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

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Internal audit and oversight

**United Nations Office for Project Services: Annual report of
the Internal Audit and Investigations Group on internal audit
and investigation activities in 2022**

Summary

The Internal Audit and Investigations Group of UNOPS submits to the Executive Board its annual report on internal audit and investigation activities for the period 1 January to 31 December 2022.

As requested by the Executive Board in its decision 2015/13 concerning internal audit activities, this report includes: (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNOPS framework of governance, risk management and control; (b) a concise summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards being adhered to; and (d) a view on whether resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit and investigation coverage.

Elements of a decision

The Executive Board may wish to:

- (a) Take note of the annual report of the Internal Audit and Investigations Group, 2022, and the management response thereto;
- (b) Take note of the significant progress made in the implementation of audit recommendations;
- (c) Take note of the Group's compliance with international standards, as confirmed in an external quality assessment of its audit function;
- (d) Take note of the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNOPS framework of governance, risk management and control (pursuant to Executive Board decision 2015/13); and
- (e) Take note of the annual report of the Audit Advisory Committee, 2022 (pursuant to decision 2008/37) and the revised terms of reference.



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I. Introduction

1. **Objective.** This report summarizes the activities conducted in 2022 by the UNOPS Internal Audit and Investigations Group. It provides an overall opinion on the adequacy and effectiveness of UNOPS governance, risk management and control processes, based on the scope of work undertaken.¹ Criteria used in forming this opinion included: the results of internal audits and project audits in 2022; the results of third party reviews in 2022; the implementation of actions to address audit recommendations from this and prior years; forensic audits; continuous auditing and data analytics programmes; and conclusions from investigations.

2. **Opinion.** In the opinion of the Group, based on the scope of audit and investigation work in 2022, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (major improvement needed), which means that they were established and functioning but needed major improvement. The results of the two third-party reviews of the UNOPS oversight mechanisms for Sustainable Investments in Infrastructure and Innovation ('S3i') and of UNOPS internal control systems were not satisfactory; nor was the self-assessment of independence. However, as detailed in chapter VIII of this report, 98 per cent of recommendations made by the Group were acted upon, demonstrating that appropriate and timely action was taken as and when improvements were necessary in governance, risk management and control. There was one open agreed action older than 18 months as at 31 December 2022, three fewer than as at 31 December 2021.

3. **Audit output.** In 2022, priority was given to work arising from the failures associated with the former S3i initiative, including (a) a comprehensive assessment of independence; (b) implementation of the 11 recommendations made in the independence assessment; (c) coordination with the United Nations Office of Internal Oversight Services on the investigations related to S3i irregularities; (d) the work carried out by the Director of the Group, who was instructed to act as the sole UNOPS focal person for all legal affairs arising from the failures associated with the S3i initiative; (e) working with donors and partners to re-establish the reputation of UNOPS; and (f) revision of the audit charter of the Group. In addition, the Group delivered 11 internal audit and advisory reports, 1 forensic audit report and 37 project audit reports². The average time taken for internal audit reports to be issued was 109 days, which exceeded the key performance indicator target of 90 days. The Group also showed more flexibility in managing audit queries, as the country offices have been heavily involved in managing partner concerns arising from S3i crisis. The Group issued 155 recommendations in 2022 compared to 122 in 2021. The increase was caused by the larger number of recommendations from project audits and the recommendations pertaining to the self-assessment.

4. **Investigation output.** The Group handled significantly more cases in 2022 than in 2021. It opened 124 cases, a 51 per cent increase from 2021 (82 cases). Despite the increased workload, the Group was able to complete 106 cases within an average of 4.3 months. The total financial loss substantiated in investigation cases in 2022 amounted to \$971,293, compared to \$375,550 in 2021.

5. **Quality.** The audit team underwent an external quality assessment in 2021 and received the top rating of 'general conformance' with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. In addition, the investigations team underwent an external quality assessment in 2020, which provided an overall positive conclusion, including conformity with its legal framework and generally accepted standards for investigations in international organizations.

6. **Supporting strategic initiatives.** In its field audits across the world, the Group focused on the key strategic and functional areas of: health, safety, social and environment management; protection against sexual exploitation and abuse; and gender. It initiated four advisory engagements in 2022, namely, crisis management; design review process efficiency; protection against sexual exploitation and abuse; and health, safety, social and environmental management, all of which will be completed in 2023. It also followed up on the 51 sustainable solutions stemming from the 2021 root-cause analysis engagement of 20, 18 of which were successfully implemented and closed in 2022.

¹ Decision 2015/13

² A project with both internal audit and financial audit reports is counted as one project audit report.clo

7. **Accountability framework.** The pillars of the UNOPS accountability framework and oversight policies that are internal to UNOPS comprise: the Group; 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 quarterly business review of corporate performance; and UNOPS Executive Office directives and instructions. The external pillars of the UNOPS accountability framework and oversight policies are: the General Assembly; the Secretary-General; the Executive Board; the United Nations Board of Auditors; the Joint Inspection Unit; the Advisory Committee on Administrative and Budgetary Questions; and the Fifth Committee of the General Assembly.

8. **Policy framework.** UNOPS continues to operationalize its governance, risk and compliance framework, simplifying its internal policy instruments and enhancing their alignment with processes. In 2022 it issued one Executive Office directive, one executive operational instruction, one operational directive and seven operational instructions. The Executive Director promulgated the updated UNOPS Legislative Framework and the updated Internal Audit and Investigations Charter. The policy improvements encompassed project management, ethics, treasury and cash management, risk management, and the UNOPS legislative framework itself.

II. Mandate

9. The mandate, scope, responsibility, accountability and standards of Internal Audit and Investigations Group are defined by the Internal Audit and Investigations Charter pursuant to operational directive OD.ED.2022.01. Under the UNOPS governance, risk and compliance framework, the Group constitutes the third line of defence. The mandate and functions for internal audit and investigations within UNOPS are approved by the Executive Director in UNOPS financial regulations and rules pursuant to directive EOD.ED.2017.04.

10. The Director of the Group reports to the Executive Director of UNOPS, supporting the accountability function. The Group provides UNOPS with independent and impartial assurance, advice and consulting services to improve UNOPS operations. It assists UNOPS in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of UNOPS risk management, control and governance processes. It also assists in protecting the integrity and reputation of the organization.

11. The Group continued to interact with the UNOPS Audit Advisory Committee in 2022. In accordance with decision 2008/37, the annual report of the Audit Advisory Committee for 2022 is attached to this report as annex 7.

12. The International Standards for the Professional Practice of Internal Auditing require that the chief audit executive reports 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. The Group, which should be free from interference, is responsible for investigating allegations of fraud, corruption, and sexual and other forms of misconduct committed by UNOPS personnel, contractors and other parties to the detriment of UNOPS.

13. In its decision 2022/21, the Executive Board requested the Director of the Group to provide a comprehensive assessment of its independence. The assessment concluded that the Group was not free from interference in its audit and investigative functions, and made 11 recommendations to strengthen its independence. Upon the implementation of the 10 recommendations and partial implementation of the remaining one in 2022, and considering the current free and unrestricted access by the Director of the Group to the Board and the Audit Advisory Committee, the Group confirms its organizational independence.

III. Opinion

14. Management is responsible for maintaining the adequacy and effectiveness of UNOPS governance, risk management and control. The Internal Audit and Investigations Group is responsible for independently assessing the adequacy and effectiveness of the framework.

15. **Basis of opinion.** The Group conducted the assessment in accordance with the Professional Practices Framework of the Institute of Internal Auditors, and the Uniform Principles and Guidelines for Investigations

developed and endorsed by the Conference for International Investigators. The Group believes that the evidence obtained is sufficient and appropriate to provide a basis for the opinion.

16. **Exclusions.** There are no exclusions.

17. **Scope limitations.** There are no scope limitations.

18. **Overall opinion.** The opinion of the Group is that the adequacy and effectiveness of UNOPS governance, risk management and control processes were partially satisfactory (major improvement needed). This means that they were established and functioning but needed major improvement. Issues identified could significantly affect the achievement of UNOPS objectives.

IV. Summary of work and criteria for the opinion

19. The overall opinion reached by the Internal Audit and Investigations Group is based on the following evidence: (a) the development and implementation of the 2022 risk-based audit plan approved by the Executive Director after review by the UNOPS Audit Advisory Committee; (b) individual audit engagement results and ratings;³ (c) third party review⁴ results and independence self-assessment results; (d) progress made by management in implementing actions to address audit recommendations; (e) forensic audits; (f) the continuous auditing and data analytics programme; (g) findings from investigations; (h) the number of audit recommendations issued; and (i) the implementation status of audit recommendations as at the end of the calendar year.

Table 1. Distribution of audit ratings for 2021 and 2022

Year	2022				2021			
Report ratings	Internal audits ^{a/}	Project audits ^{b/}	Weighted report ratings ^{c/}	Percentage of total	Internal audits	Project audits	Weighted report ratings	Percentage of total
Satisfactory	3	54	30.0	73%	3	49	27.5	85%
Partially satisfactory: some improvement needed	3	13	9.5	23%	1	2	2.0	6%
Partially satisfactory: major improvement needed	1	0	1.0	3%	1	0	1.0	3%
Unsatisfactory	0	1	0.5	1%	2	0	2.0	6%
Total	7	68	41.0	100%	7	51	32.5	100%

^{a/} In collating audit conclusions, the Society for Worldwide Interbank Financial Telecommunication ('SWIFT') security assessment report (which confirmed compliance with the SWIFT mandatory controls), and the two investment confirmation reports (with confirmed and reconciled balances) are considered satisfactory.

^{b/} Financial audit report and internal audit report of the same project are counted as two project audits in this table. For the purpose of the current calculation, a project financial audit with an unqualified opinion is considered satisfactory, while a project financial audit with a qualified opinion is considered unsatisfactory.

^{c/} Project audits may not fully represent the governance, risk and compliance aspects of UNOPS, as their scope is different from internal audits of country offices. Nevertheless, they provide an indication of UNOPS governance, risk and compliance. The Group estimates that the results of the project audits give a 50 per cent assurance about this area.

³ Audit engagements include internal audits of field offices, advisory reviews, internal audits and financial audits of projects.

⁴ Third-party reviews include a review of effectiveness of the UNOPS oversight mechanisms for S3i and a review of UNOPS internal control systems.

20. The Group relies on management to proactively identify and communicate known instances of materialized risks, potential control failures, irregularities, or regulatory non-compliance that could be material to the control environment.
21. The quantitative and qualitative data below were considered in forming the overall opinion for 2022:
- (a) For project financial audits in 2022, one project audit report with a qualified opinion was issued (none in 2021);
 - (b) For project internal audit reports, the accounting impact of audit observations was \$1,458,873 (\$121,794 in 2021);
 - (c) In 2022, the Group substantiated \$971,293 in fraud, compared to \$375,550 in 2021;
 - (d) No payments to sanctioned vendors were substantiated in either 2022 or 2021;
 - (e) No duplicate payments were substantiated in 2022 (\$5,201 in 2021);
 - (f) The implementation rate of internal audit recommendations, which was 98 per cent at the end of 2022, was judged ‘satisfactory’, indicating that UNOPS took effective and timely action to address deficiencies identified in audits (97 per cent in 2021); and
 - (g) More recommendations were issued in 2022 than in 2021 (155 recommendations in 2022, up from 122 in 2021).

V. Statement of independence and conformance to internal audit standards

22. The Internal Audit and Investigations Group conducts its internal audit work in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, which were adopted for use by Representatives of the Internal Audit Services of the United Nations Organizations in June 2002.
23. The Group maintains an internal quality-assurance and improvement programme that includes engagement-level quality assurance, ongoing self-assessments (including client feedback) and an external quality assessment of the internal audit function every five years.
24. In the most recent such assessment, completed in 2021, the Group received the top rating of ‘general conformance’ with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors’ Code of Ethics.
25. As part of its quality assurance and improvement programme, the Group performs an auditee satisfaction survey with all auditees after each engagement is concluded. The results of the surveys are analysed internally twice a year, and a summary of the results obtained is shared with the team, highlighting good practices, areas of improvement, and their corresponding action plans, and comparing the results with those of previous years.
26. The Group conducted a comprehensive assessment of its independence. The assessment concluded that it was not free from interference in its audit and investigative functions, and 11 recommendations were made to strengthen its independence. The results of the assessment were communicated to the Board at its second regular session 2022. Ten recommendations were fully implemented in 2022 and the Group revised its charter, addressing all gaps that had contributed to its lack of independence in past years. The remaining recommendation was partially implemented in 2022, with completion expected in 2023.

VI. Resource allocation and deployment

27. During 2022, the Internal Audit section consisted of one audit manager (ICS⁵ 12: P5), two internal auditors (ICS 11: P4, and ICS 11: IICA 3),⁶ three audit specialists (one ICS 10: P3, and two ICS 10: IICA 2), a data analytics specialist (ICS 10: IICA 2), a data analytics assistant (ICS 05: LICA 5),⁷ and an audit assistant (ICS 05: LICA 5). The position of audit manager has been vacant since May 2022; recruitment is in progress.

28. The Investigations Section was composed of one manager (ICS 12: P5), a senior investigator (ICS 11: IICA-3), three investigators (ICS 10: P3, ICS 10: IICA-2, and ICS 09: IICA-1), and one investigations assistant (ICS 04: LICA-4). One audit and investigations assistant (ICS 04: LICA-4) was shared between the two sections.

29. The Director (D1), appointed in May 2022, provided direction and support to the entire group.

30. The total budget for the Internal Audit and Investigations Group in 2022 was \$3.650 million; in 2023 it will be \$6.821 million. Pursuant to recommendation 4 of the assessment of the independence of the Group, and reaffirmed in decision 2022/13, an 87 per cent budget increase was approved for 2023. The key components of the increase are the recruitment of seven additional personnel and the conversion of existing independent contractor agreements to fixed-term appointments. The 2023 budget will support full execution of the Group's charter, a new structure, and mandatory training of personnel in line with the standards set by the Institute of Internal Auditors.

31. The budget increase will support planned engagements where specific skill sets are required, such as reviews of the UNOPS design review process, the treasury management system, and the information security system. It will also cover the cost of legal services and forensic audits for cases where specialized technical or local knowledge is required to review allegations.

32. Project audits coordinated by the Group are financed directly from project funds. Therefore, it absorbs only the associated support costs.

33. The internal structure of the Group was supplemented by guest auditors, third-party professional firms and subject-matter experts including two health and safety experts, two experts in protection from sexual exploitation, abuse and harassment, an information technology specialist and a number of infrastructure engineers, due-diligence experts and computer forensics specialists. In addition, the Group procured long-term agreements with eight investigative firms to support its work, and continued to retain a part-time editor for quality assurance of its engagement reports.

34. The Group maintained its partnership with the Association of Certified Fraud Examiners and the Institute of Internal Auditors. All its auditors are members of the Institute and adhere to its international professional practices framework.

35. Auditors and investigators met their continuing professional education requirements and maintained their respective audit, accounting, fraud examiner and bar designations and memberships.

36. The Group conducted knowledge-sharing activities throughout 2022 to support continued professional development and ensure that the team is kept abreast with the latest changes in policies and processes, as well as current trends in internal auditing. Topics included procurement, determination of internal audit ratings, work plan methodologies, and time management. The team continued to use an online work planning and resource allocation tool ('Wrike') to enable agile project management.

⁵ ICS: International Civil Service

⁶ IICA: International individual contractor agreement

⁷ LICA: Local individual contractor agreement

VII. Implementation of the 2022 risk-based workplan

Risk-based audit planning and completion of the annual workplan

37. The aim of the 2022 audit workplan was to evaluate and improve the effectiveness of risk management, governance processes and controls; and to provide the Executive Director with assurance that internal controls and procedures are functioning as intended.

38. In preparing its 2022 workplan, the Internal Audit and Investigations Group ensured consistency between audit priorities, the UNOPS corporate strategy, and management goals. The risk-based audit workplan acknowledged the geographical diversity of UNOPS global operations and included internal field office audits, thematic reviews and advisory engagements.

39. The Group delivered 11 audit and advisory reports, one forensic audit report and 37 project audit reports. In addition, priority was given to ensuring its independence and rebuilding trust with our partners.

Figure 1. Completion of risk-based internal audit plan, 2020-2022

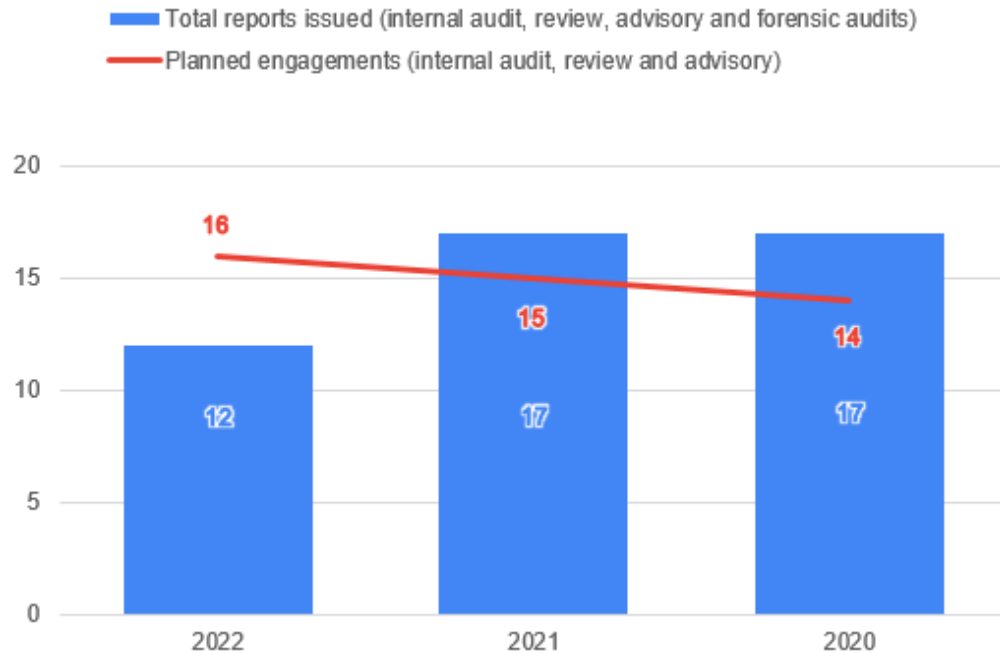
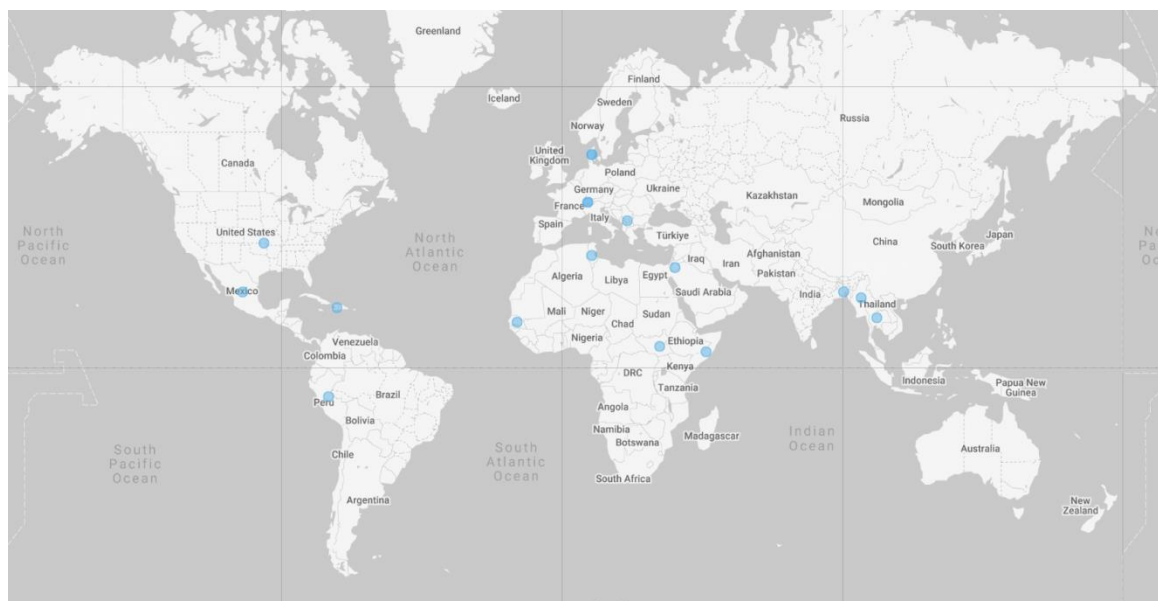


Figure 2. Geographic distribution of reports issued in 2022

Note: This map does not reflect a UNOPS position on the legal status of any country or territory or the delimitation of any frontiers.

40. The Group mandate includes the provision of advisory services to management, generally upon their request. During 2022, it initiated seven advisory engagements, three of which were completed (the results are included in chapter IX, below); the remaining four were carried forward to 2023. Advisory activities in 2022 involved providing formal or informal advice, analysis or assessment, whether in relation to internal audit or investigative activities. In providing advisory services, the Group maintained its objectivity and did not assume management responsibilities, such as implementation of advice.

41. During 2022, the Group applied a hybrid approach, using both remote and on-site field missions when carrying out country office audits. Wherever the risk-based approach required physical presence in the field, it either completed the field mission itself, or contracted a local resource to perform verifications, with a separate report focusing on the physical verification.

A. Monitoring and coordination of activities

42. The Audit Advisory Committee continued to review the annual workplan, budget, and final engagement reports of the Group. The Committee also provided input to enhance the effectiveness of internal audit and investigation functions. As noted earlier, the Committee's annual report, 2022, is included as annex 7.

43. The Group communicated its annual workplan, audit results and final audit reports to the United Nations Board of Auditors to promote coordination and efficiency.

B. Audit reports and ratings

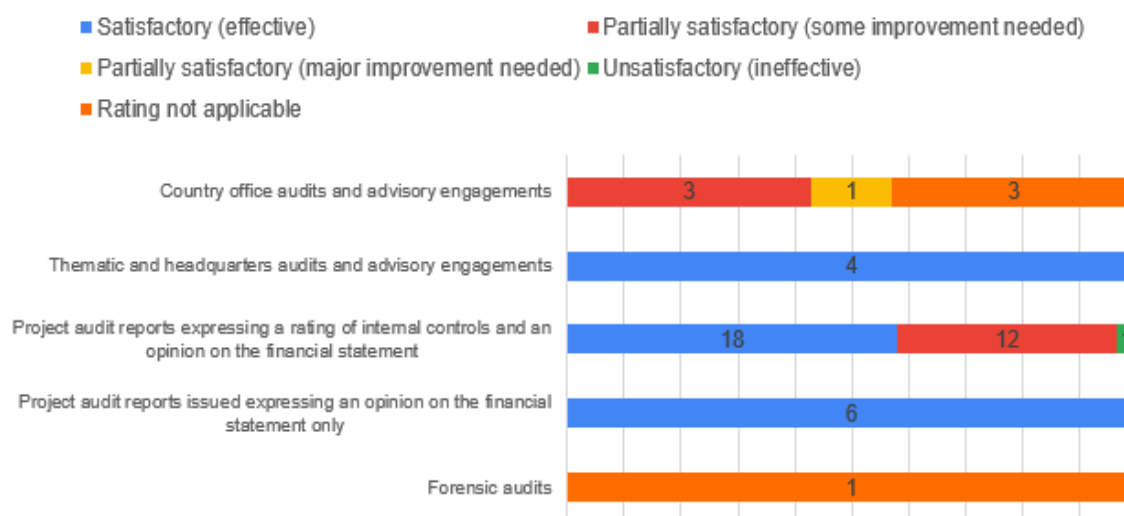
Table 2. Distribution of audit ratings by engagement type and region, 2022

Engagement area	Number of engagements	Satisfactory (effective)	Partially satisfactory (some improvement needed)	Partially satisfactory (major improvement needed)	Unsatisfactory (ineffective)	Rating not applicable
Country-office audits and advisory engagements	7	0	3	1	0	3
Africa region	2	0	0	1	0	1
Asia region	1	0	1	0	0	0
Europe and Central Asia region	2	0	2	0	0	0
Latin America and the Caribbean region	2	0	0	0	0	2
Middle East region	0	0	0	0	0	0
New York service cluster	0	0	0	0	0	0
Thematic and headquarters audits and advisory engagements	4	3^{a/}	0	0	0	1
Project audit reports expressing a rating of internal controls and an opinion on the financial statement	31	18	12	0	1^{c/}	0
Project audit reports expressing an opinion on the financial statement only	6	6^{b/}	0	0	0	0
Forensic audits	1	0	0	0	0	1
Total	49	27	15	1	1	5

^{a/} In collating audit conclusions, the SWIFT security assessment report (which confirmed compliance with mandatory SWIFT controls) and the two investment confirmation reports (with confirmed and reconciled balances) are considered satisfactory.

^{b/} In collating audit conclusions, a project financial audit with an unqualified opinion is considered satisfactory, while a project financial audit with a qualified opinion is considered unsatisfactory.

^{c/} The project received a 'partially satisfactory (some improvement needed)' rating for internal audit, and a 'qualified opinion' for financial audit. The Group therefore categorized the project as unsatisfactory in this table.

Figure 3. Overview of internal audit ratings, 2022

44. The Group issued 49 reports in 2022, compared to 53 in 2021. Of the 49 reports, 11 are internal audits and advisory reviews of UNOPS country offices, headquarters functions and thematic areas; one is a forensic audit; and the remaining 37 are project audits conducted by external firms under the supervision of the Group, mainly to fulfil project reporting requirements.

45. In each internal audit of UNOPS offices, functions and projects, the Group assigns an overall audit rating of satisfactory (effective), partially satisfactory (some improvement needed), partially satisfactory (major improvement needed) or unsatisfactory (ineffective), based on its overall assessment of the relevant governance, risk management and control processes.⁸

46. The Group upholds the United Nations ‘single audit principle’ in accordance with the UNOPS report on internal audit and oversight, 2007 (DP/2008/21). The Group provides technical support to project managers in meeting the audit requirements of their projects. The Group engages pre-qualified third-party professional auditing firms to conduct these audits. The firms adhere to approved terms of reference, and the audit reports they prepare undergo the quality assurance of the Group before they are issued. This arrangement provides cost efficiencies, consistency in reporting, improved timelines, and simplified processes for conducting project audits.

C. Data analytics and technology-enabling initiatives

47. Further improvements in the Group’s data analytics programme have enabled the team to examine entire populations of data to identify non-compliance and fraud ‘red flags’ and other trends, resulting in more effective audit sampling and a focus on high-risk items.

48. In 2022, the Group developed an additional risk assessment model designed to identify risks in all UNOPS key functional areas and all units, including headquarters units, oversight bodies, regions, offices and projects. The functional areas and regions are ranked according to their priority, taking into account audit recommendations of the last three years. This model has become a key tool in drawing up the Group’s annual workplan.

49. Continuing to use its automated standard annual risk assessment of all UNOPS offices and projects, the Group has incorporated a number of logic modifications for more robust results. It enables continuous risk

⁸ A detailed explanation of audit ratings can be found on the [UNOPS external website](#).

monitoring and increases the efficiency of the team. Both risk assessment models can be used as management decision-making tools.

50. Given the importance of the ‘PharmaMX’ project, and the significant risks identified therein, the Group has developed two data analytics tests dedicated to the project that are being monitored on a quarterly basis in collaboration with the project team.

51. The Group has developed two dashboards for investigations, the Investigations Cases Dashboard and the Sexual Misconduct Investigations Cases Dashboard, both of which are visible to the entire UNOPS organization. They are published on the UNOPS intranet and refreshed on a monthly basis.

52. The Group has enhanced its own dashboard to track the progress of UNOPS field offices and headquarters units in implementing recommendations, with the aim of supporting them to meet their targets before year-end. The dashboard provides a live update on the number of reports issued by the Group.

53. The Group has a dedicated data steward who, in 2022, participated in monthly meetings of the Data Stewards Panel and liaised with the Information Technology Group as required.

54. In 2022, UNOPS, the World Bank and the Inter-American Development Bank launched a project known as Data Analytics for Auditors’ Digital Intelligence. The Group, together with other United Nations entities, has participated in meetings initiated by the project team. This is an ongoing project, and a number of releases are planned in 2023.

VIII. Implementation of audit recommendations

55. The implementation rate of audit recommendations at 31 December 2022 was 98 per cent, a slight improvement on the already strong implementation rate (97 per cent) recorded at 31 December 2021. This demonstrates continued management responsiveness and commitment despite the increase in the number of recommendations raised. Table 3 shows the outcome for all audit recommendations issued from 2008 to 2022. Only one of the audit recommendations issued in or prior to 2020 was yet to be closed.

56. In 2022, the Internal Audit and Investigations Group closed 210 recommendations from audit reports issued between 2018 and 2022. As shown in annex 3, three recommendations were withdrawn because they were no longer applicable.

57. In line with the International Professional Practices Framework for Internal Auditing, the Group’s annual workplan included follow-up and monitoring activities to ensure that management actions were effectively implemented. In 2022, the Group continued to work with management to ensure that deliberate targets for implementation were established and monitored based on internal scorecards.

Table 3. Status of implementation of audit recommendations as at 31 December 2022

Number of audit recommendations	Total for 2008-2020	2021			2022			Total for 2008-2022
		Internal audits & reviews	Project audits	Total	Internal audits & reviews	Project audits	Total	
Closed	5,015	93	27	120	21	35	56	5,191
<i>As a percentage</i>	100%	98%	100%	98%	30%	41%	36%	98%
Under implementation	1	2 ^{a/}	0	2	49	50	99	102
<i>As a percentage</i>	0%	2%	0%	2%	70%	59%	64%	2%
Total	5,016	95	27	122	70	85	155	5,293

^{a/} One of the recommendations is related to the technical audit report of the Haiti office. Due to the exceptional circumstances in Haiti, the office was unable to access the project sites or to close the audit recommendation; closure has been extended to 2023.

58. Table 4 depicts ageing of outstanding recommendations as of 31 December 2022, with 97 per cent of the recommendations outstanding for less than 12 months, 2 per cent outstanding between 12 and 18, months and only 1 per cent outstanding for more than 18 months.

59. There was one long-outstanding audit recommendation issued more than 18 months before 31 December 2022 (on or before 30 June 2021), as disclosed in annex 2. This is to be compared with four recommendations outstanding over 18 months at the end of 2021, all of which have since been closed.

Table 4. Recommendation ageing based on original time frame as of 31 December 2022

Priority	Total outstanding recommendations	< 12 months	12–18 months	>18 months
High	22	20	1	1
Medium	74	73	1	0
Not applicable	6 ^{a/}	6	0	0
Total	102	99	2	1

^{a/} The six agreed remediation plans from the UNOPS SWIFT security assessment do not include any priority.

IX. Key internal audit and advisory results

Key issues identified

60. The Internal Audit and Investigations Group identified and summarized by functional area the key issues arising from its 2022 risk-based audit plan engagements for both audit and advisory assignments.

61. In 2022, the Group identified key issues in the following areas:

- (a) Recurring issues related to the monitoring of project expenditure such as over-recovery, delay in budget recovery, errors in distribution of personnel costs, and project expenditure recognition in the wrong period;
- (b) Recurring procurement issues included a number of instances where incorrect requirement definitions impacted competition, and instances of non-compliance with procurement processes and deficiencies in procurement planning. There were also errors during the bid evaluation process, such as unfair supplier disqualification, potential collusion flags not identified, and insufficient analysis of reasonableness of cost to ensure value for money;
- (c) Several issues were identified that related to grant management, such as disbursement of grants without proper monitoring, delays in closure of grants implemented, retroactive awards of legal agreements, and lack of guidance related to grants covering infrastructure work;
- (d) Risks were identified that related to work not consistent with drawings, poor workmanship, improper disposal of debris, projects under notification period with defects identified, and sagging roof trusses observed during the physical inspection of one project, indicating that the structure may be unsafe for occupation;
- (e) Recurring issues in human resources related to recruitments under 100-day contracts, conflicts of interest in panel designations, position requirements, and screening criteria.

62. Management actions on the above issues are followed up by the Group.

Analysis of internal audit recommendations issued in 2022

63. Seventy internal audit recommendations were issued in 2022, compared to 95 in 2021. The average number of recommendations per audit report was 10 in 2022, higher than the average of six in 2021. The increase is caused by the audit team’s comprehensive review of grant management processes.

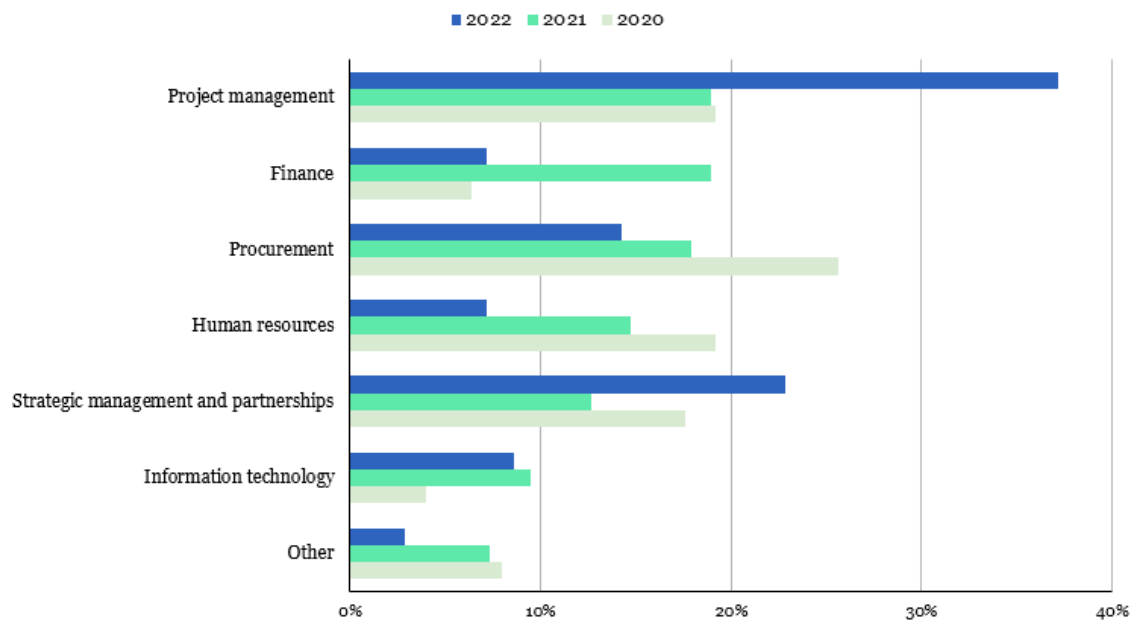
64. Of the 70 recommendations issued in 2022, 31 were considered to be of high importance, 33 of medium importance and six had no priority allocated, as shown in table 5. Low-priority recommendations are not included in the reports but are communicated during the field-work stage of the engagements.

Table 5. Internal audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2020	2021	2022	2020	2021	2022
High	52	44	31	42	48	44
Medium	73	45	33	58	46	47
Not applicable	0	6	6	0	6	9
Total	125	95	70	100	100	100

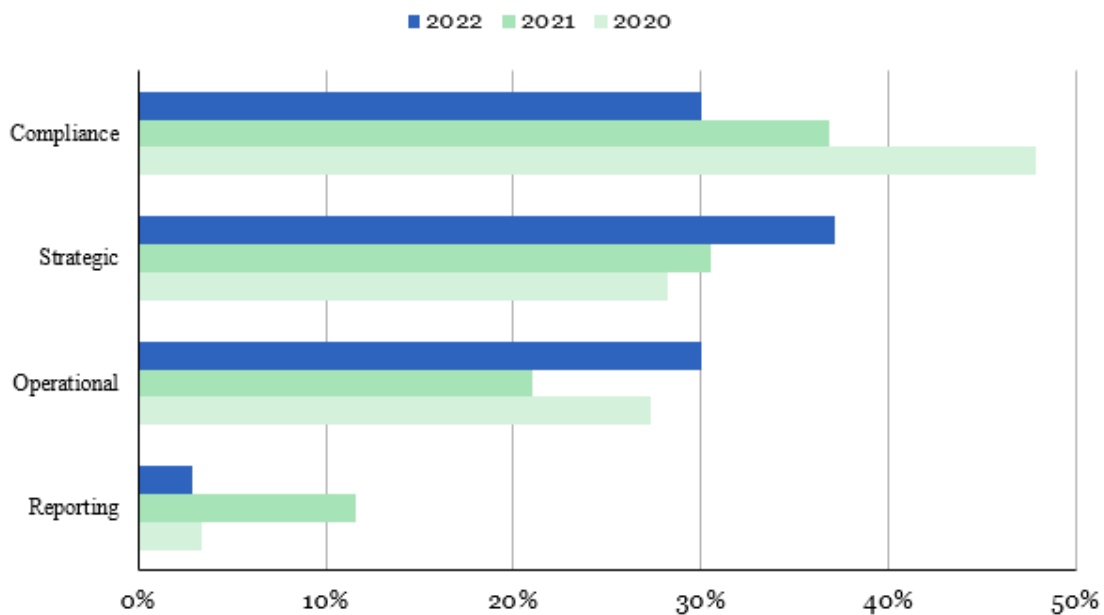
65. The frequency of internal audit recommendations by functional area is displayed in figure 4. The top five areas pertained to project management (37 per cent), strategic management and partnerships (23 per cent), procurement (14 per cent), information technology (9 per cent) and human resources (7 per cent) and. The distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement. The significant increase in the number of recommendations under project management, strategic management and partnerships was as a result of the comprehensive review of grant management processes and the independence self-assessment of the Group.

Figure 4. Internal audit recommendations by functional area, 2020-2022



66. Figure 5 shows the distribution of recommendations by objective type. Recommendations on strategic issues (37 per cent), operational issues (30 per cent) and compliance issues (30 per cent) were the most common, followed by those addressing reporting issues (3 per cent). The number of strategic and operational issues were proportionally higher than in 2021, while the number of compliance issues and reporting issues decreased.

Figure 5. Recommendations issued in 2022, by objective



Analysis of project audit recommendations issued in 2022

67. Project audit reports generated 85 audit recommendations, an average of 2.3 recommendations per report, compared to an average of 0.8 in 2021. The increase is attributed to the sharpened focus on internal controls around project management and finance.

68. The number of audit recommendations rated as being of ‘high importance’ rose from three in 2021 to six in 2022 (see table 6).

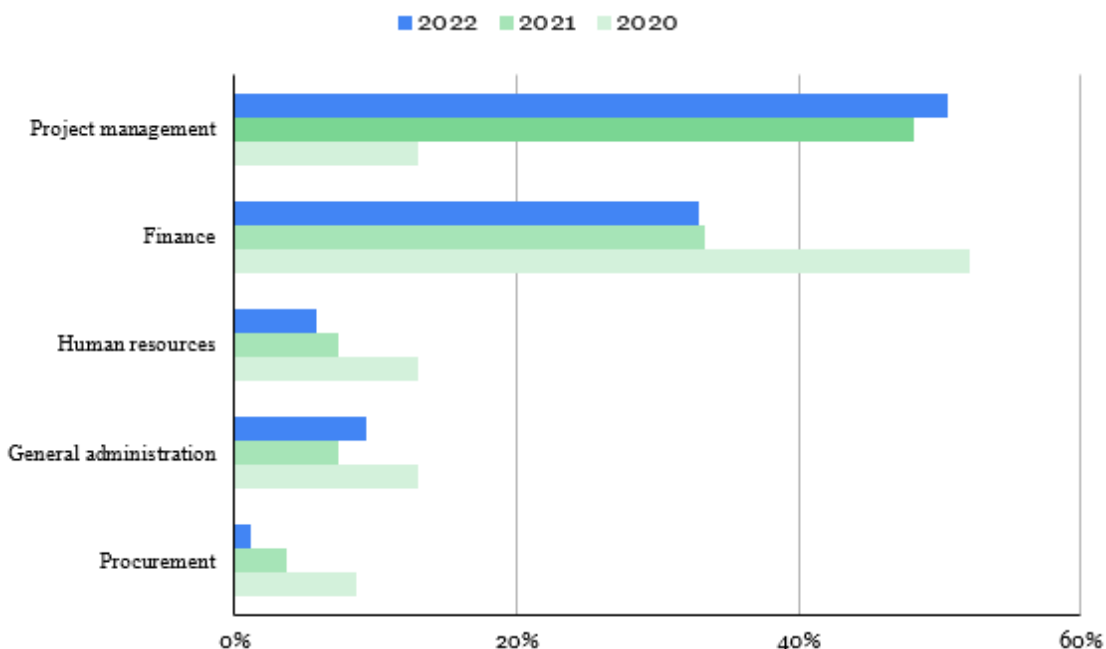
Table 6. Project audit recommendations by level of importance, 2020-2022

Level of importance	Number of recommendations			Percentage of total		
	2020	2021	2022	2020	2021	2022
High	0	3	6	0	11	7
Medium	23	24	79	100	89	93
Total	23	27	85	100	100	100

69. The 85 project audit recommendations issued in 2022 are analysed in figure 6, below, by frequency of occurrence in a functional area. Most pertained to project management (51 per cent) or finance (33 per cent).

70. For 2022, the accounting impact of project audit observations on internal control reports was \$1,458,873 (\$121,794 in 2021). There was one audit report with a qualified opinion in 2022 (none in 2021).

Figure 6. Project audit recommendations by functional area, 2020-2022



Advisory

71. In 2022, the Group performed advisory engagements as follows:

- (a) **Independence self-assessment of the Group.** In its decision 2022/13, the Board requested the Director of the Group to provide a comprehensive assessment of its independence. The engagement

highlighted: (a) the results of the assessment of the Group's independence; (b) pathways to strengthen the independence of the Group; and (c) budget estimates required for the execution of its full mandate;

(b) **Risk assessment of the project for acquisition of medicines in Mexico.** The Group prepared a risk assessment in December 2020, which was updated on a quarterly basis in 2021 and the first half of 2022, together with the audit strategy. The second-quarter 2022 risk assessment included a follow-up of the observations raised during the Group's internal audit of the project in 2021;

(c) **Data analytics for the 'PharmaMX' project.** The Group developed two dedicated data analytics tests for the PharmaMX project: (a) a cost-savings comparison; and (b) a receipt/payment date comparison. The tests were used to monitor the results on a quarterly basis, and also in the biannual risk assessment, 2022;

(d) Other audit advisory services included: (a) advice on audit clauses in project agreements; (b) participation in key senior management meetings; (c) coordination with and support to the Joint Inspection Unit; (d) support to the Executive Director regarding UNOPS innovative approaches; (e) support in the automation and digitalization of UNOPS systems, policies and procedures; and (f) several meetings with partners and donors with regard to the S3i crisis.

X. Disclosure of internal audit reports

72. In accordance with decision 2012/18, the Internal Audit and Investigations Group makes its internal audit reports publicly available, and they are available on the UNOPS audit disclosure website.⁹ In exceptional cases, reports may be redacted or withheld in their entirety at the discretion of the Director of the Group.

73. While advisory reports are not published, the Group provides copies to senior management.

74. Public disclosure of audit reports continues to be positive, leading to enhanced transparency and accountability. The Group 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.

XI. Investigations

75. The Internal Audit and Investigations Group is the sole entity in UNOPS responsible for conducting investigations into allegations of fraud, corruption, abuse of authority, workplace harassment, sexual misconduct, retaliation, and other acts of misconduct.

76. In 2022, the Group received significantly more complaints than in the previous year, opening 124 cases, a 51 per cent increase over 2021. Despite the increased intake of complaints, the Group was able to complete 106 cases within an average of 4.3 months. At the end of the year, the Group had only five cases that had been open for more than six months.

77. The Group continued to focus on cases involving fraud and financial irregularities. As a result, it identified financial losses of \$971,293, a 158 per cent increase over the prior year.

A. Complaint intake

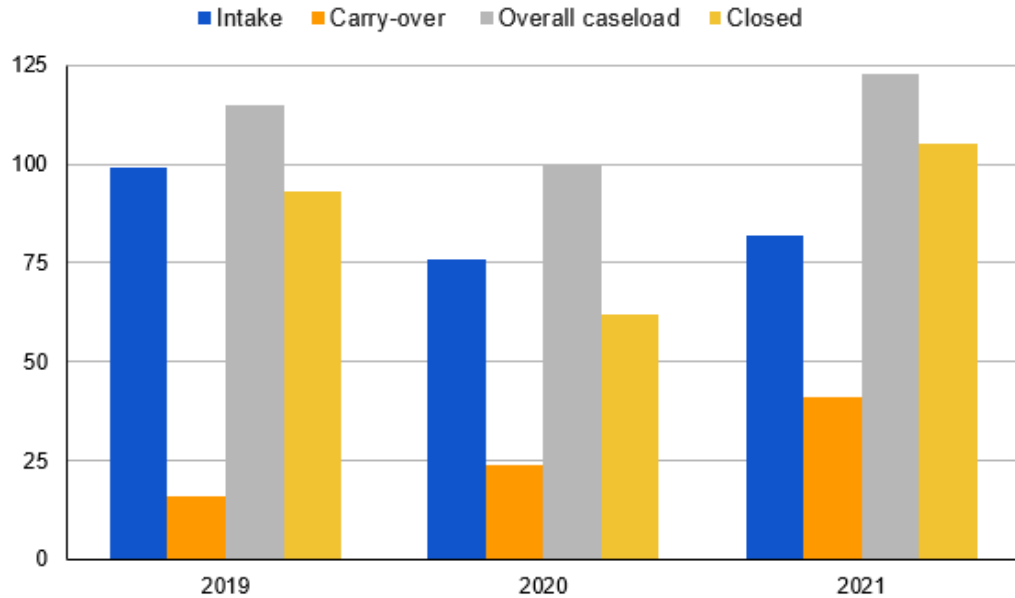
78. In 2022, the Group received 265 complaints, an 18 per cent increase over 2021 (225 complaints). It opened 124 cases based on those complaints; the remainder were found to be outside its mandate ('could be more appropriately handled by a different unit' or 'did not warrant further action').

B. Cases opened

79. In addition to the 124 cases opened in 2022, 24 cases were carried over from the previous year (see figure 7, below).

⁹ <https://www.unops.org/about/governance/accountability/iaig/reports>

Figure 7. Number of cases opened, 2020-2022



80. Of the 124 cases opened, 94 were referred by management or personnel and six by other United Nations organizations. Eighteen cases were received from external parties (vendors and insurance providers) and four from anonymous complainants. Two cases were opened as a result of information identified in other audits or investigations of the Group.

81. Most of the 99 cases opened in 2022 involved alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of resources). Twelve cases involved allegations of sexual misconduct (sexual harassment, sexual assault or sexual exploitation and abuse). Three cases involved allegations of prohibited conduct (harassment or abuse of authority). The 10 remaining cases involved other types of alleged misconduct or wrongdoing.

Figure 8. Case intake by category in 2022

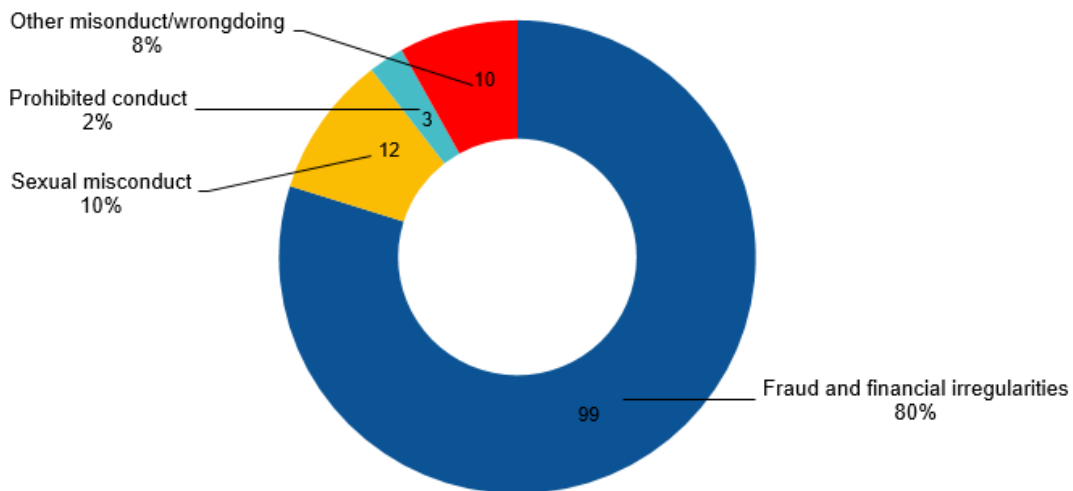
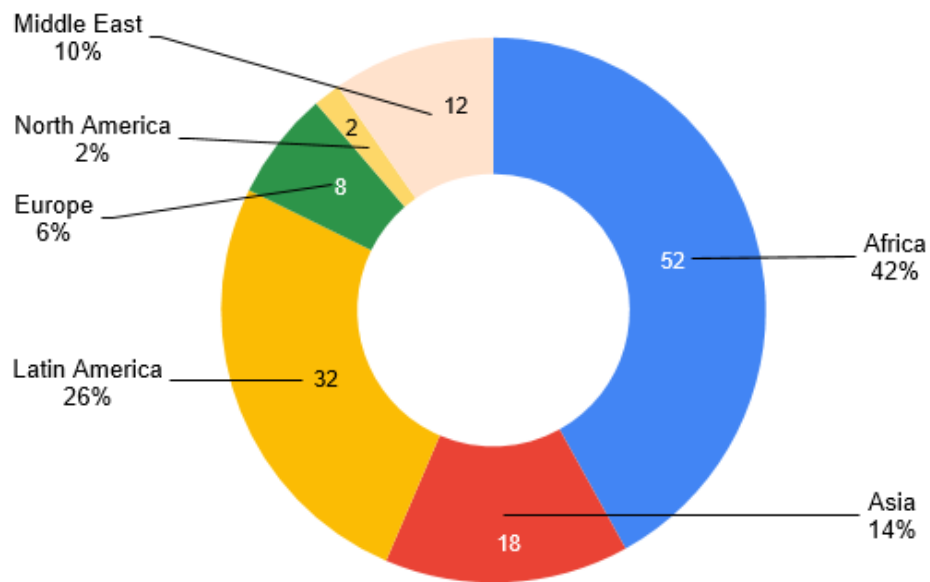


Table 7. Case intake by category, 2020-2022

Allegation category	Cases in 2020	Cases in 2021	Cases in 2022
Fraud and financial irregularities	66	56	99
Prohibited conduct	0	4	3
Sexual misconduct	4	13	12
Retaliation	0	1	0
Other misconduct/wrongdoing	6	8	10
Total	76	82	124

82. Africa was the region for which the Group opened the most cases in 2022 (52 cases), followed by Latin America (32 cases), Asia (18 cases), the Middle East (12 cases), Europe (8 cases) and North America (2 cases).

Figure 9. Geographic distribution of cases opened in 2022



C. Outcome of investigations

83. During the intake process, the Group first assesses whether the matter falls within its investigative mandate. The Group has a mandate to investigate allegations of misconduct by UNOPS personnel and allegations of proscribed practices by contracted third parties.

84. Next, the Group conducts an initial review, collecting and preserving basic evidence to determine whether an investigation is warranted. Depending on the sufficiency of evidence and the seriousness of the allegations, it may conduct an investigation.

85. If an allegation against a UNOPS personnel member is substantiated, the Group refers the case to the Human Resources Legal Officer for disciplinary action, in accordance with operational instruction OI.AIG.2020.01. If an allegation involves a UNOPS vendor, the matter is referred to the Vendor Review Committee, pursuant to operational instruction OI.PG.2021.02. Retaliation cases are referred to the Ethics Office, under operational instruction OI.Ethics.2022.01.

86. In 2022, the Group closed 106 cases (see table 8).

Table 8. Investigation cases handled in 2022

Status of cases	Number of cases
Carry-over as of 1 January 2022	22
Intake during the year	124
Reopened during the year	2
Total cases during handled during the year	148
Closed during the year	106
Cases ongoing as of 31 December 2022	42

87. Of the 106 cases that the Group closed in 2022, 61 (58 per cent) were substantiated. In 33 cases, the Group concluded that allegations were not substantiated. In the remaining 12 cases, the Group concluded that the allegations were outside of its mandate.

Substantiated cases

88. The 61 substantiated cases (see annex 6) involved 30 personnel members and 36 vendors. The Group referred the personnel members to the Human Resources Legal Officer for disciplinary action, and the vendors to the Vendor Review Committee. The majority of the cases where misconduct was found involved fraud or financial irregularities (50 cases).

Table 9. Outcome of investigation cases in 2022

Outcome	Count
Cases not substantiated	
After initial review	18
After investigation	15
Subtotal	33
Cases outside the mandate of the Group	12
Cases substantiated	61
Total	106

Financial losses and recovery

89. The total financial loss substantiated in cases investigated by the Group in 2022 amounted to \$971,293. This significant increase compared to 2021 (\$375,550) is largely due to one case where the Group identified a financial loss of \$766,186. It referred all losses to management for recovery. In 2022, management recovered \$319,948 from losses identified by the Group.¹⁰ The recovery of the remaining financial loss is pending.

¹⁰ \$2,265 was recovered from the financial loss identified by the Group in 2022. The remaining \$317,683 was recovered from loss identified by the Group in 2021.

Action taken in cases of misconduct

90. The Group referred 30 individuals to the Human Resources Legal Officer in 2022:

- (a) Three individuals had their contracts terminated;
- (b) One individual was demoted;
- (c) Two individuals who plagiarized their answers during recruitment exercises were temporarily banned from applying for UNOPS vacancies; and
- (d) Three individuals separated from UNOPS before the investigation was completed. Letters were placed in their files indicating they would have been charged with misconduct had they remained employed with the organization.
- (e) The cases for 21 individuals were pending at the end of 2022.

Action taken in cases of misconduct (prior years)

91. UNOPS also addressed matters against five individuals whose cases originated prior to 2022. Three individuals were terminated, one was temporarily banned from applying for UNOPS vacancies, and one case was closed with no further action.

Vendor sanctions

92. In 2022 the Group referred 31 cases, involving 36 vendors and 38 company principals, to the Vendor Review Committee. The Committee took action in 13 of the 31 cases.¹¹ As a result, UNOPS debarred:

- (a) One vendor and two company principals for two years;
- (b) Three vendors and three company principals for three years;
- (c) Two vendors and two company principals for four years;
- (d) One vendors and one company principals for six years; and
- (e) One vendor and two company principal for seven years.
- (f) The Committee also issued caution letters to six vendors.

93. In addition, the Committee took action in 10 cases that originated prior to 2022. It debarred:

- (a) Two vendors and two company principals for one year;
- (b) Six vendors and six company principals for three years;
- (c) One vendor and one company principal for four years;
- (d) Four vendors and three company principals for five years;
- (e) Two vendors and four company principals for six years;
- (f) One vendor and one company principal for seven years; and
- (g) One vendor and one company principal received a letter of censure.

94. To date, UNOPS has sanctioned 295 vendors based on the Group's findings. The sanctions are shared with other organizations on the United Nations Global Marketplace. Through its continuous auditing and data analytics programme, the Group continues to cross-check sanctioned personnel and vendors against transactions as a prevention mechanism.

D. Strengthening the investigative capacity

95. In 2022, the Group comprised five dedicated professionals, supported by an investigative assistant. It occasionally relies upon consultants for additional support. It also engaged the services of several international investigative firms through long-term agreements to help supplement its work and the needs of other departments, such as in the area of due diligence.

96. Further to a self-assessment on the independence of the Group and its endorsement by the Executive Board in September 2022, it significantly increased the size of its investigation team. It created five new positions:

¹¹ The remaining 18 cases were pending with the Vendor Review Committee at end 2022.

one Senior Investigator (P4); one Investigator (P3) who will focus on Spanish-speaking cases; two Intake Investigators (IICA-2); and one Donor Liaison Investigator (IICA-1). Recruitment for those positions is expected to be completed by April 2023.

97. The Group continues to focus its resources on serious cases and refers management issues to the appropriate offices. Similarly, it works closely with the People and Culture Group and its Internal Grievance Unit for cases involving allegations of harassment, discrimination and abuse of authority.

98. As part of the UNOPS 'Speak Up' culture, the Group operates a confidential hotline for individuals wishing to report misconduct. This online portal consolidates the different reporting channels for all types of wrongdoing and guides complainants to provide the relevant information. The portal ensures that complaints are automatically referred to the relevant unit and increases the efficiency of the Group in reviewing complaints.

E. Sexual misconduct

99. In 2022, the Group received 17 complaints involving allegations of sexual misconduct, out of which it opened 12 cases.

100. Three cases related to sexual exploitation and abuse. One case was found to be unsubstantiated and one was substantiated. The third was outside the Group's mandate and was referred to the appropriate body. The Group received two allegations of sexual assault, one of which was found to be unsubstantiated while the other was substantiated. All cases of sexual exploitation and abuse and sexual assault were reported to the Office of the Secretary-General, which makes them publicly available.

101. The Group opened seven cases of sexual harassment in 2022. It closed five, three of which were substantiated. The other two were outside the Group's mandate and were referred to the appropriate body.

102. In line with the UNOPS victim-centric approach, the Group prioritizes cases of sexual exploitation, abuse and harassment with specially trained investigators and shortened case durations. It also ensures that appropriate victim support services are provided.

103. By the end of 2022, the Group had closed 10 of the 12 cases of sexual misconduct, after an average duration of 89 days. Each of the two cases still open at the end of the year had been open for less than two months.

104. In 2022, the Group continued to provide support to senior management in relation to protection against sexual exploitation and abuse. It co-chairs the UNOPS Working Group on Preventing Sexual Exploitation and Abuse, supporting management's implementation of many initiatives of the Secretary-General. For example, as the investigative body, it 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 or abuse by an identifiable perpetrator or against an identifiable victim. These include allegations related to both UNOPS personnel and personnel working for its implementing partners. Those statistics are made publicly available on a real time basis.

105. In addition, the Group participated in a briefing on the responsibilities of regional authorities regarding sexual misconduct investigations, together with the new UNOPS Corporate Coordinator for Protection from Sexual Exploitation, Abuse and Harassment. The Group continued to provide guidance to local offices on an ad hoc basis.

106. The Group helps management to facilitate UNOPS participation in Clear Check, an inter-agency screening tool set up to prevent the hiring and rehiring of offenders. All personnel recruited by UNOPS are run through Clear Check. The Group also reports current or former UNOPS personnel who were dismissed due to substantiated allegations of sexual harassment or sexual exploitation and abuse, or who left the organization with a pending investigation or disciplinary case. In 2022, the Group also responded to 12 Clear Check verification requests from other United Nations entities.

107. The Group continues its coordination with other United Nations organizations on these issues through its membership in United Nations Representatives of Investigation Services and by attending conferences

organized 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.

108. As part of the United Nations strategy to combat sexual exploitation and abuse, the Group worked with six other United Nations organizations (International Organization for Migration, UNDP, UNFPA, UN-Women, the World Food Programme and the World Health Organization) in 2022 to conduct inter-agency training for focal points of prevention of sexual exploitation and abuse from across the globe.

F. Coordination and advisory activities

109. The Group performed investigative advisory activities, such as: (a) supporting management in fraud prevention and detection activities; (b) providing trainings on investigations; (c) following up on investigation recommendations; (d) providing advisory services to the UNOPS Prevention of Sexual Exploitation and Abuse Working Group; and (e) establishing investigation best practices by participating in and working with the United Nations Representatives of Investigations Services.

110. In 2022, the Group signed a memorandum of understanding with the Unit for Internal Audit of the Ministry for Foreign Affairs of Finland, bringing to 21 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.

111. The Group represented UNOPS at the annual Conference of International Investigators and the Complex Emergencies Working Group.
