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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 investigations activities in 2021**

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 2021.

As requested by the Executive Board in its decision 2015/13 and in relation to internal audit activities, this report includes: (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's 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 for 2021 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 organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13); and
- (e) Take note of the annual report of the Audit Advisory Committee for 2021 (in line with Executive Board decision 2008/37).



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I. Introduction

1. **Objective.** This report summarizes the activities conducted in 2021 by the UNOPS Internal Audit and Investigations Group (IAIG). It provides an overall opinion on the adequacy and effectiveness of the governance, risk management and control processes of the organization, based on the scope of work undertaken (Executive Board decision 2015/13). Criteria to form this opinion include the risk-based audit plan for 2021; the results of internal audits and project audits in 2021; the implementation of actions to address audit recommendations from this and prior years; forensic project audits; continuous auditing and data analytics programmes; and findings from investigations.

2. **Opinion.** In the opinion of the IAIG, based on the scope of audit and investigations work in 2021, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (some improvement needed), which means that they were generally established and functioning but needed some improvement. IAIG is pleased to note that 97 per cent of recommendations were acted upon in 2021, demonstrating that appropriate and timely action is taken as and when improvements in governance, risk management and control are necessary. There were four open agreed actions older than 18 months as at 31 December 2021, eight fewer than as of 31 December 2020.

3. **Audit output.** In 2021, IAIG delivered 17 internal audit and advisory reports (two more than the 15 planned) and 36 project audit reports. IAIG conducted an advisory engagement, an audit and two quarterly risk assessments for a \$6.1 billion strategic project for health-care procurement in Mexico. Despite the challenges of working remotely, the average time taken for internal audit reports to be issued was within the key performance indicator target of 90 days. IAIG issued 122 recommendations in 2021 compared to 148 in 2020. The decrease is caused by the audit team's increased focus on strategic initiatives, and by a larger number of advisory engagements conducted by IAIG. The advisory action plans are not included in the total figure.

4. **Investigation output.** IAIG handled significantly more cases in 2021 than in 2020. It closed 105 cases, a 69 per cent increase from 2020 (62 cases). This increase is partly due to IAIG opening more new cases in 2021 (8 per cent increase) but mainly due to IAIG completing the high number of cases (41) carried over from 2020. As a result, IAIG reduced its backlog and carried over only 18 cases to 2022. IAIG was able to complete its cases within an average of 4.5 months. The total financial loss substantiated in investigation cases by IAIG in 2021 amounted to \$375,550 compared to \$217,300 in 2020. In 2021, UNOPS management recovered \$38,182 from losses identified by IAIG.

5. **Quality.** The audit team underwent an external quality assessment 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 successfully closed the recommendations stemming from the independent external assessment undertaken in 2020.

6. **Supporting strategic initiatives.** In its field audits across the world, IAIG focused on the key strategic and functional areas of health, safety, social and environment, gender and protection against sexual exploitation and abuse. IAIG completed a root-cause analysis in collaboration with approximately 40 key policy owners and regional offices. This analysis identified 51 relevant and sustainable solutions and their responsible owners, through which recurrence of issues can be prevented.

7. **Accountability framework.** In accordance with the UNOPS accountability framework and oversight policies, the IAIG Director reports to the Executive Board on the resources available and required for implementation of the accountability framework. The pillars of the UNOPS accountability framework and oversight policies that are internal to UNOPS include: IAIG; the Audit and Advisory Committee; the Ethics and Compliance Office; the regional offices; the Office of the General Counsel; the Appointment and Selections Panel; the Appointment and Selections Board; the Headquarters Contracts and Property Committee; the quarterly business review of corporate performance; and the UNOPS Executive Office directives and instructions. The external pillars of the UNOPS accountability framework and oversight policies include: 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 2021, one Executive Office directive, four executive operational instructions, three operational directives and nine operational instructions were issued. In particular, the Executive Director promulgated the Delegation of Authority and Accountability Framework and the updated Internal Audit and Investigations Charter. The policy improvements encompassed health and safety, social and environmental management and the UNOPS procurement framework.

II. Mandate

9. The mandate, scope, responsibility, accountability and standards of IAIG are defined by the Internal Audit and Investigations Charter per operational directive OD.ED.2021.01. Under the UNOPS governance, risk and compliance framework, IAIG 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 per Executive Office directive EOD.ED.2017.04.

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

11. IAIG continued to interact with the UNOPS Audit Advisory Committee in 2021. In accordance with Executive Board decision 2008/37, the annual report of the Audit Advisory Committee for 2021 is attached as annex 7 to this report.

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. IAIG hereby confirms its organizational independence. In 2021, IAIG was free from interference in determining its audit scope, performing its work and communicating its results.

13. In addition to providing internal audit services to UNOPS, IAIG is responsible for investigating allegations of fraud, corruption, sexual and other forms of misconduct committed by UNOPS personnel, contractors and other parties to the detriment of UNOPS. As per the IAIG Charter, the investigative function of IAIG remained free of any interference in 2021.

III. Opinion

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

15. **Basis of opinion.** IAIG conducted the assessment in accordance with the Professional Practices Framework of the Institute of Internal Auditors of the United States of America, and the Uniform Principles and Guidelines for Investigations, developed and endorsed by the Conference for International Investigators. IAIG 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 IAIG is that the adequacy and effectiveness of UNOPS governance, risk management and control processes were partially satisfactory (some improvement needed). This means that they were generally established and functioning but

needed some improvement. Issues identified do not significantly affect the achievement of the objectives of the organization.

IV. Summary of work and criteria for the opinion

19. The overall opinion reached by IAIG is based on the following evidence: (a) the development and implementation of the 2021 risk-based audit plan approved by the Executive Director after review by the UNOPS Audit Advisory Committee; (b) individual audit engagement results and ratings;¹ (c) progress made by management in implementing actions to address audit recommendations; (d) forensic project audits; (e) the continuous auditing and data analytics programme; (f) findings from investigations; (g) the number of audit recommendations issued; and (h) the implementation status of audit recommendations as at the end of the calendar year.

Table 1. Distribution of audit ratings for 2020 and 2021

Year	2021				2020			
Report ratings	Internal audits ^{a/}	Project audits ^{b/}	Weighted report ratings ^{c/}	Per cent of total	Internal audits	Project audits	Weighted report ratings	Per cent of total
Satisfactory	3	49	27.5	85%	2	46	25.0	72%
Partially satisfactory: some improvement needed	1	2	2.0	6%	3	2	4.0	11%
Partially satisfactory: major improvement needed	1	0	1.0	3%	5	0	5.0	14%
Unsatisfactory	2	0	2.0	6%	1	0	1.0	3%
Total	7	51	32.5	100%	11	48	35.0	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 investments confirmation reports (with confirmed and reconciled balances) are considered as 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 as 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 field offices. Nonetheless, they provide an indication about the state of UNOPS governance, risk and compliance. To this effect, IAIG estimates that the results of the project audits give a 50 per cent assurance about this area.

20. IAIG also 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 also considered in forming the overall opinion for 2021:

- (a) For project financial audits in both 2021 and 2020, no project audit reports with a qualified opinion were issued;
- (b) For project internal audit reports, the accounting impact of audit observations was \$121,794 (\$255,061 in 2020);
- (c) In 2021, IAIG substantiated \$375,550 in fraud, compared to \$217,300 in 2020;
- (d) No payments to sanctioned vendors were substantiated in either 2021 or 2020;
- (e) In 2021, IAIG substantiated \$5,201 duplicate payments (\$46,290 in 2020);
- (f) The implementation rate of internal audit recommendations, which at the end of 2021 was 97 per cent, is judged to be 'satisfactory', as it is evidence that the organization

¹ Audit engagements include internal audits of field offices, advisory reviews, internal audits and financial audits of projects.

takes effective and timely action to address deficiencies identified in audits (96 per cent in 2020); and

(g) Fewer recommendations were issued in 2021 than in 2020 (122 recommendations in 2021, down from 148 in 2020).

V. Statement of independence and conformance to internal audit standards

22. IAIG 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 the Representatives of the Internal Audit Services of the United Nations Organizations (UN-RIAS) in June 2002.

23. IAIG maintains an internal quality assurance and improvement programme, which 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. The most recent external quality assessment was completed in 2021, and IAIG 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, IAIG performs an auditee satisfaction survey with all auditees after each engagement is concluded. The results of these 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.

VI. Resource allocation and deployment

26. During 2021, the Internal Audit section consisted of one audit manager (ICS² 12: P5), two internal auditors (ICS 11: P4, and ICS 11: IICA 3),³ four audit specialists (one ICS 10: P3, and three ICS 10: IICA 2), a data analytics specialist (ICS 10: IICA 2), an audit assistant (ICS 05: LICA 5) and a data analytics assistant (ICS 05: LICA 5).⁴

27. The Investigations Section was composed of a 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). Another audit and investigations assistant (ICS 04: LICA-4) is shared between the two sections.

28. The Director (D1) provided direction and support to the entire group until his resignation as of 30 November 2021. The audit manager has been appointed as Officer-in-Charge until the Director is replaced.

29. The total budget for IAIG in 2021 was \$3.280 million, and in 2022 it will be \$3.650 million, including investment projects. The budget increase will support planned engagements where specific skill sets are required, such as the review of UNOPS crisis management and health, safety, social and environmental issues, and to cover the cost of legal services and forensic audits for those cases where specific technical or local knowledge is required to review allegations.

30. Project audits coordinated by IAIG are financed directly from project funds. Therefore, IAIG absorbs only the associated support costs.

31. The IAIG internal structure was supplemented by guest auditors, third-party professional firms and subject matter experts including three audit advisers on the procurement of pharmaceuticals, an information technology specialist and a number of infrastructure engineers, due diligence experts and computer forensics specialists. In addition, IAIG

² ICS: International Civil Service.

³ IICA: International individual contractor agreement.

⁴ LICA: Local individual contractor agreement.

procured long-term agreements with eight investigative firms to support its work. IAIG continued to retain a part-time editor for quality assurance of its engagement reports.

32. IAIG maintained its partnership with the Association of Certified Fraud Examiners and the Institute of Internal Auditors. All IAIG auditors are members of the Institute and adhere to the international professional practices framework it promulgates.

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

34. IAIG conducted eight knowledge-sharing activities throughout the year to support continued professional development and to ensure that the team is kept abreast of the latest changes in policies and processes, as well as of current trends in internal auditing. Topics ranged from infrastructure design management to health-related procurement. In 2021, the team continued to use an online work planning and resource allocation tool (Wrike) to enable agile project management.

VII. Implementation of the 2021 risk-based audit plan

Risk-based audit planning and completion of the annual workplan

35. The aim of the 2021 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.

36. In preparing its 2021 workplan, IAIG ensured consistency between audit priorities, the UNOPS corporate strategy and management's 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.

37. IAIG delivered 17 audit and advisory reports (two more than the 15 planned) and 36 project audit reports. The average time taken to issue audit reports was within the key performance indicator target of 90 days.

Figure 1. Completion of risk-based internal audit plan, 2019-2021

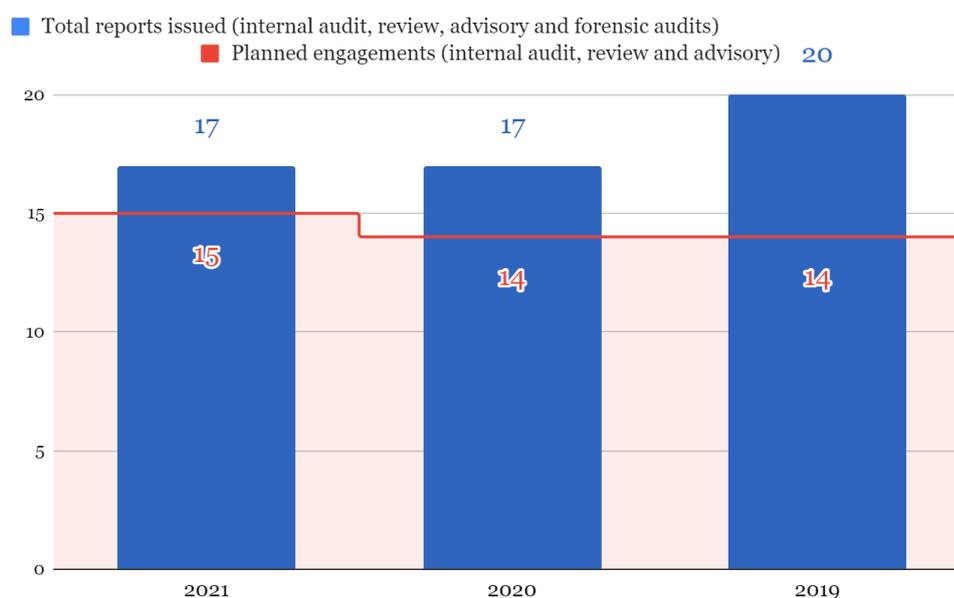
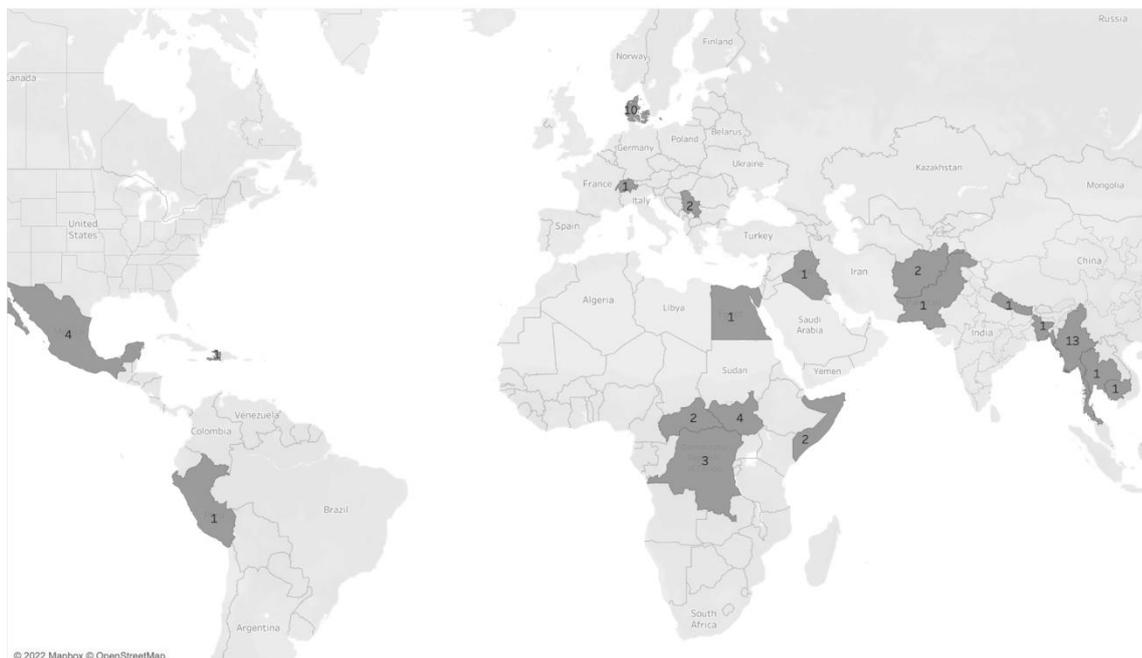


Figure 2. Geographic distribution of reports issued in 2021

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

38. The IAIG mandate includes the provision of advisory services to management, generally upon their request. During 2021, IAIG completed five advisory engagements, the results of which are included in section I below. Advisory activities in 2021 also involved providing formal or informal advice, analysis or assessment, be it in relation to internal audit or investigative activities. When providing advisory services, IAIG maintained its objectivity and did not assume management responsibilities, such as implementation of advice.

39. Due to the continued global pandemic, IAIG applied a remote approach when carrying out the field office audits. Wherever the risk-based approach required physical presence in the field, IAIG contracted a local resource to perform verification. A separate report focusing on the physical verification was issued at a later stage.

Monitoring and coordination of activities

40. The Audit Advisory Committee continued to review the IAIG annual workplan and budget, the quality assurance and improvement plan and final engagement reports. The Committee also provided input to enhance the effectiveness of the internal audit and investigation functions. As noted earlier, the Committee's annual report for 2021 is included in annex 7.

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

42. IAIG engaged in the harmonization of the UNOPS annual audit and investigation reports with the United Nations Children's Fund, United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

43. During 2021, IAIG continued its involvement with UN-RIAS and with the United Nations Representatives of Investigative Services (UN-RIS), coordinating internal audit and investigative activities among United Nations organizations.

44. In 2021, IAIG signed a new memorandum of understanding with Gavi, the Vaccine Alliance, bringing to 20 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.

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

46. IAIG represented UNOPS at the twenty-first Conference of International Investigators and the donor-led Syrian Investigation Working Group.

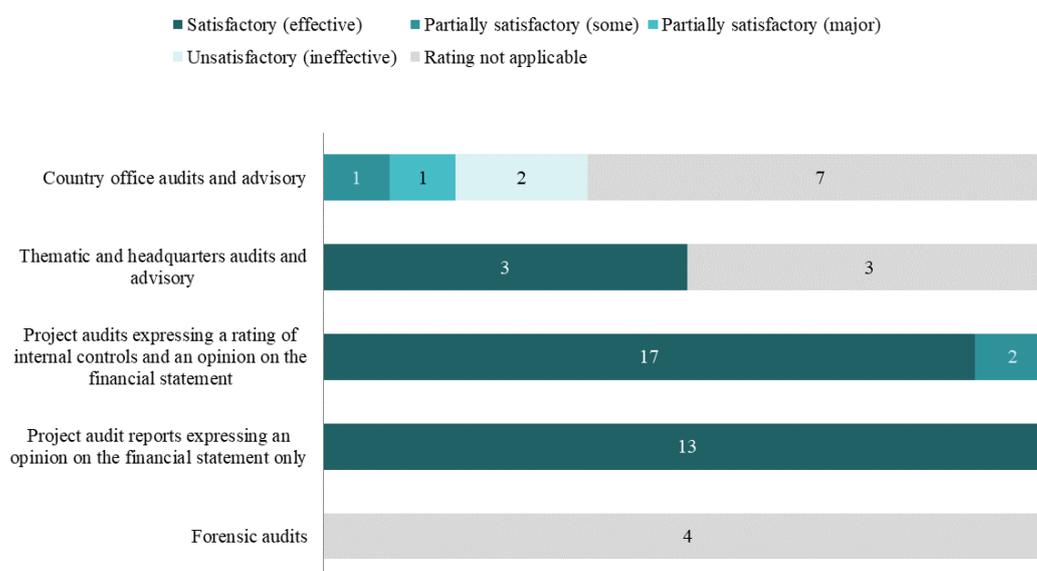
Audit reports and ratings

Table 2. Distribution of audit conclusions by engagement area and region, 2021

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	11	0	1	1	2	7
Africa region	3	0	0	0	2	1
Asia region	2	0	1	0	0	1
Europe and Central Asia region	1	0	0	0	0	1
Latin America and the Caribbean region	5	0	0	1	0	4
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	6	3^{a/}	0	0	0	3
Project audit reports expressing a rating of internal controls and an opinion on the financial statement	19	17	2	0	0	0
Project audit reports issued expressing an opinion on the financial statement only	13	13^{b/}	0	0	0	0
Forensic audits	4	0	0	0	0	4
Total	53	33	3	1	2	14

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

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

Figure 3. Overview of internal audit ratings, 2021

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 ts in 2021, compared to 46 in 2020. Of the 53 reports, 17 are internal audits and advisory reviews of UNOPS country offices, headquarters functions and thematic areas. The remaining 36 reports are project audits conducted by external firms under the supervision of IAIG, mainly to fulfil project reporting requirements.

48. In each internal audit of UNOPS offices, functions and projects, IAIG 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.⁵

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

Data analytics and technology enabling initiatives

50. Further improvements in the IAIG 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.

51. Findings of key data analytics in 2021 included the identification of understated project expenditure by \$741,746, a duplicate payment of \$5,201 and 10 individual contractor awards approved by an insufficient authority.

52. In response to a request from internal stakeholders, IAIG conducted an assessment of the UNOPS SWIFT services, infrastructure and interfaces against the SWIFT Customer Security Controls Framework. The final report concluded that UNOPS complies with the mandatory controls as per SWIFT Customer Security Programme implementation guidelines.

53. IAIG was able to successfully migrate 16 existing data analytics tests from the Microsoft SQL Server to the Google Cloud Platform. The reports and tests are now available

⁵ A detailed explanation of audit ratings can be found on the [UNOPS external website](#).

at a single location and have been updated with new logic and in sync with the Google Cloud Platform data source.

54. IAIG has continued to use its automated annual risk assessment of all UNOPS offices and projects, which has become a key tool when drawing up the IAIG annual workplan. It enables continuous risk monitoring and increases the efficiency of the team. Importantly, it can be used as a management decision-making tool.

55. In 2021, IAIG developed its own dashboard to track the progress of UNOPS field offices and headquarter units in implementing recommendations, with the aim of supporting them to meet their targets before year-end. The dashboard also provides a live update on the number of reports issued by IAIG.

56. IAIG has a delegated Data Steward who in 2021 participated ex officio at monthly meetings of the Data Stewards Panel and liaised with the Information Technology Group as required.

57. In 2021, the UNOPS Chief Financial Officer launched a digital transformation project. IAIG participated at the meetings initiated by the project team, together with other UNOPS units.

VIII. Implementation of audit recommendations

58. The implementation rate of audit recommendations at 31 December 2021 was 97 per cent, an improvement on the already strong implementation rate of 96 per cent recorded at 31 December 2020. This demonstrates continued management responsiveness and commitment despite the challenges faced by field offices in the global pandemic. Table 3 shows the outcome for all audit recommendations issued from 2008 to 2021. Of the audit recommendations issued in or prior to 2019, 99.8 per cent were closed.

59. In 2021, IAIG closed 160 recommendations from audit reports issued between 2018 and 2021. As shown in annex 3, there are no recommendations that have been withdrawn because they were no longer applicable, or due to the acceptance of residual risk by management.

60. The audit team continued to apply the approach successfully piloted in 2020, in which, instead of having IAIG issuing unilateral recommendations to the management of an office, management is invited to draw up action plans in response to issues identified in an audit. With the new approach, the audit team works with the auditees to help them identify their own solutions to the issues and risks presented, rather than having solutions imposed on them by IAIG.

61. In line with the International Professional Practices Framework for Internal Auditing, the IAIG annual workplan included follow-up and monitoring activities to ensure that management actions have been effectively implemented. In 2021, IAIG continued to work closely with management to ensure deliberate targets for implementation were established and monitored based on internal scorecards.

Table 3. Status of implementation of audit recommendations as at 31 December 2021

Number of audit recommendations	Total for 2008-2019	2020			2021			Total for 2008-2021
		Internal audits & reviews	Project audits	Total	Internal audits & reviews	Project audits	Total	
Closed	4,859	83	17	100	8	14	22	4,981
<i>as a percentage</i>	<i>100%</i>	<i>64%</i>	<i>74%</i>	<i>65%</i>	<i>8%</i>	<i>52%</i>	<i>18%</i>	<i>97%</i>
Under implementation	4	47^a	6	53	87	13	100	157
<i>as a percentage</i>	<i>0%</i>	<i>36%</i>	<i>26%</i>	<i>35%</i>	<i>92%</i>	<i>48%</i>	<i>82%</i>	<i>3%</i>

Total	4,863	130	23	153	95	27	122	5,138
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^{u/} Five of these recommendations are related to the technical audit report of the Pakistan Bridge Repair Project. The report was issued in 2019 but IAIG agreed with management that an additional year will be given to the office to implement the recommendations due to complex infrastructure activities the implementation requires. These five recommendations are therefore considered as issued in 2020.

62. Table 4 depicts ageing of outstanding recommendations as of 31 December 2021, with 64 per cent of the recommendations outstanding for less than 12 months, 34 per cent outstanding between 12 and 18 months and only 2 per cent outstanding for more than 18 months.

63. There were four long-outstanding audit recommendations issued more than 18 months before 31 December 2021 (on or before 30 June 2020), and these are disclosed in annex 2. This is to be compared with 12 recommendations outstanding over 18 months at the end of 2020, eight of which have since been closed.

Table 4. Recommendation ageing based on original time frame as of 31 December 2021

Priority	Total outstanding recommendations	< 12 months	12–18 months	>18 months
High	66	41	24	1
Medium	85	53	29	3
Not applicable	6 ^{u/}	6	0	0
Total	157	100	53	4

^{u/} 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

64. IAIG identified and summarized by functional area the key issues arising from its 2021 risk-based audit plan engagements for both audit and advisory assignments.

65. In 2021, IAIG identified key issues in the following areas:

(a) IAIG audited the project of greatest significance to UNOPS, the project for acquisition of medicines in Mexico, and found that 50 per cent of the procurement processes for medicines and 46 per cent for medical supplies (696 and 288 medicine codes, respectively) were not successful, thereby presenting reputational risks for UNOPS;

(b) In the same project, there have been consistent delays in payments to suppliers due to the partner's delay in accepting goods, with \$203 million as of October 2021 pending processing beyond the 45 days agreed with suppliers;

(c) In two field office audits, IAIG noted financial viability issues due to projected locally-managed direct-cost deficits totalling \$1.2 million in 2022 and \$700,000 in 2023;

(d) Procurement commitments related to 2019, valued at \$3.2 million, were raised only in 2020, thus affecting annual reporting;

(e) Three advance payments amounting to \$448,964 were treated as regular payments, which meant not only that they bypassed the appropriate advance payment approval process, but also that delivery was recognized prematurely;

(f) Risks were identified that related to completed infrastructure, with inaccurate structural calculations of a pedestrian bridge in one country and a road at risk of flooding in another country;

(g) Recurring health, safety, social and environmental issues included the lack of compliance with standards for these areas, insufficient emergency response preparedness and risks related to work at height;

(h) There were recurring issues in human resources entitlement related to the new ways of working in a pandemic, such as overpaid staff allowances and over-utilized hardship leave.

66. Management actions on the above issues are followed up by IAIG.

Analysis of internal audit recommendations issued in 2021

67. Ninety-five internal audit recommendations were issued in 2021, compared to 125 in 2020. The average number of recommendations per audit report was six in 2021, slightly lower than the average of seven recommendations in 2020 and 2019. The decrease is caused by the audit team's increased focus on strategic initiatives, as well as by a rise in the number of advisory engagements conducted by IAIG. The advisory action plans are not included in the total figure.⁶

68. Of the 95 recommendations issued in 2021, 44 were considered to be of high importance, 45 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 fieldwork stage of the engagements.

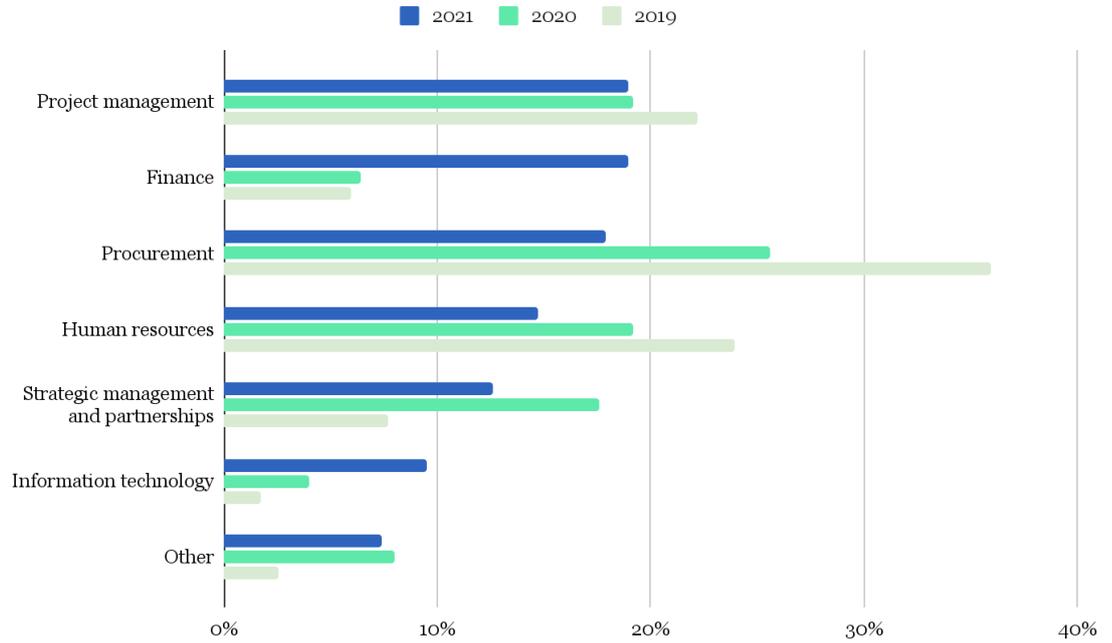
Table 5. Internal audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2019	2020	2021	2019	2020	2021
High	58	52	44	50	42	48
Medium	59	73	45	50	58	46
Not applicable	0	0	6	0	0	6
Total	117	125	95	100	100	100

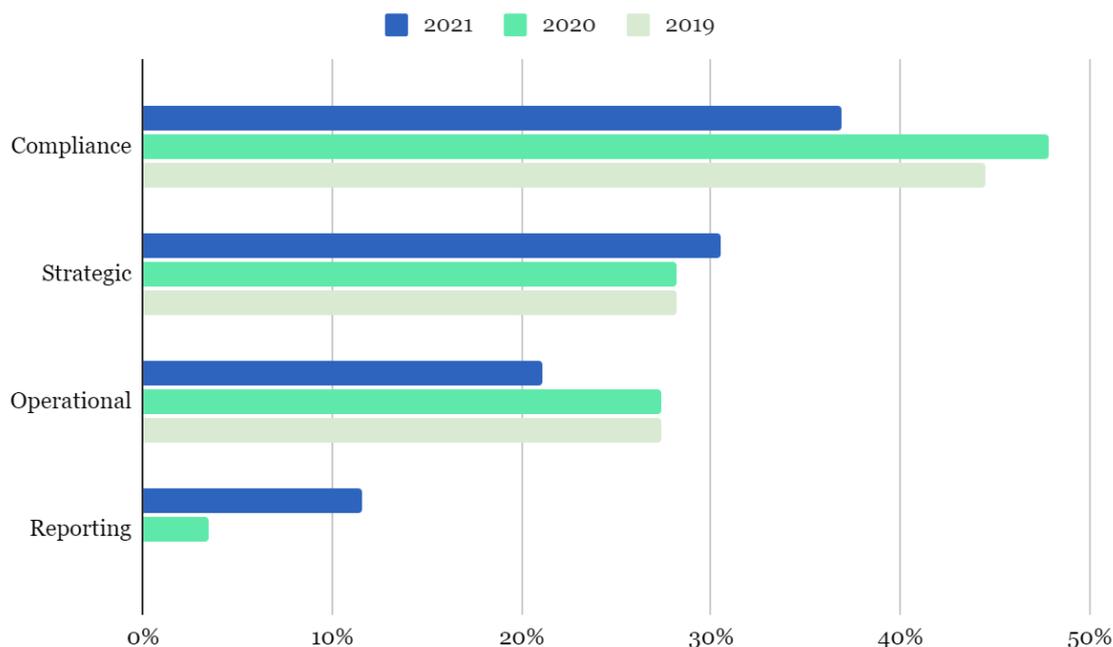
69. The frequency of internal audit recommendations by functional area is displayed in figure 4. The top five areas pertained to project management (19 per cent), finance (19 per cent), procurement (18 per cent), human resources (15 per cent) and strategic management and partnerships (13 per cent). This distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement. In 2021, the recommendations became spread more equally across the functional areas than in previous years. There were fewer recommendations in traditional areas such as procurement and human resources, and more recommendations were issued in finance, information technology and others (health, safety, social and environmental controls and travel).

⁶ In line with the Standards for the Professional Practice of Internal Auditing, IAIG monitors the implementation of advisory action plans to the extent agreed upon with the stakeholders.

Figure 4. Internal audit recommendations by functional area, 2019-2021



70. Figure 5 shows the distribution of recommendations by objective type. Recommendations on compliance issues (37 per cent) were the most common, followed by those addressing strategic issues (31 per cent), operational issues (21 per cent) and reporting issues (12 per cent). The number of compliance issues was proportionally lower than in 2020 while the number of strategic issues and reporting issues increased.

Figure 5. Recommendations issued in 2021 by objective**Analysis of project audit recommendations issued in 2021**

71. Project audit reports generated 27 audit recommendations, an average of 0.8 recommendations per report; this is the same average as in 2020.

72. The number of audit recommendations rated as being of 'high importance' rose from zero in 2020 to three in 2021, as seen in table 6 below.

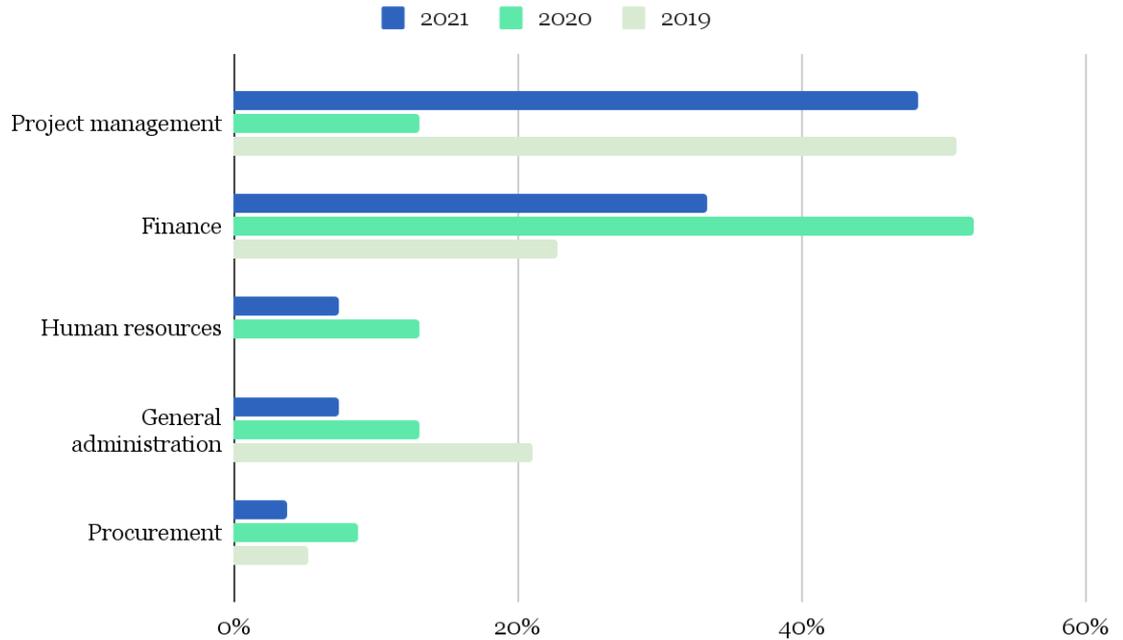
Table 6. Project audit recommendations by level of importance, 2019-2021

Level of importance	Number of recommendations			Percentage of total		
	2019	2020	2021	2019	2020	2021
High	15	0	3	26	0	11
Medium	42	23	24	74	100	89
Total	57	23	27	100	100	100

73. The 27 project audit recommendations issued in 2021 are analysed below by frequency of occurrence in a functional area. Most pertained to project management (48 per cent) and finance (33 per cent), per figure 6.

74. For 2021, the accounting impact of project audit observations on internal control reports was \$121,794 (\$255,061 in 2020). There were no audit reports with a qualified opinion in 2021 (and none in 2020).

Figure 6. Project audit recommendations by functional area, 2019-2021



Advisory

75. In 2021, IAIG performed advisory engagements as follows:

- (a) **Advisory support to the project for acquisition of medicines in Mexico.** IAIG prepared a risk assessment in December 2020, which was updated on a quarterly basis in 2021, together with the audit strategy. An advisory engagement was conducted in 2021 to determine if the high risks identified in the project had been assessed properly and whether the expected management plans had been created. The advisory engagement identified 19 observations and suggestions, which were subsequently followed up in the internal audit of the project in the fourth quarter of 2021;
- (b) **Second phase of the root-cause analysis of the most recurring issues identified in all audit reports focused on solution identification.** The analysis was carried out in collaboration with approximately 40 key stakeholders from various units representing both policy owners and regional offices. The report identified 51 relevant and sustainable solutions and their responsible owners, to address the root causes in order to prevent recurrence of issues;
- (c) **Advisory review of the Afghanistan country office.** The objectives were to review the adequacy of the office set-up, the office’s capacity to accommodate expanding project portfolios, the contingency plan with respect to the changing political and security environment, and the effectiveness of controls to prevent recurrence of observations from prior audits. The review identified 10 observations and suggested actions;
- (d) **Travel management review covering compliance with travel rules and regulations, efficiency of travel management processes and the corporate travel tool.** IAIG identified 10 observations, including opportunities for improvement on the travel management tool and the increasing trend in travel expenses with respect to environmental impact;
- (e) Other audit advisory services included: (i) advice on audit clauses in project agreements; (ii) participation in key senior management meetings; (iii) participation in meetings with a working group established to review the existing locally-managed

direct-cost mechanism to further improve the organization's cost-recovery model; and (iv) coordination with and support to the Joint Inspection Unit;

(f) Other investigative advisory activities included: (i) supporting management on fraud prevention and detection activities; (ii) providing trainings on investigations; (iii) following up on investigations recommendations; and (iv) providing advisory services to the UNOPS Prevention of Sexual Exploitation and Abuse Working Group.

X. Disclosure of internal audit reports

76. All of the internal audit reports issued against the 2021 audit plan were publicly disclosed in accordance with Executive Board decision 2012/18 and are available on the UNOPS audit disclosure website.⁷ No requests were received internally or from any organization or Member State requesting redaction of audit reports.

77. While advisory reports are not published, IAIG provided copies to senior management.

78. Public disclosure of audit reports continues to be positive, leading to enhanced transparency and accountability. IAIG has published on the UNOPS public website the complete internal audit reports issued after 1 December 2012, except when withheld for confidentiality reasons on an exceptional basis.

XI. Investigations

79. IAIG 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.

80. In 2021, IAIG handled significantly more cases than in the previous year, closing 105 cases, a 69 per cent increase from 2020 (62 cases). Despite this increased workload and having to conduct all its investigations remotely due to travel restrictions, IAIG was able to complete its cases within an average of 4.5 months. At the end of the year, IAIG had only two cases which had been open for more than six months.

81. IAIG continued to focus on cases involving fraud and financial irregularities. As a result, IAIG identified financial losses of \$375,550, a 73 per cent increase from the prior year.

A. Complaint intake

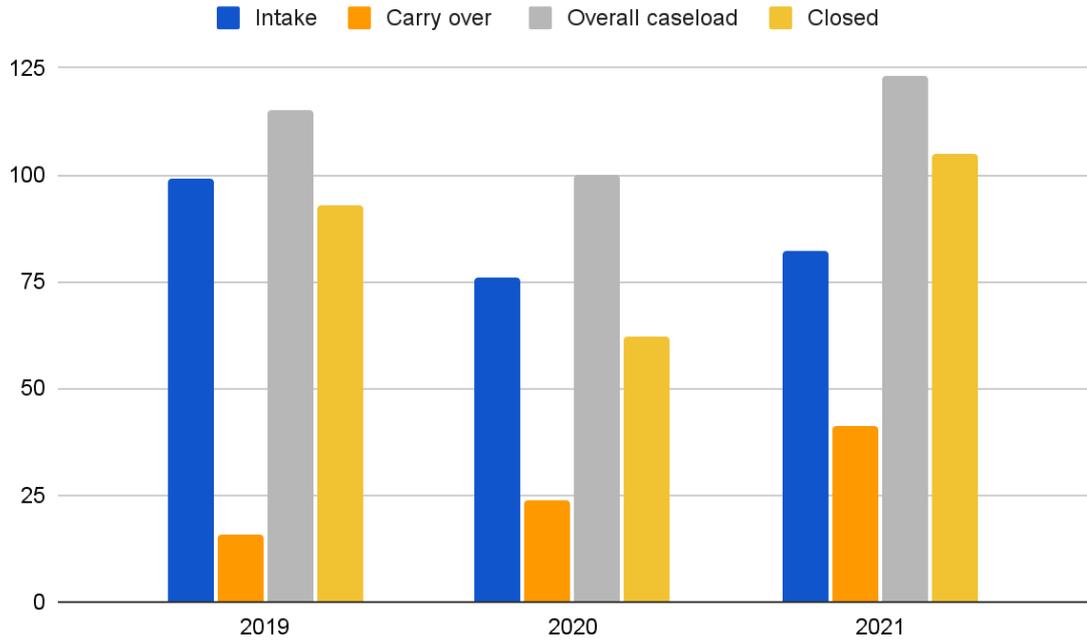
82. In 2021, IAIG received 225 complaints, an 8 per cent increase compared to 2020 (209 complaints). IAIG opened 82 cases based on these complaints; the remainder were found to be outside the IAIG mandate or could be more appropriately handled by a different unit.

B. Cases opened

83. In addition to the 82 cases opened in 2021, there were 41 cases carried over from the previous year (figure 7).

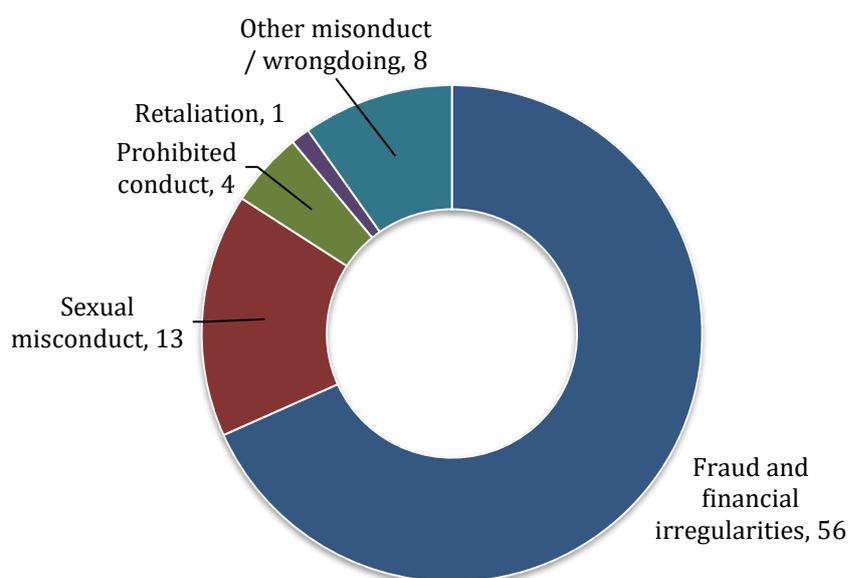
⁷ <https://www.unops.org/about/governance/accountability/iaig/report>

Figure 7. Number of cases opened, 2019-2021



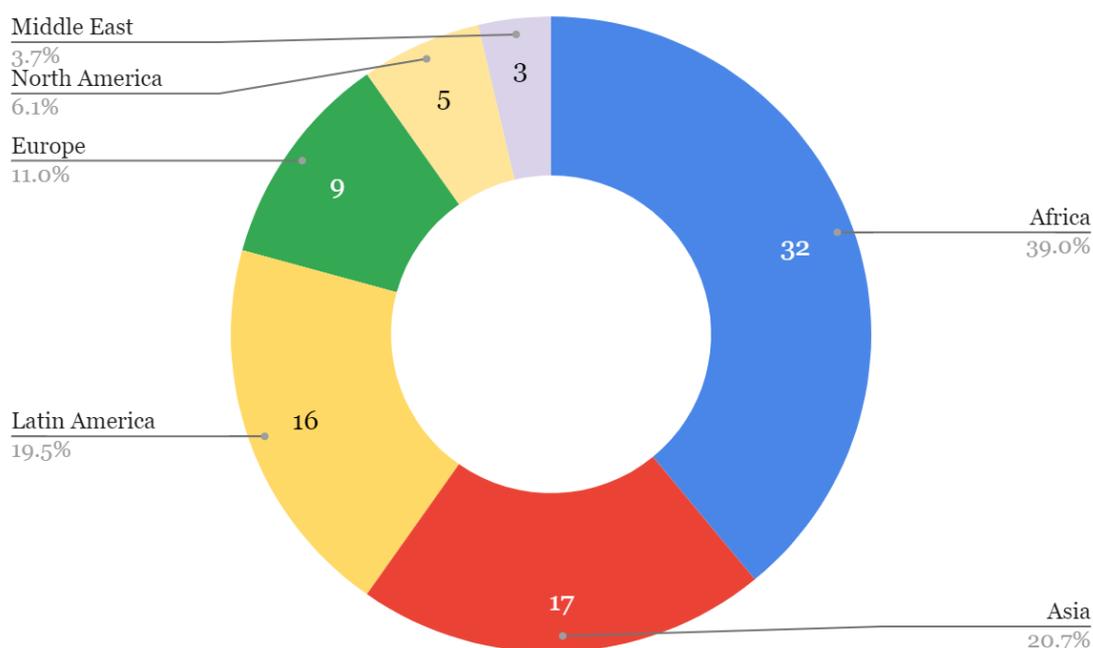
84. Of the 82 cases opened, 63 were referred by management or personnel, and three were referred by other United Nations organizations. Ten cases were received from external parties and three from anonymous complainants. Three cases were opened as a result of information identified in other IAIG audits or investigations.

85. The majority of cases opened in 2021 (56 cases) involved alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of resources). Thirteen cases involved allegations of sexual misconduct (sexual harassment, sexual assault or sexual exploitation and abuse). Four cases involved allegations of prohibited conduct (harassment or abuse of authority) and there was one case of alleged retaliation. The eight remaining cases involved other types of alleged misconduct or wrongdoing.

Figure 8. Case intake by category in 2021**Table 7. Case intake by category, 2019-2021**

Allegation category	Cases in 2019	Cases in 2020	Cases in 2021
Fraud and financial irregularities	78	66	56
Prohibited conduct	3	0	4
Sexual misconduct	11	4	13
Retaliation	1	0	1
Other misconduct/wrongdoing	6	6	8
Total	99	76	82

86. Africa is the region from which IAIG opened the most cases in 2021 (32 cases), followed by Asia (17 cases), Latin America (16 cases), Europe (9 cases), North America (5 cases) and the Middle East (3 cases).

Figure 9. Geographic distribution of cases opened in 2021

C. Outcome of investigations

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

88. Next, IAIG conducts an initial review, collecting and preserving basic evidence to determine whether an investigation is warranted. Depending on the sufficiency of evidence and seriousness of the allegations, IAIG will conduct an investigation.

89. If an allegation against a UNOPS personnel member is substantiated, IAIG refers the case to the Human Resources Legal Officer for disciplinary action, in accordance with operational instruction OI.IAIG.2020.01. If the allegations involve a UNOPS vendor, the matter is referred to the Vendor Review Committee, pursuant to operational instruction OI.PG.2017.02. Retaliation cases are referred to the Ethics and Compliance Officer, under operational instruction OI.Ethics.2018.01.

90. In 2021, IAIG closed 105 cases (see table 8 below).

Table 8. Investigation cases handled in 2021

Status of cases	Number of cases
Carry-over as of 1 January 2021	41
Intake during the year	82
Reopened during the year	0
Total cases during handled during the year	123
Closed during the year	105
Cases ongoing as of 31 December 2021	18

91. Of the 105 cases that IAIG closed in 2021, 57 (54 per cent) were substantiated. In 43 cases, IAIG concluded that allegations were not substantiated. In the five remaining cases, IAIG concluded that the allegations were outside of its mandate.

Substantiated cases

92. The 57 substantiated cases (see annex 6) involved 45 personnel members and 50 vendors. IAIG referred the personnel members to the Human Resources Legal Officer for disciplinary action, and the vendors to the Vendor Review Committee.⁸ The majority of the cases where misconduct was found involved fraud or financial irregularities (48 cases).

Table 9. Outcome of investigation cases in 2021

Outcome	Count
Cases not substantiated	
• After initial review	9
• After investigation	34
Subtotal	43
Cases outside IAIG mandate	5
Cases substantiated	57
Total	105

Financial losses and recovery thereof

93. The total financial loss substantiated in investigation cases by IAIG in 2021 amounted to \$375,550.⁹ IAIG referred this loss to management for recovery. In 2021, management recovered \$38,182 from losses identified by IAIG. The recovery of the remaining financial loss is pending.

Management letters

94. IAIG issued four management letters to relevant business units, raising recommendations for addressing weaknesses in internal controls, as identified by investigators. For example, IAIG recommended additional controls in the vendor registration process to prevent cases of diverted payments. IAIG utilizes the audit recommendations tracking tool to ensure that recommendations given in these letters are addressed in a timely manner.

Action taken in cases of misconduct

95. IAIG referred 43 individuals to the Human Resources Legal Officer in 2021:

- (a) One individual had his/her contract terminated;
- (b) Two individuals were demoted;
- (c) Four individuals received a reprimand or written warning;
- (d) Three individuals agreed to resign;
- (e) Five individuals who cheated during recruitment were temporarily banned from applying for UNOPS vacancies;
- (f) Eleven 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;
- (g) The case of one individual was closed with no further action; and
- (h) The cases for 16 individuals were pending at the end of 2021.

Action taken in cases of misconduct (prior years)

⁸ In two cases involving two employees and 11 vendors, IAIG concluded that the findings did not warrant a referral to the Human Resources Legal Officer and the Vendor Review Committee. Instead, IAIG issued caution letters to the employees and vendors.

⁹ In one case, IAIG found that an implementing partner overcharged UNOPS by \$8,027 and recommended that management recover this amount. However, IAIG found that the allegations of proscribed practices were not substantiated. This case is thus not included in annex VI.

96. UNOPS also addressed matters against three individuals whose cases originated prior to 2021. One individual was terminated, one received a written censure and one agreed to resign.

Vendor sanctions

97. IAIG referred 27 cases involving 40 vendors and 25 company principals to the Vendor Review Committee in 2021. The Committee took action in 13 of the 27 cases.¹⁰ As a result, UNOPS debarred:

- (a) One vendor and one company principal for three years;
- (b) One vendor and two company principals for five years; and
- (c) Five vendors and five company principals for seven years;

98. The Committee also issued caution letters to 11 vendors.

99. In addition, the Committee took action in 11 cases that originated prior to 2021. It debarred:

- (a) Two vendor and two company principals for two years;
- (b) Ten vendors and 12 company principals for three years;
- (c) Six vendors and eight company principals for five years; and
- (d) Two vendors and two company principals for seven years.

100. To date, UNOPS has sanctioned 357 vendors and company principals based on IAIG findings. More details, including all UNOPS entries to the United Nations ineligibility list, are publicly available on the UNOPS website.

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

D. Strengthening the investigative capacity

102. In 2021, IAIG had four dedicated professionals, supported by an investigative assistant. IAIG occasionally relies upon consultants for additional support. In 2021, IAIG established a roster of Spanish-speaking consultants to support IAIG on an ad hoc basis. 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.

103. IAIG continues to focus its limited resources on serious cases and refers management issues to the appropriate offices. For instance, IAIG works closely with senior managers, who may undertake initial reviews of allegations on its behalf.

104. Similarly, IAIG works closely with the People and Change Group and its Internal Grievance unit for cases involving allegations of harassment, discrimination and abuse of authority. IAIG participated in an external review of the internal grievance function that UNOPS commissioned in 2021. IAIG will continue to coordinate with its stakeholders to ensure that the UNOPS grievance mechanism is aligned with international best practice.

105. As part of the UNOPS 'Speak Up' culture, IAIG 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 the complainants to provide all the relevant information. This portal ensures that complaints are automatically referred to the relevant unit and increases the efficiency of IAIG in reviewing complaints.

106. In 2021, IAIG successfully closed the recommendations stemming from the independent external assessment it underwent in 2020. The implementation of these recommendations will enhance the effectiveness of IAIG. A number of standard operating procedures were updated to augment current practices. As a result, administrative processes were streamlined, key performance indicators for the timeliness of investigations were

¹⁰ The remaining 14 cases were pending with the Vendor Review Committee at the close of 2021.

developed, and amendments were made to the Internal Audit and Investigations Charter to enhance the integrity of the unit.

E. Sexual misconduct

107. In 2021, IAIG received 17 complaints involving allegations of sexual misconduct, out of which, as discussed above, it opened 13 cases. Eight complaints related to sexual exploitation and abuse. All but the most recent case (for which IAIG is awaiting further information) were reported to the Office of the Secretary-General, which makes these publicly available.

108. Two cases are currently under investigation. Of the six completed cases, five were substantiated and appropriate action was taken against the perpetrators.

109. In addition, IAIG received three allegations of sexual assault. One case was found to be unsubstantiated, another was recommended for referral, and the third is still pending.

110. IAIG received seven complaints of sexual harassment in 2021, one of which also involved one of the sexual assault allegations mentioned above. It closed four cases, three of which were not substantiated and the fourth was referred to another agency. Three cases were still pending at the end of the year.

111. In line with the UNOPS victim-centric approach, IAIG prioritizes cases of sexual exploitation, abuse and harassment with specially trained investigators and shortened case durations, and with support offered and provided to the victims.

112. By the end of 2021, IAIG had closed nine of its 13 cases of sexual misconduct, after an average duration of 91 days. The four remaining cases still open at the end of the year had all been open for less than three months.

113. In 2021, IAIG 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, IAIG is responsible for reporting to the Office of the Secretary-General all allegations where there is sufficient information to identify an act of sexual exploitation and abuse by an identifiable perpetrator or against an identifiable victim. These include allegations related to both UNOPS personnel and personnel working for its implementing partners. These statistics are then made publicly available on a real time basis.

114. IAIG helps management facilitate the participation of UNOPS 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. IAIG 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 2021, IAIG registered one former UNOPS employee in Clear Check. IAIG also responded to four Clear Check verification requests from other United Nations agencies.

115. IAIG continues its close coordination with other United Nations agencies on these issues, through its membership in UN-RIS 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.

116. As part of the United Nations strategy to combat sexual exploitation and abuse, IAIG worked together with six other United Nations agencies (International Organization for Migration, UNDP, UNFPA, UN-Women, the World Food Programme and the World Health Organization) in 2021 to create and conduct an inter-agency training series for focal points of prevention of sexual exploitation and abuse from across the globe.

F. Fraud prevention

117. IAIG recognizes the high-risk environments in which UNOPS operates and is committed to strengthening preventative measures. In addition to the mandatory training courses that UNOPS requires, IAIG conducts 'standards of conduct' workshops for its

personnel. The objectives are to raise the awareness of UNOPS employees on the importance of operating in line with the highest ethical standards, and training personnel on how to spot and report potential.

118. In 2021, IAIG conducted the workshops remotely as part of the standard of conduct webinars organized by the People and Change Group, thereby training 1,136 employees in field offices in all regions.
