

United Nations Office for Project Services

The UNOPS management response to the 2023 annual reports on internal audit and investigations, ethics, and the Audit Advisory Committee

Contents

I. Introduction.....	1
II. The UNOPS Audit Advisory Committee.....	1
III. Internal audit.....	1
IV. Investigations.....	4
V. Ethics.....	5
VI. Strategic management response.....	6

I. Introduction

1. The United Nations Office for Project Services (UNOPS) offers the following management response to the 2023 annual reports of the Audit Advisory Committee (DP/OPS/2024/4 - Annex 7) in accordance with Executive Board decision 2008/37; the Internal Audit and Investigations Group (DP/OPS/2024/4) in accordance with Executive Board decision 2005/19; and Ethics Office (DP/OPS/2024/5) in accordance with Executive Board decision 2012/9.

II. The UNOPS Audit Advisory Committee

2. In 2023, the UNOPS Audit Advisory Committee (AAC), hereinafter referred to as the Committee, performed its functions in conformity with Executive Board decisions 2015/4, 2015/12, and 2023/7. The Committee's roles and responsibilities are set out in its revised terms of reference, which includes provisions to enhance and protect the Committee's independence.

3. In 2023, the Committee completed a comprehensive self-assessment with the objective to protect and enhance its independence in fulfilling its advisory functions to the Executive Director and the Executive Board. Based on the outcome of the self-assessment, the terms of reference of the Committee were revised and submitted to the Executive Board for its annual session in 2023. The Board took note of the revised terms of reference in its decision 2023/7.

4. The Committee provides external, independent, senior-level advice regarding the functioning of audit and oversight in UNOPS, internal and external audit and oversight matters, financial management and reporting, ethics, and strategy implementation. The Committee has an advisory role and assists the Executive Director and the Executive Board in exercising their oversight responsibilities.

5. Management welcomes the Committee's efforts to engage with relevant external stakeholders; and is pleased to note that in 2023, representatives of the Committee addressed the Executive Board at its annual session; engaged with the President of the Executive Board; and participated in the eighth meeting of the United Nations system audit and oversight committees.

6. Management is pleased to note the significant contributions provided by the Committee in 2023. During the year, the Committee fulfilled its regular functions; and further provided advice and guidance in relation to management's continued efforts to ensure the timely and effective implementation of actions as outlined in the Comprehensive Response Plan (CRP). Management concurs with the observations reflected in the Committee's annual report, 2023 (DP/OPS/2024/4 - Annex 7).

7. Management affirms the benefit of the Committee's advice and its continued substantive engagement with the organization. Finally, management would like to extend its appreciation to the current and past members of the Committee.

III. Internal audit

Overview

8. Management recognizes the important role that IAIG plays in providing assurance, offering advice, recommending improvements, and helping to enhance the organization's risk management, control, and governance systems.

9. Management is pleased to note that IAIG confirmed its organizational independence and freedom from interference in planning, conducting and communicating its work. Management further notes that the Director, IAIG had free and unrestricted access to the Executive Board and the Audit Advisory Committee.

10. The IAIG internal audit function issues three main types of reports: a) internal audits that carry a rating and may result in recommendations; b) advisory engagements, that carry no ratings and may include recommendations; and c) project audits that carry a rating and may result in recommendations in cases where the scope includes internal controls. Management notes that the number of reports may fluctuate between years, due to normal variations in the number of client requests and reporting requirements as per project agreements.

Audit Opinion

11. Management notes that the audit opinion substantiates the significant internal improvements implemented over the past year. This has resulted in the overall opinion on the adequacy and effectiveness of UNOPS governance, risk management, and control processes changing to “partially satisfactory (some improvement needed)”, an improvement compared to the opinion issued in 2022 of “partially satisfactory (major improvements needed)”. Management further notes that in 2023 the elements forming the basis for the audit opinion included the follow-up review on the results of the third-party reviews, and on the IAIG self-assessment in 2023.

Reports in 2023

12. Management takes note of the reports issued by IAIG during 2023. It notes that the number of reports increased when compared to 2022, from 49 to 80; this includes four internal audit reports, 27 advisory reports, three forensic audit reports, and 46 project audit reports. It further notes that the number of internal audit reports and advisory engagements (31) exceeded the planned (18).

13. Management notes the associated ratings (where applicable), observations, recommendations, and related priorities contained in the reports. It further notes the distribution of recommendations by functional area driven by the audit scope as identified in the risk assessment conducted for each engagement; and the distribution of the recommendations by objectives.

Overall implementation rate

14. Management notes that the overall implementation rate of 95 per cent is above the target of 90 per cent, but a decrease compared to 98 per cent in 2022. This is primarily due to a significant increase in the overall number of recommendations (242), compared to 155 in 2022. In particular, the number of recommendations from advisory engagements increased (2023: 152; 2022: 15).

15. In 2023, management maintained internal targets and monitoring of timely closure of oversight recommendations. It closed 72 audit recommendations, including all but one of the targeted recommendations. Pursuant, only one internal audit recommendation had by the end of 2023 been open for more than 18 months.

16. Although internal targets were met, the number of recommendations closed in 2023 was only a third compared to the 210 recommendations closed in 2022. The high number in 2022 was achieved through temporary allocation of additional personnel and IT resources reinforcing implementation. This was in response to the Executive Board request for dedicated effort to fast-track implementation of all outstanding oversight recommendations.

Management action and progress on the recommendations from internal and project audits

17. Management notes a decrease in the number of internal audit reports (4), when compared to 2022 (7), and a corresponding decrease in the number of recommendations (2023: 9; 2022: 55). Further, management notes a slight increase in the number of project audit reports issued (2023: 46; 2022: 37); while also noting that the number of recommendations from these reports decreased from 85 in 2022 to 81 in 2023.

18. Management notes that the number of reports and recommendations issued, as well as the associated ratings, are indicative of generally adequate levels of internal controls in the organization's implementation activities. In 2023, all but two of the 50 rated audit reports audits yielded a satisfactory or partially satisfactory rating, compared to one in 2022. The two 'unsatisfactory' ratings relate to two financial audits of projects, with a 'modified' opinion. Management is pursuing corrective action.

Advisory engagements

19. Management notes a significant increase in the number of advisory engagements (27), compared to 2022 (11), and an associated increase in advisory recommendations (152), compared to 2022 (15). It further notes that IAIG by 2023 has decided to consider the implementation of its advisory recommendations mandatory, and that it will track and report on management actions in the same way as for formal oversight recommendations stemming from internal audits and project audits.

20. Management notes the broad range of topics covered by IAIG in its advisory engagements, which included the review of three core processes within the areas of human resources, procurement and project management; as well as ad hoc advisory services. It further takes note of the efforts as a response to a request by the Executive Board for outline of recurring strategic and systemic issues related to accountability, governance, decision-making, communication and risk management.

21. Observing the significant increase in the number of advisory engagements and recommendations, management notes that relevant functional units have not seen the same increase in resources as has been the case for IAIG. This has implications on the capacity to report on actions that respond to advisory engagements with the same level of focus as those linked to other categories of reports issued by IAIG and the UN Board of Auditors. Management welcomes and acknowledges the benefit of the perspective offered by IAIG and is committed to ensuring that due regard is given to these recommendations by relevant functional units.

Strategic response to audit recommendations

22. Management notes the summary of key issues by functional area identified in 2023. It undertakes concerted efforts to proactively manage risks and pre-empt audit observations by driving a strategic response and enhance its governance, risk management practices and internal controls, as well as the overall compliance with its prescriptive content throughout its operational activities; and is continuously pursuing closure of recommendations during the year.

23. To facilitate the follow-up and coordination with relevant business units on the systematic and timely action and implementation of all recommendations, management classifies all oversight recommendations by functional area. To ensure a substantively appropriate response, each recommendation is assigned to a primary responsible business unit. If the primary responsible business unit is different from the business unit in charge of policy and control in the functional area, the latter is typically assigned as secondary responsible.

Strengthening of the audit functions

24. Management notes that IAIG in 2023 recruited additional personnel and converted relevant positions to fixed-term appointments, in continuation of changes initiated in 2022 following the results of the IAIG self-assessment. Management also notes the intent to internally reallocate budget to establish two new positions in 2024 with a view to ensuring a faster response in relation to forensic audits, and enhanced capacity for quality assurance, supervision and coaching.

25. In relation to the effective use of data analytics and technology, management welcomes efforts to enhance the integration with the audit life cycle, including through interaction and knowledge sharing with regional and country offices; and notes the results and recommendations from a maturity assessment.

26. Management notes the continued maintenance of certifications, as well as internal knowledge-sharing and professional development activities pursued by members of the IAIG team.

Coordination and collaboration

27. Management notes that IAIG continued its coordination with the United Nations Board of Auditors (UNBOA) and with United Nations organizations; and remained an active member of the Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and the United Nations Representatives of Investigative Services.

28. Management welcomes the collaboration of IAIG, in the context of the United Nations strategy to combat sexual exploitation and abuse, with six other United Nations organizations (IOM, UNDP, UNFPA, UN-Women, WFP and WHO) in 2023 to conduct inter-agency training for focal points of prevention of sexual exploitation and abuse from across the globe. Management also notes the Group's collaboration with the UNOPS Corporate Coordinator for Protection from Sexual Exploitation, Abuse and Harassment.

29. Management notes that IAIG continues to partner with relevant associations and institutions, for example with the Association of Certified Fraud Examiners and the Institute of Internal Auditors.

30. Management supports the strong collaboration and coordination of IAIG with UNOPS business units, including the Legal Group, Ethics Office, and Internal Grievance Unit; as well as its continued active engagement in the data steward panel.

IV. Investigations

31. Management takes note of the case-related statistics, including the 20 per cent increase in the number of complaints received, and the 38 per cent increase in the number of cases handled; and in this regard takes note of the use of additional external expert services, including through long-term agreements. It also takes note of the distribution across case categories and geography; as well as the outcomes of investigations.

32. Management appreciates the efforts of IAIG to work with the People and Culture Group if an allegation is substantiated against a UNOPS personnel member; with the Vendor Review Committee in relation to allegations pertaining to vendors; and with the Ethics Office, for cases of allegations of retaliation.

33. Management notes that IAIG continued its efforts to substantiate financial losses in investigations cases; and remains committed to taking action, including the sanctioning of vendors, disciplinary action for personnel up to and including separation, and recovery of defrauded or lost amounts.

34. Management notes the establishment of a team comprising two investigators dedicated to case intake, and welcomes the intent to accelerate the initial processing and routing of complaints received; as well as the recruitment of a dedicated communications resource.

35. Management notes with appreciation the continued operation of a confidential hotline for individuals wishing to report misconduct.

36. Management notes with concern the increase in the number of complaints received and cases opened involving allegations of sexual misconduct. It welcomes the continued deployment of a victim-centric approach in the context of protection against sexual exploitation, abuse and harassment; as well as the continued support to management on protection against sexual exploitation and abuse and the participation in the 'Clear Check' screening tool; and the advice provided by IAIG to local offices on an ad hoc basis.

37. Management notes the initiation of a forensic audit into use by UNOPS of emergency procurement procedures to identify any fraud risks and weaknesses in controls; and looks forward to the results, expected in 2024.

38. Management notes the increased number of instances where IAIG provided advice in relation to donor agreements, responded to requests for information from donors on matters under its purview, and collaborated with investigative offices of donors on specific cases.

39. Management remains committed to the timely implementation of recommendations resulting from IAIG investigations. The status and implementation progress of recommendations from investigations are tracked together with all other oversight recommendations in an integrated manner.

V. Ethics

Overview

40. Management is pleased to note that the Ethics Office confirmed its operational independence for the reporting period; and further notes the Office's assessment of its compliance with the standard for independence as contained in JIU/REP/2021/5.

41. Management notes with appreciation that in 2023, the Ethics Office implemented all but one recommendation contained in the Comprehensive Response Plan (CRP); with the last recommendation relating to the process for speaking up and whistleblower protection being on track for completion in June 2024.

42. Management notes with appreciation that all recommendations issued through the independent external review of the independence of the Ethics Office, requested by the Executive Board in its decision 2022/16 and completed in March 2023, have been addressed or responded to. Management notes the ongoing efforts to monitor the approaches of other organizations and relevant oversight recommendations to strengthen relevant practices.

43. Management welcomes the relative normalization of the Ethics Office's operations in 2023; and expresses its appreciation for the Office's commitment to rebuilding trust internally and externally while ensuring its availability and responsiveness in the delivery of its core mandate.

44. Management notes that the budget of the Office saw a 22 per cent increase in 2023 when compared to 2022, for the purpose of converting contracts to fixed-term appointments, and the addition of one position.

Mandated activities in 2023

45. Management takes note of the mandated activities undertaken by the Ethics Office in 2023, including increase in workload overall, as well as the related breakdown of matters and trends and the Office's assessment thereof. Management welcomes that the trends seem to indicate an enhanced awareness among its personnel of the services available to them, as well as growing trust in the function.

46. In relation to the area of policy and standard setting, management notes the Office's ongoing efforts pertaining to the review and revision of the speak-up and whistleblowing processes, as per the recommendation contained in the Comprehensive Response Plan. Management welcomes the consultative, comprehensive and structured approach; and remains committed to the objectives of the ongoing review process.

47. Management notes that the Ethics Office has further initiated the development of a code of conduct on the basis of ST/SGB/2016/9.

48. In relation to the provision of advice and guidance to individual members of personnel, management notes the Office's efforts to enhance the efficiency and effectiveness of its work, including through the use of online forms, tailored outreach and guidance, and a focus on confidentiality and support to individual decision-making.

49. Management welcomes the continued efforts to provide training and raise awareness on a range of specific topics under the purview of the Ethics Office, with a view to contributing to an organizational culture where personnel are comfortable and empowered to speak up. Management further notes that over 2,500 members of personnel completed the mandatory recertification for the Ethics and Standard of Conduct course, an effort undertaken in response to a recommendation by the Joint Inspection Unit; and the joint campaign with the Ethics Offices of UNDP and UNFPA.

50. Following a report by the Joint Inspection Unit on the Ethics functions of the United Nations (JIU/REP/2021/5), the Ethics Office undertook a review of the effectiveness and efficiency of the programme for managing financial disclosures and declarations of conflict of interest in UNOPS. Pursuant, management implemented a recommendation to contract the administration of the programme to the United Nations Ethics Office, and in November 2023 signed a Memorandum of Understanding to that effect. Subsequently, management notes that the 2023 review cycle, to be initiated in March 2024, will be conducted in collaboration with the United Nations Secretariat.

51. Management notes the completion of the 2022 annual filing cycle in September 2023 for all 1,022 personnel required to file as per UNOPS "Financial Disclosure and Conflict of Interest Statements" policy.

Collaboration with external parties

52. Management welcomes the continuous collaboration of the Office with external stakeholders, including the Ethics Network of Multilateral Organizations (ENMO), the Ethics Panel of the United Nations (EPUN), the Joint Inspection Unit (JIU), the Office of the Ombudsman, and the Ethics Offices of the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA); and its efforts to strengthen its engagement, including by assuming the role of Alternate Chair of the EPUN, and participating in thematic working groups under the EPUN.

VI. Strategic management response

53. During 2023, management continued to respond in a timely manner to internal oversight recommendations. At the same time, it maintained its high commitment and pace in implementing actions outlined in the Comprehensive Response Plan (CRP). The CRP responds to the recommendations of two independent external third-party reviews on (a) the UNOPS oversight mechanisms for Sustainable Investments in Infrastructure and Innovation (S3i) and (b) UNOPS internal control systems.

54. By early 2024, a third-party follow-up review confirmed the progress made by UNOPS on the recommendations, with 32 completed to scope. A detailed account of all actions undertaken and pending is contained in DP/OPS/2024/7.

55. Management remains committed to implementing all outstanding actions, noting that by the nature of their strategic intent and scope these require more effort and time, with seven scheduled for completion in 2024; and one, relating to process innovation and digitalization, scheduled to continue until 2027. In parallel it will continue to set and monitor performance to internal targets for implementation of all oversight recommendations.