**Criteria supporting the overall opinion**

1. In accordance with Executive Board decision 2015/13, IAIG has provided an opinion in this annual report, based on: the scope of work undertaken, and the adequacy and effectiveness of the organization’s framework of governance, risk management and control. Furthermore, in accordance with Executive Board decision 2016/13, IAIG herewith provides the rationale for this opinion. The summary of the audit work performed is provided in the body of the annual report, essentially under section V. This annex provides a brief description of the criteria used to support the IAIG opinion.
2. The results of the following are taken into account to support the IAIG opinion:
3. internal audits of field offices;
4. thematic reviews;
5. project audits;
6. forensic project audits;
7. continuous auditing and data analytics programme;
8. findings from investigations; and
9. implementation status of audit recommendations as at the end of the calendar year.
10. The distribution of 2019 audit results regarding the adequacy and effectiveness of the governance, risk management and control (GRC) at the audited entity level is included in annex 2. Table 4 in the IAIG annual activity report shows the distribution of the number of project audit reports that were issued by IAIG in 2019. Refer to table 1 below for the distribution of audit ratings for 2019.

**Table 1: Distribution of audit ratings for 2019**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2019** | | **2018** | | **2019** | | **2018** | |
| **Report ratings** | **Internal audits and reviews** | **Project audits** | **Internal audits and reviews** | **Project audits** | **Weighted report ratings\*** | **Per cent of total** | **Weighted report ratings\*** | **Per cent of total** |
| Satisfactory | 0 | 38 | 0 | 42 | 19.0 | 45% | 21 | 50% |
| Partially satisfactory – Some improvement needed | 2 | 5 | 3 | 4 | 4.5 | 11% | 5 | 12% |
| Partially satisfactory – Major improvement needed | 3 | 1 | 2 | 0 | 3.5 | 8% | 2 | 5% |
| Unsatisfactory | 0 | 1 | 3 | 2 | 0.5 | 1% | 4 | 10% |
| No rating\*\* | 13 | 3 | 8 | 2 | 14.5 | 35% | 10 | 23% |
| **Total** | **18** | **48** | **16** | **50** | **42** | 100% | **42** | 100% |
| \* As indicated in paragraph 5, project audit reports have been weighted to count 50 per cent. \*\*No rating is provided for thematic reviews, advisory reviews, follow-up audits and forensic project audits | | | | | | | | |

1. The following overall opinion criteria that have been adopted since 2018 are as follows:
   1. Project audits may not represent fully the GRC aspects of UNOPS as their scope is different from internal audits of field offices, nonetheless, they provide an indirect indication about the UNOPS GRC. To this effect, IAIG estimates that the results of the project audits give a 50 per cent assurance about UNOPS GRC.
   2. For the purpose of the current calculation, a project financial audit with an unqualified opinion is considered as satisfactory, while a project financial audit with a qualified opinion is considered unsatisfactory.
2. From the above table, it can be seen that there was only one unsatisfactory rating in 2019, down from five in 2018. In addition, 19 per cent of all audits have a rating “partially satisfactory” (17 per cent in 2018), where there are deficiencies in governance, risk management and controls which need to be addressed. Sixteen audits have no rating in 2019, up from 10 in 2018. While 45 per cent of audits had a satisfactory rating (50 per cent in 2018), the audits nonetheless identified areas for improvement.
3. In addition to the criteria above on the audit ratings for individual audits, the below quantitative and qualitative data was considered as part of forming the overall opinion for 2019:

* Quantitative matters – (a) for project financial audits in 2019, the cumulative financial impact of project audit reports with a qualified opinion was $339,413 ($781,431 in 2018)[[1]](#footnote-1); (b) for project internal control reports, the financial impact of audit observations was $10,853 ($69,928 in 2018); (c) in 2019, IAIG substantiated $78,302 in fraud, compared to $130,725 in 2018; and (d) in 2019, IAIG identified nil payments to sanctioned vendors ($93,588 in 2018); and $3,000 in duplicate payments ($15,283 in 2018).
* Qualitative matters – the data considered included: (a) findings arising from investigations; (b) the implementation rate of internal audit recommendations, which at the end of 2019 was 96 per cent, which is judged to be “satisfactory”; it is evidence that the organization takes effective and timely action to address deficiencies identified in audits; and (c) the decrease in the number of recommendations issued in 2019 (174 recommendations) and 2018 (160 recommendations), down from 315 in 2017, which stems from an overall improvement in internal controls in the organization.

1. Based on the scope of work undertaken in 2019, in IAIG’s opinion, the adequacy and effectiveness of the governance, risk management and control in the reports issued in 2019 were, in aggregate, “partially satisfactory (some improvement needed)”. This means that they were generally established and functioning but needed some improvement. Issues identified do not significantly affect the achievement of the objectives of the organization.

1. The financial impact of project audits for 2019 relates to one project. Refer to project audit report: [9228](https://content.unops.org/documents/libraries/iaig/financial-audit-reports/2019/en/IAIG-9228-FAR-2019_EN.pdf?mtime=20191104110345). [↑](#footnote-ref-1)