and procedures applicable to UNOPS and its operating environment.

1.2 The Committee shall provide 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.

1.3 The Committee shall seek to promote proper governance and high ethical standards, as well as the adoption and use by management of best practices for risk and financial management, and systems of internal control and accountability.

1.4 The purpose of the Committee is to advise on the functioning of oversight; not provide oversight in its own right. Pursuant, the Committee shall act in an independent advisory capacity, and is neither a governance body nor an appeal body; no language or clauses in these Terms of Reference ('TOR') shall imply otherwise. The Committee shall not take an executive role in the mandated activities of UNOPS.

1.5 Members of the Committee shall act in an independent, non-executive capacity while performing their advisory role in the Committee. Members shall not be held personally liable for decisions taken by the Committee acting as a whole.

1.6 The United Nations Board of Auditors ('UNBOA') performs the external audit of the UNOPS operations and the Internal Audit and Investigations Group ('IAIG') provides internal audit and investigations services.

2. Mandate

2.1 The Committee shall:

- Review and advise on policies significantly affecting financial management and reporting; and on the UNOPS financial statements and reports, including any significant changes in accounting policies, presentation, and disclosures.
- Be consulted on any proposed changes to the Financial Regulations and Rules.
- Review and advise on the effectiveness of the UNOPS systems of internal controls and accountability, including its internal governance, risk management, and control procedures.
- Review and advise on the prevention and control of fraud, corruption, and other forms of misconduct of a financial or non-financial nature.
- Review and advise on the internal audit and investigations functions:
    - The Charter.
    - Any policies significantly affecting the function.
    - The appointment, early termination, and performance assessment of the director for internal audit and investigations functions.

- The strategy, annual work plans, budgets, and periodic reports.
- The quality and assurance improvement programme, including internal and external assessments.
- Relevant reports and management letters.
- The status of implementation by management of oversight recommendations.
- The policy for disclosure of internal audit reports and implementation thereof.
- Material and/or strategic risks identified through internal audits and investigations.

- Review and advise on the ethics function:
  - The appointment, early termination, and performance assessment of the director of the ethics function.
  - The strategy, annual work plans, budgets, and periodic reports.
  - Any policies significantly affecting the function.
  - The administration of the Financial Disclosure programme as per ST/SGB/2007/11.
- Review and advise on the UN Board of Auditors:
  - Audit scope and related matters.
  - Reports of the UNBOA and relevant management letters.
  - The status of implementation by management of oversight recommendations.
  - Material and/or strategic risks identified through UNBOA audits.
- Promote the understanding and effectiveness of the audit and investigations as well as ethics functions; provide a forum to discuss ethics, internal control, and other matters raised by the UNBOA and IAIG; and strive to maintain open communications with them.
- Consider the risk and control implications of audit reports and management letters and highlight, as appropriate, issues that may need further examination with proper consideration to confidentiality and due process.
- Review and advise on internal governance through policy and procedure managed by the director of the legal function, including as it relates to the organization's compliance function.
- Review and advise on strategy implementation, including positioning, communications, management and leadership, organizational culture, and strategic initiatives.
- Review and advise on results-based management and reporting, including monitoring, analysis, and reporting on management results and contributions.
- Review and advise on the governance, development, and management information technology systems impacting financial management and reporting.
- Review and advise on any issues arising from activities covered by these TOR.

3. Authority

3.1 In fulfilling its advisory role in relation to matters of oversight, the Committee can perform any of the principal duties within its functional scope at its discretion. It has the authority to review all activities that it deems appropriate and necessary to perform its mandate. In exercising its authority, the Committee may:

- Obtain all information and/or documents it considers necessary to perform its mandate, including all internal and external audit reports.
- Request the cooperation of UNOPS personnel.
- Obtain legal or other independent professional advice as it deems appropriate.

3.2 The Committee may establish internal reporting mechanisms catering to a regular and systematic flow of information from management control functions and internal oversight functions providing assurance to the Committee on the internal control environment, including to the attention of the Committee's awareness of material weaknesses.

3.3 The Committee shall meet at least annually in a private session with the directors of the internal audit, investigations, and ethics functions.

3.4 The Committee shall meet at least annually in private sessions with the representatives of the UNBOA at the appropriate level.

3.5 The Chair of the Committee shall have free and unhindered access to meet with the President of the Bureau of the UNDP/UNFPA/UNOPS Executive Board, and shall, at his/her discretion, engage formally or informally to bring relevant issues to the attention of the President.

3.6 The Committee, in coordination with the Executive Board Bureau, may organize an annual meeting of the President of the Bureau and the Chair.

3.7 In exceptional circumstances, the Committee may be called upon by the Executive Board and/or the Executive Director to engage in support of targeted reviews.

3.8 The Executive Director shall establish a dedicated budget allocation for the Committee to independently commission external independent advice. This budget shall be managed by the Chair, with support from the Secretariat.

4. Reporting

4.1 The Committee shall carry out its work independently. It shall make available a report of its activities to the Executive Director and the Executive Board, in a manner and frequency decided by the Executive Board.

4.2 At any time, the Committee may bring matters it deems of importance to the Executive Director and the Executive Board.

4.3 The Chair shall interact regularly with the Executive Director to advise on the results of Committee deliberations and be kept abreast of issues of relevance to the Committee's mandate and functions.

5. Membership

5.1 The Committee shall comprise three to seven non-executive members. All members shall be independent and external to UNOPS.

5.2 The term of office for Committee members shall be three years, renewable once. Continuance of membership shall be reviewed annually, and confirmed through signature of an affidavit on conflict of interest. To ensure continuation of the Committee, the appointment of members shall be staggered.

5.3 As a whole, the Committee shall comprise people with expertise and working knowledge commensurate with the scope of its mandate, i.e., in the following areas:

- Finance
- Accounting
- Organizational governance in the United Nations context
- External audit
- Internal audit and investigations
- Ethics
- Internal control
- Risk management principles and practices
- Strategy development and strategy implementation

5.4 A simple majority of the Committee members shall have significant, relevant, and recent experience in financial or internal oversight.

5.5 Due consideration shall be given to the overall composition of the Committee, with a view to ensuring that all areas of the Committee's mandate and scope of activities can be effectively covered; and that the Committee overall exhibits gender and geographical balance.

5.6 Former UNOPS personnel shall not be appointed to the Committee within three years of the termination of their employment with the organization.

5.7 Former Committee members shall not accept employment as UNOPS personnel within three years after the end of their tenure.

6. Selection and appointment

6.1 Members of the Committee are appointed by the Executive Director to provide external advice and act in an independent, non-executive capacity.

6.2 The Executive Director shall designate a Chair from amongst the members of the Committee. The term of the Chair shall typically follow the Committee's annual reporting cycle, which is completed at the end of March. If the Chair designated by the Executive Director is not present at a meeting, the members will elect an acting Chair from amongst the members present.

6.3 The Executive Director initiates and determines the approach for the selection and appointment of members. The Chair and a subset of Committee members may support the process with assistance from the Secretariat.

6.4 The Executive Director shall keep the Executive Board informed of changes in the membership.

7. Remuneration

7.1 Members shall not be remunerated for activities undertaken in their capacity as members of the Committee, in order to maintain their independence.

7.2 UNOPS shall reimburse Committee members for any travel and subsistence costs which are necessarily incurred in relation to participation in Committee meetings.

8. Conflict of interest

8.1 Committee members serve in their personal capacity and shall not seek or receive any instructions from any government in the performance of their duties.

8.2 Committee members shall not hold any position or engage in any activities that could impair their independence, in fact or in perception, from UNOPS or organizations and companies that maintain a partnership or business relationship with UNOPS, in fact or in perception.

8.3 It is the responsibility of the individual Committee member to disclose a conflict of interest or the appearance of a conflict of interest to the Committee.

8.4 All Committee members shall sign a statement of disclosure of interest. In order to avoid any appearance of doubt, Committee members shall consult the Ethics Officer prior to any meeting at which they expect to raise any potential conflict of interest, and shall inform the Chair and Executive Director of the outcome of such consultation.

8.5 Committee members shall promptly inform the Executive Director in writing of any personal or professional conflict of interest, or appearance thereof, related to the activities of the Committee or the knowledge gained through serving on the Committee.

8.6 Where an actual conflict of interest arises by a Committee member, that member shall not partake in discussions on the matter in question, and shall abstain from voting on the matter.

9. Indemnification

9.1 Committee members shall be indemnified from actions taken against them as a result of activities performed in the course of exercising their responsibilities as members of the Committee, provided such activities are performed in good faith and with due diligence.

10. Confidentiality

10.1 All members of the Committee shall sign an affidavit on conflict of interest on first appointment.

10.2 The deliberations of the Committee and the minutes of the meetings are confidential unless otherwise decided. The documents and informational material circulated for the consideration of the Committee shall be used solely for that purpose and treated as confidential.

11. Secretariat

11.1 The Executive Director shall provide a Secretariat to the Committee. The Secretariat shall comprise UNOPS personnel with autonomy and access to information to fulfill the function.

11.2 The Secretariat shall provide advice and substantive support to facilitate the Committee's work, including agendas, supporting materials, meetings, minutes, the Chair's annual report to the Executive Board, and other aspects, as required for the effective functioning of the Committee.

11.3 The Secretariat, in fulfilling the function, may draw on support from relevant business units.

11.4 The Secretariat shall normally be included as an observer to relevant management fora and have a direct reporting line to the Executive Director.

12. Programme of work and meetings

12.1 The Committee shall establish an annual programme of work, which shall be aligned with the requirements and schedule for statutory reporting to the Executive Board.

12.2 The Committee shall normally meet three to four times a year in person or virtually. In-person meetings normally take place at the UNOPS headquarters location but may from time to time be convened at an alternate UNOPS location. The Chair, any Committee member, the Executive Director, and the directors of internal audit, investigations, and ethics may request additional meetings.

12.3 The Chair, in consultation with Committee members and the Executive Director, shall decide the time and duration of a meeting, under consideration of the quantum of work. Time shall be allocated for any pre-briefing of the Committee by UNOPS personnel and the UNBOA, as the Committee deems appropriate.

12.4 Committee members shall normally be given at least 21 days' notice of meeting dates.

12.5 The Chair, in consultation with Committee members, shall prepare a provisional agenda for each meeting, which shall be circulated by the Secretariat together with supporting documents at least one week prior to the relevant meeting. The UNBOA may also submit documentation.

12.6 In principle, the Executive Director shall engage with the Committee at all meetings of the Committee, through a dedicated segment in the agenda.

12.7 The Committee may, for the purpose of informing an agenda item, invite the functionally responsible manager, or his/her delegate, to participate in the Committee's meeting for the duration of that agenda item.

12.8 All meetings of the Committee shall be minuted. Meeting minutes shall be reviewed and approved by the Committee at subsequent meetings and be kept on record by the Secretariat.

13. Attendance, quorum and voting

13.1 It is expected that Committee members are present for all meetings of the Committee, in person or virtually.

13.2 Any three Committee members present, in person or virtually, shall constitute a quorum. An alternate cannot represent a member.

13.3 The Committee shall strive to achieve decisions on a consensus basis and may, as required, take decisions based on a simple majority vote. Votes may be cast only by the Committee members present in the meeting. Should votes be equally divided, the Chair shall have the casting vote.

14. Self-assessment

14.1 The Committee shall perform, from time to time, a self-assessment relative to the Committee's purpose, mandate, and responsibilities outlined herein. Through this, it reviews its terms of reference to ensure it is operating with maximum effectiveness and recommends any changes it considers necessary to the Executive Director.