

Action Plan

v1.0 | July 15, 2022

Decisions from the Executive Board
Annual Session 2022

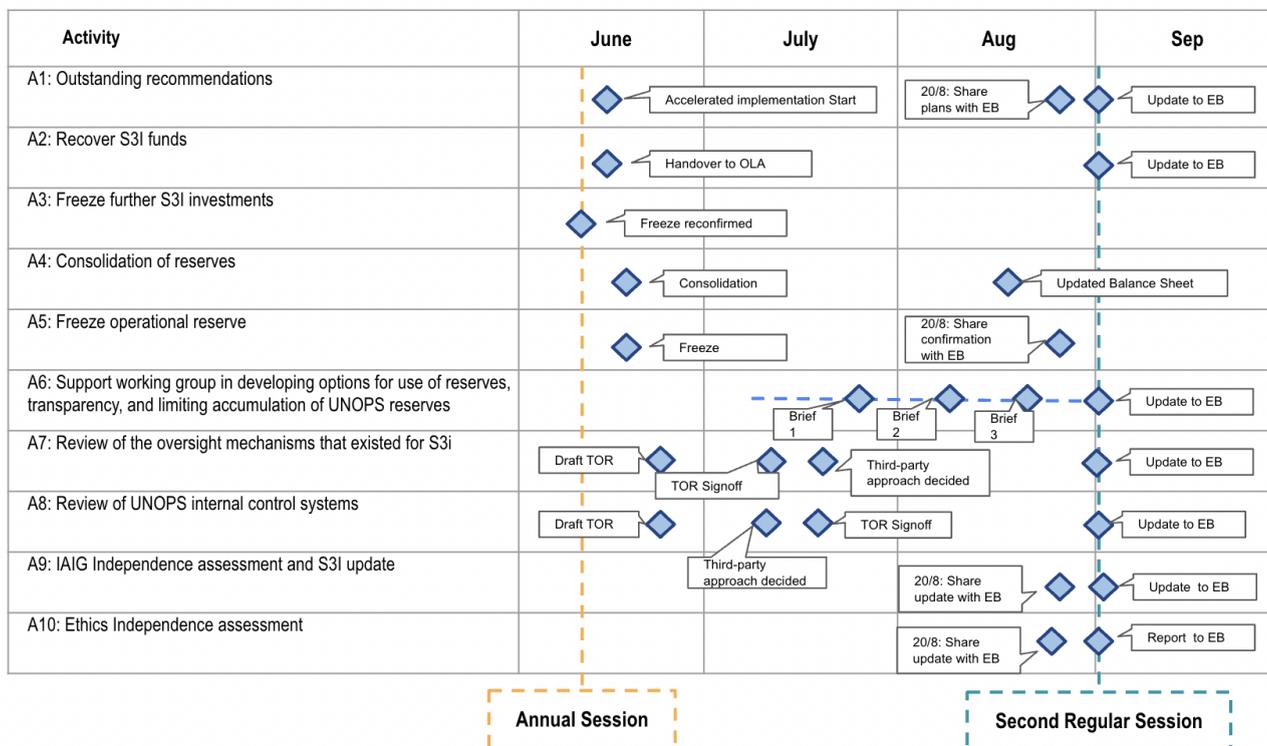
Requests that the Executive Director, ad interim, provide the Executive Board, as soon as possible, but no later than 15 July 2022, an action plan with a timeframe for all actions, including but not limited to those requested in this decision, to address concerns regarding S3i, with a view to enhancing transparency and accountability;

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Timeline

Below is the overview of activities which form the action plan



Activities

Below are details on the discrete activities that constitute this action plan

A1: Outstanding recommendations

Description	Requests that UNOPS review and develop a timeline to implement all outstanding recommendations of the United Nations Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions, and the Joint Inspection Unit, and to present this to the Executive Board at the second regular session 2022;
Deliverables	<ol style="list-style-type: none"> 1. Overview of outstanding recommendations (see annex 1) 2. Closure plan
Milestones	<ul style="list-style-type: none"> • Overview plan and closure plan shared with EB one week before Second regular session - August 20, 2022
Timeframe	<ul style="list-style-type: none"> • Accelerated implementation started Mid June. • Update will be provided at EB SRS • Implementation will continue beyond SRS
Dependencies	Ability to identify and deploy resources in support of implementation of management action plans
Ownership	Office of the General Counsel

A2: Recover S3I funds

Description	Take all necessary steps to recover funds related to the S3i
Deliverables	1. Recovery plan
Milestones	<ul style="list-style-type: none"> Recovery plan finalisation Successful recovery of full or partial funds
Timeframe	<ul style="list-style-type: none"> Recovery handed to OLA mid June Update will be provided at EB SRS Recovery may continue beyond SRS
Dependencies	
Ownership	UN OLA

A3: Freeze further S3I investments

Description	Freeze all further S3i-related investments not already contractually committed by UNOPS
Deliverables	N/A
Milestones	<ul style="list-style-type: none"> Date of last S3I investment
Timeframe	<ul style="list-style-type: none"> No new investment approval made since December 2020; freeze instigated in December 2021 Reconfirmed during EB Annual session 2022
Dependencies	
Ownership	UNOPS Finance Group / S3I Team

A4: Consolidation of reserves

Description	Transfer into the operational reserve any balance not committed to projects from the growth and innovation reserve, accumulated surpluses, and the S3i reserve;
Deliverables	1. Updated balance sheet (August will reflect consolidated reserve)
Milestones	<ul style="list-style-type: none"> Date of reserve consolidation Publication of balance sheet
Timeframe	<ul style="list-style-type: none"> Change in place by end July 2022.
Dependencies	
Ownership	UNOPS Finance Group

A5: Freeze operational reserve

Description	Freeze all further transfers of money out of the operational reserve into the growth and innovation reserve, the S3I reserve, accumulated surpluses, or for any purpose other than daily operations;
Deliverables	N/A
Milestones	<ul style="list-style-type: none"> Confirmation shared with EB one week before Second regular session - August 20, 2022
Timeframe	<ul style="list-style-type: none"> Reserve has been frozen since Annual session Will remain frozen until EB unfreezes
Dependencies	
Ownership	UNOPS Finance Group

A6: Support the work of the working group in developing options for use of reserves, transparency, and limiting accumulation of UNOPS reserves

Description	Requests that the working group focus its work on a) options for the appropriate use of UNOPS reserves, b) options to increase transparency around UNOPS management fees and costing structure with a view to limiting the accumulation of UNOPS reserves, and c) any other matters.
Deliverables	1. Proposals for use of reserves and limiting accumulation of surplus
Milestones	<ol style="list-style-type: none"> Briefing on UNOPS business model and fundamentals Briefing on pricing and costing action plan Briefing on reserves and net asset options based on Deloitte report Wrap-up session based previous discussions (if needed)
Timeframe	<ul style="list-style-type: none"> Briefing 1: 26/27/28 July Briefing 2: 9/10/11 August Briefing 3: 16/17/18 August Briefing 4: If needed
Dependencies	<ol style="list-style-type: none"> Completion of Deloitte report UNOPS revised pricing model
Ownership	UNOPS Finance Group

A7: Review of the oversight mechanisms that existed for S3i

Description	A third-party review of the oversight mechanisms that existed for S3i investments;
Deliverables	<ol style="list-style-type: none"> TOR Report
Milestones	<ul style="list-style-type: none"> Review of TOR TOR signoff by Working Group Approach to selection of third-party decided Selection of third-party Report completion

Timeframe	<ul style="list-style-type: none"> Start mid June with TOR drafting Work can commence following Working Group approval of TOR and following selection of third-party Update will be provided at EB SRS
Dependencies	The approach to selection of third-party and approval of TOR will impact the timeline for commencing the work.
Ownership	Working Group / UNOPS

A8: Review of UNOPS internal control systems

Description	A third-party review of UNOPS internal control systems, risk management and overall governance structures, including an assessment of the integrity of the wider UNOPS portfolio and a review of UNOPS cost structures;
Deliverables	<ol style="list-style-type: none"> TOR Report
Milestones	<ul style="list-style-type: none"> Approach to selection of third-party decided TOR completion TOR signoff by Working Group Selection of third-party Report completion
Timeframe	<ul style="list-style-type: none"> Work can commence following working group approval of TOR Update will be provided at EB SRS
Dependencies	The approach to selection of third-party and approval of TOR will impact the timeline for commencing the work.
Ownership	Working Group / UNOPS

A9: IAIG Independence assessment and S3I update

Description	<p>Requests the Director of IAIG to provide at the second regular session 2022 a comprehensive assessments on the independence of each office, containing reflections on (but not limited to) the degree to which each respective office can determine freely: (a) how and when to report to and brief the Executive Board; (b) the scope of audits and investigations; (c) what and who to audit or investigate; (d) what assessments to make; (e) how to utilize available funds; and (f) its relationship with the United Nations Office of Internal Oversight Services (OIOS); and requests them to also provide suggestions and pathways on how to further strengthen the independence of each respective office as well as their budget estimates required for the execution of the full mandate;</p> <p>Requests the Director of IAIG to provide an update to the Executive Board on the status of investigations related to S3i irregularities at the second regular session 2022, or at an earlier date, as needed.</p>
Deliverables	<ol style="list-style-type: none"> Assessment of Independence Actions planned or taken to further strengthen the independence of IAIG. Update on S3I investigations
Milestones	Assessment and Update shared with EB one week before Second regular session - August 20, 2022
Timeframe	<ul style="list-style-type: none"> Start mid June with completion by Second Regular Session (end Aug)

Dependencies	
Ownership	Director IAIG

A10: Ethics Independence assessment

Description	<p>Taking note of the continuously growing caseload [...] and requests to ensure respective offices can adequately execute their mandate.</p> <p>Requests an independent review of the ethics function to ensure the independence and impartiality of the work.</p> <p>Urges the Director of the UNOPS Ethics and Compliance Office to demonstrate and assure the Board of its full functionality and independence;</p> <p>Urges UNOPS to ensure that a strong whistle-blower function and protection against retaliation system is in place to ensure the protection of individuals that report wrongdoings and risks related to weaknesses within the UNOPS management and control systems, and requests UNOPS to finalize and publish an updated whistle-blower policy, to be presented to the Executive Board at the second regular session 2022;</p> <p>Requests UNOPS to update and make public its ethics website and to provide all information in an easy-to-access format for all UNOPS employees;</p> <p>Requests the Director of the UNOPS Ethics and Compliance Office to report at the second regular session 2022 on the constitution of the office and the actions taken to strengthen the independence of the Office and whistle-blower protections.</p>
Deliverables	<ol style="list-style-type: none"> 1. Assessment of Independence 2. Updated whistle-blower policy 3. Update ethics website
Milestones	Update on assessment and updated whistle-blower policy shared with EB one week before Second regular session - August 20, 2022
Timeframe	<ul style="list-style-type: none"> • Start mid June with completion by Second Regular Session (end Aug)
Dependencies	
Ownership	Director Ethics

Traceability Matrix

Action	EB Decision reference
A1: Outstanding recommendations	2022/13, Paragraph 4
A2: Recover S3I funds	2022/13, Paragraph 8, point (a)
A3: Freeze further S3I investments	2022/13, Paragraph 8, point (b)
A4: Consolidation of reserves	2022/13, Paragraph 8, point (c)
A5: Freeze operational reserve	2022/13, Paragraph 8, point (d)
A6: Support the work of the working group in developing options for use of reserves, transparency, and limiting accumulation of UNOPS reserves	2022/13, Paragraph 12
A7: Review of the oversight mechanisms that existed for S3i	2022/13, Paragraph 14, point (a) 2022/13, Paragraph 15
A8: Review of UNOPS internal control systems	2022/13, Paragraph 14, point (b) 2022/13, Paragraph 15
A9: IAIG Independence assessment and S3I update	2022/15, Paragraph 5 2022/15, Paragraph 16
A10: Ethics Independence assessment	2022/15, Paragraph 8 2022/15, Paragraph 9 2022/15, Paragraph 10 2022/15, Paragraph 11

Annex

Annex 1 - Outstanding Recommendations overview

	Open as at 14 July 2022	Closed since 6 June 2022
UN Board of Auditors (UNBOA)	47	26
Joint Inspection Unit (JIU)	21	4
Advisory Committee on Administrative and Budgetary Questions (ACABQ)	10	--
Internal Audit and Investigations (IAIG)	76	40

Notes:

The effort to accelerate closure of oversight recommendation was soft-launched as of 6 June.

The number of UNBOA recommendations closed since 6 June is based on the draft report by the UNBOA on the year ended 31-Dec 2021 (A/77/5/Add.11). Final version is pending.

As per Executive Board Decision 2021/21, UNOPS efforts in relation to ACABQ are focused on recommendations from its report DP/2022/2.

Annex 2 - Reserves

Implementation outline of Executive Board decision 2022/13, paragraphs 8 (b)(c)(d) on UNOPS reserves.

UNOPS Financial Regulations and Rules:

The Executive Board approved the UNOPS Financial Regulations and Rules (FRR) in February 2012 (decision 2012/5). In Article 1, regulation 1.01, the FRR defines the operational reserve as the reserve established at the level set by the Executive Board with the aim of guaranteeing the financial viability and integrity of UNOPS as a going concern.

Article 22 on cash management, regulation 22.02, further stipulates that within the UNOPS accounts the operational reserve shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:

- i. Downward fluctuations or shortfalls in revenue;
- ii. Uneven cash flows;
- iii. Increases in actual costs above planning estimates or fluctuations in project costs; and
- iv. Other contingencies which result in a loss of resources for which UNOPS has made commitments.

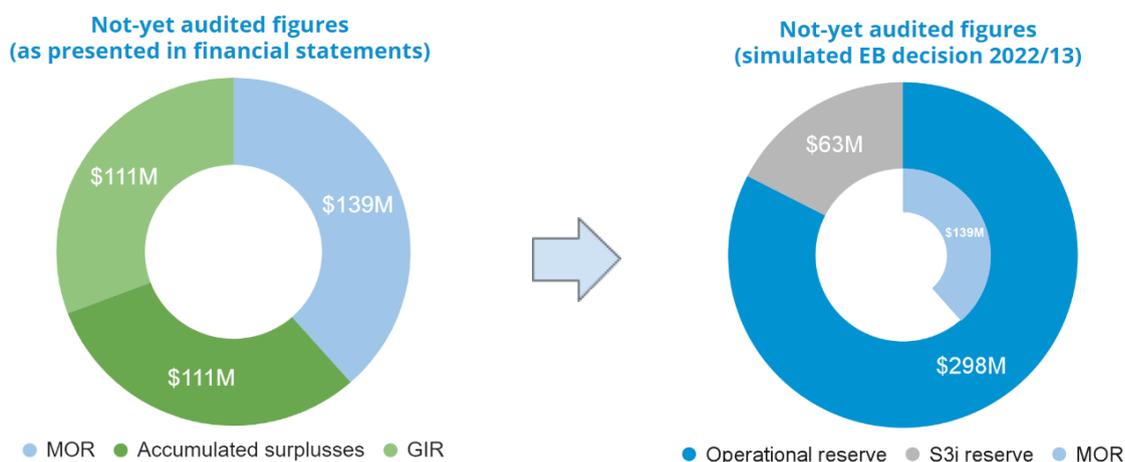
Immediate impact on UNOPS investment portfolio:

The investment portfolio is managed based on the split of the UNOPS balance sheet. This ensures segregation of funds, traceability, and audit trails of funds in and out. Given EB decision 2022/13, UNOPS Treasury has put a halt on the benchmark of the portfolio and instructed the relevant asset manager to only reinvest proceeds of maturing securities within the investment portfolio in short-term US treasury bills. This will ensure that UNOPS does not take any more interest rate risk, pending the rebalancing of the portfolio in line with the Executive Board decision on the reserves.

UNOPS short to medium-term overall actions to further address the EB decision, UNOPS will:

1. Accounting: Ensure that uncommitted funds related to the growth and innovation reserve, accumulated surpluses and the S3i reserve are consolidated in the operational reserve account. Apart from the operational reserve, this will leave \$63M as part of the S3i reserve, representing committed S3i investments (see below) [by end-July].

Distribution of UNOPS net assets of \$360M (as at 31 December 2021)¹:



2. Investment Portfolio: Rebalance the asset allocation to reflect EB decision 8(c) by 'transferring' the Growth and Innovation reserve to the operational reserve. The asset manager will, on behalf of UNOPS, sell any security that does not meet the operational reserve asset allocation parameters, and then source on the market new securities for the operational reserve from these funds. For investment portfolio purposes, the accumulated surpluses already form part of the operational reserve in line with the EB decision [by end-July].
3. Investment Advisory Committee: Inform the UNOPS Investment Advisory Committee at its meeting on 21 July of the Executive Board decision on UNOPS reserves.
4. Q2 Financial Statements: Ensure that UNOPS net assets as part of Statement I of UNOPS Q2 financial statements reflects EB decision 8(b)(c) regarding the freezing of S3i-related investments and transfers into the operational reserve. In this regard, the net assets will continue to include specific IPSAS requirements which by definition are additional to the operational reserve (refer also to footnote 1) . The net assets part of the Q2 financial statements are expected to be completed by mid-August.
5. Q3 Financial Statements: Demonstrate that all transfers out of the operational reserves to other reserves and accumulated surpluses are frozen [8(d)]. While UNOPS net assets will change based on the performance of its operations, finance income, exchange rate gains/losses, etc., UNOPS will demonstrate the ring-fencing of its operational reserve through net assets in Statement I of its Q3 financial statements, including the notes which form an integral part of the statements [by mid-November].

¹ MOR: Minimum operational reserve. Net assets also comprise IPSAS requirements of actuarial gains/losses (\$9.699M in 2021), and fair value of available for sale financial assets (-\$10.334M in 2021). These are not visible on the charts due to a net value of -\$0.635M.