

**Assessment of the independence of
the UNOPS Internal Audit and
Investigations Group.**

Contents

<i>Chapter</i>	<i>Page</i>
I. Introduction	3
II. Mandate and function of the Internal Audit and Investigations Group	4
III. Assessment of the independence of the Internal Audit and Investigations Group	4
IV. Relationship with the Office of Internal Oversight Services	8
V. Delineation between assurance and advisory functions	8
VI. External quality assessment	9
VII. Pathways to strengthen the independence of the Internal Audit and Investigations Group	9

I. Introduction

1. In its Board Decision DP/2022/27, the Executive Board requested the Director of UNOPS Internal Audit and Investigations Group (IAIG) to provide at the second regular session 2022 a comprehensive assessment of the independence of its office, containing, but not limited to, reflections on the degree to which IAIG can determine freely:
 - (a) How and when to report to and brief the Executive Board;
 - (b) The scope of audits and investigations;
 - (c) What and who to audit or investigate;
 - (d) What assessments to make;
 - (e) How to utilize available funds; and
 - (f) Its relationship with the Office of Internal Oversight Services.
2. The Board also requested the Director of IAIG to provide suggestions and pathways on how to further strengthen the independence of IAIG, and to estimate the budget required for the execution of the full mandate.
3. The Executive Board requested IAIG to maintain a clear delineation between internal oversight and advisory activities.
4. In addition, the Executive Board requested the Director of IAIG to provide an update to the Executive Board on the status of investigations related to irregularities in the Sustainable Investments in Infrastructure and Innovation (S3i) initiative at the second regular session 2022, or at an earlier date, as needed.
5. This document responds to the Executive Board expectations in its decision. IAIG submits to the Board:
 - (a) The results of the assessment of its independence;
 - (b) Pathways to strengthen the independence of its office; and
 - (c) Budget estimates required for the execution of its full mandate.
6. Separate and regular meetings will be arranged with the Executive Board with regards to investigations concerning the S3i initiative.
7. With regards to the delineation between its assurance and advisory functions, IAIG takes note and envisages outsourcing important advisory engagements while the in-house team will focus on assurance.

II. Mandate and function of the Internal Audit and Investigations Group

8. The IAIG Director reports to the Executive Director of UNOPS, supporting the 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 using 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.

9. In addition to providing internal audit services to UNOPS, IAIG is responsible for investigating allegations of fraud, corruption, sexual misconduct and other forms of misconduct committed by UNOPS personnel, contractors or other parties. As per the IAIG Charter, the investigative function of IAIG should be free of any interference. However, as discussed below, management has not respected this independence in practice.

III. Assessment of the independence of the Internal Audit and Investigations Group

Access to the Executive Board and Audit Advisory Committee

10. Pursuant to the IAIG Charter, IAIG is supposed to have "*free and unrestricted access to the Executive Board and the Audit Advisory Committee.*"

11. However, such access was not defined nor was it made clear whether the Director of IAIG can have access specifically without notifying the Executive Director or without having the Executive Director or management present. It also did not state how or when IAIG could report to and brief the Executive Board other than through its annual report.

12. For example, the original charter of IAIG allowed the Director to request private and confidential access to the Strategy and Audit Advisory Committee (now named the Audit Advisory Committee) through a request to the Chairperson. The current (amended) charter, however, does not have this provision.

Free from interference with audit and investigations

13. The IAIG Charter contains a general statement that IAIG and its personnel "*shall be independent and remain free from any interference in conducting internal audits and investigations, including any matters of audit selection, scope, procedures, frequency, timing, or report content.*" However, unlike the charters of other organizations within the United Nations, the IAIG Charter does not describe the investigative activities.

Access to records

14. According to its Charter, IAIG is supposed to have “*free access to the organization’s records, personnel, and premises, as necessary, in its opinion, for the performance of their duties.*” However, IAIG has had to seek the approval of senior management in order to obtain, for example, personnel records (including annual financial declarations), travel records and electronic evidence such as information and communication technology (ICT) devices, including, for instance, a personnel member’s laptop or mobile telephone.

Staffing

15. IAIG has not been given sufficient resources to fully execute its mandate. For example, an external review of the investigation function in 2020 recommended that IAIG retain the services of a full-time Spanish speaking consultant in light of the large engagement of UNOPS under the PharmaMX initiative.

16. Similarly, the Joint Inspection Unit review of the investigative offices found that, under best practices, no investigator should carry a caseload of over 10 cases per year. IAIG’s team of four full-time investigators handles over 200 complaints a year and also have to perform case in-take in addition to the current role.

17. Moreover, IAIG has been faced with an increasing caseload year on year, and the caseload for 2022 is predicted to increase yet again. Other United Nations investigations units, such as the Office of Internal Oversight Services, the Office of Audit and Investigations of the United Nations Development Programme, and the Office of Audit and Investigation Services of the United Nations Population Fund, also have specific case intake investigators. These investigators absorb the significant workload involved in reviewing and managing new allegations, which may entail, for example, analysing jurisdictional authority, examining available evidence, undertaking preliminary assessments, and recommending the disposition of matters involving alleged misconduct.

18. IAIG investigators are also under pressure to perform ancillary tasks such as donor reporting, offering advisory services to numerous units and personnel, and conducting awareness training for UNOPS personnel and implementing partners. Additional resources are therefore required to establish a more reasonable workload per investigator, to enhance efficiency and effectiveness, as well as the wellbeing of the personnel.

19. IAIG has only one senior investigator, despite the fact that it is responsible for complex, sophisticated fraud investigation and sexual misconduct cases, while also striving to perform proactive investigations.

20. In 2019, it became clear from audits that several field offices have significant infrastructure portfolios or infrastructure-associated risks, both of

which require highly specialized knowledge. Due to the lack of engineering expertise in the internal audit team, IAIG has to engage external experts to assist with these audits.

21. Likewise, when IAIG audits project management portfolios, it must review the full project lifespan, from opportunity to closure. Further to procurement services as a service line, procurement is also a key enabler of other types of project outputs including infrastructure and project management. Consequently, IAIG needs additional resources with specialized project management, engineering or procurement expertise in order to effectively audit infrastructure and procurement projects as well as to strengthen the assurance on project management.

22. IAIG fixed term personnel are awarded one-year contracts and IAIG therefore relies on the annual budget process to cover the costs of renewing these contracts.

23. Most investigators and auditors are employed under consulting agreements which do not carry the same security that fixed term posts have. IAIG also has difficulty competing with other agencies for qualified investigators and auditors, as well as in attracting qualified female candidates, since the contracts IAIG can offer do not provide, for example, benefits for children or relocation.

24. There is also an important issue regarding the independence of the Director of IAIG. Responsibility for issuing and renewing the contract for this position rests directly with UNOPS management, and now that the length of the Director's contract is one or two years (as compared to previously, where it was for five years, renewable once), the implications for the independence of the post are now even greater.

Budget approval process

25. Pursuant to the IAIG Charter, IAIG is supposed to present its budget to the Executive Director. However, for the past several years, the Executive Director has required IAIG instead to present its budget to senior managers, all of whom fall under its mandate and jurisdiction, and many of whom may have an interest in limiting the influence of IAIG. This has resulted in IAIG having to try to persuade senior managers to agree to its budget; experience in recent years is that senior management have reduced the budget of IAIG.

Audit activities

26. Pursuant to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IIA standards), the "*internal audit activity must be independent, and internal auditors must be objective in performing their work ... [and] ... free from interference in determining the scope of internal auditing, performing work, and communicating results.*"

27. On several occasions, management has infringed upon IAIG's independence with respect to its audit activity. For example, management has

asked IAIG to change which offices it audits, and when audits are held, and even to switch the nature of some engagements from assurance to advisory. In other cases, auditees have sought to question IAIG's sampling approach, its methodology, and which samples the auditors selected for testing. For example, one office questioned the projects that IAIG sampled for testing as well as the partners selected to be interviewed. Another office questioned why IAIG was selecting samples that had already been reviewed and approved by other review bodies.

28. In terms of resource allocation, the current UNOPS rules do not allow transfer of resources within budget lines (from personnel costs to other costs) where a saving is expected, without the approval of the Chief Finance Officer. This affects the independence of IAIG in how it uses its budget and resources.

29. In addition, in accordance with the IIA standards, auditors are required to undertake continuous professional education on an annual basis. However, IAIG does not have a separate budget for this kind of training.

30. There are several instances where, when reporting its preliminary audit observations, IAIG was urged by auditees to adjust the priority ratings of the observations to make them lower so that they are removed from the audit report. In other instances, auditees have tried to negotiate the overall report ratings to make them more favourable.

31. The Director of IAIG has the discretion whether or not to disclose audit reports. However, on at least one occasion, attempts were made by an audited office to prevent, and when that failed, to delay the publishing of an audit report that they considered to be sensitive.

32. Finally, on one occasion, an office reported on data regarding the implementation that differed from IAIG's records.

Investigations activities

33. Pursuant to the Conference of International Investigative guidelines, the *"Investigative Office shall perform its duties independently from those responsible for or involved in operational activities and from staff members liable to be subject of investigations and shall also be free from improper influence and fear of retaliation."*

34. The lack of genuine independence has compromised IAIG's investigative activities at all stages of an investigation. For example, at the intake stage, complainants have repeatedly stated they are fearful of retaliation when reporting matters that may implicate senior management, and they are aware that IAIG ultimately reports to the Executive Office. There is also a perception that senior managers are not held to the same level of accountability as other more junior personnel members are. There has also been a lack of consistency in management's decisions regarding disciplinary action. There have been instances where serious allegations of misconduct have been substantiated, but where the personnel members were not disciplined but instead allowed to resign; IAIG was

not permitted to provide any input, such as the effect this has on victims. Consequently, there has been a significant “*chilling effect*” on the willingness of personnel to report misconduct, particularly when it implicates senior management or the Executive Office.

35. Similarly, IAIG has been subject to interference while conducting initial reviews and investigations. IAIG is often placed under a great deal of pressure by management to complete investigations, including highly complex fraud investigations, within unrealistic time frames. This is particularly true when procurement awards are put on hold due to allegations of irregularities.

36. According to the IAIG Investigative Guidelines “*IAIG has the exclusive authority for determining whether to close a case or proceed with an investigation on the basis of IAIG's initial review.*” On several occasions, however, the Executive Office have pressured IAIG to conclude its investigative activities or have challenged and discouraged IAIG from pursuing other lines of inquiry, particularly when those inquiries relate to senior managers. This has also happened when IAIG raised concerns regarding key engagements promoted by the Executive Office.

37. As a result of the factors mentioned above, IAIG has had to be cautious when reporting the results of investigations that have implicated senior management. While IAIG never withheld the full facts of its investigative findings, the fear of retaliation places undue pressure on investigators to be overly cautious when reporting serious issues to the Executive Office.

38. In sum, the current charter and organizational structure not only deters whistleblowers, but it also fails to allow IAIG to freely and independently challenge senior UNOPS management without fear of improper influence or retaliation.

IV. Relationship with the Office of Internal Oversight Services

39. IAIG enjoys good relationships with and access to the United Nations Office of Internal Oversight Services, and works closely with it as co-members of the United Nations Representative of Investigative Services as well as the United Nations Representatives of Internal Audit Services. However, the IAIG Charter is silent regarding this relationship.

V. Delineation between assurance and advisory functions

40. While IAIG has maintained a clear delineation between its advisory and assurance functions, the current IAIG charter is silent and needs to formalize this delineation.

VI. External quality assessment

41. The audit team in IAIG underwent external quality assessments in 2017, 2019 and 2021 and each time 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. Meanwhile, in 2015 and again in 2020, the investigations team underwent an external quality assessment, consistent with the International Investigations Guidelines, which provided an overall positive conclusion, but also offered recommendations for improvements.

VII. Pathways to strengthen the independence of the Internal Audit and Investigations Group

Recommendation 1: IAIG should expand its access to the Executive Board and the Audit Advisory Committee and clarify how the Director can meet with these entities, not only on a regular basis, but also privately without the Executive Office being informed or invited. All of this should be reflected in the IAIG Charter (See annex 1: revised charter).

Recommendation 2: The IAIG Charter should be amended to better protect its independence, including its ability to decide who or what to audit or investigate without the approval of the Executive Director or any other official. It also should be amended to protect IAIG from management interference in determining the scope of its audits and investigations, in performing the field work, and in communicating its findings. The Charter should clarify IAIG’s independence regarding its internal audit plan and reporting processes, and should include a provision stating that if its independence is impaired in fact or appearance, then IAIG will disclose the details of such impairment to the Audit Advisory Committee and the Executive Board.

Recommendation 3: The IAIG Charter should better reflect IAIG’s unrestricted access to all information including ICT material as described in ST/SGB/2004/15 to ensure IAIG truly has full, free, and unrestricted access to all UNOPS records, electronic data, property and personnel regarding any UNOPS function or activity. This includes the right of IAIG to require any personnel, management, or third party as per their contractual agreement with UNOPS to furnish all material or information as may be needed by IAIG for the completion of its work.

Recommendation 4: IAIG needs an increase in its budget to fully execute its mandate (see annex 2: budget estimates). This includes four extra positions, to cover another senior investigator, two home-based intake investigators and a Spanish-speaking investigator. The recommended structure for IAIG investigations is: one manager (P5); two senior investigators (P4) (current plus one additional senior investigator); three investigators (P3) (two current investigators plus one Spanish-speaking investigator); two intake investigators (new home-based positions); one junior investigator (P-2), and two senior investigation assistants (G staff).

Meanwhile, for IAIG internal audit the recommended structure is: one manager (P5); two internal auditors (P4); six audit specialists (four current plus two additional audit specialists with project management / engineering / procurement background); one data analytics specialist (P3) and one data analytics senior assistant (G staff).

The team will be supported on administrative matters by a senior administrative assistant (G staff).

Recommendation 5: IAIG should have a separate budget for mandatory training of personnel in line with the IIA standards.

Recommendation 6: IAIG personnel should be on two-year fixed contracts.

Recommendation 7: In line with UNFPA and UNDP, the Director of IAIG should be appointed for a term of five years with the possibility of renewal once for a maximum of five more years.

Recommendation 8: IAIG should not be required to present its budget to senior managers nor to seek their approval. IAIG should present its budget only to the Executive Director, the Audit Advisory Committee, and the Executive Board to strengthen independence and ensure adequate resources. Also, the time-frame of the IAIG budget should be aligned with the UNOPS corporate strategy.

Recommendation 9: The Charter of IAIG should be amended to give IAIG the authority to interface independently with the Office of Internal Oversight Services and other multilateral entities, with the supreme audit institutions of Members States, and with Member State law enforcement or other authorities as necessary to execute its mandate, taking into account the privileges and immunities of UNOPS. Such interactions would be allowed to go ahead without the approval of the Executive Director or any other official.

Recommendation 10: The Charter of IAIG should be amended to reflect the need to maintain a clear delineation between its assurance and advisory functions.

Recommendation 11: The Director of IAIG will freely and independently contact the President of the Board and update them on any progress on matters related to S3i.