

ANNEX 3:

**United Nations Office for Project Services (UNOPS)
Strategy and Audit Advisory Committee
Annual Report 2008**

1. Background.

In accordance with the Organizational Directive number 5, the Strategy and Audit Advisory Committee (SAAC) of the United Nations Office for Project Services (UNOPS) was established in November 2007. The nature of the SAAC shall be advisory to the Executive Director. The SAAC held its inaugural meeting in January 2008.

During the period covered by this report (1 January 2008 to 31 December 2008), the SAAC operated under Terms of Reference (ToR) approved by the Executive Director of UNOPS and as amended during the year in consultation with the SAAC and based on the decisions of the Executive Board. In accordance with its ToR, the SAAC during this period provided independent, senior level advice regarding UNOPS' strategic, business and audit objectives.

This annual report of the SAAC is being submitted at request of the Executive Board.

2. Composition of the SAAC:

For the period 1 January to 31 December 2008, the SAAC membership comprised of the following members¹, selected by the Executive Director pursuant to the ToR (attached as Appendix 1):

- Mr. Peter E. Pedersen (Chair)
- Ms. Eimi Watanabe
- Mr. Robin McPhail
- Ms. Anne Kristin Sydnes
- Mr. Bengt Ekman (as from October 2008 replaced by Ms. Gunilla Hesselmark)
- Ms. Gunilla Hesselmark (as from October 2008 replacing Mr. Bengt Ekman).

3. SAAC Meetings:

During 2008, the SAAC held four (4) meetings, namely in January, April, August and November. The meetings were all attended by the Executive Director as well as by other staff from the UNOPS Management team to the extent they were available, including the Deputy Executive Director and the Head of Audit. In addition, the SAAC met with staff from various departments as well as senior staff from the UNOPS field offices in Thailand, Senegal and Iraq.

¹ In accordance with the ToR, subsection 1.6, the SAAC shall consist of at least five members.

4. Issues discussed:

UNOPS's Management identified a range of issues which formed the basis for the discussions during 2008, including UNOPS' Vision and Strategy; the Internal Audit Function; UNOPS' Change Program; the UN Board of Auditors Report for the Biennium 2006-2007; and the 2009 Budget. The key issues for the reporting period can be summarized as follows:

(i) As 2008 was the first year of SAAC's operations, the focus of the earlier meetings was on providing the SAAC with relevant information regarding UNOPS and how UNOPS carried out its mandate.

(ii) The SAAC noted with satisfaction the progress made by UNOPS Management in turning around the financial health of the organization as well as taking various steps addressing key management issues. The SAAC was also pleased to note the conclusions made in the UN Board of Auditors Report for the biennium 2006-2007. The SAAC was of the opinion that some areas still needed to be further tightened, including improving the procedures for writing off old debts and more realistic income projections by the field offices. In this context, the SAAC further pointed out the need for UNOPS Management to continue to work on clarifying and rationalizing the relationship with UNDP, also in regard to the interfund and the treasury function.

(iii) In the context of identifying UNOPS' role and finding the balance between flexibility to maintain commercial viability and identity as a UN agency, the SAAC pointed out the need for clear criteria and process for business acquisition and project acceptance. The SAAC also suggested that UNOPS sharpened its customer profile, taking into account the changes in the proportion of business from "traditional" clients to governments, including the conditions under which UNOPS services mid-income countries.

(iv) The increasing decentralized management structure and delegation within UNOPS was basically supported by the SAAC, however to ensure efficiency and economy, the SAAC was of the opinion that the role of the country managers should be further clarified.

(v) In regard to UNOPS' newly established internal audit function, the SAAC noted with satisfaction the progress made so far, including its adoption of a risk-based approach, systematic planning and management of audits and their intent to evaluate the performance of outsourcing.

Conclusion:

The SAAC is pleased with the progress that was made during its first year of operation, and in particular noted with appreciation the open and transparent manner in which UNOPS Management has provided all necessary information and documentation and likewise being open for discussions on the various issues that were brought up by both SAAC and UNOPS Management Team. In discharging SAAC's advisory function, the SAAC in 2009 expects to further refine its role as provided in its Terms of Reference, as well as seek a stronger

4 – 8 April 2009

basis for providing support to the Executive Director through greater exposure to UNOPS staff in general, including to field office managers to the extent possible.