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United Nations Development
Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

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Internal audit and investigation

**Annual report of the Internal Audit and
Investigations Group on UNOPS internal
audit and investigations activities in 2019**

Summary

The Director of the Internal Audit and Investigations Group hereby submits to the Executive Board this activity report on internal audit and investigation services for the year ended 31 December 2019. The response of UNOPS management to this report is presented separately, as per Executive Board decision 2006/13.

Elements of a decision

The Executive Board may wish to:

- (a) *take note* of the annual report of the Internal Audit and Investigations Group for 2019 and the management response thereto;
- (b) *take note* of the significant progress made in implementation of audit recommendations;
- (c) *take note* of the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13); and
- (d) *take note* of the annual report of the Audit Advisory Committee for 2019 (in line with Executive Board decision 2008/37).



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Annexes (available on the Executive Board website)

1. Unresolved audit recommendations issued more than 18 months before 31 December 2019
2. Titles of internal audit reports issued in 2019
3. Audit Advisory Committee – annual report 2019
4. Summary of substantiated investigation cases in 2019
5. Criteria supporting the overall opinion

I. Executive summary

1. *Audit opinion.* In the opinion of the Internal Audit and Investigations Group (IAIG), based on the scope of audit and investigations work in 2019, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (some improvement needed), which means that they were generally established and functioning but needed some improvement. IAIG is pleased to note that in 2019 the average number of recommendations per report had fallen, and that 96 per cent of recommendations were acted upon in 2019. No field offices received an unsatisfactory internal audit rating.
2. *Output.* In 2019, the audit team delivered 18 internal audit reports (four more than the 14 planned) and 31 project audit reports. The average time taken for internal audit reports to be issued was within the key performance indicator target of 90 days. The investigations team handled 230 complaints, compared to 151 complaints in 2018. IAIG opened 99 cases based on these complaints, compared to 60 cases in 2018.
3. *Quality.* Despite the fact that no such assessment was required until 2022, IAIG volunteered in 2019 to undergo an external quality assessment. IAIG was assessed to “generally conform” to the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing. This is the highest rating offered by the Institute of Internal Auditors.
4. *Substantiated losses and recoveries.* In 2019, IAIG substantiated \$78,302 in fraud and referred 57 vendors for sanctioning. UNOPS recovered \$125,275 of misappropriated funds based on investigations conducted by IAIG; of this, \$18,385 related to 2019 investigations and \$106,890 to investigations of previous years.
5. *Delivering better for less.* In 2019, IAIG negotiated a new long-term agreement with an audit firm to conduct project financial and internal audits, achieving a daily rate 30 per cent cheaper than comparable services. Delivery of better assurance for less cost is a priority for IAIG.
6. *Supporting strategic initiatives.* IAIG conducted a strategic advisory engagement on the agreement between UNOPS and the United Nations Secretariat. Additionally, in each specific field audit, IAIG covered key strategic and functional areas such as gender, knowledge management, sustainable procurement, and United Nations reform and its impact on UNOPS.
7. *Innovation.* In 2019, IAIG continued to refine its data analytics and continuous auditing algorithms, by introducing machine learning capabilities and dynamic web-based visualizations. The audit team also implemented a new matrix to determine the level of priority it should give to an audit recommendation based on the type and occurrence of the identified issue. The aim is to ensure consistency in allocating recommendation priorities across all audit reports.
8. *Collaboration with partners.* IAIG strengthened its relationships with oversight partners by signing three new cooperation agreements, bringing the total number of such agreements to 17.

II. Introduction

9. This report provides the IAIG opinion, based on the scope of work undertaken and on the adequacy and effectiveness of UNOPS governance, risk management and control processes (Executive Board decision 2015/13).
10. The IAIG Director reports to the Executive Director of UNOPS, supporting her accountability function. IAIG provides assurance, offers advice, recommends improvements and enhances the risk management, control and governance systems of the organization. The group also promotes accountability by conducting investigations into violations of applicable rules, regulations or policy directives.

11. IAIG continued to interact with the UNOPS Audit Advisory Committee in 2019. In accordance with Executive Board decision 2008/37, the annual report of the Audit Advisory Committee for 2019 is attached as annex 3 to this report.

III. Role of the Internal Audit and Investigations Group

12. The mandate and functions for internal audit and investigations within UNOPS are approved by the Executive Director in UNOPS financial regulations and rules per Executive Office directive EOD.ED.2017.04.

13. The International Standards for the Professional Practice of Internal Auditing require that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity. IAIG hereby confirms its organizational independence. In 2019, IAIG was free from interference in determining its audit scope, performing its work and communicating its results.

14. In addition to providing internal audit services to UNOPS, IAIG is “responsible for assessing and investigating allegations of fraud and corruption committed by UNOPS personnel or committed by others to the detriment of UNOPS.”

15. The mandate, scope, responsibility, accountability and standards of IAIG are further defined by the Internal Audit and Investigations Charter per operational directive OD.ED.2018.02. Under the UNOPS governance, risk and compliance framework, IAIG assumes the role of third line of defence.

IV. Approved internal audit work plan for 2019

16. The aim of the 2019 audit workplan was to evaluate and improve the effectiveness of risk management, governance processes and controls, and to provide the Executive Director with the assurance that internal controls and procedures are functioning as intended.

A. Risk-based internal audit plan

17. In preparing its 2019 workplan, IAIG continued to ensure consistency between audit priorities, the UNOPS corporate strategy and the goals of management. The risk-based audit workplan acknowledged the geographical diversity of UNOPS global operations and included both internal field office audits and thematic reviews.

B. Progress on implementation of annual work plan

18. Seven auditors delivered 18 engagement reports (four more than the 14 planned) and 31 project audit reports. The average time taken to issue reports was within the key performance indicator target of 90 days. All internal audits, thematic reviews and advisory engagements planned for 2019 were completed during the year (see table 1).

Table 1. Status of implementation of the work plan as at 31 December 2019

	2019			2018			2017
	Internal audits and reviews	Project audits	Total	Internal audits and reviews	Project audits	Total	Total
Number of audits planned	14	0¹	14	13	0²	13	12
Total audit reports issued	18³	31⁴	49	14	31⁵	45	45

¹ Nil as requests for project audits are partner-driven.

² Nil as requests for project audits are partner-driven.

³ This includes two thematic reviews where formal draft reports were issued in 2019 and final reports were issued in early 2020.

⁴ This includes three forensic project audits conducted in 2019.

⁵ This includes two forensic project audits conducted in 2018.

Figure 1. Geographic distribution of audits in 2019



V. Highlights of 2019 audit activities

19. As noted in table 1, IAIG issued 49 reports in 2019, compared with 45 in 2018. Of the 49 reports issued in 2019, 18 are internal audits and thematic reviews performed by IAIG, and the remaining 31 are project audits conducted under the supervision of IAIG by external auditing firms to fulfil project-reporting requirements.

20. The 49 reports issued in 2019 contain 174 audit recommendations. Of these, 117 pertain to internal audits (table 2) and 57 to project audits (table 5).

A. Internal audits and thematic reviews conducted by IAIG

Reports of internal audit

21. In 2019, IAIG issued 18 reports on internal audits and thematic reviews to the UNOPS Executive Director. These are listed in annex 2.

Analysis of internal audit recommendations issued in 2019

22. The number of internal audit recommendations issued in 2019 was 117, the same as in 2018, and significantly below the 200 issued in 2017. The average number of recommendations per audit report was again well below the 14 issued in 2017; indeed, it fell further, from eight in 2018 to seven in 2019.

Level of importance of audit recommendations related to IAIG audits

23. Of the 117 recommendations issued in 2019, 58 were considered to be of high importance and 59 of medium importance, as shown in table 2.⁶ Low priority recommendations are addressed during the fieldwork stage of the engagements.

⁶ Level of importance: *High*: action considered imperative to ensure UNOPS is not exposed to high risks; *Medium*: action considered necessary to avoid exposure to significant risks; *Low*: action considered desirable and should result in enhanced control or better value for money.

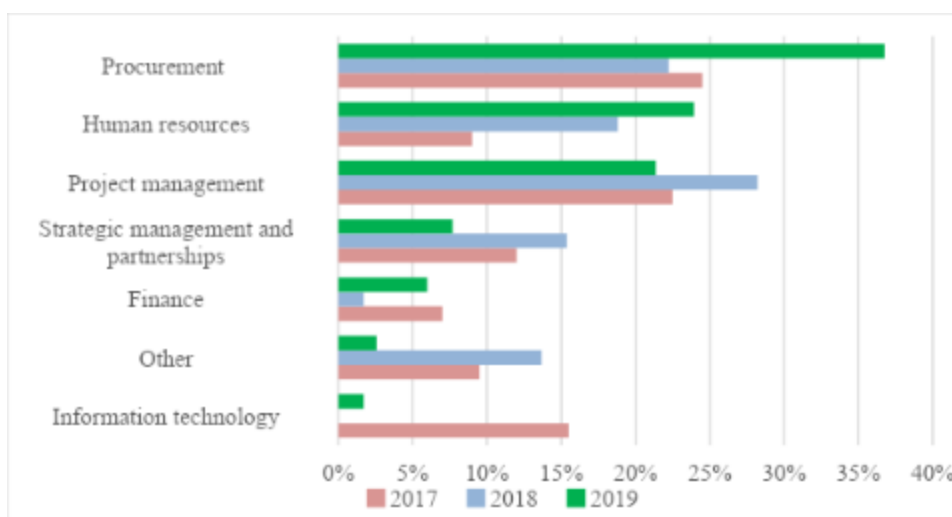
Table 2. Internal audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2017	2018	2019	2017	2018	2019
High	100	73	58	50	62	50
Medium	100	44	59	50	38	50
Total	200	117	117	100	100	100

Internal audit recommendations by functional area

24. The frequency of internal audit recommendations by functional area is displayed in figure 2. The top three areas pertained to procurement (37 per cent), human resources (24 per cent) and project management (22 per cent).⁷ This distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement.

Figure 2. Internal audit recommendations by functional area

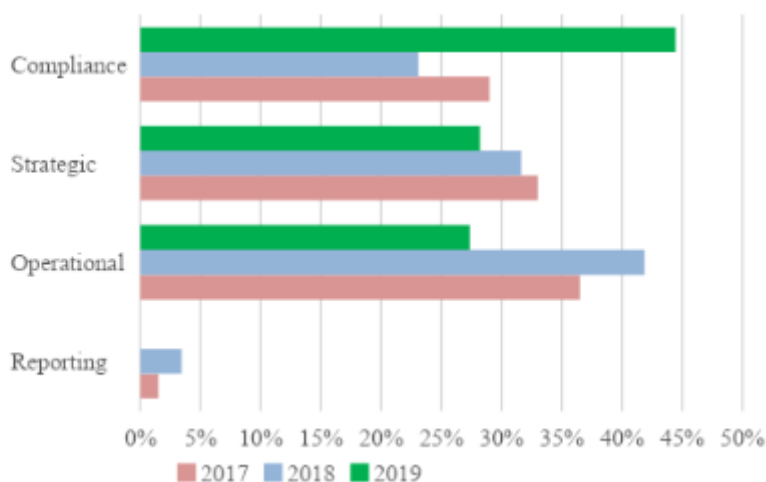


Key areas of improvement identified in 2019 internal audit reports

25. Figure 3 shows the number of recommendations by objective type.⁸ Recommendations on compliance issues (45 per cent) were the most common, followed by those addressing strategic issues (28 per cent) and operational issues (27 per cent).

⁷ The functional distribution reflects the classification in the issued audit reports. IAIG will work with management to align the classifications with the functional areas supporting UNOPS new structure and framework.

⁸ As per entity objectives in the internal control integrated framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Figure 3. Recommendations issued in 2019 by objective

Projects audits

Single audit principle

26. IAIG upholds the United Nations “single audit principle” per the UNOPS report on internal audit and oversight in 2007 (DP/2008/21).

27. IAIG provides technical support to project managers in meeting their projects’ audit requirements. IAIG engages pre-qualified third-party professional auditing firms to conduct these audits. These firms adhere to terms of references approved by IAIG, and the audit reports they prepare undergo IAIG quality assurance, before IAIG issues them. This arrangement provides cost efficiencies, consistency in reporting, improved timelines and simplified processes for conducting project audits.

28. In 2019, IAIG launched a public tender to identify a supplier for the provision of audit, accounting and advisory services. The procurement resulted in a long-term agreement valid until 31 December 2022. IAIG was also able to achieve a daily rate that is 30 per cent cheaper than comparable services.

Project audit reports issued

29. Thirty-one project audit reports were issued by IAIG in 2019. As per table 3, 18 of these provided both an audit opinion on the project financial statement and a rating of the internal controls. Nine project audits provided an opinion on the project financial statement only, one project audit provided an opinion on internal controls only, and three were forensic project audits.

Table 3. Number of project audit reports issued, 2017-2019

	2017	2018	2019
Audit reports issued expressing an opinion on the financial statement and a rating of internal controls	24	19	18
Audit reports issued expressing an opinion on the financial statement only	6	10	9
Audit reports issued expressing an opinion on internal controls only	0	0	1
Forensic project audits	1	2	3
Total	31	31	31

30. The proportion of project audits with a “satisfactory” internal control rating was 68 per cent (74 per cent in 2018). There were no project audits rated as “unsatisfactory”.

Table 4. Audit opinions and ratings of internal controls for project audits, 2018-2019

Type of opinion or rating	Number of audit reports		Percentage of total	
	2018	2019	2018	2019
Audit opinion on financial statement of project				
Unqualified opinion	27	26	93	96
Qualified opinion	2	1	7	4
Total	29	27	100	100
Rating of overall level of internal control				
Satisfactory	14	13	74	68
Partially satisfactory (some improvement needed)	5	5	26	26
Partially satisfactory (major improvement needed)	0	1	0	6
Unsatisfactory	0	0	0	0
Total	19	19	100	100

Financial impact of project audit findings in 2019

31. For 2019, the cumulative financial impact of project audit reports with a qualified opinion was \$339,413 (\$781,431 in 2018).⁹ For internal control reports, the financial impact of audit observations was \$10,853 (\$69,928 in 2018).

Project audit recommendations issued in 2019

32. The 31 project audit reports issued generated 57 audit recommendations, an average of 1.8 recommendations per report; compared to an average of 1.4 recommendations per report in 2018.

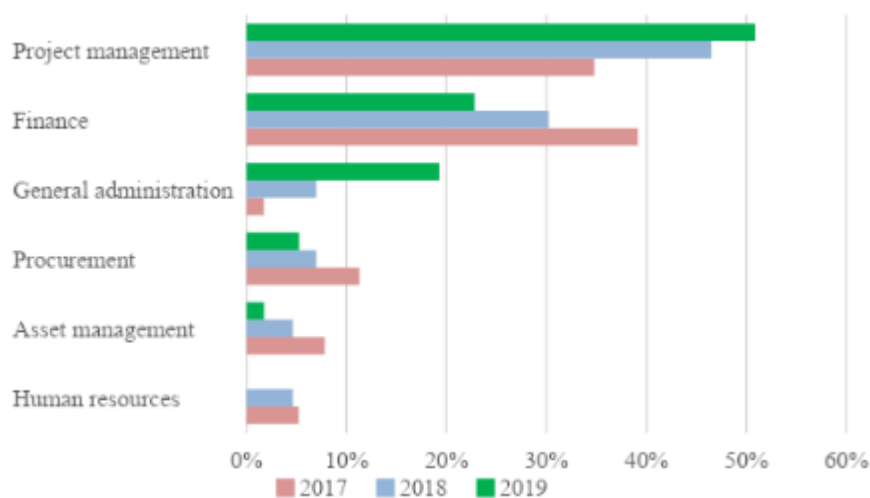
33. As seen in table 5, the proportion of audit recommendations rated as being of “high importance” increased in 2019 by 5 per cent.

Table 5. Project audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2017	2018	2019	2017	2018	2019
High	31	9	15	27	21	26
Medium	84	34	42	73	79	74
Low	0	0	0	0	0	0
Total	115	43	57	100	100	100

34. The 57 project audit recommendations issued in 2019 are analysed below by frequency of occurrence in a functional area. Most recommendations pertained to project management (51 per cent) and finance (23 per cent), per figure 4.

⁹ The financial impact of project audits for 2019 relates to one project. Refer to project audit reports: 9228.

Figure 4. Project audit recommendations by functional area

B. Improvements to the UNOPS internal control system

35. UNOPS management has worked with IAIG to ensure implementation of internal audit recommendations and to incorporate results into performance data for UNOPS units. By using this performance data, management has been able to resolve issues and identify additional risks, thereby safeguarding the effectiveness of the internal control framework. The overall implementation rate of internal audit recommendations issued from 2008 to 2019 was 96 per cent. One recommendation, from thematic reviews, which is more than 18 months old, remains open. This is a significant improvement; in both 2018 and 2017 there were 12 recommendations pending more than 18 months. This was considered as part of the IAIG overall audit rating in annex 5.

36. UNOPS continues to operationalize its governance, risk and compliance framework, simplifying its internal policy instruments and enhancing their alignment with processes. In 2019, 22 new legislative frameworks were issued, including three new directives and instructions on privacy and information security.

37. Shortly after the establishment of the role of Chief Information Security Officer (CISO) in March 2019, a detailed critical security controls benchmarking exercise was undertaken in conjunction with the information and communications technology (ICT) team, comparing UNOPS to leading global organizations across multiple sectors. This laid the foundations for the organization's information security management system (ISMS), which represents the set of policies, procedures and various other controls that establish the information security rules within UNOPS. With no additional investment, UNOPS critical security controls maturity has increased from 1.34 to 1.59 – out of a possible score of five.

38. Enhancements to the existing online tender platform now mean that vendors sanctioned in the United Nations Global Marketplace (UNGM) are prevented from submitting a bid for a UNOPS tender, and a new contract management module was launched in the enterprise resource planning (ERP) system. Additionally, supplier validation processes have been strengthened to prevent the existence of duplicate vendor profiles. IAIG tested the effectiveness of these preventive controls through its data analytics initiative and found that no duplicate profiles, nor transactions with sanctioned vendors, were identified in 2019.

39. At the time of issuance of this report, two new systems were being implemented for project and treasury management. Their completion will bring about further improvements to the control environment.

40. As part of the UNOPS corporate approach to the governance, risk and compliance framework, a new organizational function combining ethics and compliance was established at senior level (D1). This function assists the Executive Office in supporting personnel to foster a culture of ethics and a harmonious, inclusive work environment, anchored in the values of integrity, accountability, transparency, respect and professionalism. IAIG and the Ethics Office continue to maintain an independent yet supportive working relationship.

41. UNOPS also maintained its certifications: ISO 9001, ISO 14001 and OHSAS 18001. These certifications remain valid until 28 June 2020. As part of the preparation for a re-certification process, IAIG performed a high-level compliance review of UNOPS quality management system in 2019 (i.e., ISO 9001).

C. Opinion

42. Management is responsible for maintaining the adequacy and effectiveness of UNOPS governance, risk management and control. IAIG has the responsibility to independently assess the adequacy and effectiveness of the framework.

43. The opinion is based on the audit reports issued by IAIG between 1 January and 31 December 2019. The opinion is supplemented with a range of qualitative data as described in annex 5. The results of the following are taken into account to support the IAIG opinion:

- (a) internal audits of field offices;
- (b) thematic reviews;
- (c) project audits;
- (d) forensic project audits;
- (e) continuous auditing and data analytics programme;
- (f) findings from investigations; and
- (g) implementation status of audit recommendations as at the end of the calendar year.

44. The implementation rate of audit recommendations at 31 December 2019 is 96 per cent (the same as 2018), which implies that appropriate and timely action is taken as and when improvements in governance, risk management and control are necessary. The number of recommendations issued in 2019 and 2018 (174 and 160 recommendations, respectively) continues to be well below the 2017 figure (315 recommendations), and this can be attributed to improvements in the organization's internal controls.

45. In the opinion of IAIG, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (some improvement needed). This means that they were generally established and functioning but needed some improvement. Refer to annex 5 of this report for the opinion rationale.

VI. UNOPS accountability framework

46. In accordance with the UNOPS accountability framework and oversight policies, the IAIG Director reports to the Executive Board on the resources available and required for implementation of the accountability framework.

47. The pillars of the UNOPS accountability framework and oversight policies that are internal to UNOPS include: IAIG, the Audit and Advisory Committee, the Ethics

and Compliance Office, the regional offices, the Office of the General Counsel, the Appointment and Selections Panel, the Appointment and Selections Board, the Headquarters Contracts and Property Committee, the balanced scorecard system and the implementation of UNOPS Executive Office directives and instructions.

48. The pillars of the UNOPS accountability framework and oversight policies that are external include: the United Nations General Assembly, the Secretary-General, the Executive Board, the United Nations Board of Auditors, the Joint Inspection Unit (JIU), the Advisory Committee on Administrative and Budgetary Questions, and the Fifth Committee of the General Assembly.

VII. Disclosure of internal audit reports

49. IAIG complies with Executive Board decisions 2008/37 and 2012/18 and the procedures approved therein regarding disclosure of internal audit reports. Public disclosure of audit reports continues to be positive, leading to enhanced transparency and accountability.

50. Accordingly, IAIG has published on the UNOPS public website the complete internal audit reports issued after 1 December 2012, except when withheld for confidentiality reasons, on an exceptional basis. Also published are many of the previous reports, either in full or through executive summaries.

VIII. Advisory services

51. The IAIG mandate includes the provision of advisory services to management, generally upon their request. Advisory activities in 2019 involved providing formal or informal advice, analysis or assessment, be it in relation to internal audit or investigative activities. When providing advisory services, IAIG maintained its objectivity and did not assume management responsibilities, such as implementation of advice.

52. In 2019, IAIG performed advisory engagements as follows:

- (a) Informal advice to the Peace and Security Cluster regarding their customized contract management system;
- (b) Advisory review engagement to the UNOPS country office in Ukraine;
- (c) Advisory review for benchmarking practices within human resources, in relation to recruitments, outreach and talent retention;
- (d) UNOPS compliance with the ISO 9001 standard;
- (e) Other advisory services including: (i) advice on audit clauses in project agreements; (ii) participation in key senior management meetings, including the treasury management system implementation; and (iii) coordination and support to the JIU as well the annual report on UNOPS implementation of JIU recommendations.

53. During 2019, the Investigations Section collaborated with management to implement a new function in the ERP system that flagged employees with disciplinary actions or ongoing investigations. Previously, this had been done manually, with business units contacting IAIG to enquire if an employee with an ongoing investigation was separating and to prevent UNOPS from rehiring employees who had been disciplined.

54. Other investigative advisory activities included: (a) providing support to management on specific activities (e.g., on fraud prevention and detection); (b) providing and coordinating trainings on investigations; (c) continuing enforcement of investigation recommendations; (d) executing memoranda of understanding with other organizations to facilitate information sharing;

(e) continuing to establish investigation best practices by participating in and working with United Nations Representatives of Investigation Services (UN-RIS); and (f) providing advisory services to the UNOPS Prevention of Sexual Exploitation and Abuse Working Group.

IX. Investigations

55. IAIG is the sole entity in UNOPS responsible for conducting investigations into allegations of fraud, corruption, abuse of authority, workplace harassment, sexual exploitation, retaliation and other acts of misconduct.

56. In 2019, IAIG handled significantly more cases than previous years. IAIG closed 93 cases, 58 per cent up on 2018 (59 cases). Despite this increased workload, IAIG completed its cases more quickly. The average time taken in 2019 to close cases (3.4 months) was 11 per cent shorter than in 2018 and 29 per cent shorter than in 2017. Most of the increase in the caseload related to cases involving vendors; IAIG referred 57 vendors for sanctions, 63 per cent more than in 2018.

57. IAIG continued to focus on cases involving fraud and financial irregularities. As a result, UNOPS recovered \$125,275 of misappropriated funds in 2019 based on investigations conducted by IAIG, of which \$18,385 related to 2019 investigations and \$106,890 to investigations of previous years.

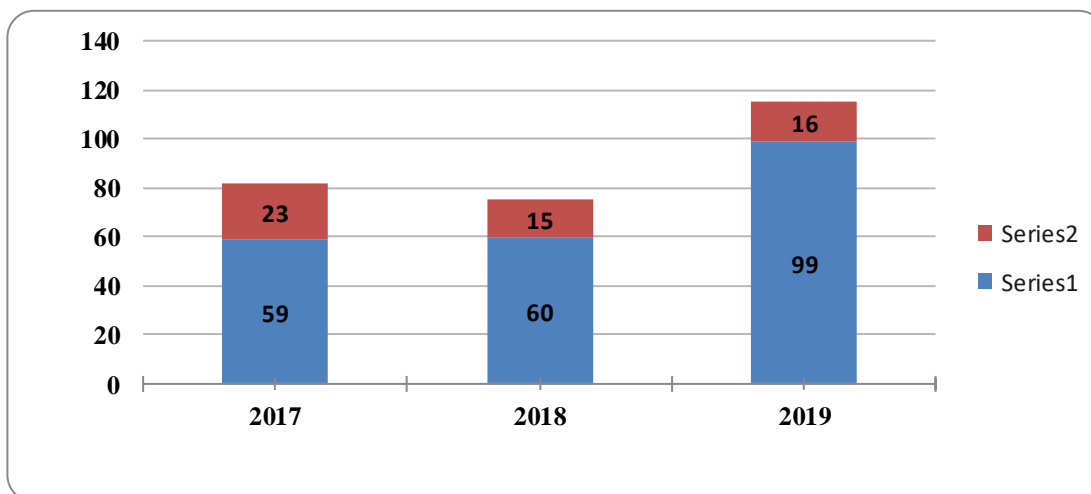
A. Complaint intake

58. In 2019, IAIG received 230 complaints, a 52 per cent increase compared to 2018 (151 complaints). IAIG opened 99 cases based on these complaints; the remainder were found to be outside the IAIG mandate or could be more appropriately handled by a different unit. The increased caseload was partly due to improved due diligence by procurement teams who identified several instances of proscribed practices by vendors during bid evaluation. For example, 22 of the cases opened in 2019 involved vendors who submitted fraudulent documents in procurement exercises.

B. Cases opened

59. In addition to the 99 cases opened in 2019, there were 16 cases carried over from previous years (figure 5).

Figure 5. Number of cases opened, 2017-2019

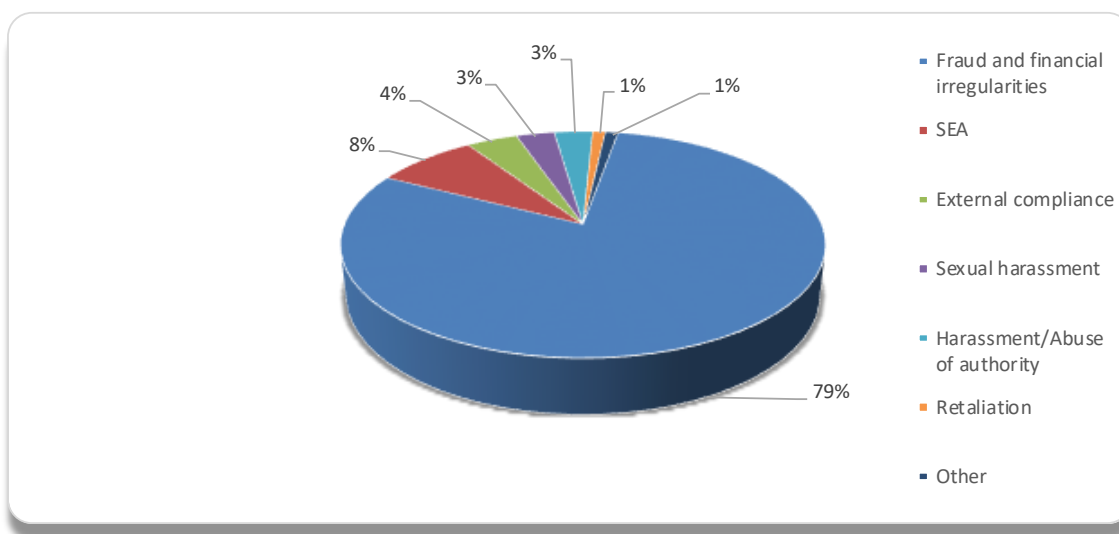


60. Of the 99 cases opened in 2019, 71 were referred by management or personnel, nine were received from external parties, eight were referred by other United Nations

organizations and seven originated from IAIG audits and investigations. The remaining four were reported by anonymous complainants.

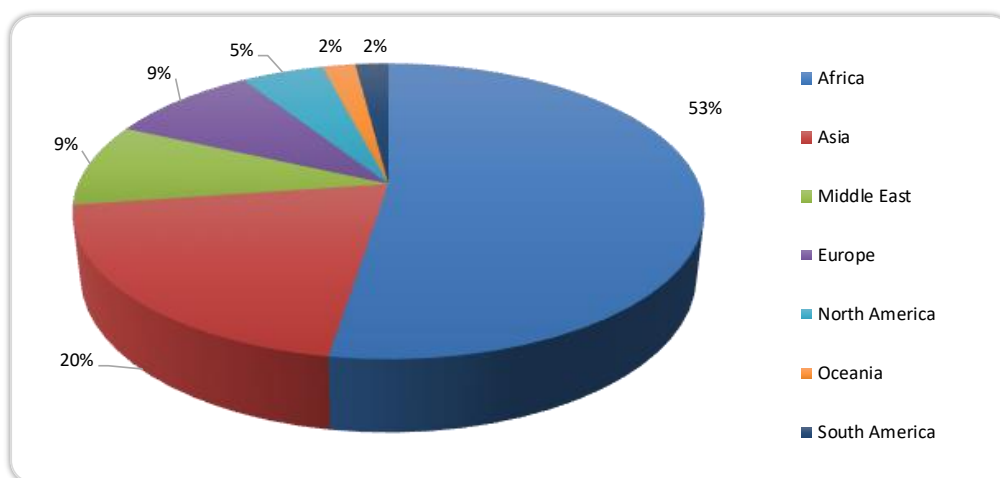
61. The majority of cases opened in 2019 (78 cases) involved alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of resources). Eight cases involved alleged sexual exploitation and abuse, and another three cases involved alleged sexual harassment. The remainder involved other alleged misconduct: four cases related to external compliance (medical insurance fraud and violation of local laws), and three to harassment and/or abuse of authority. There was also one case relating to retaliation, one to conflict of interest, and one to misuse of UNOPS assets.

Figure 6. Types of cases opened in 2019



62. Africa remains the region from which IAIG opened the most cases in 2019 (52 cases or 53 per cent), followed by Asia (20 cases), the Middle East (nine cases) and Europe (nine cases). IAIG also opened five cases in North America, two in South America and two in Oceania.

Figure 7: Geographic distribution of cases opened in 2019



C. Outcome of investigations

63. When a complaint is received, IAIG conducts an initial review to determine whether the allegations fall within its mandate and jurisdiction. If they do, IAIG conducts either a preliminary assessment or an investigation, depending on the sufficiency of evidence and seriousness of allegations.

64. If allegations against a UNOPS personnel member are substantiated, IAIG refers the case to the Human Resources Legal Officer for disciplinary action, in accordance with operational instruction OI.IAIG.2018.01. If they involve a UNOPS vendor, the matter is referred to the Vendor Review Committee, pursuant to operational instruction PG.2017.02. Retaliation cases are referred to the Ethics Officer, under operational instruction OI.Ethics.2018.01.

65. In 2019, IAIG closed 93 cases (see table 6 below).

Table 6. Investigation caseload in 2019

	Number of cases	Per cent
Caseload in 2019		
(a) Cases carried over from previous years	16	14
(b) Cases received in 2019	99	86
Total	115	100
Cases closed in 2019	93	81
Cases carried over to 2020	22	19

66. In 2019, IAIG investigated 58 per cent more cases than in 2018 but completed its cases more quickly. The average time for IAIG to complete a case in 2018 was 3.4 months, compared to 3.8 months in 2018 and 4.8 months in 2017. As of 31 December 2019, IAIG had only four cases that had been open for more than six months and no case older than 12 months.

67. Of the 93 cases that IAIG closed in 2019, 53 (57 per cent) were substantiated.¹⁰ In 38 cases, IAIG concluded that allegations were not substantiated. In the two remaining cases, IAIG concluded that the allegations were outside of its mandate.

Substantiated cases

68. The 53 substantiated cases (refer to annex 4) involved 39 personnel members and 57 vendors. IAIG referred the personnel members to the Human Resources Legal Officer for disciplinary action, and the vendors to the Vendor Sanctions Committee. The majority of the cases where misconduct was found involved fraud or financial irregularities (44 cases).

Table 7. Outcome of investigation cases in 2019

Outcome	Count
A. Cases not substantiated	
• After initial review or preliminary assessment	25
• After investigation	13
Subtotal	38
B. Cases outside UNOPS mandate	2
C. Cases substantiated	53
Total	93

¹⁰ Three cases involved allegations against employees of implementing partners. These partners found the allegations substantiated and took appropriate action. As a result, IAIG did not refer them to the Vendor Review Committee.

Financial losses and recovery thereof

69. The total financial loss substantiated in investigation cases by IAIG in 2019 amounted to \$78,302. This amounts to less than 0.1 per cent of UNOPS total annual resources. IAIG referred this loss to management for recovery. In 2019, management recovered \$125,275 from losses identified by IAIG during 2019 and previous years.

Management letters

70. IAIG issued 11 management letters to relevant business units, raising recommendations for addressing weaknesses in internal controls, as identified by investigators. IAIG utilizes the audit recommendations tracking tool to ensure that recommendations given in these letters are addressed in a timely manner.

Action taken in cases of misconduct

71. IAIG referred 39 individuals to the Human Resources Legal Officer in 2019:

- (a) One person had their contract terminated;
- (b) Two individuals separated from UNOPS before the investigation was completed, and three separated after IAIG referred the case to the Human Resources Legal Officer. Letters were placed in their files indicating they would have been charged with misconduct had they remained employed with the organization;
- (c) Six external candidates, who cheated during recruitment tests, had notes placed in their personnel files stating the matter was to be considered in future recruitments; and
- (d) The cases for 27 individuals were pending at the end of 2018.

Action taken in cases of misconduct (prior cases)

72. UNOPS also addressed matters against 10 individuals whose cases originated prior to 2019. Nine individuals were terminated, and one had a note placed in their file indicating they would have been charged with misconduct had they remained employed with the organization.

Vendor sanctions

73. IAIG referred 30 cases involving 57 vendors and 58 company principals to the Vendor Review Committee in 2019. The committee took action in 15 of the 30 cases. As a result, UNOPS debarred:

- (a) One vendor and one company principal for one year;
- (b) Twenty vendors and 24 company principals for three years;
- (c) Four vendors and six company principals for five years;
- (d) Two vendors and two company principals for seven years; and
- (e) One vendor and one company principal permanently.

74. The committee censured one vendor.¹¹ At the close of 2019, it was reviewing the 15 other cases.

75. In addition, the committee took action in nine cases that originated prior to 2019. It debarred:

- (a) Five vendors and two company principals for three years;
- (b) Four vendors and two company principals for five years; and

¹¹ The censures do not affect their eligibility to do business with UNOPS or the United Nations, but they would be considered an aggravating factor in any future proceeding. UNOPS operational instruction PG.2017.02 on vendor sanctions, section 6.1.1.

(c) Nine vendors and seven company principals for seven years.

76. To date, UNOPS has sanctioned 239 vendors and company principals based on IAIG findings. More details, including all UNOPS entries to the United Nations ineligibility list, are publicly available on the UNOPS website.

77. The IAIG continuous auditing and data analytics programme continues to crosscheck sanctioned personnel and vendors against transactions as a prevention mechanism.

D. Strengthening the investigative capacity

78. In 2019, IAIG had five dedicated professionals who were supported by an investigative assistant. To assist with the increased number of cases, IAIG upgraded one of its positions to Senior Investigator. IAIG also occasionally relies on consultants for additional support.

79. IAIG continues to focus its limited resources on serious cases and refers less serious matters to the appropriate offices. For instance, IAIG has continued to work closely with senior managers, who may undertake initial reviews of allegations on its behalf. IAIG has also worked with the People and Change Group on cases of harassment and abuse of authority.

80. IAIG used the services of BDO with which it has a long-term agreement to perform its forensic computer services.¹² IAIG also uses an eDiscovery tool to conduct a portion of the forensic analysis internally. This tool has increased the efficiency of investigators in their review of data.

81. In 2019, IAIG established a hotline for individuals wishing to report misconduct. This online portal consolidates the different reporting channels for all types of wrongdoing and guides the complainants to provide all the relevant information. This portal ensures that complaints are automatically referred to the relevant unit and increases the efficiency of IAIG in reviewing complaints.

82. IAIG also introduced a new control in the UNOPS ERP to facilitate the recovery of misappropriated funds. IAIG now receives automatic notification if the subject of an active investigation is separating from the organization, enabling it to request the withholding of final payment until case completion. As a result of this new control, UNOPS recovered approximately \$2,000 from an employee who defrauded the organization.

E. Sexual exploitation and abuse and sexual harassment

83. As discussed above, in 2019, IAIG opened eight cases involving sexual exploitation against its personnel and implementing partners. IAIG reported seven allegations to the Office of the Secretary-General because they contained sufficient information to identify an act of sexual exploitation and abuse against an identifiable perpetrator or identifiable victim.

84. Following the victim-centric approach, IAIG prioritizes these cases, with both specially trained investigators and shortened case duration. In 2019, IAIG completed such cases in an average time of less than 100 days.

85. Out of the eight cases, one allegation was substantiated. In that case, the implementing partner fired the employee but failed to disclose the allegations to UNOPS in a timely manner. IAIG thus referred the agency and its principal to the Vendor Review Committee, which permanently debarred both.

86. Four cases involved consensual, adult relationships between local residents with no evidence of exploitation. One case contained only a general statement with no

¹² BDO provides tax, audit and assurance, advisory and business outsourcing services globally: <https://www.bdo.co.uk/en-gb/home>.

identifiable victim, and a complainant that refused to cooperate. Another case was inaccurately reported as sexual exploitation and abuse, and the last case was unfounded.

87. In 2019, IAIG continued to provide support to senior management in relation to protection against sexual exploitation and abuse. It chairs the UNOPS Working Group on Preventing Sexual Exploitation and Abuse (PSEA), supporting management's implementation of many initiatives of the Secretary-General. For example, as the investigative body, IAIG is responsible for reporting to the Office of the Secretary-General all allegations where there is sufficient information to identify an act of sexual exploitation and abuse against an identifiable perpetrator or identifiable victim. These include allegations related to both UNOPS personnel as well as personnel working for its implementing partners.

88. IAIG also works closely with the other United Nations organizations on these issues, through its membership in the United Nations PSEA Working Group and UN-RIS, and by attending conferences held by the Inter-Agency Standing Committee and the United Nations Chief Executives Board Task Force on Addressing Sexual Harassment in the Organizations of the United Nations System.

89. IAIG helps management facilitate UNOPS participation in the United Nations Clear Check, an inter-agency vetting database for employees designed to ensure that former personnel involved in substantiated cases of sexual harassment, exploitation and abuse with one entity in the United Nations system cannot be employed by another. In 2019, IAIG registered two former UNOPS personnel members, one for sexual harassment and one for sexual exploitation and abuse.

90. Training was another area in which IAIG supported management, with workshops on sexual exploitation and abuse and sexual harassment. These workshops focused on basic principles, case scenarios, and UNOPS response to the Secretary-General's initiatives in both areas. IAIG also helped train UNOPS protection against sexual exploitation and abuse field focal points, including an inter-agency workshop.

F. Fraud prevention

Training

91. IAIG recognizes the high-risk environments in which UNOPS operates and is committed to strengthening preventative measures, particularly in the field of fraud. In addition to the mandatory training courses that UNOPS requires, IAIG conducts an in-person 'standards of conduct' workshop for its personnel. The objectives are to proactively raise the awareness of UNOPS employees on the importance of operating in line with the highest ethical standards, aligning UNOPS work with its vision, mission and values, and training personnel on how to spot potential issues and report them.

Integrity, ethics and anti-fraud survey

92. The organization is committed to deterring, detecting and preventing fraud and other misconduct. In collaboration with the Ethics Office, IAIG conducted its seventh annual confidential survey regarding integrity, ethics and anti-fraud. To improve efficiency, IAIG conducted the survey jointly with the UNOPS people survey, and issued it in English, French and Spanish.

93. Seventy-five per cent of UNOPS-supervised personnel participated in the survey, up from 61 per cent the previous time. The survey provided valuable insights into areas of susceptibility to fraud, employees' concerns and the effectiveness of deterrence programmes and mechanisms for addressing issues. The results of the survey will be incorporated into the planning of future activities, such as training and other preventative measures.

X. Summary of follow-up of internal audit recommendations

A. Implementation of audit recommendations issued in 2019 and prior years

94. In line with the International Professional Practices Framework for Internal Auditing, the IAIG annual work plan included follow-up and monitoring activities to ensure that management actions have been effectively implemented. IAIG also tracks recommendations resulting from investigations. In 2019, IAIG worked closely with management to ensure deliberate targets for implementation were established and monitored based on internal scorecards.

95. Table 8 shows the outcome for all audit recommendations issued from 2008 to 2019. Of the audit recommendations issued in or prior to 2018, 99 per cent were implemented. The overall implementation rate at 31 December 2019, which includes recommendations issued within the year, was 96 per cent, the same as the previous year; this demonstrates continued management responsiveness and commitment.

B. Recommendations unresolved for 18 months or more

96. Of 64 recommendations issued more than 18 months before 31 December 2019 (on or before 30 June 2018) only one remained unresolved. This is to be compared with the figure for the end of 2018, when 12 recommendations that reached 18 months were outstanding. All 12 recommendations reported as outstanding for more than 18 months in last year's annual report are now closed. Details are provided in annex 1.

Table 8. Status of implementation of audit recommendations as at 31 December 2019

Number of audit recommendations	2008-2018	2019			2008-2019
	Total	Internal audits and reviews	Project audits	Total	Grand Total
Implemented/closed	4,640	12	36	48	4,688
<i>as a percentage</i>	99%	10%	63.%	28%	96%
Under implementation	48	105	21	126	174
<i>as a percentage</i>	1%	90%	37%	72%	4%
Total	4,688	117	57	174	4,862

XI. Operational issues

A. Resources

97. During 2019, the Internal Audit Section consisted of one manager (ICS 12: P5), two internal auditors (ICS 11: P4 and ICS 11: I-ICA 3), four audit specialists (one ICS 10: P3 and three ICS 10: I-ICA 2),¹³ one data analytics officer (ICS 09: I-ICA 1) and one audit assistant (ICS 05: L-ICA 5).¹⁴ The section was also supported by an audit specialist retainer.

98. The role of the Chief Information Security Officer (CISO) was incorporated in IAIG in March 2019. This section is composed of the Chief Information Security

¹³ I-ICA: International Individual Contractor Agreement.

¹⁴ L-ICA Local Individual Contractor Agreement.

Officer (ICS 11: IICA-3) and the Technology Risk Management Intern.¹⁵ The CISO is responsible for establishing and maintaining the vision, strategy and programmes to ensure information assets and technologies are adequately protected. The CISO identifies, develops, implements and maintains processes across UNOPS to enhance cyber security, to reduce ICT-related risks and to support UNOPS technology advancements.

99. The Investigations Section is composed of one manager (ICS 12: P5), two senior investigators (ICS 11: I-ICA-3 and ICS 10: P3), one investigator (ICS 10: I-ICA-2), one investigator (ICS 09: I-ICA-1) and two investigations assistants (ICS 05: L-ICA-5 and ICS 04: L-ICA-4).

100. The Director (D1) provides direction and support to the entire group.

101. The total budget for IAIG in 2019 was \$3.592 million, and in 2020 it will be \$3.560 million. The slight fall is due to a decrease in investment funding earmarked for specific one-off activities in accordance with the annual workplan. A key priority is to do-more-with-less, therefore IAIG will execute its 2020 annual workplan without an increase in budget and resources.

102. The IAIG internal structure is supplemented by guest auditors, third-party professional firms, and subject matter experts, such as investigative experts and computer forensics specialists. IAIG continued to retain a part-time editor for quality assurance of its engagement reports.

B. Collaboration with professional bodies, other groups and units

103. During 2019, IAIG continued its involvement with the United Nations Representatives of Internal Audit Services (UN-RIAS), participating in all quarterly virtual meetings as well as the annual meeting. IAIG will continue its involvement with this body as well as with UN-RIS, coordinating internal audit and investigative activities among United Nations organizations.

104. In 2019, IAIG signed new cooperation agreements with the Inter-American Development Bank, the World Bank Group and the International Federation of Red Cross, bringing to 17 the number of such agreements. These agreements not only strengthen the confidence partners have in UNOPS, but serve as a strong assurance-building tool for field colleagues negotiating for client funds.

105. With the objective of enhancing its investigation function, IAIG collaborated with various UNOPS units: the Legal Group, the People and Change Group, the Ethics and Compliance Office, and several regional and country offices. IAIG was thereby able to resolve many issues raised through official and other channels without proceeding into investigation.

106. As in previous years, IAIG coordinated its annual workplan with the United Nations Board of Auditors, with which it also shared its audit results and final audit reports.

107. IAIG continued in 2019 to work closely with the JIU to strengthen internal oversight within UNOPS.

108. IAIG maintained its partnership with the Association of Certified Fraud Examiners and the Association of Certified Anti-Money Laundering Specialists, which will help to raise UNOPS standard of practice and recognition among other international organizations.

109. IAIG also continued its formal relationship with the Institute of Internal Auditors, to whose international professional practices framework it adheres and of which all IAIG auditors are members.

¹⁵ Utilized equally between Internal Audit and CISO.

110. Auditors met their continuing professional education requirements and maintained their respective audit and accounting designations and memberships.

C. Strengthening the audit function

111. IAIG works to continuously improve its professional practices, internal policies and procedures to remain relevant and current. IAIG further expanded use of its online work planning and resource allocation tool (Wrike™) to improve productivity.

112. In 2019, the internal audit team implemented a new matrix whereby the priority given to any commonly occurring audit recommendation is standardized according to the type and occurrence of the identified issue. The aim is to reduce subjectivity when allocating recommendation priorities across all audit reports.

D. Data analytics and continuous audit

113. As communicated in the activity report for 2017, IAIG developed a dashboard and exception reports in oneUNOPS to enable continuous auditing and to communicate anomalies to management so that corrective action can be taken.

114. The IAIG data analytics programme has continued to evolve following new developments in oneUNOPS and other UNOPS information management systems. IAIG performed an internal assessment of all current data analytics tests and created an enhancement programme to perfect the current tests and dashboards. In addition, IAIG has worked on a new machine-learning initiative that will combine all existing data analytics tests to provide even more insightful information.

115. The data analytics programme revealed that certain processes were prone to risks and needed strengthening. A summary of the issues referred to management included:

- (a) *Human resources*: extensions of contracts were approved with a daily fee rate of \$30,682 in one case and \$28,177 in another. The extensions were not activated, and so no payments were made; however, the extensions were approved by the appropriate authority without the proper control.
- (b) *Procurement process*: (i) 18 cases exhibiting a pattern typical of bid collusion were referred for further analysis; and (ii) 27 non-purchase-order payments each equal-to-or-above \$2,500 amounting to \$146,221 were approved by field offices.
- (c) *Project management*: (i) 44 purchase orders and 11 non-purchase-order payments totalling \$1,324,308 were raised after the project implementation end-date; and (ii) 115 projects with implementation end-dates falling before the end of December 2017 were as of 31 December 2019 not yet financially closed.

E. Counter-fraud audit initiatives

116. In 2019, IAIG continued to expand its fraud focus in each internal audit engagement, by improving its data-based fraud detection methods developed in the last few years, and by developing new audit programmes and working papers.

117. The data analytics initiative described earlier is also directed at fraud detection and prevention. Each audit includes individually designed data analytics tests that cover risks, such as duplicate payments, engagement of sanctioned vendors, bid collusion, and approval violations.

118. In 2019, IAIG provided procurement practitioners in the Africa region with scenario-based training on how red flags identified during internal audits lead to investigations of fraud. All IAIG trainings are tailored to counter fraud.

119. As a result of this approach, internal audit engagements resulted in two cases of presumptive fraud being referred to the Investigations Section for further scrutiny; one case was substantiated; the other is in progress.

F. Key issues identified based on IAIG initiatives

120. Through robust audit efforts, including its enhanced audit programmes, IAIG identified material audit issues that were referred to management for action. The issues included:

- (a) late receipting resulting in a misstatement of project delivery by \$11.6 million;
- (b) purchase orders created after receipt of goods/services amounting to \$4.7 million;
- (c) recurring incorrect expense accounts classification amounting to \$2.4 million;
- (d) overspent projects in excess of \$1.4 million, which may result in write-offs from reserves; and
- (e) inadequate oversight and lack of transparency in human resources processes, such as inappropriate use of desk reviews and errors in consultant fee calculations.

121. Management actions on the above issues are followed up on as part of IAIG tracking of management action plans.

G. External quality assessment and continuous improvement

122. IAIG has demonstrated its commitment to improving its internal audit function not only by undergoing the required five-yearly external assessments of its conformance to Institute of Internal Auditors (IIA) standards, but also by undergoing a voluntary assessment in 2019. The periodic assessments of 2012 and 2017 had found that IAIG “generally conforms” to the standards and complies with the institute’s code of ethics. In the optional external quality assessment of 2019, IAIG was found again to “generally conform” to the standards. This is the highest IIA rating offered. This latest assessment responded to the continuous IAIG desire to improve the quality improvement process. A second external peer review of the investigations function is scheduled to be completed in 2020.

123. As part of the IAIG Quality Assurance and Improvement Programme, all IAIG members attended an external quality assessment training session at the IAIG retreat in December 2019.

124. IAIG also contributed to the IIA Global Audit Information Network (GAIN) benchmarking tool.

125. Additionally, many internal development initiatives were carried out and completed in 2019 in the areas of branding and outreach, audit recommendations system, stakeholder management, health and safety, cybersecurity and sourcing.

H. Technology enabling initiatives

126. Throughout 2019, IAIG attended the monthly Operational Governance Panel meetings to ensure that IAIG is up to date with technological initiatives and to enable IAIG to better understand risk and synergies for UNOPS. IAIG will continue its proactive collaboration and will adapt its workplan to work with UNOPS units on ICT, including Google Suite, oneUNOPS projects, the internal development of the enterprise portfolio and project management system (PMM), and oneUNOPS reports. Other initiatives included:

- (a) *Oversight issues and tracking of audit recommendations:* In 2019, IAIG collaborated with ICT to develop a real-time audit recommendation tracking tool that covers all oversight recommendations made by IAIG, the United Nations Board of Auditors and JIU. Management will be able to track the status of recommendations on a global, regional or departmental basis in oneUNOPS. The development of this tool was completed in December 2019 and was launched in February 2020.
- (b) *Knowledge management:* IAIG collaborated closely with colleagues from the UNOPS Infrastructure and Project Management Group and the People and

Change Group in the development of the UNOPS knowledge management strategy. This is a key component of the UNOPS Strategic Plan, 2018-2021. IAIG is already implementing a knowledge sharing culture among its team members as well as with other UNOPS practices.

- (c) *Internal control framework:* During 2019, IAIG supported the Finance Group with the recruitment of an internal controls specialist. In 2020, IAIG will provide its support and advisory to the Finance Group on the completion of the internal control framework.
- (d) *UNOPS new intranet:* In connection with the knowledge management initiative and the IAIG stakeholder improvement plan, IAIG worked internally to include more insightful information about IAIG resources, accomplishments, collaborations and specific added value in different areas on the new intranet.

XII. Audit Advisory Committee

127. The Audit Advisory Committee continued to review the IAIG annual workplan and budget, the quality assurance and improvement plan and final engagement reports. The committee also provided input to enhance the effectiveness of the internal audit and investigation functions. The committee's annual report for 2019 is included in annex 3.
