



UNITED NATIONS OFFICE FOR PROJECT SERVICES

**Headquarters, Copenhagen
O.D. No. 5
Revision 3: 6 November 2009**

ORGANIZATIONAL DIRECTIVE No. 5

**Strategy and Audit Advisory Committee
Terms of Reference**

1. Introduction

- 1.1. The Executive Director hereby promulgates the revised Terms of Reference of the Strategy and Audit Advisory Committee, as per attached.

2. Purpose

- 2.1. The purpose of this revision is to reflect Executive Board decision 2009/15 of 3 June 2009, the recent revisions to UNOPS Financial Regulations and Rules and UNOPS Organizational Directive No. 15 (UNOPS Global Structure).

3. Effective Date

- 3.1. This revision of OD 5 is effective 6 November 2009.

A handwritten signature in black ink, appearing to read "J. Mattsson". The signature is written in a cursive style and is positioned above a horizontal line.

**Jan Mattsson
Executive Director,
UNOPS**

United Nations Office for Project Services (UNOPS) Strategy and Audit Advisory Committee Terms of Reference

PURPOSE: The Strategy and Audit Advisory Committee has been established to provide the Executive Director of the United Nations Office for Project Services (UNOPS) with external, independent, senior-level advice regarding the organization's strategic, business, and audit objectives including any significant risk management issues. The Committee assists the Executive Director in fulfilling his oversight responsibilities in accordance with relevant best practices and industry standards. The Terms of Reference, as stated herein, are approved by the Executive Director and may be modified from time to time, as necessary. As stated in section 29 of the UNOPS Accountability Framework and Oversight Policy, the Committee has an advisory role and is not a governance body; no language or clauses in the Terms of Reference are intended to imply otherwise.

1. Membership

- 1.1. The membership, including the chairperson, shall comprise independent non-executive participants, at least one of whom shall have significant, relevant, and recent financial experience. The Executive Director shall ensure that at least a simple majority of the membership has significant, relevant and recent financial or internal oversight experience. Further, the Executive Director shall endeavor to ensure that at least one member of the committee must have significant and relevant experience working within the UN System.
- 1.2. Members of the Committee may be recommended by internal or external individuals, as well as by one or more of the following members of UNOPS' management team: Executive Director, Deputy Executive Director, Director for Internal Audit and Investigations, General Counsel, Comptroller. The Executive Director shall appoint Committee members from the pool of nominees, following consultation with the Executive Board. Members of the Committee, prior to their appointment, should be reviewed for any possible conflict of interest.
- 1.3. The Executive Director and Deputy Executive Director, with the concurrence of at least one of the Director for Internal Audit and Investigations, General Counsel and Comptroller, will appoint the Committee Chairperson.
- 1.4. The Executive Director or the Deputy Executive Director shall appoint the Secretary to the Committee.
- 1.5. Members of the Committee, including the Committee Chairperson, shall be appointed for a one year term, renewable at the discretion of the Executive Director and Deputy Executive Director with the concurrence of at least one of the Director for Internal Audit and Investigations, General Counsel and Comptroller.

- 1.6. The Committee membership will consist of at least five members. All members are encouraged to attend Committee meetings on a regular basis.
- 1.7. The Committee members shall not be remunerated for their services, but shall be reimbursed for expenses according to UNOPS standard travel policies, including airfare and DSA.
- 1.8. Each Committee member 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 his/her serving on the Committee.

2. Attendance at Meetings

- 2.1. The Committee may have, at its disposal and per invitation, members of the UNOPS management team, including: Executive Director, Deputy Executive Director, Director for Internal Audit and Investigations, Comptroller, General Counsel, or any other manager.
- 2.2. The Committee may, but is not required to, meet occasionally with the Director for Internal Audit and Investigations in the absence of other members of the UNOPS management team.
- 2.3. The Secretary to the Committee, or other nominee from the Executive Director or Deputy Executive Director, shall serve as the secretary of the Committee and will record the Minutes of the Committee Meetings.
- 2.4. Committee members are encouraged to attend all Committee meetings. A quorum is not necessary for a meeting to take place, however, the spirit of the Committee's purpose is to encourage group discussion and therefore the Committee shall endeavour to ensure maximum attendance at its meetings.

3. Frequency of Meetings

- 3.1. Meetings shall be held, ideally, four times annually, but not less than three times each calendar year.
- 3.2. The Chairperson of the Committee or any two members of the Committee may request any additional meetings if they consider them to be necessary.

4. Access to Resources

- 4.1. At the direction and sole discretion of the Executive Director, the Committee may be allocated resources to assist with the performance of advisory tasks that could require outside counsel, legal opinions, professional accounting firm assistance, best practice literature, and so forth.

5. Principal Duties

5.1. Strategy and Advisory

- 5.1.1 In fulfilling its advisory role in oversight, the Committee may, at its discretion or at the invitation of the Executive Director, assess, discuss, and advise the Executive Director and

other UNOPS management who may attend Committee meetings regarding key strategic issues, as they arise. Per initiatives launched by the Executive Director, these strategic issues may include such topics as those in the examples which follow:

- (a) UNOPS mandate within the UN System,
- (b) UNOPS clients, marketplace trends, growth opportunities, political ramifications,
- (c) Corporate performance against set targets, including balanced scorecard objectives and key performance indicators,
- (d) General composition of the leadership team or organizational structure,
- (e) Succession planning for essential management positions,
- (f) Branding and corporate identity strategy,
- (g) Public Relations and communications planning,
- (h) Staff retention and staff development initiatives,
- (i) Major business initiatives within UNOPS such as implementation of new IT systems, adoption of new accounting standards or large scale business process improvements,
- (j) Risk mitigation processes such as those that consider client acceptance, insurance programs, reputation risk, personal security, and other potential factors that will mitigate harm to the organization.

5.2. **Internal Audit**

5.2.1 In fulfilling its advisory role in oversight, the Committee may, at its discretion or at the invitation of the Executive Director, review and provide advice regarding the following internal audit activities and issues:

- (a) The internal audit function and its relationship with the UNOPS Executive Office and the Finance Practice Group, including plans and performance; adherence to the UN System's statutory audit requirements and reports on risk management processes and the standards of risk management and internal control,
- (b) The annual internal audit plan,
- (c) Non-recurring reports, such as those involving fraud, and comment to the Executive Director of any suggestions for appropriate action,
- (d) Management's responsiveness to the findings and recommendations of the internal auditors,

- (e) Activities, resources, organizational structure and the operational effectiveness of internal audit, and where appropriate, make recommendations to the Executive Director,
- (f) The Internal Audit Charter,
- (g) If necessary, the competence and independence of the Director for Internal Audit and Investigations or members of the internal audit team.

5.3. External Audit

5.3.1 In fulfilling its advisory role in oversight, the Committee may, at its discretion or at the invitation of the Executive Director, review and provide advice regarding the following external audit activities and issues:

- (a) Biennial and interim annual audit reports from the UN Board of Auditors, including relevant correspondence and related material,
- (b) Material reports or findings, such as those involving fraud or irregularities, which are issued by the Board of Auditors. The Committee may wish to provide advice to the Executive Director regarding best practices for handling such situations,
- (c) Management's responses to the findings and recommendations of the Board of Auditors,
- (d) Activities, outputs, and communications from the external auditors, and where appropriate, make recommendations to the Executive Director,
- (e) Discuss any reports from the Board of Auditors on critical accounting policies, including management's implementation plans.

5.4. Financial Reporting

5.4.1 In fulfilling its advisory role in oversight, the Committee may, at its discretion or at the invitation of the Executive Director, review and provide advice regarding the following financial reporting and compliance documents/issues:

- (a) Review financial results, and other published information such as the biannual audited financial reports, and advise the Executive Director regarding best practices and regulatory trends that may be relevant to the integrity of the reports.
- (b) Disclosure made by the Executive Director, Deputy Executive Director, Director for Internal Audit and Investigations, and Comptroller during the certification process for the biennial audit report about any significant deficiencies or material weaknesses in the design or operation of internal financial controls and any fraud involving management or other employees who have a significant role in internal control over UNOPS financial reporting.

- (c) Review annually the UNOPS internal control framework and make recommendations to the Executive Director, Deputy Executive Director, Director for Internal Audit and Investigations, or Comptroller.

5.5. **Regulatory Review**

5.5.1 In fulfilling its advisory role in oversight, the Committee may, at its discretion or at the invitation of the Executive Director, review and provide advice regarding the following regulatory/compliance activities:

- (a) Review the standards of risk management and internal control, including the processes and procedures for ensuring that material business risks, including risks relating to IT security, fraud and related matters, are properly identified and managed, the effectiveness of internal control, financial reporting, accounting policies and procedures, and UNOPS' statements on internal controls before they are agreed by the Executive Director for the quarterly, annual and biennial reports.
- (b) Review and advise regarding best practices for dealing with complaints received by UNOPS regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters ('whistle blowing' procedures), ensuring arrangements are in place for the proportionate and independent investigation and appropriate follow up action.
- (c) Review the UNOPS code of ethics, or its equivalent.
- (d) Consider and review the processes for UNOPS risk management annually to advise management regarding adequate oversight of risks faced by UNOPS and the system of internal controls and reporting of those risks within the business.
- (e) Receive regular updates on significant litigation and financial commitments and potential liability issues involving UNOPS.
- (f) UNOPS financial disclosure policies, with respect to the prevention of conflict of interest of staff and management within UNOPS, and advice regarding industry best practices.
- (g) Review and advise, at the discretion of the Executive Director, any potential changes or improvements to the UNOPS governance structure, with UN and external best practices in mind.

6. **Other**

6.1. The Committee may, at the discretion of, or in conjunction with, the Executive Director:

6.1.1 Review any other matter referred to it by UNOPS management or the members of the Committee;

6.1.2 Delegate the review or research tasks to one or more of its members, if the Chairperson of the Committee deems this appropriate.

- 6.1.3 Review annually UNOPS' overall financial viability as a going concern.
- 6.1.4 Advise UNOPS Executive Office of business process improvements, including comments regarding best financial practices or sound business processes. Review the adequacy of UNOPS' operational reserve from time to time, in accordance with UN System requirements, and general financial strength of the organization, given its relative industry risks and returns.
- 6.1.5 Review reports, if any, produced by the Executive Director which highlight the primary recommendations made by the Committee throughout the year.

6.2. The Committee shall:

- 6.2.1 provide the Executive Director with an annual report which the Executive Director shall communicate to the Executive Board, together with management response, as annexes to the annual report on internal audit and oversight;
- 6.2.2 review the soundness of the risk management systems in UNOPS and provide its conclusions in respect thereof in its annual report (and for the first time in its annual report in respect of 2009);
- 6.2.3 review periodically information provided to it regarding the implementation of UNOPS revised financial regulations and rules approved by the Executive Board by decision 2009/04 with a view to their further improvement. The conclusions of any such review shall be included in the Committee's annual report (and for the first time in its annual report in respect of 2009);
- 6.2.4 if consulted by the Executive Director regarding any proposed amendment or suspension of UNOPS revised financial rules referred to above, advise the Executive Director in respect of such proposal. It is acknowledged that any such consultation and advice shall take place in good time so that the results of such consultation may be provided to the Executive Board by the Executive Director at least 30 days before any change takes effect.

7. Subcommittees

- 7.1. The Executive Director may, in consultation with the Chairperson, appoint subcommittees that would comprise members of the Committee and/or members of UNOPS management team.
- 7.2. The purpose of the subcommittees may serve a particular purpose or provide assistance to the Committee in several areas, and for varying durations.