INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

31 July 2025

Project name:	**Lives in Dignity – EU Global Facility for Refugees: Component 3 – Early Operational Engagement with a Development Focus**
Project number:	**22310-001**
Country:	**Switzerland**
Auditor:	**BDO LLP**
Period subject to audit:	**1 January to 31 December 2024**

Contents

Acronyms and abbreviations

BSSC	Business Shared Service Centre
EC	European Commission
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
ICA	Individual Contractor Agreement
IESBA	International Ethics Standards Board for Accountants
IP	Implementing Partner
IPSAS	International Public Standard Accounting System
ISA	International Standards on Auditing
LiD	Lives in Dignity
UN	United Nations
UNOPS	United Nations Office for Project Services
US$	United States Dollars

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the project 'Lives in Dignity – EU Global Facility for Refugees: Component 3 – Early Operational Engagement with a Development Focus' ("the project") (oneUNOPS project ID 22310-001), which is implemented and managed by the UNOPS Office in Switzerland. The audit firm was under the general supervision of IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US$ 10,241,231 during the period from 1 January to 31 December 2024. The donor who contributed to the project is the European Union.

Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

a) Effective, efficient and economical use of resources;
b) Reliability of reporting;
c) Safeguarding of assets; and
d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

a) Client/donor contributions and project expenditure are properly accounted for;
b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project's objectives.

Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the IAASB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as satisfactory, which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area". The details of the audit results are presented in Tables 1 and 2.

Table 1: Summary results of the financial audit

Project title		Period	Project no.
Lives in Dignity – EU Global Facility for Refugees: Component 3 – Early Operational Engagement with a Development Focus		1 January to 31 December 2024	22310-001
Financial statement		**Statement of non-expendable property**	
Amount US$	**Opinion**	**Amount US$**	**Opinion**
10,241,231	Unmodified	-	Not applicable

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	**Rating**	
Project management	Satisfactory	
Finance	Partially satisfactory (some improvement needed)	
Procurement and supply chain	Satisfactory	
Human resources	Partially satisfactory (some improvement needed)	
General administration	Satisfactory	
Information and Communications Technology	Satisfactory	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

The internal audit report raised two recommendations; both are ranked medium priority.

Recommendations with a medium priority mean that “Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)”.

The table below summarizes the recommendations we have issued in relation to the functional areas concerned and provides a list of the audit findings, further details of which can be found in the section ‘detailed assessment’.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (US$)
1	Finance	Error in financial reporting of commitments	Medium	-
2	Human resources	Overpayment of ICA fees	Medium	-
Total				**-**

Management’s comments

The Geneva Office management accepted all recommendations.

Signed:

DS

BDO LLP

BDO LLP
55 Baker Street
London W1U 7EU

31 July 2025

Operational overview

The EU-UNOPS Lives in Dignity (LiD) Grant Facility was founded in 2020 by the European Commission's Directorate-General for International Partnerships (DG INTPA). The purpose of the facility is to efficiently and effectively channel funding to promote development-oriented approaches to new, recurrent and protracted displacement crises, focusing on early operational engagement.

The objective of the facility is that refugees and other displaced persons are productive members of their host communities and participate in furthering their common resilience, socio-economic growth and development. The strategic priorities for the Facility are:

- Early engagement of development-led approaches to forced displacement.
- A needs-based rather than status-based approach, including all displacement-affected populations.
- A coherent and complementary approach with strong synergies between all partners.

To this end, the facility has funded 36 partners (ranging from local government to academic institutions, local, national and international NGOs, the private sector and UN agencies) working on 14 projects across 15 countries.

The contract entered into force on 6 July 2020 for an implementation period of 48 months, ending on 30 June 2024 for a total amount of EUR 10,000,000 and on 22 December 2020 was extended to 60 months, ending on 30 June 2025 for a total amount of EUR 30,000,000.

The audit team extends its appreciation to the management and staff members of UNOPS office in Geneva, Switzerland for their full cooperation during the audit.

Detailed assessment

1. Title:	Error in financial reporting of commitments	
Functional area:	**Finance**	
Comparison criteria:	UNOPS Financial Regulations and Rules Ref. EOD.ED.2017.04 Rule 123.10 states “The establishment of a commitment is to be based on a contract or other form of undertaking by UNOPS or based on a liability recognized by UNOPS.”. UNOPS Financial Regulations and Rules Ref. EOD.ED.2017.04 Article 5 Regulation 5.01 states “Executive Director shall maintain an internal control mechanism which shall provide effective and efficient examination and review of financial, management and operating activities, to ensure the conformity of the regularity of the receipt, custody, disposal, disbursement and expense, accounting and reporting of all resources administered by UNOPS, and the effectiveness of existing internal controls and accounting systems”.	
Priority:	Medium	
Cause:	Human error	Un-intentional mistakes committed by staff entrusted to perform assigned functions;
Responsible manager:	Senior Project Manager	
Due date:	31 December 2025	
Financial impact:	-	

Facts / observation:

The commitment balance initially recorded in the financial statement contained an error, relating to a grant to an implementing partner (IP) which did not reconcile with the issued purchase orders. Details are shown in the table below:

PO ID	Contract value US$ (A)	Expense recognized US$ (B)	Expected commitment US$ (C = A-B)	Commitment in initial AFS US$ (D)	Difference US$ (D-C)
3151932	2,254,129	2,139,524	114,605	112,606	(1,999)

The Purchase Order (PO) was not updated to reflect the latest Grant Agreement made with the IP, and so there was a discrepancy of US$ 1,999 between the total grant amount stated in the PO and the total amount to be paid as per the IP’s Grant Agreement.

Implementing partner	Total grant amount (US$)	Total amount per PO	Difference US$
	(A)	(B)	(B-A)
Aga Khan Foundation Pakistan	2,252,130	2,254,129	1,999

The adjustment was made in the system by UNOPS on 12 May 2025, correcting the error in project milestone No. 9 of the IP’s Grant Agreement. As this correction is reflected in the updated Annual Financial Statement (AFS) subject to audit, there is no remaining financial impact in the current period subject to audit.

Impact:	Prior to correction, commitments were understated by US$ 1,999, resulting in a corresponding overstatement of the project fund balance in the interim financial statement.
Recommendation:	The project team shall establish regular checks to ensure all financial documents, such as Purchase Orders and Grant Agreements, are consistent and accurate. This can help identify discrepancies early and prevent them from affecting financial statements.
Management reply and action plan:	The project team acknowledges the mistake that was due to a human error occurred as a result of several amendments of Grant Agreement during 2024. The error was identified and the P.O was amended on 12 May 2025. The finance team runs quarterly finance assessments whereby project teams review key controls. As part of this review, and regular project checks, the project team reviews the Grant Agreements amounts against the Purchase Orders to ensure the amounts tally and make adjustments where required. In addition, Geneva office finance runs regular finance knowledge sessions for project personnel on the project financial management areas and will enhance the focus of grants management and commitments. We would like to highlight that the issue has already been fully resolved prior to the completion of the audit fieldwork. Given that the related project is scheduled to close on 07 July 2025, and the matter has been conclusively addressed, we request that the observation is reviewed and closed. We remain committed to ensuring that similar issues are prevented in future engagements.
Further auditor comments:	We acknowledge the comments of management and the adjustment made on 12 May 2025 as a result of the error identified during audit fieldwork. However, we maintain this finding for transparency regarding the weakness identified.

2.	**Title:**	**Overpayment of ICA fees**	
Functional area:		**Human resources**	
Comparison criteria:		UNOPS Financial Regulations and Rules Ref. EOD.ED.2017.04 Article 5 Regulation 5.01 states “Executive Director shall maintain an internal control mechanism which shall provide effective and efficient examination and review of financial, management and operating activities, to ensure the conformity of the regularity of the receipt, custody, disposal, disbursement and expense, accounting and reporting of all resources administered by UNOPS, and the effectiveness of existing internal controls and accounting systems.”	
Priority:		Medium	
Cause:		Human error	Un-intentional mistakes committed by staff entrusted to perform assigned functions;
Responsible manager:		Senior Project Manager	
Due date:		31 December 2025	

Financial impact:	-
Facts / observation:	We noted an instance where an Individual Contractor Agreement (ICA) holder was paid their regular salary during unpaid leave across multiple payslips. The ICA holder took unpaid leave from 18 September to 30 November 2023. However, their leave was not notified to the UNOPS Business Shared Service Centre (BSSC) team, resulting in their salary being paid in full during this period. We were informed by UNOPS management that the leave was notified to the Project Manager and recorded on 11 September 2023, before it began on 18 September 2023. However, the leave was not logged in the system and was not notified to HR until November 2023. This led to HR not informing BSSC to suspend salary payments during the period of unpaid leave. The error was identified at the end of November 2023 when the leave was logged, approved, and corrected within the system. The staff member refunded the overpayment to UNOPS, as evidenced by a reimbursement letter and bank transfer receipts. The adjustment in the financial records, totalling US$ 7,040, was made on 28 February 2024. Therefore, this finding has no remaining financial impact in the current period subject to audit.
Impact:	The occurrence of overpayments across multiple months and payslips highlights a significant weakness in internal controls. This situation poses a risk to UNOPS funds, as undetected errors could lead to financial loss. The organisation could face challenges in recovering the funds if the error had not been identified, or if the staff member had left UNOPS and refused to refund the overpayment.
Recommendation:	UNOPS should conduct a thorough review of the processes around unpaid leave to identify any gaps or areas for improvement. This review should focus on ensuring that leave records are accurately maintained and promptly updated in the system. The team should establish robust controls to verify the accuracy of leave records and ensure timely communication between HR and the BSSC. Additionally, implementing regular audits of payroll processes could help detect and prevent similar errors in the future. The team might emphasize the staff training on the importance of accurate record-keeping and communication can further strengthen internal controls and safeguard UNOPS funds.
Management reply and action plan:	Management accepts the updated observation. GVA HR will ensure personnel and supervisors are reminded of the need to timely record unpaid leave absences via all personnel townhall meetings, emails, and HR briefing sessions. HR will also prepare a register of unpaid leave requests with details, including planned start dates, to be reviewed/checked during payroll validation exercises.

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

(a) satisfactory (effective),

(b) partially satisfactory (some improvement needed),

(c) partially satisfactory (major improvement needed), and

(d) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
Satisfactory (effective)	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (some improvement needed)	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory (ineffective)	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	Action is considered desirable and should result in enhanced control or better value for money.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines**: absence of written procedures to guide staff in performing their functions;
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate RO/OC/PC policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance**: inadequate or lack of supervision by supervisors;
  - Lack of or inadequate guidance or supervision at the RO/OC/PC level
  - Inadequate oversight by Headquarters
- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function;
  - Lack of or insufficient resources (financial, human, or technical resources)
  - Inadequate training
- **Human error**: Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other**: Factors beyond the control of UNOPS.