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United Nations Office for Project
Services**

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Internal audit and oversight

**Annual report of the Internal Audit and Investigations
Group on UNOPS internal audit and investigations
activities in 2020**

Summary

The Director of the Internal Audit and Investigations Group hereby submits to the Executive Board this activity report on internal audit and investigation services for the year ended 31 December 2020. The response of UNOPS management to this report is presented separately, as per Executive Board decision 2006/13.

Elements of a decision

The Executive Board may wish to:

- (a) *take note* of the annual report of the Internal Audit and Investigations Group for 2020 and the management response;
- (b) *take note* of the significant progress made in implementation of audit recommendations;
- (c) *take note* of Internal Audit and Investigations Group compliance with international standards as confirmed in an external quality assessment of its investigation 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 2020 (in line with Executive Board decision 2008/37).



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1. Unresolved audit recommendations issued more than 18 months before 31 December 2020
2. Titles of Internal Audit and Investigations Group reports issued during 2020
3. Audit Advisory Committee – annual report 2020
4. Summary of substantiated investigation cases in 2020
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I. Executive summary

1. *Audit opinion.* In the opinion of the Internal Audit and Investigations Group (IAIG), based on the scope of audit and investigations work in 2020, 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 96 per cent of recommendations were acted upon in 2020, demonstrating that appropriate and timely action is taken as and when improvements in governance, risk management and control are necessary. The average number of recommendations has decreased, which can be attributed to improvements in the organization's internal controls.
2. *Output.* In 2020, the audit team delivered 17 internal audit reports (three more than the 14 planned) and 29 project audit reports. The IAIG agile project management approach demonstrated its flexibility and resilience in executing key audit and investigation functions, especially in light of the disruption caused by COVID-19. 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. The investigations team handled 209 complaints, compared to 230 complaints in 2019. IAIG opened 76 cases (36 per cent) based on these complaints, compared to 99 cases (43 per cent) in 2019. Even though IAIG handled slightly fewer cases than in the previous year, the allegations involved in some of these cases were more complex, resulting in referrals of more than twice the number of vendors for sanction than in 2019 (132 compared to 57 in 2019).
3. *Substantiated losses and recoveries.* In 2020, IAIG focused on serious fraud cases. As a result, IAIG substantiated \$217,300 in fraud, almost three times the amount identified in 2019. UNOPS recovered \$40,856 of misappropriated funds based on investigations conducted by IAIG.
4. *Agility.* In implementing its 2020 workplan, IAIG demonstrated an agile risk-based approach by adapting the audit plan to the changing environment, while considering both audit and organizational priorities. Of the 14 engagements initially planned, three were removed and six engagements added, resulting in a total of 17 engagements. This was made possible thanks to agile project management and use of an online work-planning and resource allocation tool (WrikeTM) to improve productivity.
5. *Remote approach.* Owing to the global COVID-19 pandemic, announced by WHO on 11 March 2020, UNOPS business travel was limited to critical functions only. Despite the challenges the pandemic posed, IAIG completed all planned internal audits, thematic reviews, advisory engagements and investigations remotely, using innovative approaches and cloud-based technologies.
6. *Quality.* The investigations team underwent an external quality assessment, which provided an overall positive conclusion and includes recommendations for future improvements. The audit team also performed its first internal quality self-assessment, the outcome of which is an action plan to ensure continuous improvement to maintain the highest rating offered by the Institute of Internal Auditors.
7. *Supporting strategic initiatives.* IAIG prepared a risk assessment and audit strategy for a \$6.1 billion strategic project for health-care procurement in Mexico. Furthermore, IAIG seconded an investigator to the Headquarters Contracts and Property Committee and assisted with several recruitments of full-time personnel and retainers for this project. Two audit team members have been participating in an advisory capacity on the global task force created at the project initiation stage. Additionally, IAIG advised on the implementation of a new absence management system, thus contributing to significant system improvements. In each specific field audit, IAIG covered the key strategic and functional areas of health, safety, social and environment, gender, and protection against sexual exploitation and abuse, along with United Nations reform and its impact on UNOPS.
8. *Innovation.* In 2020, IAIG continued to refine its data analytics capabilities and used its continuous auditing algorithms to advise management on the implementation of a new tool for roles management and delegation of authority. The audit team also launched its

recommendation tracking tool, embedded within the enterprise resource planning (ERP) system. The aim is to ensure streamlined communication with auditees and improved long-term oversight of implementation progress.

9. *Welcoming stakeholders' input.* In 2020, the audit team piloted a management action planning approach, as opposed to issuing unilateral recommendations. With the new approach, the audit team works with an auditee to help them achieve their own solutions to risks presented, rather than having one imposed on them by IAIG. Furthermore, IAIG completed a root cause analysis in collaboration with key stakeholders from 16 different units, representing both policy owners and regional offices. The objective was to point out the most recurring issues and identify their root causes, which was accomplished in 2020.

10. *Collaboration with partners.* IAIG strengthened its relationships with oversight partners by signing two new cooperation agreements,¹ bringing the total number of such agreements to 19. These agreements not only strengthen the confidence partners have in UNOPS but serve as a strong assurance-building tool for field colleagues negotiating client funds.

II. Introduction

11. This report provides the IAIG opinion, based on the scope of work undertaken and the adequacy and effectiveness of UNOPS governance, risk management and control processes (Executive Board decision 2015/13).

12. The IAIG Director reports to the Executive Director of UNOPS, supporting her accountability function. IAIG provides assurance, offers advice, recommends improvements and enhances the risk management, control and governance systems of the organization. The group also undertakes the Executive Director's investigations into alleged fraud, corruption, waste of resources, sexual exploitation and abuse, sexual harassment and other misconduct, and violations of UNOPS regulations, rules and operational instructions.

13. IAIG continued to interact with the UNOPS Audit Advisory Committee in 2020. In accordance with Executive Board decision 2008/37, the annual report of the Audit Advisory Committee for 2020 is attached as annex 3 to this report.

III. Role of the Internal Audit and Investigations Group

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

15. The International Standards for the Professional Practice of Internal Auditing require that the Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity. IAIG hereby confirms its organizational independence. In 2020, IAIG was free from interference in determining its audit scope, performing its work and communicating its results.

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

¹ IAIG signed a new memorandum of understanding with the Federal Department of Foreign Affairs acting through the Swiss Agency for Development and Cooperation and with the Kreditanstalt für Wiederaufbau.

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V. Highlights of 2020 audit activities

20. In all, IAIG issued 46 reports in 2020, compared with 49 in 2019. IAIG focused on a number of complex engagements, such as the root cause analysis (refer to section VIII), the review of headquarters' procurement activities, and the advisory review of the ongoing UNOPS core controls project. Several donors requested the postponement of project audits in the expectation that on-site audits with physical verification would be allowed in 2021. Additionally, IAIG conducted the fieldwork of two engagements in 2020, the reports for which will be issued in March 2021.

21. Of the 46 reports issued in 2020, 17 are internal audits, thematic reviews and advisory engagements performed by IAIG (see figure 1 above), and the remaining 29 are project audits conducted by external auditing firms under the supervision of IAIG to fulfil project-reporting requirements.

22. The 46 reports issued in 2020 contain 148 audit recommendations. Of these, 125 pertain to internal audits (table 1) and 23 to project audits (table 3).

A. Internal audits, thematic reviews and advisory engagements conducted by IAIG

23. In 2020, IAIG issued 17 reports on internal audits, thematic reviews and advisory engagements to the UNOPS Executive Director. These are listed in annex 2.

Analysis of internal audit recommendations issued in 2020

24. The number of internal audit recommendations issued in 2020 was 125. The average number of recommendations per audit report was seven in 2020, consistent with 2019 figures, and slightly lower than the average of eight recommendations in 2018.

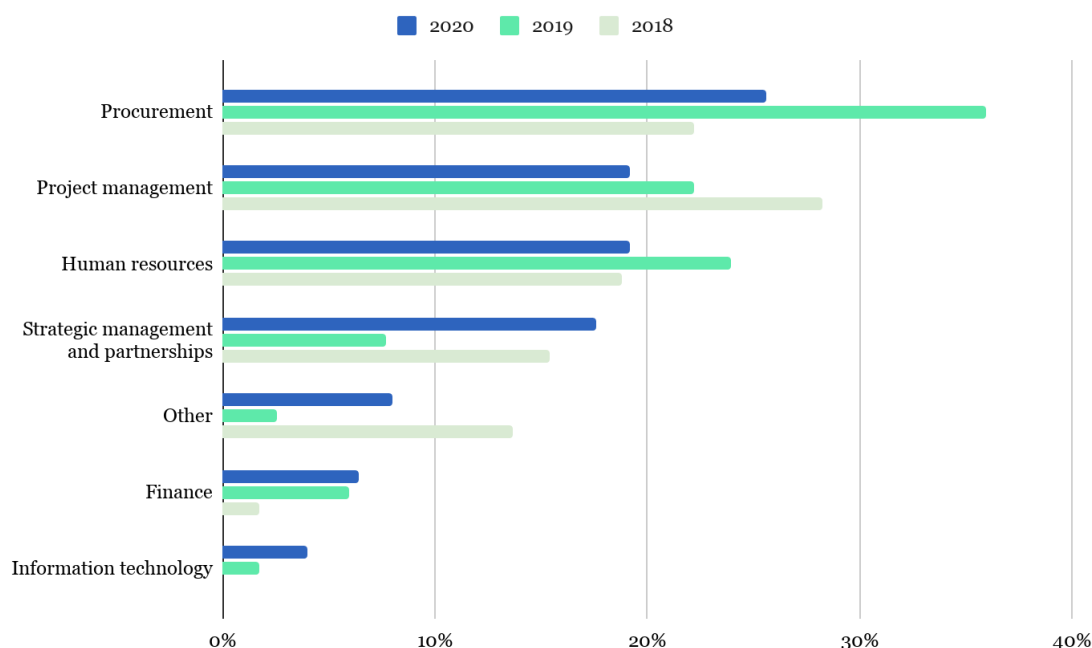
25. Of the 125 recommendations issued in 2020, 52 were considered to be of high importance and the remaining 73 of medium importance, as shown in table 1.² Low priority recommendations are not included in the reports but are communicated during the fieldwork stage of the engagements.

Table 1. Internal audit recommendations by level of importance

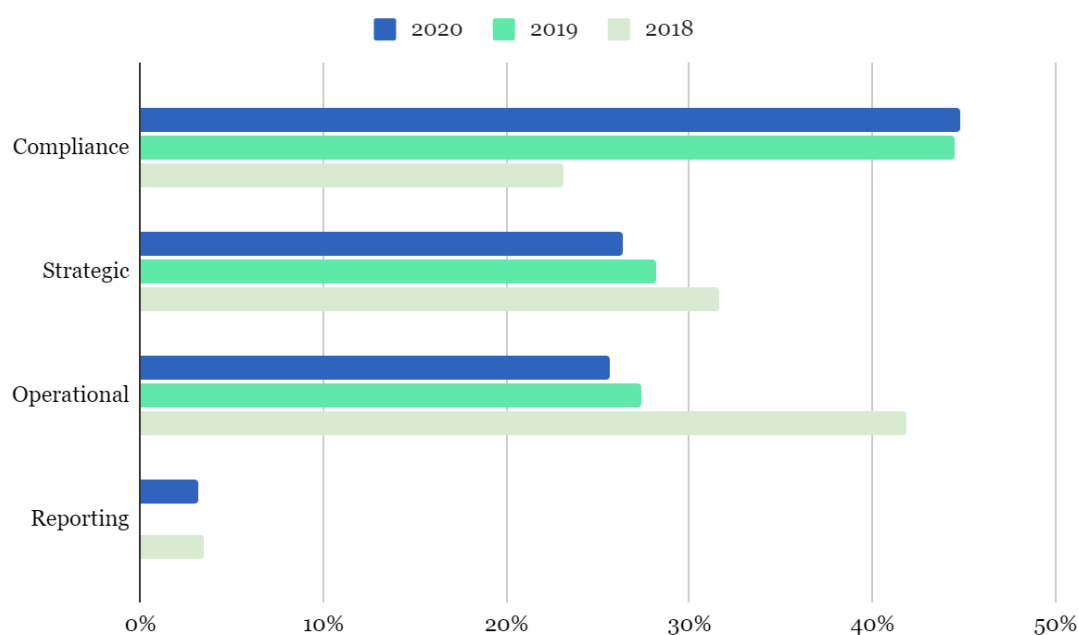
Level of importance	Number of recommendations			Percentage of total		
	2018	2019	2020	2018	2019	2020
High	73	58	52	62	50	42
Medium	44	59	73	38	50	58
Total	117	117	125	100	100	100

26. The frequency of internal audit recommendations by functional area is displayed in figure 3. The top four areas pertained to procurement (26 per cent), project management (19 per cent), human resources (19 per cent), and strategic management and partnerships (18 per cent). This distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement. In 2020, the recommendations were spread more broadly across the functional areas than in previous years. There were fewer recommendations in the traditional areas such as project management, procurement and human resources, while more recommendations were issued in strategic management, information technology and others (health, safety, social and environmental controls, and business continuity planning).

² Level of importance: High [action is imperative to ensure UNOPS is not exposed to high risks]. Medium [action considered necessary to avoid significant risk exposure]. Low [action considered desirable and should lead to enhanced control/better value for money].

Figure 3. Internal audit recommendations by functional area**Key areas of improvement identified in 2020 internal audit reports**

27. Figure 4 shows the number of recommendations by objective type.³ Recommendations on compliance issues (45 per cent) were the most common, followed by those addressing strategic issues (26 per cent) and operational issues (26 per cent).

Figure 4. Recommendations issued in 2020 by objective

³ As per entity objectives in the internal control integrated framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the updated ERM – integrating with strategy and performance (2017).

B. Projects audits

Single audit principle

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

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

Project audit reports issued

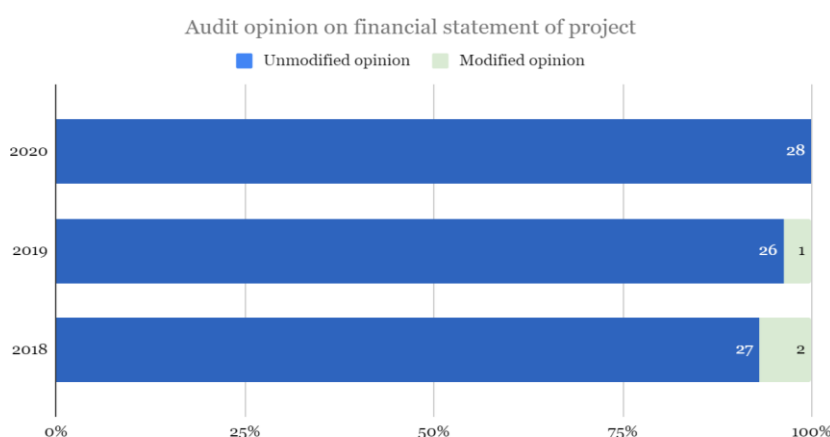
30. Twenty-nine⁴ project audit reports were issued by IAIG in 2020. As per table 2, 19 of these provided both an audit opinion on the project financial statement and a rating of the internal controls. Nine project audits provided an opinion on the project financial statement only, and one project audit provided an opinion only on internal controls.

Table 2. Number of project audit reports issued, 2018-2020

	2018	2019	2020
Audit reports issued expressing an opinion on the financial statement and a rating of internal controls	19	18	19
Audit reports issued expressing an opinion on the financial statement only	10	9	9
Audit reports issued expressing an opinion on internal controls only	0	1	1
Forensic project audits	2	3	0 ⁵
Total	31	31	29

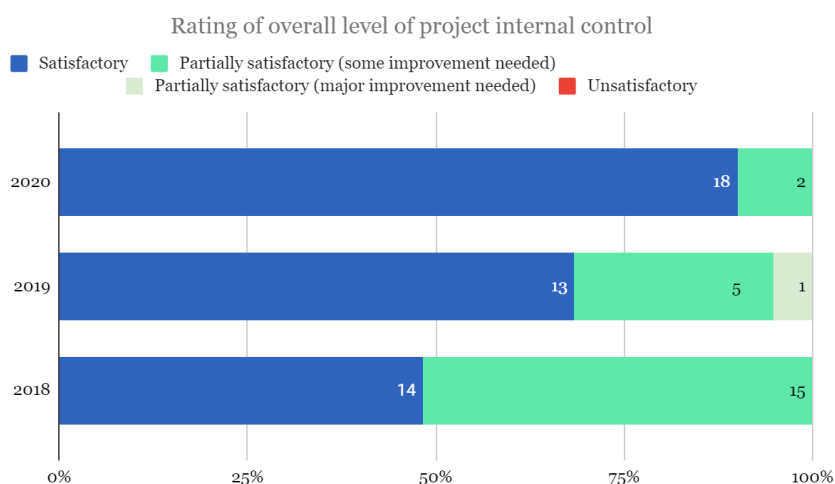
31. Ninety per cent of project audits received a ‘satisfactory’ internal control rating (up from 68 per cent in 2019), and 10 per cent received a ‘partially satisfactory’ internal control rating (32 per cent in 2019). There were no project internal audits rated as ‘unsatisfactory’ in 2019 or 2020. The issued reports and their ratings are listed in annex 2.

Figures 5 and 6. Opinions and ratings of internal controls for project audits (2018-2020)



⁴ Planned project audits for 2020 were nil as requests for project audits are partner-driven. However, IAIG reached out to all regions at the beginning of the year to ascertain the expected number of project audits. Based on this assessment, IAIG allocated internal resources to the coordination and quality assurance activities needed to finalize all requested project audits.

⁵ IAIG initiated four forensic project audits in 2020. However, the reports were issued in 2021 and are thus not included here.



Financial impact of project audit findings in 2020

32. For 2020, the financial impact of audit observations on internal control reports was \$255,061 (\$10,853 in 2019). There were no audit reports with a qualified opinion in 2020 (and just one in 2019).

Project audit recommendations issued in 2020

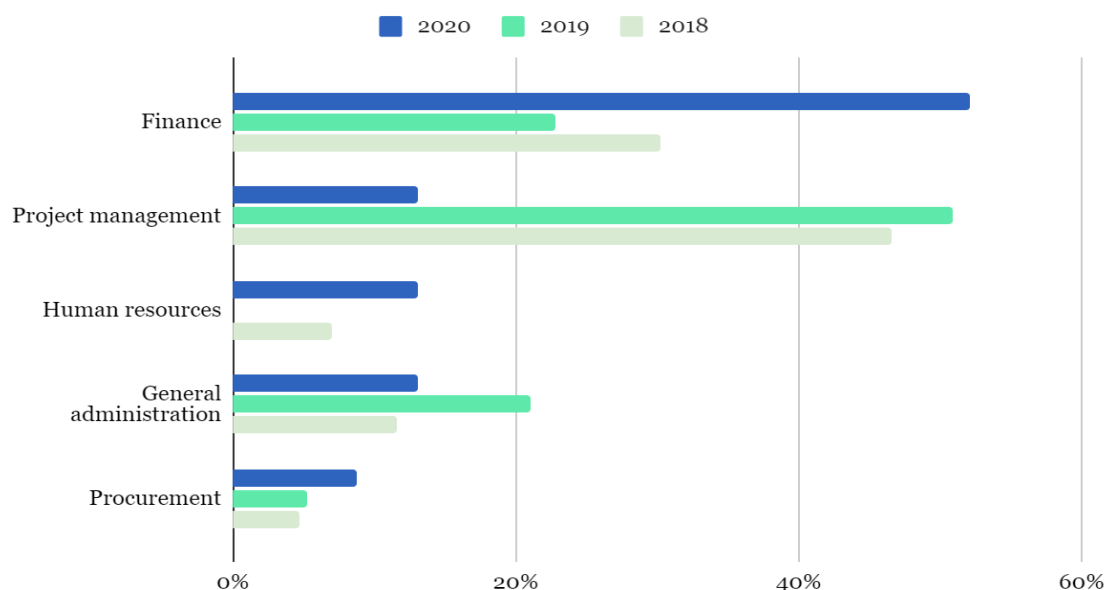
33. In 2020, 20 project audit reports expressing an opinion on internal controls generated 23 audit recommendations, an average of 0.8 recommendations per report. This is significantly lower than the 1.8 recommendations average per report for 2019.

34. The number of audit recommendations rated as being of 'high importance' decreased to zero in 2020, as compared to the 15 noted in 2019, as seen in table 3 below.

Table 3. Project audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2018	2019	2020	2018	2019	2020
High	9	15	0	21	26	0
Medium	34	42	23	79	74	100
Total	43	57	23	100	100	100

35. The 23 project audit recommendations issued in 2020 are analysed below by frequency of occurrence in a functional area. Most pertained to finance (52 per cent) followed by project management, human resources, and general administration (13 per cent each), per figure 7. This is a major shift from the previous two years, where project management had been the major issue, accounting for over 40 per cent of recommendations. IAIG attributes the fall in project management recommendations to the introduction of the revised project management manual and the enterprise portfolio and project management system OneUNOPS Projects in late 2019.

Figure 7. Project audit recommendations by functional area

C. Improvements to the UNOPS internal control system

36. UNOPS management has worked with IAIG to ensure implementation of internal audit recommendations and incorporate these results into performance data for UNOPS units. By using this performance data, management has been able to resolve issues and identify additional risks, thereby safeguarding the effectiveness of the internal control framework. The overall implementation rate of internal audit recommendations issued from 2008 to 2020 was 96 per cent.

37. UNOPS continues to operationalize its governance, risk and compliance framework, simplifying its internal policy instruments and enhancing their alignment with processes. In 2020, one operational directive and eight operational instructions were issued. In particular, UNOPS issued a new internal control framework, which sets out the key components and principles for an effective framework for internal control.

38. The Chief Information Security Officer launched the enterprise information security awareness programme in 2020 and conducted the annual cyber-attack readiness exercise with the Information Technology Group and field information technology focal points. Further, a supplier risk management framework was developed to improve how UNOPS manages the security and privacy risks associated with the large number of suppliers with which the organization does business. To prevent unauthorized access to UNOPS systems and data, a multi-factor authentication rollout commenced in November 2020, and more than half of UNOPS personnel had been onboarded by year's end. The Chief Information Security Officer leads the integration of security and privacy due diligence in the engagement acceptance process, addressing key risks related to new project engagements. A data governance framework was developed, offering guidance on creating and maintaining an inventory of information held and on the processing and protection of this information. A data warehouse risk model was also prepared in collaboration with the Information Technology Group. Furthermore, 31 business continuity plans were reviewed and updated during the year to prevent disruptions in operations, including those related to the pandemic.

39. In 2020, UNOPS initiated implementation of a new cloud-based leave management platform to improve employees' experience and enhance compliance with policies on leave entitlements. The first phase was completed in 2020 by migrating the annual leave balances, through which management addressed several audit issues raised by IAIG in 2019.

40. A new tool for audit recommendations, launched in January 2020, is embedded within ERP and allows management to record actions taken and provide evidence of

implementation, hence improving retention of information. sA new dashboard uses the data from the tool and covers recommendations issued by IAIG, the United Nations Board of Auditors, and the Joint Inspection Unit. The dashboard is used by all personnel to track the status of action plans on a global, regional and departmental basis, contributing to increased management accountability.

41. The treasury management system, initiated in 2019, was launched in 2020. The system has led to significant changes in the control environment, with increased accountability and visibility of high value payments, along with automation and centralization of treasury functions, payments processing, and bank reconciliations. The Chief Information Security Officer has been involved in the delivery of the system, specifically as a member of the Steering Committee, acting as the Information Security Officer for the SWIFT platform, and advising on key security controls and project governance.

D. Opinion

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

43. The opinion is based on the audit reports issued by IAIG between 1 January and 31 December 2020. The opinion is supplemented with a range of quantitative and qualitative data as described in annex 5. The results of the following are taken into account to support the IAIG opinion:

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

44. The implementation rate of audit recommendations at 31 December 2020 is 96 per cent, the same as in 2019. Despite challenges arising as a result of the COVID-19 pandemic, the implementation rate in 2020 was maintained, with appropriate and timely action taken as and when improvements in governance, risk management and control were necessary. The decrease in the number of recommendations issued in 2020 (148 recommendations) as compared to 2019 and 2018 (174 and 160 recommendations, respectively) can be attributed to improvements in the organization's internal controls.

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

VI. UNOPS accountability framework

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

47. The pillars of the UNOPS accountability framework and oversight policies that are internal to UNOPS include: IAIG, the Audit and Advisory Committee, the Ethics and Compliance Office, the regional offices, the Office of the General Counsel, the Appointment and Selections Panel, the Appointment and Selections Board, the Headquarters Contracts and Property Committee, the quarterly business review of corporate performance and the UNOPS Executive Office directives and instructions.

48. The external pillars of the UNOPS accountability framework and oversight policies include: the United Nations 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.

VII. Disclosure of internal audit reports

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

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

VIII. Advisory services

51. The IAIG mandate includes the provision of advisory services to management, generally upon their request. Advisory activities in 2020 involved providing formal or informal advice, analysis or assessment, be it in relation to internal audit or investigative activities. When providing advisory services, IAIG maintained its objectivity and did not assume management responsibilities, such as implementation of advice.

52. In 2020, IAIG performed advisory engagements as follows:

- (a) Advisory support to the project for acquisition of medicines in Mexico, "Pharma MX". IAIG prepared a risk assessment and audit strategy, seconded an investigator to the Headquarters Contracts and Property Committee and assisted with several recruitments. Two audit team members have been participating in an advisory capacity in the global task force created at the project initiation stage. In 2021, IAIG will develop a data analytics programme for the Mexico project to enable real-time risk assessment and detection of anomalies in the project's tendering and purchase-to-pay processes. In addition, the Chief Information Security Officer provided cyber-security advice on digital aspects of the project's initiation, such as application security, identity and access management, mobile device security, file and data protection, and preparation of role profiles.
- (b) Advisory review of the ongoing core controls project on delegation of authority and roles management, including the use of data analytics to identify missing controls or existing conflicts. IAIG also identified process workflows performed outside the system that have a potential for automation.
- (c) Root cause analysis of the most recurring issues identified in all audit reports issued between January 2018 and May 2020. The analysis was carried out in collaboration with key stakeholders from 16 different units representing both policy owners and regional offices. The objective was to point out the most frequently recurring issues and identify their root causes, which was accomplished in 2020. The second phase of this engagement will be completed in 2021 when relevant and sustainable solutions will be identified to address root causes and prevent recurrence of these issues.
- (d) Advisory review of implementation of oneUNOPS absence, the new cloud-based leave management system implemented to enhance compliance to policies regarding leave entitlements.
- (e) Other advisory services including: (i) advice on audit clauses in project agreements; (ii) participation in key senior management meetings; and (iii) coordination and support to the Joint Inspection Unit (JIU) and the annual report on UNOPS implementation of JIU recommendations.

53. Other investigative advisory activities included: (a) support to management on fraud prevention and detection activities;⁶ (b) providing trainings on investigations; (c) continuing enforcement of investigation recommendations; (d) executing memoranda of understanding with other organizations to facilitate information sharing; (e) continuing to establish investigation best practices by participating in and working with United Nations Representatives of Investigation Services (UN-RIS); and (f) providing advisory services to the UNOPS Prevention of Sexual Exploitation and Abuse Working Group.

IX. Investigations

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

55. In 2020, IAIG handled slightly fewer cases than in the previous year but the allegations in some of these cases were more complex and the results of investigations were more impactful. For example, in 2020 IAIG referred more than twice the number of vendors for sanction than in 2019 (132, compared to 57 in 2019). Moreover, despite having to conduct all its investigations remotely due to travel restrictions, IAIG was able to complete its cases within an average of 4.2 months, and all cases were concluded within 12 months for the fifth consecutive year.

56. IAIG continued to focus on cases involving fraud and financial irregularities. As a result, IAIG identified financial losses of \$217,300, almost three times the 2019 figure.

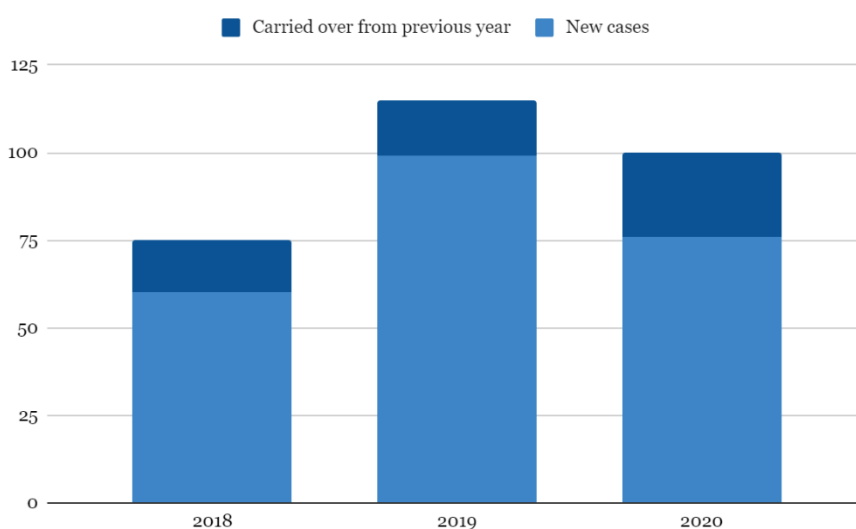
A. Complaint intake

57. In 2020, IAIG received 209 complaints, a 9 per cent fall compared to 2019 (230 complaints). However, as noted above, some of these complaints were complex allegations involving multiple vendors. IAIG opened 76 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

58. In addition to the 76 cases opened in 2020, there were 24 cases carried over from previous years (figure 8).

Figure 8. Number of cases opened, 2018 - 2020

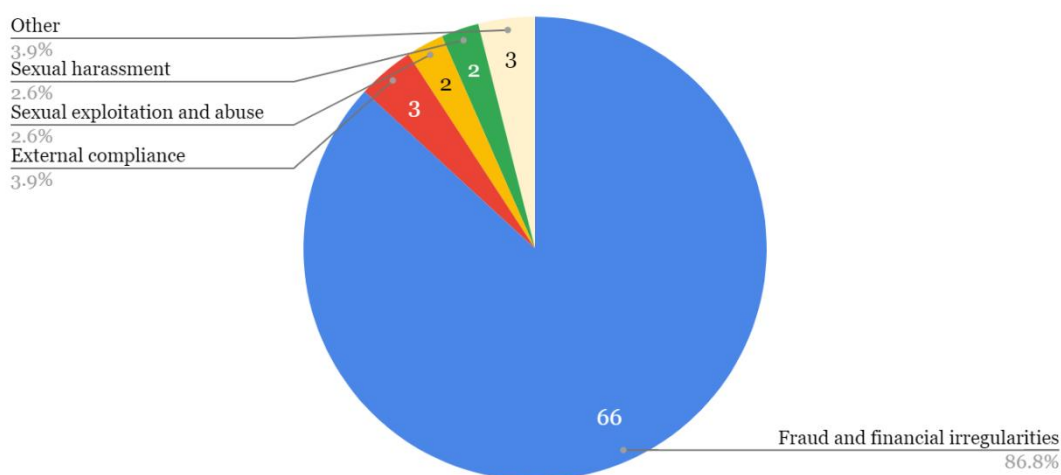


⁶ This specifically included the Pharma MX project, where IAIG has been providing advice to the Legal Group on the establishment of a due diligence framework and serving on a multi-unit task force in an ex-officio capacity.

59. Of the 76 cases opened, 63 were referred by management or personnel, seven were received from external parties and six were referred by United Nations organizations.

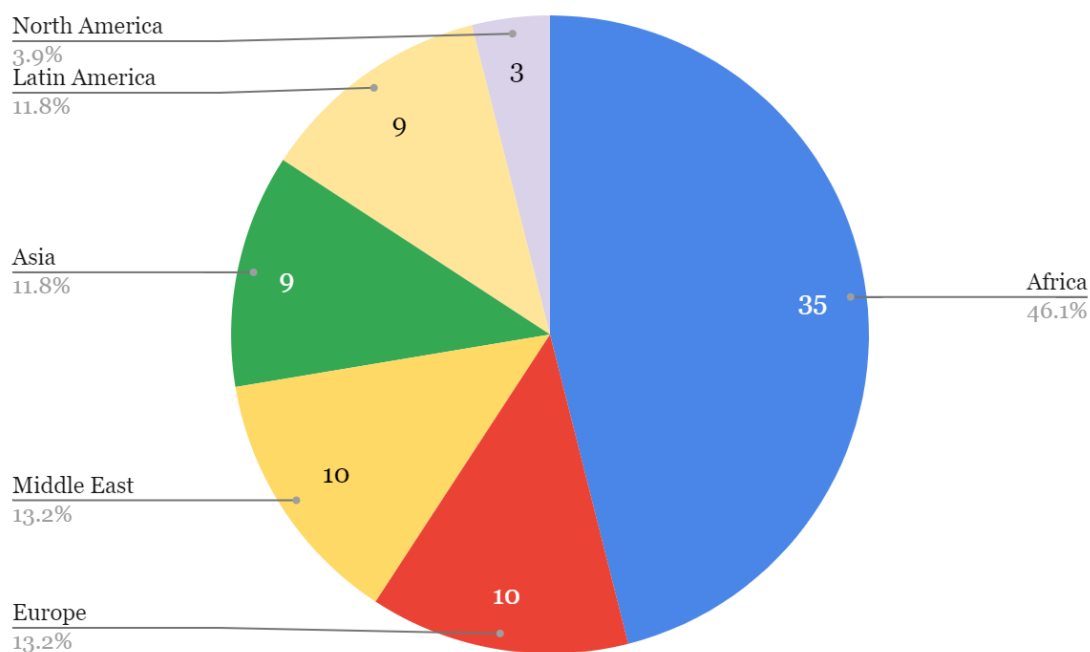
60. The majority of cases opened in 2020 (66 cases) involved alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of resources). Two cases involved alleged sexual exploitation and abuse, and another two cases involved alleged sexual harassment. Three cases related to external compliance (medical insurance fraud and violation of local laws). The remaining three cases involved other alleged misconduct: one of unauthorized external activities, one of conflict of interest, and one of misuse of UNOPS assets.

Figure 9. Types of cases opened in 2020



61. Africa is the region from which IAIG opened the most cases in 2020 (35 cases or 46 per cent), followed by Europe (10 cases), the Middle East (10 cases), Asia (nine cases), Latin America and the Caribbean (nine cases) and North America (three cases).

Figure 10: Geographic distribution of cases opened in 2020



C. Outcome of investigations

62. During the intake process, IAIG first determines whether the complaint contains an allegation of misconduct by UNOPS personnel or of proscribed practices by contracted third parties. It also determines if the matter is within the IAIG investigative mandate.

63. Next, IAIG conducts an initial review: a process of 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.

64. If allegations against a UNOPS personnel member are substantiated, IAIG refers the case to the Human Resources Legal Officer for disciplinary action, in accordance with operational instruction OI.IAIG.2020.01. If they 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.

65. In 2020, IAIG closed 62 cases (see table 4 below).

Table 4. Investigation caseload in 2020

	Number of cases
Caseload in 2020	100
(a) Cases carried over from previous years	24
(b) Cases received in 2020	76
Cases closed in 2020	62
Cases carried over to 2021	38

66. Of the 62 cases that IAIG closed in 2020, 37 (60 per cent) were substantiated. In 23 cases, IAIG concluded that allegations were not substantiated. In the two remaining cases, IAIG concluded that the allegations were outside of its mandate.

Substantiated cases

67. The 37 substantiated cases (see annex 4) involved 15 personnel members and 132 vendors. IAIG 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 (31 cases).

Table 5. Outcome of investigation cases in 2020

Outcome	Count
Cases not substantiated	
• After preliminary assessment	13
• After investigation	10
Subtotal	23
Cases outside IAIG mandate	2
Cases substantiated	37
Total	62

Financial losses and recovery thereof

68. The total financial loss substantiated in investigation cases by IAIG in 2020 amounted to \$217,300. This amounts to less than 0.1 per cent of UNOPS total annual resources. IAIG referred this loss to management for recovery. In 2020, management recovered \$40,856 from losses identified by IAIG during 2020 and previous years.⁷ The recovery of the remaining financial loss is pending with management.

⁷ UNOPS recovered \$30,198 from IAIG-identified losses in 2020. The residual \$10,658 was recovered from 2019 identified losses.

Management letters

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

Action taken in cases of misconduct

70. IAIG referred 15 individuals to the Human Resources Legal Officer in 2020:

- (a) Five individuals had their contract terminated;
- (b) One individual received a written censure;
- (c) Two individuals separated from UNOPS before the investigation was completed, and two separated after IAIG referred the case to the Human Resources Legal Officer. Letters were placed in their files indicating they would have been charged with misconduct had they remained employed with the organization; and
- (d) The cases for five individuals were pending at the end of 2020.

Action taken in cases of misconduct (prior years)

71. UNOPS also addressed matters against 26 individuals whose cases originated prior to 2020. Nineteen individuals were terminated, one was demoted, and one received a written censure. Additionally, five former employees had notes placed in their file indicating they would have been charged with misconduct had they remained employed with the organization.

Vendor sanctions

72. IAIG referred 22 cases involving 132 vendors and 43 company principals to the Vendor Review Committee in 2020. The committee took action in 11 of the 22 cases.⁸ As a result, UNOPS debarred:

- (a) five vendors and five company principals for three years; and
- (b) eleven vendors and 16 company principals for five years.

73. The Committee also issued caution letters to 101 vendors.⁹

74. In addition, the Committee took action in 13 cases that originated prior to 2020. It debarred:

- (a) one vendor and one company principal for one year;
- (b) eight vendors and eight company principals for three years;
- (c) two vendors and four company principals for five years; and
- (d) one vendor and one company principal for seven years.

75. To date, UNOPS has sanctioned 320 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.

76. 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

77. In 2020, IAIG had five dedicated professionals, supported by an investigative assistant. IAIG also occasionally relies upon consultants for additional support.

⁸ The remaining 11 cases were pending with the Vendor Review Committee at the close of 2020.

⁹ Due to the high volume of cases involving fake documents in a UNOPS country office, IAIG and the Vendor Review Committee issued caution letters to first offenders. The warning cautioned the vendors that any further instance of forgery will result in formal sanctions.

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

79. In 2020, IAIG established a roster of consultants to perform forensic computer services with the objective of reducing reliance on external companies for these services. This will allow IAIG to reduce the cost of forensic analysis and tailor the approach to the specificities of UNOPS information and communication technology resources. IAIG also uses an eDiscovery tool to conduct a portion of the forensic analysis internally. This tool has increased the efficiency of investigators in their review of data.

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

E. Sexual exploitation and abuse and sexual harassment

81. In 2020, IAIG received eight complaints involving sexual exploitation and abuse. Out of these, IAIG opened two cases and reported them to the Office of the Secretary-General, which makes these publicly available.¹⁰

82. Following the victim-centric approach, IAIG prioritizes these cases, with both specially trained investigators and shortened case duration. One case was completed in less than four months. IAIG received the other complaint in December 2020. The case was therefore still open at the end of 2020.

83. In 2020, IAIG continued to provide support to senior management in relation to protection against sexual exploitation and abuse. It chairs the UNOPS Working Group on Preventing Sexual Exploitation and Abuse (PSEA), supporting management's implementation of many initiatives of the Secretary-General.

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

85. Similarly, IAIG helps management facilitate UNOPS participation in the United Nations Clear Check, an inter-agency screening tool set up to avoid the hiring and rehiring of offenders. IAIG reports UNOPS personnel who were dismissed due to substantiated allegations of sexual exploitation and abuse and sexual harassment as well as those who left the organization with a pending investigation or disciplinary case. In 2020, IAIG registered one former UNOPS employee in Clear Check.

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

F. Fraud prevention

87. IAIG recognizes the high-risk environments in which UNOPS operates and is committed to strengthening preventative measures, particularly in the field of fraud. In addition to the mandatory training courses that UNOPS requires, IAIG conducts 'standards of conduct' workshops for its personnel. The objectives are to proactively raise the

¹⁰ Three of the remaining complaints were outside the IAIG mandate and were thus handled by other investigative units. For the three other complaints, IAIG found after an initial review that the allegations did not constitute sexual exploitation and abuse. For example, two of them involved a consensual relationship between adults.

awareness of UNOPS employees on the importance of operating in line with the highest ethical standards, as well as training personnel on how to spot potential issues and how to report them.

88. In 2020, IAIG conducted the standards of conduct workshop remotely and trained 42 employees in two field offices.

89. In addition, IAIG supported the Procurement Group in the development of the online course Doing Business with UNOPS, which includes a dedicated module on ethics and fraud prevention. The course, which is free and available on the UNOPS website, was launched in mid-2020 and has been completed already by +1,300 supplier representatives.

X. Summary of follow-up of internal audit recommendations

A. Implementation of audit recommendations issued in 2020 and prior years

90. 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 2020, IAIG continued to work closely with management to ensure deliberate targets for implementation were established and monitored based on internal scorecards.

91. Table 6 shows the outcome for all audit recommendations issued from 2008 to 2020. Of the audit recommendations issued in or prior to 2018, 99.9 per cent were closed. The overall implementation rate at 31 December 2020 was 96 per cent; this demonstrates strong performance thanks to continued management responsiveness and commitment despite the challenges faced.

B. Recommendations unresolved for 18 months or more

92. Out of 100 recommendations issued more than 18 months before 31 December 2020 (on or before 30 June 2019), 12 remained unresolved.¹¹ This is to be compared with the one recommendation outstanding over 18 months at the end of 2019, which has since been closed. Details are provided in annex 1.

Table 6. Status of implementation of audit recommendations as at 31 December 2020

Number of audit recommendations	Total for 2008-2018	2019			2020			Total for 2008-2020
		Internal audits & reviews	Project audits	Total	Internal audits & reviews	Project audits	Total	
Closed	4,684	81	52	133	6	0	6	4,823
<i>as a percentage</i>	<i>100%</i>	<i>69%</i>	<i>83%</i>	<i>74%</i>	<i>5%</i>	<i>0%</i>	<i>4%</i>	<i>96%</i>
Under implementation	4	36	11	47	119	23	142	193
<i>as a percentage</i>	<i>0%</i>	<i>31%</i>	<i>17%</i>	<i>26%</i>	<i>95%</i>	<i>100%</i>	<i>96%</i>	<i>4%</i>
Total	4,688	117	63	180	125	23	148	5,016

¹¹ As of the date of this report, six of the 12 recommendations have been implemented by management and resolved by IAIG.

XI. Operational issues

A. Resources

93. During 2020, the Internal Audit section consisted of one manager (ICS 12: P5), two internal auditors (ICS 11: P4, and ICS 11: I-ICA 3),¹² four audit specialists (one ICS 10: P3, and three ICS 10: I-ICA 2), one data analytics officer (ICS 09: I-ICA 1) and one audit assistant (ICS 05: L-ICA 5).¹³ The section was also supported by an audit specialist retainer.

94. The role of the Chief Information Security Officer was part of IAIG from March 2019 to December 2020. Thanks to the achievements during the incubation period of the Chief Information Security Officer function under IAIG, the role is moving from IAIG to the second line of defence to strengthen UNOPS risk management framework as of January 2021.

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

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

97. The total budget for IAIG in 2020 was \$3.560 million, and in 2021 it will be \$3.280 million. The decrease is due to the move of the Chief Information Security Officer (I-ICA3) function and funding of \$190,000 to the Finance Group, and due to a \$90,000 fall in investment funding earmarked for specific one-off activities in accordance with the annual workplan. Project audits coordinated by IAIG are financed directly from project funds. Therefore, IAIG only absorbs the associated support costs.

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

B. Collaboration with professional bodies, other groups and units

99. During 2020, IAIG continued its involvement with the United Nations Representatives of Internal Audit Services (UN-RIAS) and with the United Nations Representatives of Investigation Services (UN-RIS), coordinating internal audit and investigative activities among United Nations organizations.

100. In 2020, IAIG signed a new memorandum of understanding with the Federal Department of Foreign Affairs acting through the Swiss Agency for Development and Cooperation and with the Kreditanstalt für Wiederaufbau, bringing the number of such agreements to 19. 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.

101. 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.

102. IAIG also participated online in sessions with the International Audit and Integrity Group, in international fraud conferences organized by the Association of Certified Fraud Examiners, and in the Conference of International Investigators in 2020.

103. As in previous years, IAIG coordinated its annual work plan with the United Nations Board of Auditors, including sharing its audit results and final audit reports.

104. IAIG continued to work closely with the Joint Inspection Unit to strengthen internal oversight within UNOPS.

¹² I-ICA: International Individual Contractor Agreement.

¹³ L-ICA Local Individual Contractor Agreement

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

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

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

C. Strengthening the audit function

108. In 2020, the audit team piloted a management action planning approach, as opposed to issuing unilateral recommendations. With the new approach, the audit team works with an auditee to help them achieve their own solution to the risks presented, rather than having one imposed on them by IAIG.

109. The audit team performed an internal self-assessment on a sample of 2020 engagements, which resulted in an action plan with specific improvement points. IAIG has now simplified the list of documents requested from auditees in light of the ongoing UNOPS digitalization in January 2021.

D. Data analytics and continuous audit

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

111. The IAIG data analytics programme has continued to evolve following new developments in oneUNOPS and other UNOPS information management systems. In 2020, IAIG rolled out the use of data analytics tests through the Data Studio platform, serving as a live tracking tool.

112. IAIG conducted an advisory engagement, which relied mainly on data analytics. The identified flags were handed over to the UNOPS Internal Control Specialist for further follow-up and improved system controls. The issues referred to management included:

- (a) *Conflicts in segregation of duties.* IAIG identified 499 active users who have two or more roles in procurement: as a procurement official, as a procurement requester, and as a procurement receiver. While this is allowed for in policy, it poses potential conflicts because the same user can prepare requisitions, prepare purchase orders, receive goods and services, and raise payments. Furthermore, 140 active users have a procurement delegation of authority and a procurement receiver role at the same time, and thus can approve commitments and receive goods and services in the ERP system. However, the number and value of purchase orders where potential conflicts had occurred with this role combination is minimal and so far has only affected three users.
- (b) *Non-compliant engagement acceptance.* From 2017 to date, 28 engagement acceptances have been approved by personnel with insufficient authority, and 91 engagement acceptances were approved by users without any authority for the cost centre under which they approved the engagements.
- (c) *Non-compliant individual contractor agreement award approvals.* In 2020, 26 awards were approved by personnel with insufficient authority. Additionally, there were 138 retroactive awards not approved by the Regional Director as per policy.

E. Counter-fraud audit initiatives

113. In 2020, IAIG continued to expand its fraud focus in each internal audit engagement by improving its data-based fraud detection methods developed in the last few years and by improving the existing audit programmes and working papers.

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

violations. In 2020, new test areas were added to identify approval violations in the eSourcing platform and conflicts in segregation of duties.

F. Key issues identified based on IAIG initiatives

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

- (a) late project delivery recognition impacting the annual reporting by \$9.9 million;
- (b) premature project delivery recognition impacting the annual reporting by \$3.1 million;
- (c) recurring incorrect expense accounts classification amounting to \$1.3 million;
- (d) overspent projects by \$1.1 million, with a probability of write-offs from reserves;
- (e) recurring health, safety, social and environmental issues, including the lack of office inspections, site inspections and risk assessment; and
- (f) avoidance of infrastructure design review process and failure to comply with conditions stated in design review certificates.

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

G. External quality assessment and continuous improvement

117. With a view to improving its investigation function, IAIG, on its own initiative, underwent an external quality assessment. Such a review was consistent with the International Investigations Guidelines, to which IAIG adheres, as well as with the Joint Inspection Unit's recommendation to all United Nations investigative offices.

118. The review team concluded that, overall, the investigation function at UNOPS conforms with its legal framework and generally accepted standards for investigations in international organizations. The review also found that IAIG largely enjoys a reputation of professionalism and efficiency within UNOPS, and its work is perceived by stakeholders as fair and competent. IAIG will review and begin implementing the material recommendations that the team made in 2021.

119. In November 2020, the audit team followed up on the recommendations from the 2019 external quality assessment and performed an internal self-assessment. On the basis of this, an action plan has been drawn up with specific improvement points.

120. As part of its Quality Assurance and Improvement Programme, IAIG performs an auditee satisfaction survey with auditees after each audit is concluded. The results of these surveys are analysed twice a year and include a summary of results obtained, good practices, areas of improvement and their corresponding action plan, and a comparison with the previous year's results.

H. Technology enabling initiatives

121. Throughout 2020, the Chief Information Security Officer closely cooperated with the Information Technology Group to ensure that IAIG is up to date with technological initiatives and to enable IAIG to better understand risk and synergies for UNOPS. In its work, IAIG liaises with various UNOPS units on information and communications technology initiatives, including Google Suite, oneUNOPS projects and oneUNOPS reports. Other initiatives included:

- (a) *Oversight issues and tracking of audit recommendations.* In 2020, IAIG launched a real-time audit recommendation tracking tool that covers all oversight recommendations made by IAIG, the United Nations Board of Auditors, and the Joint Inspection Unit. This innovation enables management more effectively to monitor the status of recommendations in the ERP system.

- (b) *Internal control framework.* During 2020, IAIG provided its support and advice on the completion of the key controls framework, including the enhancement of automated controls in oneUNOPS through the conducted engagements.

XII. Audit Advisory Committee

122. The Audit Advisory Committee continued to review the IAIG annual workplan and budget, the quality assurance and improvement plan, and final engagement reports. The committee also provided input to enhance the effectiveness of the internal audit and investigation functions. The committee's annual report for 2020 is included in annex 3.
