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

Distr.: General
22 March 2024

Original: English

Annual session 2024
3 to 7 June 2024, New York
Item 3 of the provisional agenda
Internal audit and investigation

United Nations Office for Project Services: Annual report of the Internal Audit and Investigations Group on internal audit and investigation activities in 2023

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 –31 December 2023.

As requested by the 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, 2023, and the management response thereto;
(b) *Take note* of the significant progress made in the implementation of audit recommendations;
(c) *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 (in line with Executive Board decision 2015/13); and
(d) *Take note* of the annual report of the Audit Advisory Committee, 2023 (in line with Executive Board decision 2008/37).

Contents

Annexes (*available on the Executive Board website*)

I. Introduction

1. ***Objective.*** This report summarizes the activities conducted in 2023 by the UNOPS Internal Audit and Investigations Group. It provides an overall opinion on the adequacy and effectiveness of the UNOPS governance, risk management and control processes, based on the scope of work undertaken (decision 2015/13). Criteria used in forming this opinion included: the results of internal audits and project audits in 2023; the results of a third party follow-up review in 2023; 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 2023, the adequacy and effectiveness of UNOPS governance, risk management and control were 'partially satisfactory: some improvement needed', meaning that they were established and functioning but needed some improvement. The third-party follow-up review of the UNOPS oversight mechanisms for sustainable investments in infrastructure and innovation and of UNOPS internal control systems confirmed the progress made by UNOPS in 2023 and highlighted the actions yet to be implemented. The review of the UNOPS organizational culture confirms the strengths that UNOPS will continue to build upon, and highlights areas of improvement that it has committed to address as part of its culture transformation journey. The follow-up on the Group's assessment of its own independence was satisfactory, with all recommendations fully implemented. Ninety-five per cent of recommendations made by the Group were acted upon, demonstrating that appropriate and timely action was taken as and when improvements in governance, risk management and control were necessary. There was one open agreed action older than 18 months as at 31 December 2023, just as there had been on 31 December 2022.

3. ***Audit output.*** In 2023, the Group delivered 31 internal audit and advisory reports, three forensic audit reports and 46 project audit reports. The Group issued 242 recommendations in 2023 compared to 155 in 2022, of which 152 related to advisory engagements. The Group has made the implementation of recommendations mandatory. The increase in the number of recommendations was due to the greater number audit engagements and audit reports.

4. ***Investigation output***. The Group handled more cases in 2023 than in 2022. It opened 171 cases, a 38 per cent increase from 2022 (124 cases), and was able to complete 137 cases within an average of 4.5 months. The total financial loss substantiated in investigation cases in 2023 amounted to $978,786, compared to $971,293 in 2022.

5. ***Supporting strategic initiatives.*** In its audit engagements, the Group focused on the key strategic and functional areas of culture, health, safety, social and environmental issues, gender, and protection against sexual exploitation and abuse. In 2023 it completed the four advisory engagements it had launched the previous year, namely: crisis management; design review process efficiency; protection against sexual exploitation, abuse and harassment; and health, safety, social and environmental management.

6. ***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 Risk and Compliance Group; the Ethics Office; the regional offices; the Office of the General Counsel; the Appointment and Selections Panel; the Appointment and Selections Board; 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.

7. ***Policy framework.*** UNOPS continues to operationalize its governance, risk and compliance framework, simplifying its internal policy instruments and improving their alignment with processes. In 2023 it issued two executive operational instructions, one operational directive and three operational instructions. The policy improvements encompassed: delegation of authority, a due diligence framework, a personnel management framework, investigations and

measures relating to misconduct allegations against UNOPS personnel, and procurement procedures.

II. Mandate

8. The mandate, scope, responsibility, accountability and standards of the 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 assumes the role as 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.

9. 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, and assists UNOPS in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and enhancing the effectiveness of its risk management, control and governance processes. It also assists in protecting the integrity and reputation of the organization.

10. The Group continued to interact with the UNOPS Audit Advisory Committee in 2023. In accordance with decision 2008/37, the annual report of the Audit Advisory Committee for 2023 is attached to this report as annex 7.

11. The Group confirms its organizational independence. In 2023, the Group was free from interference in determining its audit and investigation scope, planning, performing its work, and communicating its results. The Director of the Group had free and unrestricted access to the Executive Board and the Audit Advisory Committee.

III. Opinion

12. 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.

13. **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.

14. **Exclusions.** There are no exclusions.

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

16. **Overall opinion.** The opinion of the Group is that the adequacy and effectiveness of UNOPS governance, risk management and control processes were 'partially satisfactory: some improvement needed'. Issues identified do not significantly affect the achievement of UNOPS objectives.

IV. Summary of work and criteria for the opinion

17. The overall opinion reached by the Internal Audit and Investigations Group is based on the following evidence: (a) the development and implementation of the 2023 risk-based audit plan approved by the Executive Director; (b) individual audit engagement results and ratings;[1] (c) follow-up on the results of the third-party review[2] and of the Group's self-assessment of its independence; (d) progress made by management in implementing actions to address audit recommendations; (e) forensic audits; (f) the continuous auditing and data analytics programme;

---

[1] Audit engagements included assurance audits, advisory reviews, internal audits and financial audits of projects.
[2] The third-party review included a follow-up review of the 2022 independent reviews (effectiveness of UNOPS oversight mechanisms for the sustainable investments in infrastructure initiative ('S3i'; UNOPS internal control systems).

(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 2022 and 2023

Year	2023				2022			
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	61	33.5	**83%**	3	54	30.0	**73%**
Partially satisfactory: some improvement needed	1	7	4.5	**11%**	3	13	9.5	**23%**
Partially satisfactory: major improvement needed	0	3	1.5	**4%**	1	0	1.0	**3%**
Unsatisfactory	0	2	1.0	**2%**	0	1	0.5	**1%**
Total	**4**	**73**	**40.5**	**100%**	**7**	**68**	**41.0**	**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) were considered 'satisfactory'.

[b] The 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 concerning this area.

18. 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.

19. The quantitative and qualitative data below were considered in forming the overall opinion for 2023:

(a) For project financial audits in 2023, two project audit reports with a qualified opinion were issued (one in 2022);

(b) For project internal audit reports, the accounting impact of audit observations was $1,355,821 ($1,458,873 in 2022);

(c) In 2023, the Group substantiated $978,786 in fraud, compared to $971,293 in 2022;

(d) No payments to sanctioned vendors were substantiated in either 2023 or 2022;

(e) In 2023, IAIG substantiated duplicate payments of $ 22,818 while there were none in 2022;

(f) The implementation rate of internal audit recommendations, which was 95 per cent at the end of 2023, was judged 'satisfactory', indicating that UNOPS took effective and timely action to address deficiencies identified in audits (98 per cent in 2022)

(g) There was one long-outstanding audit recommendation issued more than 18 months before 31 December 2023; and

(h) More recommendations were issued in 2023 than in 2022 (242 recommendations in 2023, up from 155 in 2022).

V. Conformance to internal audit standards and investigation principles

20.   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.

21.   The Group conducts investigations in accordance with the principles and guidelines of the Conference of International Investigators.

22.   The Group maintains an internal quality-assurance and improvement programme that includes engagement-level quality assurance, ongoing self-assessments, and an external quality assessment of the internal audit function every five years. The most recent external assessment was completed in 2021, and the Group received the top rating, 'general conformance'.

23.   In 2020 the investigations team underwent an external quality assessment resulting in an overall positive conclusion, including conformity with its legal framework and generally accepted standards for investigations in international organizations.

VI. Resource allocation and deployment

24.   In 2023, the Internal Audit and Investigations Group continued to allocate its budget in line with the recommendations of the assessment of the independence of the Group, and with decision 2022/13. It recruited additional personnel and strengthened the contract modalities of those on individual contractor agreements by giving them fixed-term appointments.

25.   During 2023, the Internal Audit section consisted of one audit manager (ICS[3] 12: P5), two internal auditors (ICS 11: P4), four audit specialists (ICS 10: P3), two audit specialists with project management and infrastructure expertise (ICS 10: P3), a data analytics specialist (ICS 10: P3), and a senior data analytics assistant (ICS 05: LICA 5).[4] The position of audit manager has been vacant since May 2022; recruitment is in progress.

26.   The Investigations Section was composed of one manager (ICS 12: P5), two senior investigators (one ICS 11: P4, and one ICS 11: IICA-3),[5] four investigators (three ICS 10: P3, and one ICS 09: P2), two investigators for intake of complaints (ICS 10: IICA-2), one investigations senior analyst[6] for stakeholder reporting (ICS 09: IICA-1) and two senior investigations assistants (ICS 05: G5). One senior administration assistant (ICS 05: G5) was shared between the two sections. The Director (D1) provided direction and support.

27.   The total budget for the Group in 2023 was $6.821 million; it will remain the same in 2024.

28.   In its plans for 2024, the Group has opted for an internal reallocation between budget lines to enable further team strengthening by establishing two new positions: a senior investigator (ICS 11: IICA-3) and a forensic auditor (ICS 10: IICA-2). The addition of a senior investigator will increase Group capacity for quality assurance, supervision and coaching. The addition of an in-house forensic auditor is expected to achieve savings over the current use of consulting firms, as well as faster responses to forensic audit needs.

29.   The internal structure of the Group was supplemented by third-party professional firms, and subject-matter experts – including an information technology specialist, due-diligence experts and computer forensics specialists. The Group continued to retain a part-time editor for quality assurance of its engagement reports.

30.   Project audits coordinated by the Group were financed directly from project funds.

---

[3] ICS: International Civil Service
[4] LICA: Local individual contractor agreement
[5] IICA: International individual contractor agreement
[6] This position was moved under the supervision of the IAIG Director towards the end of 2023.

31. 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.

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

33. The Group supported training activities throughout 2023 to enable continued professional development. Topics included sustainable development goals, environmental social and governance audit, fraud risk, risk management, data analytics, fraud examination, and investigations interviewing techniques.

VII. Implementation of the 2023 risk-based workplan

Risk-based audit planning and completion of the annual workplan

34. The aim of the 2023 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 were functioning as intended.

35. In preparing its 2023 workplan, the Group ensured consistency between audit priorities, the UNOPS corporate strategy, and management goals. In 2023, UNOPS introduced engagements on its key core processes with a cross-cutting approach, as a means to achieve a more holistic understanding of risks. The risk-based audit workplan acknowledged the geographical diversity of UNOPS global operations and included assurance audits and advisory engagements.

36. The Group delivered 31 audit assurance and advisory reports, three forensic audit reports and 46 project audit reports.

Figure 1. Completion of risk-based internal audit plan, 2021-2023
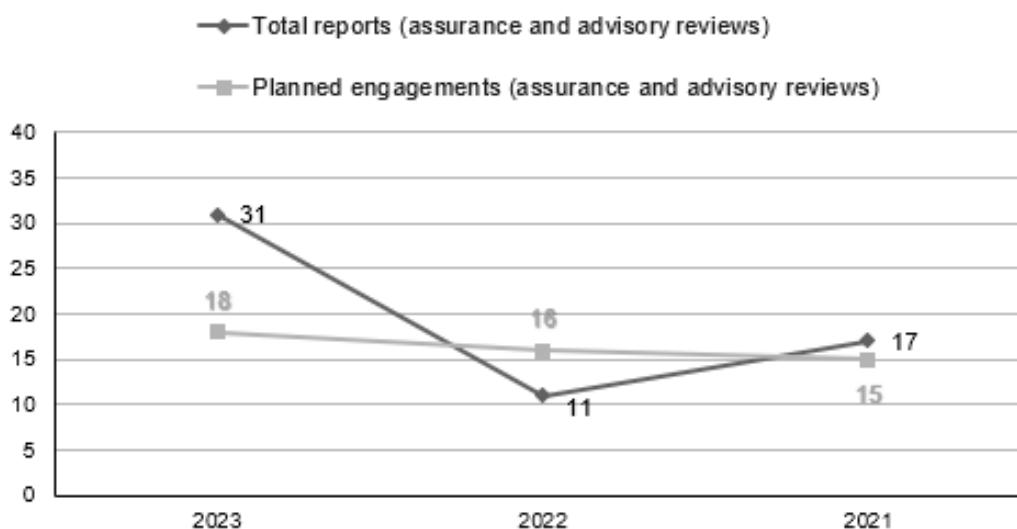
Figure 2. Geographical distribution of reports issued in 2023

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

37. During 2023, the Group continued to apply a hybrid approach, using both remote and on-site field missions when carrying out audit engagements.

Monitoring and coordination of activities

38. The Audit Advisory Committee continued to review the annual workplan and final engagement reports of the Group. The Committee provided input to enhance the effectiveness of internal audit and investigation functions. Its annual report, 2023, is included as annex 7.

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

Audit reports and ratings

Table 2. Distribution of audit ratings by engagement type and region, 2023

Engagement area	Number of reports	Satisfactory (effective)	Partially satisfactory: some improvement needed	Partially satisfactory: major improvement needed	Unsatisfactory (ineffective)	Rating not applicable
Assurance and advisory reviews	**31**	**3** [a]	**1**	**0**	**0**	**27**
Project audit reports expressing a rating of internal controls and an opinion on the financial statement	**27**	**17**	**6**	**2**	**2** [b]	**0**
Project audit reports expressing an opinion on the financial statement only	**19**	**19** [c]	**0**	**0**	**0**	**0**

Forensic audit reports	**3**	**0**	**0**	**0**	**0**	**3**
Total	**80**	**39**	**7**	**2**	**2**	**30**

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 Projects receiving differing ratings for internal audit and financial audit reports are categorized by the lower rating of the two in this table.

Figure 3. Overview of internal audit ratings, 2023
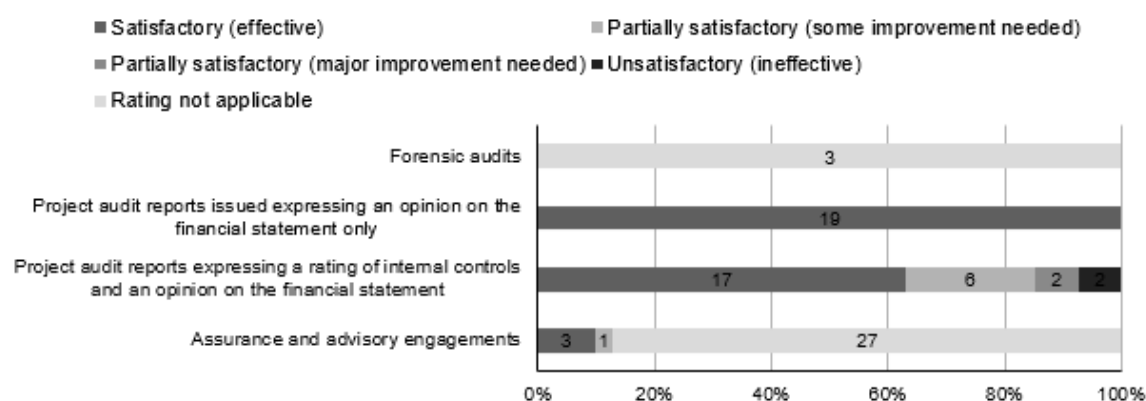
40. The Group issued 80 reports in 2023, compared to 49 in 2022. Of the 80 reports, 31 are assurance and advisory reviews, three are forensic audits, and the remaining 46 are project audits conducted by external firms under the supervision of the Group, mainly to fulfil project reporting requirements.

41. In each internal audit of UNOPS 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.[7]

42. The Group upholds the United Nations 'single audit principle' in accordance with the UNOPS report on internal audit and oversight in 2007 (DP/2008/21). The Group provides technical support to project managers in meeting the audit requirements of their projects, and engages a pre-qualified third-party professional auditing firm to conduct those audits. The firm adheres to approved terms of reference, and the audit reports it prepares undergo quality assurance by the Group before being issued.

Data analytics and technology-enabling initiatives

43. The Group has developed a number of dashboards and reports dedicated to audit engagements, including the unpaid leave report and dashboards associated with the end-to-end review of human resources, procurement and project management processes.

44. In 2023, the Group's data analytics team accompanied the audit team on audit missions to engage in knowledge-sharing with regional and country offices. The data analytics team benefited from the opportunity to strengthen their knowledge of field operations, resulting in more effective deployment of data analytics throughout the audit life cycle. Another advantage was collaboration between data analysts and the audit team to examine the data, verify data integrity, and identify system limitations.

---

[7] A detailed explanation of audit ratings can be found on the UNOPS external website.

45. The Group's data analytics underwent an external review on its maturity assessment in 2023, coupled with an artificial intelligence maturity assessment and feasibility analysis. The assessment concluded with a road map for key initiatives covering data strategy and process management – a proposal of use cases and recommendations for improvement – enabling the Group to establish a comprehensive approach to innovation through data analytics.

46. The automated standard risk assessment enables continuous risk monitoring and increases the efficiency of the team. The parameters used were further refined and updated in 2023 to guarantee even more robust results.

47. The Group's participation in the Data Stewards Panel ensured improved governance and enhanced availability of all audit and investigation data in the 'Bigquery' system.

VIII. Implementation of audit recommendations

48. The implementation rate of audit recommendations at 31 December 2023 was 95 per cent, a slight decrease from the implementation rate (98 per cent) recorded at 31 December 2022, due mainly to the higher number of engagements and hence recommendations issued in 2023. The implementation rate demonstrates continued management responsiveness and commitment. Table 3 shows the outcome for all audit recommendations issued from 2008 to 2023. Only one of the audit recommendations issued in or prior to 2021 had yet to be closed.

49. In 2023, the Internal Audit and Investigations Group closed 72 recommendations from audit reports issued between 2021 and 2023.

50. 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 implemented effectively. In 2023, 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 2023

| Number of audit recommendations | 2008-2021 | 2022 | | | 2023 | | | |
	Total	Internal audits and reviews	Project audits	Total	Internal audits and reviews	Project audits	Total	Total for 2008-2023
Closed	**5,137**	47	68	**115**	1	10	**11**	**5,263**
as a percentage	*100%*	*67%*	*80%*	*74%*	*1%*	*12%*	*5%*	*95%*
Under implementation	**1**	23	17	**40**	160	71	**231**	**272**
as a percentage	*0%*	*33%*	*20%*	*26%*	*99%*	*88%*	*95%*	*5%*
Total	**5,138**	**70**	**85**	**155**	**161**	**81**	**242**	**5,535**

51. Table 4 depicts the ageing of outstanding recommendations as of 31 December 2023, with 85 per cent outstanding for less than 12 months, and 15 per cent between 12 and 18 months. The high total number of outstanding recommendations was due to the inclusion of advisory recommendations.

52. There was one long-outstanding audit recommendation issued more than 18 months before 31 December 2023.

**Table 4. Recommendation ageing based on original time frame
as of 31 December 2023**

Priority	Total outstanding recommendations	< 12 months	12−18 months	>18 months
High	121	112	8	1
Medium	90	64	26	0
No priority given	61	55	6	0
Total	**272**	**231**	**40**	**1**

IX. Key internal audit and advisory results

Strategic and systemic issues identified

53. In its decision 2023/7, the Executive Board requested UNOPS to include substantive analysis of findings and provide an overview of strategic and systemic issues in a dedicated section of this report.

54. In 2023, the Group identified the following recurring strategic issues related to accountability, governance, decision-making, communication and risk management:

(a) **The review of UNOPS organizational culture** found that significant improvement was needed in: (i) improving accountability and recognizing it as a core value regardless of seniority; (ii) establishing clear and structured communication channels; (iii) addressing tensions between headquarters and the regional and country offices, between regional and multi-country offices, and between multi-country offices and country offices; (iv) increasing trust in the whistleblowing system and complaints processes, with better communication regarding actions taken in response to filed reports; and (v) improving processes related to human resources.

(b) **The review of the early termination of the 'Pharma MX project'** identified factors likely to have contributed to the early termination, and lessons learned for future engagements. There were weaknesses in: (i) project strategy and planning, including the readiness of UNOPS to start implementing a project before thoroughly analysing the needed resources, tools, expertise, and the market; (ii) the clarity of legal agreements regarding the rights and obligations of parties, and the project's exit strategy; (iii) the transparency with which the UNOPS pricing model was communicated to partners; (iv) the development and enforcement of a clear accountability framework; and (v) the drafting of a risk management strategy with a response plan and corresponding mitigation measures.

(c) In its **review of crisis management**, the Group highlighted practices that could be improved to ensure alignment with generally accepted best practices, including: (i) improved governance and strategy through the establishment of a formal crisis management model, a crisis management committee, an escalation process and a decision-making strategy; (ii) preparation of a crisis communication plan; and (iii) strengthening of crisis management operations.

(d) In a **follow-up to the independent reviews of UNOPS internal control systems, risk management and overall governance structures**, the external consultant recommended that UNOPS should: (i) strengthen risk management by conducting a thorough assessment of the portfolio and potential hidden risks; (ii) develop a robust second line of defence, including a control-testing programme; (iii) complete the overhaul of the whistleblowing process and clearly communicate the changes to all personnel and external stakeholders; and (iv) assess the effectiveness of the renewed pricing model in the light of the UNOPS operating model and risk position.

(e) In its **review of UNOPS prevention of sexual exploitation, abuse and harassment**, the internal audit team identified the need to address: (i) the fragmentation of approaches, policies, governance, roles and responsibilities; (ii) issues related to

UNOPS organizational culture, trust and misperceptions around reporting; (iii) the lack of clear accountability for a system-wide approach; (iv) shortfalls in the ability of UNOPS to provide adequate support to victims; and (v) the absence of a cross-organizational approach and reporting channels for beneficiaries and community members.

55.   In 2023 the Group completed three core process reviews to address systemic and recurring issues in the areas of human resources, procurement and project management, by elevating the issues to the attention of policy-owners, rather than addressing them in isolation in various UNOPS field offices.[8] With the same objective of mitigating systemic issues, the audit team looked into infrastructure design and health and safety.

(a)   In its **review of the UNOPS project management process**, the Group concluded that: (i) the engagement development and acceptance process was not sufficiently effective and efficient and could lead to project delays, descoping and write-offs; (ii) UNOPS project reporting did not fully support the strategic direction; (iii) risk management in projects was not sufficiently able to minimize unforeseen liabilities and reputational impact on UNOPS.

(b)   In its **review of the UNOPS procurement process**, the Group noted that: (i) emergency procurement procedures were not aligned with UNOPS procurement principles; (ii) UNOPS procurement principle were not fully followed; (iii) the current sustainable procurement framework could not assure that awarded suppliers would meet sustainability requirements; (iv) oversight roles and responsibilities were unclear and inconsistent; (v) risk management in health procurement could be more effective; and (vi) the existing procurement systems and tools needed refining to efficiently support UNOPS procurement processes.

(c)   In its **review of the UNOPS human resources process**, the Group found that: (i) rules and policies were neither fit for purpose nor designed to support UNOPS operations; (ii) a significant number of risks associated with human resource activities had not been identified, and the controls in place were at times unnecessary and at times non-existent; and (iii) a number of human resource initiatives were not coordinated, synchronized or monitored.

(d)   The Group assessed **the efficiency of the infrastructure design review process** and its impact on UNOPS operations and partners from a risk, cost and benefit perspective. The Group noted gaps in collaboration and effective communication between members of the headquarters design review team and local design teams in the field, especially in the initial stages of design development.

(e)   In its **review of UNOPS health and safety in infrastructure projects**, the Group found that improvement was needed in: (i) controlling health and safety hazards at the project level; (ii) ensuring health and safety input during the technical evaluation stage of the contractor selection process; (iii) ensuring adequate resourcing for the implementation of health and safety; (iv) identifying root causes of accidents and incidents at the project level; and (v) strengthening management review and internal oversight across all levels.

(f)   In project audits, the Group noted recurring findings related to **the management of small grants**: (i) grantee disbursement recorded but not paid; (ii) discrepancies between grantee transaction listing and financial reports; (iii) non-adherence to national steering committee procedures and record keeping; and (iv) misallocation of expenditure between programmes.

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

Analysis of internal audit recommendations issued in 2023

57.   In 2023, 161 audit recommendations were issued, compared to 70 in 2022. The increase was due mainly to the greater number of reports issued.

---

[8] A fourth review, focusing on finance and treasury processes, was initiated in 2023 for completion in 2024.

58. Of the 161 recommendations issued in 2023, 99 were considered to be of high importance and seven of medium importance, while 55 had no priority allocated, as shown in table 5. Low-priority recommendations were 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		
	2021	2022	2023	2021	2022	2023
High	44	31	99	47	44	62
Medium	45	33	7	47	47	4
Not applicable	6	6	55	6	9	34
Total	**95**	**70**	**161**	**100**	**100**	**100**

59.   The frequency of internal audit recommendations by functional area is displayed in figure 4. The top five areas pertained to project management (48 per cent), human resources (20 per cent), strategic management and partnerships (12 per cent), procurement (7 per cent), and information technology (5 per cent). The distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement. The considerable increase in the number of recommendations under project management and human resources resulted from two reviews, one of project management and the other of human resources.

Figure 4. Internal audit recommendations by functional area, 2021-2023
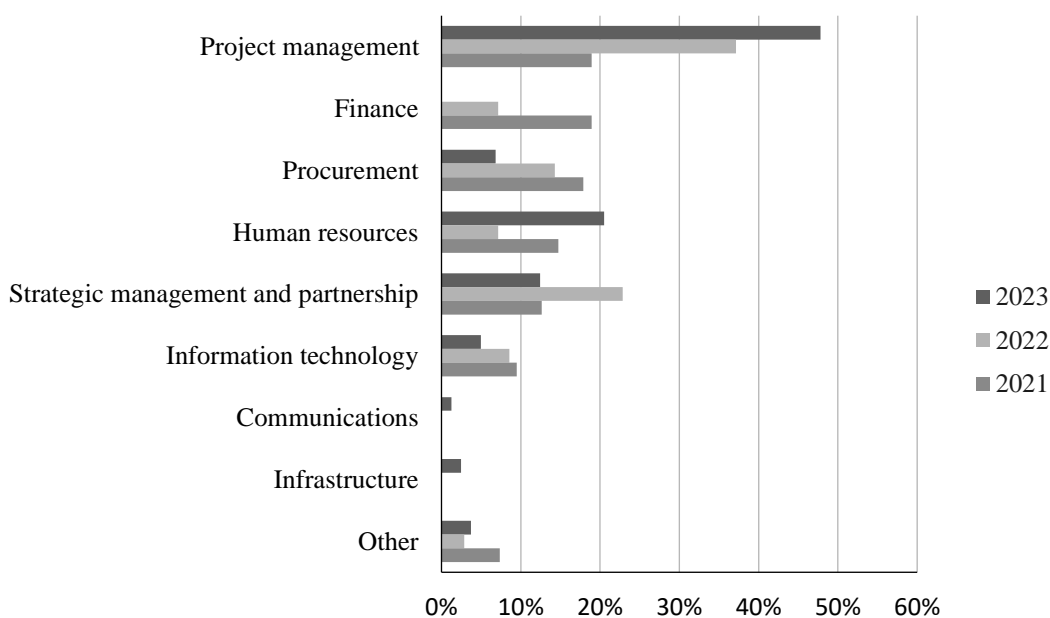
60.   Figure 5 shows the distribution of recommendations by objective type. Recommendations on operational issues (61 per cent) and strategic issues (36 per cent) were the most common, while the proportion of recommendations addressing compliance issues (2 per cent) and reporting issues (1 per cent) were much lower than in previous years.

Figure 5. Internal audit recommendations by objective, 2021-2023
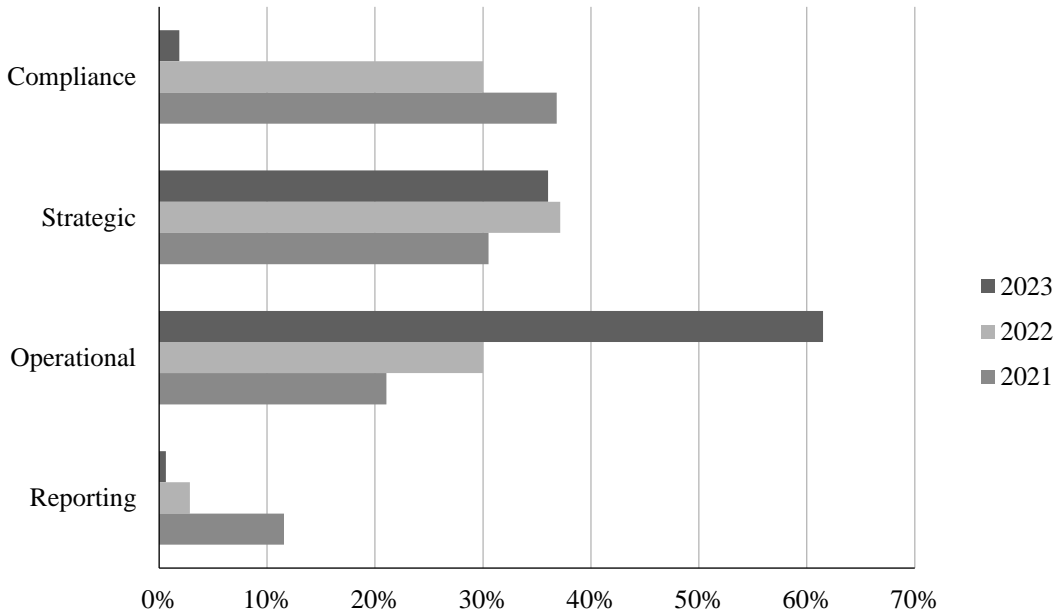
Analysis of project audit recommendations issued in 2023

61. Project audit reports generated 81 audit recommendations – an average of three recommendations per report[9] – compared to an average of 2.7 in 2022.

62. The number of audit recommendations rated 'of high importance' rose from six in 2022 to 14 in 2023 (see table 6).

Table 6. Project audit recommendations by level of importance, 2021-2023

Level of importance	Number of recommendations			Percentage of total		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**
High	3	6	14	11	7	17
Medium	24	79	67	89	93	83
Total	**27**	**85**	**81**	**100**	**100**	**100**

63. The 81 project audit recommendations issued in 2023 are analysed by frequency of occurrence in a functional area. As shown in figure 6, most pertained to project management (46 per cent) or finance (42 per cent).

64. For 2023, the accounting impact of project audit observations on internal control reports was $1,355,821 ($1,458,873 in 2022). There were two audit reports with a qualified opinion in 2023 (one in 2022).

---

[9] Twenty-seven project internal audit reports in 2023 and 31 in 2022

Figure 6. Project audit recommendations by functional area, 2021-2023
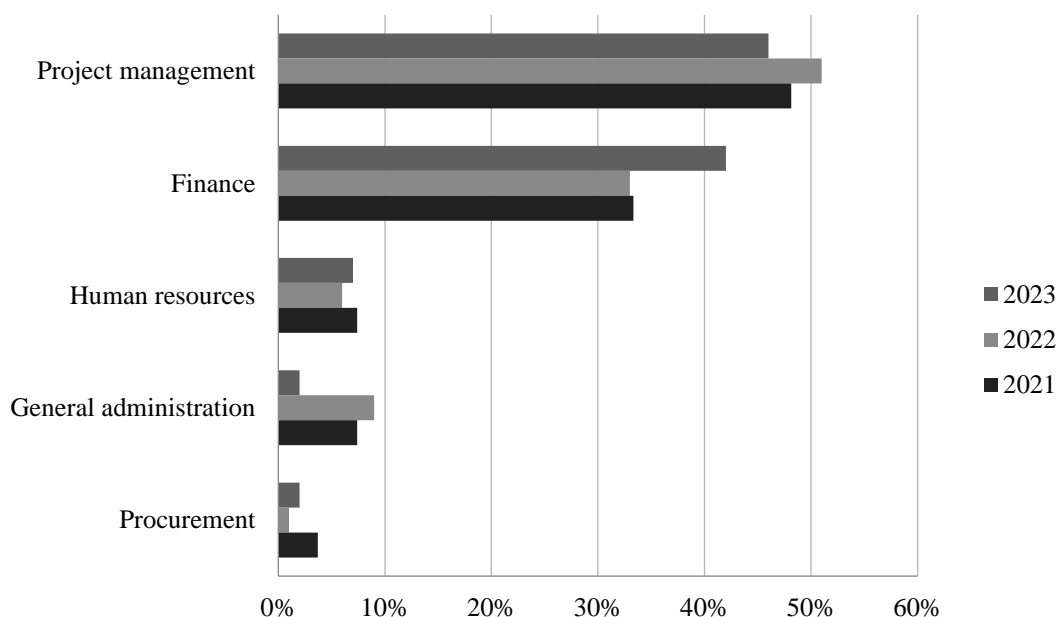
Advisory

65. In 2023, the Group performed advisory engagements as follows:

(a) **End-to-end review of core processes.** The Group conducted four end-to-end reviews of UNOPS core processes: human resources, procurement, finance, and project management. They covered a range of objectives, including: (i) that rules and policies are fit for purpose; (ii) that processes are efficient and controls are properly defined; (iii) that responsibilities and accountability are clearly defined; (iv) that processes are efficiently supported by the existing systems; (v) that oversight mechanisms are effective and efficient; and (vi) that risk management is effective;

(b) **Maturity assessment of UNOPS information security**. The Group conducted a review to assess the internal and external vulnerability of critical UNOPS web applications and to evaluate the level of cloud infrastructure maturity to ensure the security of its cloud systems, data and operations;

(c) **Review of UNOPS culture**. Following the concerns raised on irregularities and alleged misconduct linked to S3i, the Group commissioned a third-party to conduct an assessment of the existing UNOPS culture with respect to United Nations values;

(d) **Review of UNOPS crisis management**. The Group conducted an assessment of UNOPS crisis management in terms of crisis preparedness, crisis response and crisis recovery;

(e) **Review of UNOPS prevention of sexual exploitation, abuse and harassment**. As part of the commitment to prevent and respond to sexual exploitation, abuse and harassment, the Group will commission a review to assess the effectiveness of the respective policies and practices and provide recommendations to strengthen the policies and the capacity of personnel to prevent and respond to such cases.

(f) While conducting its annual risk assessment, the Group made a number of suggestions towards successful implementation of **the process innovation and digitalization programme**: (i) develop a comprehensive and structured business case and share the approved document with UNOPS personnel; (ii) establish functional and inclusive governance of the programme; (iii) further clarify roles and responsibilities within the programme team; (iv) clarify the programme budget; (v) analyse the risks associated with

each strategic goal and establish relevant mitigation measures; (vi) define a clear decision-making process for all key and strategic decisions expected; (vii) define and clarify the role of change management throughout the programme; and (viii) define smart and measurable key performance indicators to enable the Executive Office to monitor programme progress and performance.

(g) Other audit advisory engagements included: (i) a review of the early termination of the project for acquisition of medicines in Mexico; (ii) a review of design review process efficiency; (iii) a review of UNOPS health and safety; (iv) a device management review; (v) a review of UNOPS peace and security cluster continuity; (vi) a high level assessment of the process innovation and digitization programme; (vii) a data analytics and artificial intelligence maturity assessment; and (viii) a follow-up on the independent third-party review of internal control systems, risk management and overall governance structure;

(h) The Group provided ad hoc audit advisory services, including: (i) advice on audit clauses in project agreements; (ii) participation in key senior management meetings and various panels; (iii) coordination with and support to the Joint Inspection Unit; and (iv) audit processes training for regional and country offices.

X. Disclosure of internal audit reports

66. In accordance with decision 2012/18, the Internal Audit and Investigations Group makes its internal audit reports publicly available through the UNOPS audit disclosure website.[10] In exceptional cases, reports may be redacted or withheld in their entirety at the discretion of the Director of the Group.

67. While advisory reports are not published, the Group provides copies to senior management. Selected advisory reports were shared with all UNOPS personnel and uploaded on the intranet.

68. 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 those withheld, on an exceptional basis, for confidentiality reasons).

XI. Investigations

69. In 2023, the investigations section of the Group handled many more cases than in the previous year, opening 171 cases – a 38 per cent increase over 2022. Despite the increased workload, the Group was able to complete 137 cases within an average of 4.5 months. At the end of the year, the Group had 18 cases that had been open for more than six months.

70. The Group continued to focus on cases involving fraud and financial irregularities, thus identifying financial losses of $978,786.

A. Complaint intake

71. In 2023, the Group received 317 complaints, a 20 per cent increase over 2022 (265 complaints). It opened 171 cases based on those complaints (the remainder were found to be outside its mandate).
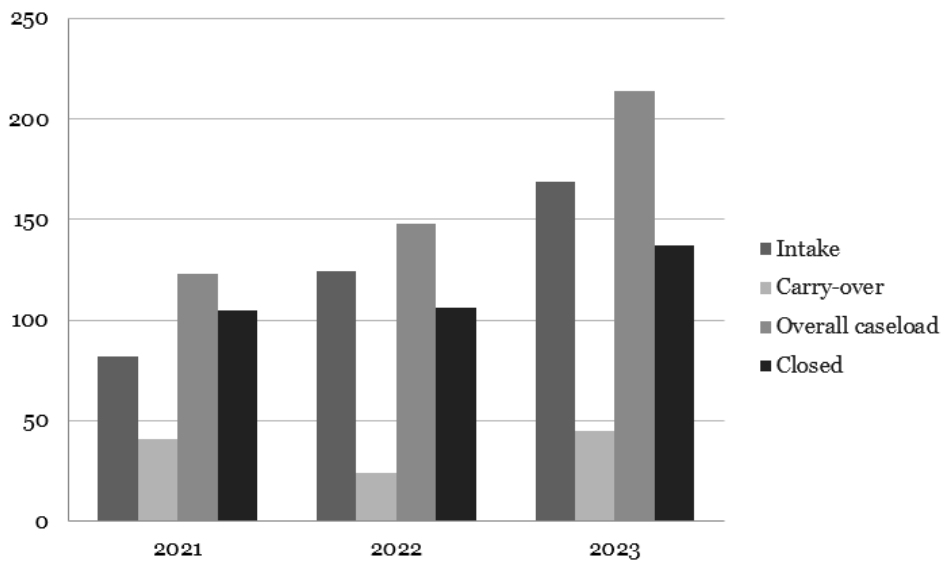
B. Cases opened

72. In addition to the 171 cases opened in 2023, 43 were carried over from the previous year (figure 7).

[10] https://www.unops.org/about/governance/accountability/iaig/reports

Figure 7. Number of cases opened, 2021-2023

73. Of the 171 cases opened, 144 were referred by management or personnel, and four by other United Nations organizations. Sixteen were received from external parties (vendors and insurance providers) and five from anonymous complainants. Two were opened as a result of information identified in other investigations.

74. Of the cases opened in 2023, 124 involved alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of resources); 26 involved allegations of sexual misconduct (sexual harassment, sexual assault or sexual exploitation and abuse); 11 involved allegations of prohibited conduct (harassment or abuse of authority); and two involved allegations of retaliation. The eight remaining cases involved other types of alleged misconduct or wrongdoing.

**Figure 8. Case intake by category in 2023**
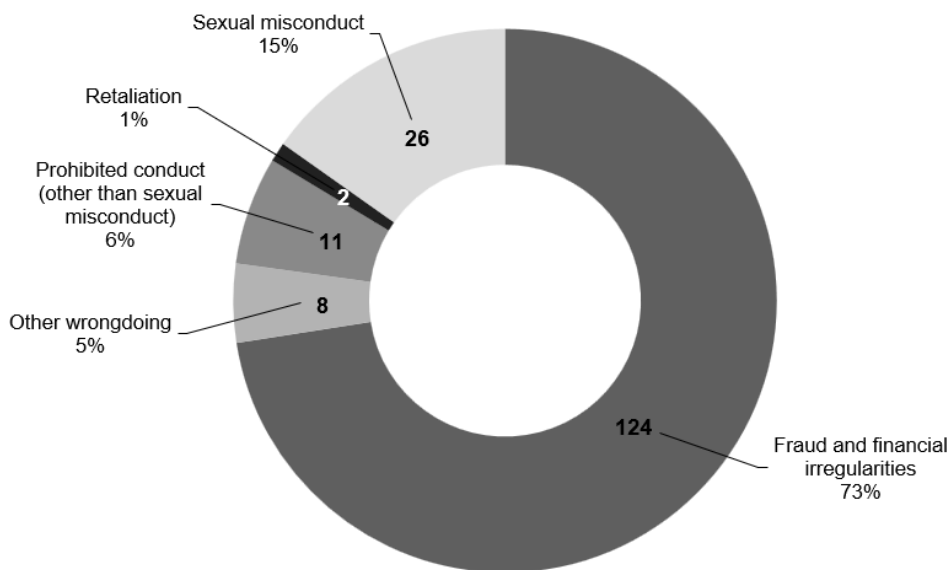
Table 7. Case intake by category, 2021-2023

Allegation category	Cases in 2021	Cases in 2022	Cases in 2023
Fraud and financial irregularities	56	99	124
Prohibited conduct	4	3	11
Sexual misconduct	13	12	26
Retaliation	1	0	2
Other misconduct/wrongdoing	8	10	8
Total	**82**	**124**	**171**

75. Africa was the region from which the Group opened the most cases in 2023 (54 cases), followed by Asia (42), the Middle East (34), Latin America (26), Europe (8), North America (4), and headquarters (3).

Figure 9. Geographic distribution of cases opened in 2023
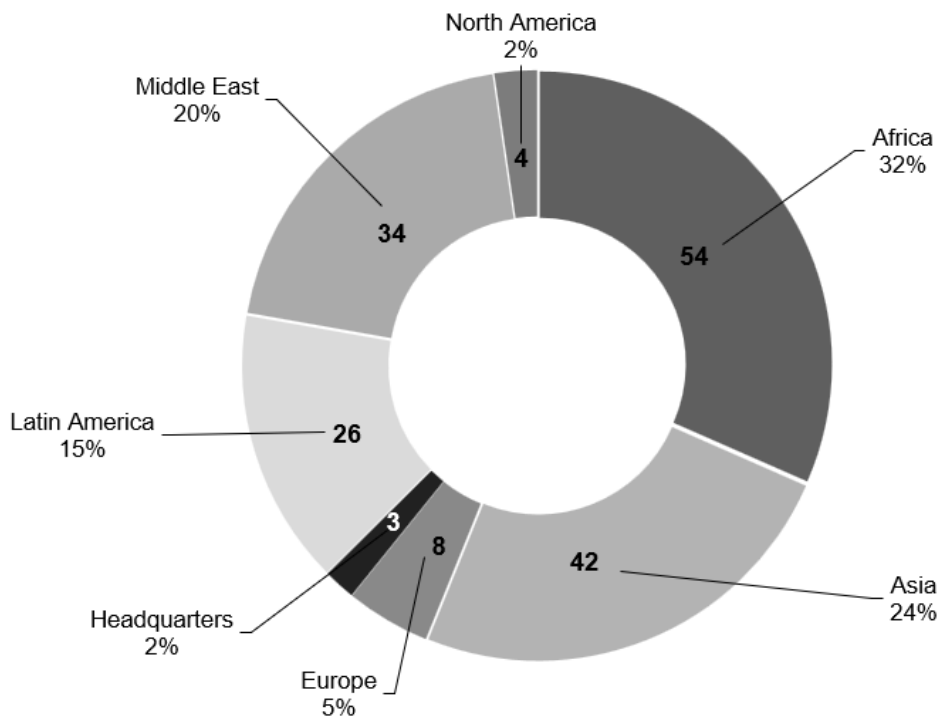
C. Outcome of investigations

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

77. 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.

78. 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.IAIG.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.

79. In 2023, the Group closed 137 cases.

Table 8. Investigation cases handled in 2023

Status of cases	Number of cases
Carry-over as of 1 January 2023	42
Intake during the year	171
Reopened during the year	1
Total cases during handled during the year	**214**
Closed during the year	137
Cases ongoing as of 31 December 2023	**77**

80. Of the 137 cases that the Group closed in 2023, 74 (54 per cent) were substantiated. In 54 cases, the Group concluded that allegations were not substantiated. In the remaining nine cases, the Group concluded that the allegations were outside its mandate.

Substantiated cases

81. The 74 substantiated cases (see annex 6) involved 29 personnel members and 61 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 (60 cases).

Table 9. Outcome of investigation cases in 2023

Outcome	Count
Cases not substantiated	
After initial review	13
After investigation	41
Subtotal	**54**
Cases outside the mandate of the Group	**9**
Cases substantiated	**74**
Total	**137**

Financial losses and recovery

82. The total financial loss substantiated in cases investigated by the Group in 2023 amounted to $978,786. The Group has referred those losses to the Legal Group for recovery, which is pending.

Action taken in cases of misconduct

83. The Group referred 29 individuals to the Human Resources Legal Officer in 2023:

    (a) The contract of one individual was terminated;

    (b) One individual was demoted;

(c)   Seven individuals who cheated in recruitment exercises were temporarily banned from applying for UNOPS vacancies; and

(d)   The cases for 20 individuals were pending with the Human Resources Legal Officer at the end of 2023.

Action taken in cases of misconduct (prior years)

84.   UNOPS addressed matters against 17 individuals whose cases originated prior to 2023. Fifteen were terminated and one was temporarily banned from applying for UNOPS vacancies. A letter was placed in the file of one individual – separated from UNOPS before the disciplinary action – stating that the person would have been charged with misconduct had they remained with the organization.

Vendor sanctions

85.   In 2023 the Group referred 45 cases involving 61 vendors and 31 company principals to the vendor review committee. The committee took action in 38 of the cases.[11] As a result, UNOPS:

(a)   Debarred 11 vendors and 13 company principals for three years;

(b)   Debarred three vendors and three company principals for four years;

(c)   Debarred one vendor and one company principal for five years;

(d)   Debarred two vendors and three company principals for seven years; and

(e)   Issued caution letters to 33 vendors.

86.   In addition, the committee took action in 18 cases that originated prior to 2023:

(a)   Nineteen vendors and 17 company principals were debarred for three years;

(b)   Two vendors and one company principal were debarred for five years;

(c)   One vendor and two company principals received a letter of censure; and

(d)   Three vendors received a warning letter.

87.   To date, UNOPS has sanctioned 334 vendors since 2010 based on the Group's findings. The sanctions are shared with other organizations on the United Nations Global Marketplace.

D. Strengthening the investigative capacity

88.   In 2023, the investigations section of the Group comprised ten professionals supported by two investigative assistants. The Group established a new intake team of two investigators, enabling the section to handle the increased number of complaints and reduce the time needed for complaints to be assigned to investigators or referred to the appropriate entity. The Group recruited an investigations senior analyst to handle communications with donors and stakeholders.

89.   To address the increased caseload, the Group brought in external consultant investigators and engaged the services of several international investigative firms and forensic audit firms through long-term agreements.

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

91.   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. In 2023, the Group participated in an ongoing working group that included the Ethics Office, Legal Group and

---

[11] The remaining seven cases were pending with the vendor review committee at the end of 2023.

Internal Grievances Unit, seeking to improve whistleblowing and reporting mechanisms at UNOPS.

E. Sexual misconduct

92.   In 2023, the Group received 30 complaints involving allegations of sexual misconduct, a 76 per cent increase over 2022 (17 complaints). It opened 26 cases based on those complaints.[12]

93.   Fourteen of the 26 cases related to sexual exploitation and abuse. Three were found to be unsubstantiated. Five were substantiated and the respective implementing partners took appropriate action. Three were outside the Group's mandate and were referred to the appropriate body. The Group received one allegation of sexual assault which was still under investigation at the end of the year. All cases of sexual exploitation and abuse were reported to the Office of the Secretary-General, which makes them publicly available.

94.   The Group opened 11 cases of sexual harassment in 2023. It closed seven, four of which were substantiated.

95.   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 ensures that appropriate victim support services are provided.

96.   By the end of 2023, the Group had closed 18 of the 26 cases of sexual misconduct after an average duration of 57 days. Six of the eight cases still open at the end of the year had been open for less than two months. The remaining two, which were handled by an implementing partner and by another investigative office, had been open for eight months.

97.   In 2023, the Group continued to provide support to senior management in relation to protection against sexual exploitation and abuse. It is a key member of the UNOPS working group on preventing sexual exploitation and abuse, supporting the 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.

98.   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.

99.   The Group helps management 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, where the Group registers all 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 involving such allegations. In 2023, the Group responded to nine Clear Check verification requests from other United Nations entities.

100. The Group continues its coordination with other United Nations organizations on these issues through its membership of the United Nations Representatives of Investigative 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.

101. As part of the United Nations strategy to combat sexual exploitation and abuse, the Group collaborated with six other United Nations organizations (International Organization for Migration, UNDP, UNFPA, UN-Women, the World Food Programme and the World Health

---

[12] The remaining four complaints related to sexual harassment allegations outside of the Group's mandate. The Group therefore referred the complaints to the appropriate entity but did not open a case.

Organization) in 2023 to conduct inter-agency training for focal points from across the globe on prevention of sexual exploitation and abuse.

F. Professional network and cooperation

102. During 2023, the Group remained an active member of Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. In November 2023, the Group participated in the 23rd Conference of International Investigators hosted by the European Reconstruction Development Bank.

103. In 2023, the Group signed memorandums of understanding with the Office of Inspector General of the United States International Development Finance Corporation and of the United States Department of Defense, bringing to 23 the number of such agreements. The agreements strengthen the confidence partners have in UNOPS and serve as a strong assurance-building tool for field colleagues negotiating for client funds.

G. Advisory services

104. The investigations section provided guidance and advice to UNOPS personnel and management on a wide range of matters regarding possible misconduct and wrongdoing, including alternative measures for resolution.

105. The section participated on an advisory basis in meetings held by the Vendor Review Committee, and by the UNOPS Prevention of Sexual Exploitation and Abuse Working Group.

Donor agreements and reporting

106. In 2023, there was a significant increase in the Group's participation in negotiating agreements with donors, and in responding to an increasing number of requests from donors for information about investigations and other integrity concerns. The section participated in the drafting and review of 10 individual financing and legal agreements with donors and other parties, including international financial institutions.

107. With the addition of a dedicated donor reporting position, the section regularly engaged with the investigative offices of its donors and other partners concerning specific cases of misconduct and wrongdoing. In 2023, it adhered to project agreements by reporting 56 new credible allegations of misconduct connected to the contributions of specific donors, and communicated the outcomes of 53 cases that were closed within the year. The section provided numerous briefings to donors.

H. Proactive measures to address fraud and corruption

Proactive forensic audit

108. The Group commissioned the first phase of a forensic audit into the use by UNOPS of emergency procurement procedures, which allow exceptions to formal methods of solicitation in emergency situations. In 2022, 31 per cent of total UNOPS procurement was conducted using those procedures. This presents a risk to UNOPS operations, and the Group noted a rise in the number of investigations related to such emergency procurements.

109. The first phase of the audit, which will identify fraud risks and weaknesses in controls and procedures, will be completed in the first quarter of 2024.

Communications and training

110. In 2023, the investigations section continued to deliver training on fraud and corruption to various UNOPS offices to proactively raise awareness on these issues. It expanded its outreach efforts, delivering presentations to 1,119 personnel and nine implementing partners first phase in 11 offices and all regions where UNOPS operates. Topics ranged from an overview of its work, to how to spot potential issues, and knowing where and how to report allegations.

———————