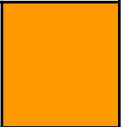
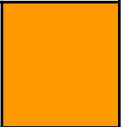
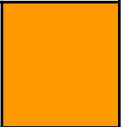


Internal audit report of UNOPS Horn of Africa multi-country office (HAMCO)

IAIG/15006, issued 05 December 2025

<p>Audit scope¹</p> <p>The audit covered HAMCO activities for the period from 1 January 2023 until the date of the final audit report. The audit scope covers the following areas:</p> <ul style="list-style-type: none"> • Strategic management and partnerships • Project management, finance and grant management • Procurement and contract management • Human resources management • Assets and security management 	<p>Overall rating</p> <table border="1"> <tr> <td data-bbox="834 465 1422 591"> <p>Partially Satisfactory (Major Improvement Needed)</p> </td> <td data-bbox="1422 465 1543 591">  </td> </tr> <tr> <td colspan="2" data-bbox="834 591 1543 815"> <p>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.</p> </td> </tr> </table>	<p>Partially Satisfactory (Major Improvement Needed)</p>		<p>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.</p>			
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<p>Audit objectives</p> <p>The audit objectives are to provide reasonable assurance to the Executive Director that:</p> <ul style="list-style-type: none"> • HAMCO operates in compliance with internal operational directives, operational instructions, financial regulations and rules, and relevant agreements and contracts; • Overall objectives from both compliance and strategic perspectives are met; • Significant projects, plans and business objectives will be achieved; • Resources are acquired economically and used efficiently; and • Significant financial, managerial and operating information is accurate, reliable, relevant and timely. <p>The audit also aims at assisting management in continuously improving processes in place.</p>							
<p>Contextual environment</p> <p>HAMCO operates in a volatile and complex geopolitical environment. Since April 2023, the outbreak of civil war in Sudan has triggered a catastrophic humanitarian crisis, displacing people and disrupting cross-border supply chains. This instability has spilled over into South Sudan, which also experienced economic contraction, hyperinflation, and the non-payment of civil servant salaries, heightening security risks for operations. Simultaneously, Ethiopia has faced escalating unrest in the Amhara and Oromia regions throughout 2023 and 2024, characterized by militia clashes, insecurity, and widespread displacement. While these external factors undoubtedly complicate project delivery, creating logistical bottlenecks and restricting access, they also necessitate robust internal controls to mitigate elevated financial and operational risks.</p>							
<p>Top three opportunities for improvement</p> <p>This section directly addresses the most impacts and risks identified during the audit:</p> <table border="1"> <thead> <tr> <th data-bbox="105 1682 456 1742">Critical findings</th> <th data-bbox="456 1682 1358 1742">Key impact</th> <th data-bbox="1358 1682 1522 1742">Reference</th> </tr> </thead> <tbody> <tr> <td data-bbox="105 1742 456 1980"> <p>Lack of financial viability and issues related to organizational structure</p> </td> <td data-bbox="456 1742 1358 1980"> <p>HAMCO is required to recover its forecasted 2025 expenditure of \$8.1 million to meet its local shared services (LSS) budget. In addition to a carried-over deficit of \$1 million, the total recovery needed in 2025 totals to \$9.1 million. However, HAMCO will only recover a maximum of \$7.6 million during the year, resulting in a projected deficit of \$1.5 million.</p> <p>The LSS budget submission for 2026 is \$10.2 million, but only \$2.6</p> </td> <td data-bbox="1358 1742 1522 1980"> <p>15006/02</p> </td> </tr> </tbody> </table>		Critical findings	Key impact	Reference	<p>Lack of financial viability and issues related to organizational structure</p>	<p>HAMCO is required to recover its forecasted 2025 expenditure of \$8.1 million to meet its local shared services (LSS) budget. In addition to a carried-over deficit of \$1 million, the total recovery needed in 2025 totals to \$9.1 million. However, HAMCO will only recover a maximum of \$7.6 million during the year, resulting in a projected deficit of \$1.5 million.</p> <p>The LSS budget submission for 2026 is \$10.2 million, but only \$2.6</p>	<p>15006/02</p>
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¹The audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

	<p>million is secured from the existing portfolio. To fully fund 2026 operations and eliminate the carried-over deficit, HAMCO must secure an additional \$9 million in funding. The long-term financial viability of the MCO is therefore questionable.</p> <p>Despite the uncertainty, HAMCO management opted to increase costs by:</p> <ul style="list-style-type: none"> - Allocating the costs for the dedicated infrastructure design team to LSS, even though their activities are specific project deliverables. This approach increases LSS expenditure rather than recovering costs directly from projects. - Conversely, management underfunded critical security positions in high-risk areas, citing the LSS deficit. This reflects a failure in funding prioritization and resource management. 	
<p>Misrepresentation of documentation to overstate works and goods delivery progress</p>	<p>The office incorrectly certified works as completed and accepted project deliverables prior to actual finalization, resulting in financial and operational risks:</p> <ul style="list-style-type: none"> • The office certified approximately \$3 million to \$4 million in works as completed. This action obscured the actual project status and prevented the recognition of expenditures in the correct financial period. • Flight dates were omitted from a freight certificate regarding audio-visual equipment valued at \$2 million, concealing delivery delays. • The project takeover occurred on 6 July 2024, despite evidence showing that civil works were ongoing. Specifically, approvals of material for electrical, mechanical and sanitary works took place throughout July and August 2024, and cement sample lab tests were conducted on 7 July 2024. <p>This premature acceptance of the construction site transferred liability and maintenance risks to UNOPS while construction activities were still underway.</p>	<p>15006/03</p>
<p>Ineligible expenditures</p>	<p>The office has incurred \$434,299 in ineligible expenditures across two projects. Despite confirming these costs were ineligible, management has not requested a provision for write-off nor have they recorded a contingent liability with the finance group.</p>	<p>15006/04</p>

Summary of key observations by audit area

Audit area	Key focus areas (Observations)
Governance, risk management and internal control	<ul style="list-style-type: none"> - The internal audit of the HAMCO Multi-Country Office has identified unsatisfactory governance, risk management, and control processes. - The audit highlights a pattern of overriding established controls to expedite project delivery, resulting in financial exposure, safety liabilities, and potential reputational damage.
Financial misrepresentation and control overrides	<ul style="list-style-type: none"> - The misrepresentation of documents for \$3 million to \$4 million in works, and \$2 million for delivery of audio-visual equipment constitutes a material breach of UNOPS policies. These actions resulted in premature expenditure recognition, created financial exposure regarding potential write-offs, and pose a reputational risk with the partner. - Furthermore, these actions undermine the integrity of the MCO's reporting. This limits IAIG's ability to provide reasonable assurance to the Executive Director regarding the accuracy, reliability, and timeliness of financial and managerial information.
Quality assurance of infrastructure projects	<ul style="list-style-type: none"> - Construction works for infrastructure projects were initiated without the mandatory design reviews being completed. Specifically: - Project 24279-001: A taking-over certificate was issued despite incomplete architectural and engineering reviews. This effectively accepted non-compliant structural elements. - Similar challenges to adhere to design review protocols were observed in projects 24623-001 and 23546-001. <p>This exposes the organization to safety risks, potential structural defects, and contractual liability. By issuing completion certificates without full technical clearance, the MCO has limited its ability to hold contractors liable for potential defects.</p>
Governance and Delegation of Authority violations	<p>The office exhibited governance failures regarding the authorization of agreements and the escalation of risks:</p> <ul style="list-style-type: none"> - UN2UN grant agreements totaling \$18.8 million were signed without the requisite level 4 DOA award. - The office failed to escalate high risks to the Engagement Acceptance Committee (EAC) during the engagement review stage. Specifically, management did not disclose unrealistic project timelines and irregular payments involving stipends to government personnel, which pose reputational risks.
Human resources and procurement irregularities	<p>The audit identified circumvention of recruitment rules:</p> <ul style="list-style-type: none"> - The office recruited eight personnel from a single technology consulting firm using HR desk reviews rather than competitive procurement methods. - Notably, the due diligence conducted failed to disclose the background of one recruit held concurrent roles with the above consulting firm and the partner Ministry.
Ineffective project assurance and inaccurate reporting	<ul style="list-style-type: none"> - Internal assurance mechanisms failed to provide an accurate assessment of project status. Quarterly assurance reports erroneously rated multiple projects as "on track" despite the existence of material delays and unfeasible timelines. - This lack of transparency compromised the governance function and prevented timely identification and subsequent escalation of at-risk projects to the Portfolio Oversight Committee (POC).

Background and financial highlights

UNOPS Horn of Africa multi-country office (HAMCO) is based in Addis Ababa. It is responsible for projects in Djibouti, Ethiopia, South Sudan and Sudan. HAMCO offers a range of services including project management, procurement, and infrastructure services, with a focus on health, agriculture and economic sectors. The key partners are the World Bank, the European Commission, the Government of Ethiopia, the Ministry of Foreign Affairs, and the Italian Agency for Development Cooperation (AICS).

The current project portfolio includes 47 ongoing projects with a budget of approximately \$261 million. The top four most significant ongoing projects in terms of value account for \$77 million in total budget and include the following:

1. Response-Recovery-Resilience for conflict affected communities in Ethiopia, which aims to rebuild and improve access to basic services and build climate-resilient community infrastructure in conflict affected areas of the Tigray region;
2. Procurement of 505 ambulances and eight mobile clinics for the Ministry of Health in Ethiopia as part of the COVID-19 emergency response;
3. South Sudan Productive Safety Net, which is structured around four main components namely: (1) Cash transfer and complementary social measures, which includes labour-intensive public works (LIPW) and direct income support; (2) Provision of economic opportunities; (3) Strengthened institutional capacity and social protection system; and (4) Project management, monitoring and evaluation, and knowledge generation.
4. Procurement and installation of oxygen plants in Ethiopia to meet critical healthcare needs and to establish a cost effective supply of medical oxygen.

The financial summary as at 30 November 2025 is as follows:

Indicators	2023			2024			2025		
	Annual target ('000)	Actual ('000)	% actual / target	Annual target ('000)	Actual ('000)	% actual / target	Annual target ('000)	Actual 30/11/25 ('000)	% actual / target
Net revenue	3,350	2,240	67%	4,850	2,270	47%	2,290	4,710	206%
Project delivery	92,171	96,199	104%	128,942	104,701	81%	101,342	112,313	119%
Net engagement revenue	5,610	4,260	76%	6,450	3,870	60%	3,590	5,540	167%
Management expense	2,260	2,020	89%	1,600	1,590	99%	1,300	1,170	98%
Engagement addition	91,026	143,493	158%	115,019	133,080	116%	100,345	126,787	137%

Detailed assessment

1. Strategy and partnerships

Observation 1	Feedback from partners
<p>Partners praised HAMCO for their responsiveness, proactivity and operational quality. Specific positive feedback noted:</p> <ul style="list-style-type: none"> Strong working relations: Good coordination mechanisms and effective collaboration; Proactivity and responsiveness: Willingness to undertake complex projects, effective handling of problems/escalations, and proactive measures such as mine clearance for site safety; and Operational focus: Emphasis on transparency, accountability and continuous operational improvement. <p>Partners highlighted the following areas of improvement:</p> <ul style="list-style-type: none"> Delays: Procurement delays leading to project timeline overruns, directly countering the expectation that UNOPS, as a specialized entity, should leverage existing agreements for efficiency. Reporting discrepancies and non-acceptance: Different perspectives on reporting requirements remain unresolved, with one final report not yet accepted, and outstanding requests for clarification on budget line items (e.g., internal operations charges) and expenses outside the engagement period. Delay in financial closure: A mandatory Final Financial Statement (FFS), requested by a donor on 15 February 2024 following project termination, was only provided in July 2025. This 17-month delay is a control lapse in timely financial reconciliation. Pending refund to donor: A substantial refund to the Government (\$1.09 million), processed in August 2025, had not reached ██████████ at the time of the IAIG audit, indicating a breakdown in the financial return process and exposing UNOPS to financial and reputational risk. Financial reporting integrity: Discrepancies were noted between expenditures reported in the project audit report and the financial report, raising concerns about data integrity and the accuracy of financial statements. <p>██████████ raised concerns regarding the lack of accountability in the distribution of procured items. Specifically, there is an absence of clear evidence and process documentation verifying the actual recipients of the goods. While the physical distribution is managed by national counterparts, HAMCO could leverage the UNOPS strategy of capacity building to assist the Government in establishing robust control mechanisms. This is essential to ensure transparency and meet donor expectations regarding the traceability and intended end-use of procured items.</p>	
Management action plan: 15006/01	Priority: Medium
<p>The Director, HAMCO, will ensure that the PMO mainstreams reporting monitoring into quarterly key performance indicators and reports to the senior leadership team.</p>	

Observation 2	Financial viability and issues related to HAMCO organizational structure
<p>Lack of financial viability</p> <p>Based on the review of financial data from 2023 through to 2025 projections, the local shared services (LSS) expenditure for HAMCO has increased by 74%. However, the MCO’s cost recoveries have failed to keep up with the expenditure growth. Consequently, the LSS deficit has widened from \$39,000 in 2023 to \$1 million in 2024. (The addition of the South Sudan office to the MCO in 2023 is a contributing factor to this widening deficit).</p> <p>HAMCO is required to recover its forecasted 2025 expenditure of \$8.1 million (\$6.7 million expenditure and capitalized assets plus \$1.4 million commitments) to meet its local shared services (LSS) budget. In addition to a carried over deficit of \$1 million, the total recovery needed in 2025 to \$9.1 million.</p> <p>As of 3 December 2025, HAMCO has only recovered \$6.2 million LSS from its projects and has a maximum of \$1.4 million in additional recovery possible for the remainder of the year. Consequently, the projected year-end deficit for 2025 is \$1.5 million, which will be carried over into the next fiscal year. The LSS budget submission for 2026 is \$10.2</p>	

million, but only \$2.6 million is secured from the existing portfolio. To fully fund 2026 operations and eliminate the carried-over deficit, HAMCO must secure an additional \$9 million in funding (\$10 million 2026 requirement + \$1.5 million carried-over deficit). The long-term financial viability of the MCO is therefore questionable.

Organizational structure issues

(i) Infrastructure PMO set-up and funding

As per the organizational structure, a team, led by a senior project manager and composed of engineers, has been established under the Head of Programme. These team members perform design activities, which are classified as direct project costs because the design is a project deliverable. However, these team members are either fully or partly charged to LSS. This practice violates the LSS policy, which restricts LSS charges to personnel providing services shared across multiple client projects in support services, project management office or security.

This current allocation methodology overstates LSS expenditures (overheads) and correspondingly understates the true costs of projects. This compromises the transparency and reasonableness of costs, as these expenditures are not clearly documented within the project budget but are instead hidden under LSS, becoming visible only upon a detailed cost analysis.

The establishment of a dedicated in-house design unit to manage the infrastructure portfolio is an organizational decision that must be assessed against clear financial and operational benchmarks. Such a unit can only be considered sustainable if the overall size and pipeline of the infrastructure portfolio are substantial enough to guarantee continuous employment for the personnel on a full cost-recovery basis. The primary risk associated with insufficient portfolio size is salaries and overheads of high-cost technical personnel being absorbed by LSS costs. This practice is a sign of inefficient resource allocation and creates an unsustainable financial burden on the MCO's overhead budget.

(ii) Unjustified senior positions and upgrades despite LSS deficit

Despite the projected LSS budget noted above, senior position upgrades and new posts have been proposed without a clear funding strategy or demonstrated business case, while high risk security roles are being under-funded due to the same budget deficit. For example, in South Sudan, a CPM post (ICA 3) was established, creating an additional management layer between the Head of Programme and project managers. This position is funded 50 per cent from LSS and 50 per cent from projects, although these projects did not originally include this cost in their approved budgets. This also implies that these projects are effectively charged via LSS and again directly.

(iii) Weak security staffing and funding

In direct contrast to the spending on senior posts, security roles in high risk locations, such as Sudan, parts of Ethiopia (Tigray region), and South Sudan, lack dedicated field security officers due to funding constraints. The country managers of Sudan and South Sudan were acting as the security focal points, supported by a recently appointed Regional Security Advisor; however, this arrangement was not sustainable. An assessment mission identified deficiencies in the security management framework, and recommended a P3 level international professional to strengthen security management in South Sudan. The MCO stated that it was unable to secure funding for this senior security position due to the persistent LSS budget deficit. As a compromise, a lower-grade security officer (ICA-1) was proposed for South Sudan in the 2026 budget, and a national security associate (LICA-6) was recruited for the Sudan office in September 2025.

Management action plan: 15006/02

Priority: High

The Director, HAMCO, will:

1. Implement measures to achieve full cost recovery by securing hard pipeline agreements, strengthening soft pipeline development and cost reduction to eliminate the LSS deficit.
2. Maintain regular financial viability analysis and apply timely mitigation measures to proactively manage emerging funding or spending gaps.
3. Propose the establishment of an LSS Cost-Recovery Work Package for the Infrastructure Unit to enhance financial discipline.
4. Enhance recruitment planning by improving coordination between Project Managers and HR, and upgrading the current tracker/dashboard into a comprehensive workforce-planning tool that integrates project staffing needs, KPIs, and timelines for better forecasting and operational alignment.
5. Conduct regular reviews to ensure recruitment planning remains effective and aligns with HR policies,

operational needs, and audit recommendations.

2. Project management and finance

Observation 3	Misrepresentation of documentation to overstate works and goods delivery progress
<p>IAIG noted serious issues in project 24279-001- 'Renovation of modular tier III data center and multimedia facilities', including misrepresentation of documents for \$3 million to \$4 million in works, and \$2 million for delivery of audio-visual equipment. These actions constitute premature recognition of delivery and non-compliance with UNOPS policies (Financial Regulations and Rules, and Procurement Manual), and create risks of write-off and negative reputational impact with the funding source.</p> <p>These actions undermine the integrity of the MCO's reporting and impair IAIGs ability to provide reasonable assurance to the Executive Director that financial, managerial and operating information is accurate, reliable, relevant and timely.</p> <p>1. Root cause: unrealistic project timeline</p> <p>The project agreement with the Ministry of Agriculture, signed on 24 November 2023, had a project closing date of 7 July 2024 (a six-month implementation period). A design and build construction contract was awarded on 8 March 2024, leaving only four months before project-end date for design, design review, construction, delivery and installation, and related training. An extension was planned but was rejected by the government counterpart in October 2024.</p> <p>2. Misrepresentation of documents related to completion of works (total of approx. \$3-4M)</p> <p>To meet the 7 July 2024 deadline, project status was misrepresented. According to the last two interim payment certificates (IPCs) and the final payment certificate (FPC), works totaling \$4.1 million (66 per cent of the \$6.2 million contract) were supposedly delivered in 10 calendar days, between 26 June and 6 July 2024.</p> <p>Receipts were raised in the system in July 2024, while the payments were made between September and October 2024. In addition to the misrepresented IPCs and FPC, this represents a premature recognition of expenditure of approximately \$3 million to \$4 million, depending on the actual progress of works, which cannot be confirmed by IAIG due to lack of authentic documentation. These actions also impact financial reporting accuracy and pose a risk of advancing funds to the contractor for work which had not been completed. The issues should have been transparently disclosed and escalated in line with UNOPS rules and procedures.</p> <p>3. Misrepresentation of documents related to the delivery of audio-visual equipment</p> <p>Reviewed airway bills show that the audio-visual equipment for \$1,986,669 was shipped in three deliveries between 25 August and 15 September 2024. However, the receipts were raised in the system in July 2024, in violation of the INCOTERMS stating 'Delivered at Place' (DAP).</p> <p>IAIG noted with concern that the freight forwarder's certificate uploaded in the system did not include any relevant dates, despite having fields for a "flight date" and a "place and date of issue". The version of the flight forwarder's certificate provided to IAIG further to queries included a flight date of 25 August 2024. Similarly, the receipt and inspection reports in the system did not include any date.</p> <p>Associated training for \$39,600 related to the audio-visual equipment that took place in November 2024 was also prematurely received in July 2024.</p> <p>4. Ineffective risk mitigation</p> <p>HAMCO management stated that, as a risk mitigation measure, they obtained a letter from the Ministry confirming it would cover all ineligible expenses. This letter, if applied, would have presented the Ministry with \$5 million to \$6 million of ineligible expenditure, which could compromise the relationship. HAMCO opted for premature receipting rather than escalating this liability. IAIG therefore considers the letter from the Ministry as an ineffective risk mitigation measure.</p> <p>The risk mitigation approaches employed by HAMCO are not always consistent with UNOPS procedures. While local partners report positive feedback and increased satisfaction, these factors do not adequately mitigate organization-wide risks. Specifically, UNOPS remains exposed to liability if serious irregularities are identified regarding partners or the verification of their funding sources.</p>	
Management action plan: 15006/03	
Priority: High	

The Director, HAMCO, will

1. Review MCO-level Engagement Acceptance Workflow to mainstream documentation around decisions to escalate to POC for Accelerated Delivery opportunities;
2. Mainstream the practice of Exception Reporting and Exception Planning across the portfolio to determine eligibility for escalation; and
3. Conduct training on the risks related to premature receipting and establish a mechanism of monitoring the risk of premature delivery recognition across the MCO.

Observation 4

Ineligible expenditures, misapplication of DNP funds, overpayment and descoping

Ineligible expenditures totalling \$434,299

IAIG noted a total of \$434,299 in ineligible expenditures across two projects. The issue arises primarily from implementation of project activities without a valid legal agreement, recovery of support services costs after the project end-date, and failure to recover DNP costs. HAMCO did not disclose these items as contingent liabilities, nor did it submit a request for a provision for write-off to the Finance Group. Consequently, the provision for write-off is understated by this amount.

Project 24279-001 'Renovation of modular tier III data center and multimedia facilities' (total \$383,755): This project accounts for four separate instances of ineligible spending, which occurred without a valid legal agreement, making UNOPS liable vis-à-vis the funding source:

- \$217,800 was spent on the installation and commissioning of audio-visual equipment. The activity occurred after the original project agreement expired. Although CPC granted a conditional award for this activity contingent on an extension, the partner rejected the extension and no purchase order or contract was subsequently issued.
- \$72,000 related to furniture installation, and was charged to the HAMCO management budget since the delivery and installation occurred after the project end date.
- \$80,000 was used for various expenditures (GSS, personnel, design review) incurred after the project end-date of 7 July 2024. HAMCO entered an inaccurate project end-date of 15 December 2024 in the system (oneUNOPS projects), permitting new costs and masking the fact that the project was off-track. A related Note-to-File (NtF) was signed by the MCO Director, with no corresponding amendment to the legal agreement.
- \$13,955 related to unfunded DNP after project end. This project transitioned into the DNP after its implementation end date. Despite government assurances to cover DNP costs, these funds have not been transferred. This highlights a financial risk: reliance on governmental commitments not backed by an immediate transfer of funds can result in write-offs for UNOPS.
- After over 14 months without a valid legal agreement in place, HAMCO signed a subsequent agreement (24279-003) on 19 September 2025, intended to absorb these costs of audiovisual equipment and furniture; however, this agreement lacks a retroactivity clause, meaning the funding source may still consider all costs incurred prior to the signature date as ineligible.

Project 23230-001 KOICA - procurement of medical supplies for Oromia region (total \$50,544):

- This amount relates to support services costs recovered after the project end date. The project ended on 30 June 2023, while the recovery journals were posted a full year later in June 2024 (\$3,900 GSS and \$46,644 LSS).
- The partner has not accepted the final financial statements and has questioned the breakdown of these charges.

Project 24623-001: Misapplication of DNP funds

The \$421,000 budget for DNP management, supporting 25 personnel (including 16 site engineers), is indicative of a misapplication of funds. This allocation is excessive compared to the remaining project timeline and historical DNP costs for similar projects (e.g., \$23,000 for 25033-001, \$14,000 for 24279-001, and \$13,000 for 24803-001), suggesting these resources are intended for ongoing implementation activities.

This over-resourcing suggests implementation may extend beyond the end date, risking ineligible expenses and reputational damage to UNOPS. The calculation of DNP management costs indicates a lack of a standardized approach, which could lead to different interpretation, masking project delays, and ineligible implementation expenses.

Project 95204: Premature receipting and overpayment to contractor

HAMCO overpaid a contractor \$72,000 for elevated water tank construction. The supplier was paid for 14 tanks, but the completion report verified only one as operational. A separate project team assessment also revealed

uncompleted works, leading to the overpayment conclusion.

IAIG also noted a lack of due diligence of performance guarantees evidenced by the unsuccessful attempt to liquidate them to offset the expenses incurred for additional works following the contract's termination. Although the retention fund was withheld, the payment was made for uncompleted works and no delay penalties were imposed.

Risks of descoping, budget overpricing and overruns

Project 24112-001 began in September 2023, and is showing a budget overrun in personnel costs despite minimal physical progress.

- Design and assessment phase overrun: The personnel budget for this phase was \$37,500, but expenditures have already reached over \$66,000.
- Implementation phase expenditure: To date, 50 per cent of the total personnel budget (\$196,000 of \$391,000) has been spent, even though only minimal site clearance activities had been carried out by the contractor by August 2025.
- Future funding shortfall: The remaining personnel budget is projected to be insufficient to cover a full year of construction activities, which will necessitate a budget amendment, and risks dissatisfaction from the donor.

Project 24645-001 is undergoing a scope reduction after the formal assessment:

- Cost variances were identified within the procurement of essential water quality control equipment. The two RFQs received bids with cost proposals more than double the initial cost projections. Consequently, a reduction in the scope of planned technical interventions will be required, introducing a risk to the project's success and client perception.
- Specifically, over 30 per cent of the total project budget is allocated to fixed costs, covering personnel, support and operational costs. As these now apply to a reduced number of interventions, the project is facing a scenario where the final package of deliverables may fall short of the expectations established with the client, potentially impacting future collaborative opportunities.

Management action plan: 15006/04

Priority: High

The Director, HAMCO, will:

1. Finalize the provision to cover potential write-off amounting to \$50,544 under project 23230-001, the request for which has already been submitted;
2. Continue to follow up with the [REDACTED] to recover the DNP budget and, until this is resolved, HAMCO will submit a request for write-off provision;
3. Finalize Amendments to adjust scope based on available budget for projects 24112-001 and 24645-001;
4. Through the HAMCO P3M Community Network, organize a dedicated session on Contractor Cashflow Management solutions;
5. Ensure that Programme Infrastructure team establish a guidance note for planning and resourcing DNPs as an instrument of quality management as part of its workplan for 2026;
6. Strengthen the LSS recovery monitoring systems for projects set up for Manual LSS recovery;

Observation 5

Violation of the grants Delegation of Authority (DOA) and design review process

The MCO failed to seek necessary and timely approvals from relevant policy owners regarding:

Grant Delegation of Authority (DOA) non-compliance: IAIG identified two cases where UN to UN grant agreements totalling \$18.8 million were signed by a DOA level 2 holder instead of the mandatory DOA Level 4, as required by policy. Consequently, post-facto authorization by an appropriate DOA was never sought. This renders the agreements formally unauthorized throughout their duration.

- Project 23741-001 [REDACTED]: Agreement for \$15.1 million, signed in November 2022.
- Project 23750-001 [REDACTED]: Agreement for \$3.7 million, signed in January 2023.

Design review non-compliance: The office accepted the risk of non-compliant structures, and treated the design review as nothing more than a formality. Construction often started without the required design review, a decision for which the office lacks proper authority.

- Project 24279-001: Construction and a taking-over certificate were issued in July 2024, despite the architectural, electrical and mechanical design review (DR) being incomplete with the certificate being issued in November 2024. This premature acceptance ignored protocol, resulting in non-compliant structural elements (e.g., stairs), and created safety risks and liability for the organization.

- Project 24623-001: Structural work for oxygen plant buildings was nearing completion while the design review remained incomplete (as of 11 November 2025). The project team commenced construction, despite the provisional approval code, which was designated exclusively for procurement and contract award, and thus proceeded in contravention of its intended purpose.
- Project 23546-001 (Rapid Response Component): Infrastructure implementation misunderstood the required design review process. The need for an exemption was never assessed or validated by the DR team.

Management action plan: 15006/05

Priority: High

The Director, HAMCO, will ensure that:

1. Organize a training on Grant Management Policy for key programme and partnerships personnel to enhance awareness of requirements related to UN2UN cooperation agreements to harmonize the knowledge of the policy and process;
2. In case of deviations of the completed structures from the approved design and relevant codes will be documented and submitted for review to IPMG either for retroactive approval or for corrective actions.
3. An exemption is sought retroactively from IPMG to validate that a detailed design is not required for the structures implemented under the rapid response component of the project 23546-001.

Observation 6

Committing UNOPS to unrealistic project timelines

Two projects under implementation face challenges due to unrealistic timelines, leading to the risk of incomplete works and activities beyond legal agreement. Neither project can be extended beyond December 2025, creating a risk of ineligible expenditures for any work performed past project end-date. These known risks should have already been raised to the Portfolio Oversight Committee.

1. Project 24623-001:
 - Unrealistic project timeline -The project's scope was expanded from an initial eight sites to 17, yet the implementation end-date remains 31 December 2025. As of 11 November 2025, seven weeks before the implementation end-date, only 26 per cent of the project budget has been spent. Key work still outstanding:
 - Surveying for generator placement remains incomplete.
 - Two hospitals in the second lot are still in the tender phase, with an unrealistic 40 days allocated for completion once contracts are awarded. Given the implementation deadline of 31 December 2025, completion is unlikely even with immediate contract awards.
 - Design submissions for Lot 2 hospitals are still pending, confirming ongoing design work.

This constricted timeframe compromises the project's ability to address quality concerns such as oxygen quality, which is typically inferior to hospital-grade supplies, and noise pollution by oxygen plants and generators when operating at full capacity.

Regarding the procurement approach in this project, 16 locations with the same scope of construction of oxygen plants were split into 15 separate tenders with awards ranging from \$160,000 to \$249,000 with the aim to procure different vendors to work concurrently on all 16 sites. IAIG considers that some of the sites could have been merged based on their locations to increase efficiency and economies of scale. Furthermore, a Procurement Manual requirement to establish a link between the 15 tenders was not complied with.

IAIG also considers that there is a risk of unsatisfactory performance due to insufficiently strict criteria set for supplier capacity assessment, which are critical given the short project implementation time:

- Financial capacity: The minimum annual turnover requirement (ETB 20 million, equivalent to approximately \$130,000) is insufficient to assess financial capacity, as it is lower than the value of any of the 15 contract awards.
 - Experience: The requirement of being in continuous business for only one year is too low to ensure supplier reliability and maturity, for works of this nature.
 - Workload: The capacity criteria were vague (“the capacity to undertake the scope of works in addition to its current workload”) and only considered other UNOPS contracts while omitting the bidder's workload from other contracts.
2. Project 24803-001: With an agreement signed in November 2024, the project was initially allotted one year for implementation. However, the first seven months were spent on drafting specifications, leaving an unrealistic five months for both design and implementation to be completed. Adding to this, construction is contingent on the removal of an existing building, which is linked to an active court case. As of October, the site has not been cleared, the design is still under review, and the tender for civil works is not yet finalized.

Normalization of DNP beyond the legal agreement end-date

Another consequence of the unrealistic timelines is that the DNP is not observed within the legal agreement's duration. This practice, intended for exceptional use, became recurring under eight projects funded by different donors. This approach removes contractor leverage and exposes the organization to unbudgeted and unmitigated liability.

Project quarterly assurance concerns

IAIG acknowledges the commendable effort made by HAMCO to improve the quarterly assurance process. However, a review of the latest quarterly assurance (QA) reports indicates outstanding deficiencies. Specifically, the data contained within these reports is either inaccurate or includes suggestions that contradict established UNOPS policies. Key examples of these deficiencies include:

- Project 24623-001: The QA report issued on 23 October 2025 incorrectly states that the project was on schedule and progressing well. This is despite the fact that the design review was incomplete while construction of some oxygen plant structures had already been finalized by 11 November 2025. Crucially, the report failed to mention the risk of non-compliant structures stemming from this shortfall.
- Project 24803-001: The QA report issued on 20 October 2025, falsely marks the project as being on schedule, even though implementation was delayed and certain structure works had not yet commenced. More seriously, the project team proposes discussing implementation that extends beyond the legal agreement's end date. This option is strictly prohibited by UNOPS policy and introduces a major financial risk related to ineligible expenditure, making such a proposal entirely unacceptable in a QA report.

Engagement review non-compliance

While acknowledging the challenging project timeline, the MCO did not use the 'engagement review' process as a risk mitigation tool. Instead, it was largely ignored or bypassed, as evidenced by eight engagements being submitted and not recommended post-facto and another eight engagement amendments being recommended but with reservations due to their retroactive nature.

Management action plan: 15006/06

Priority: High

The Director, HAMCO, will:

1. HAMCO leadership takes note of the quality and noise pollution concerns related to the Oxygen Plant project and will fully appraise the risks and devise targeted risk management measures, to be fully mainstreamed into the project's Quality Management Plan;
2. For future tenders, request that vendors exhibit independent resources for each lot. The aim of this change is to encourage bidders to compete for multiple lots while considering their capacity and committed workloads;
3. The Programme Leadership Team will review and further strengthen the Quarterly Assurance System, including providing training to PMs, PMSOs and PEs on evidence-based self assessment, reporting and escalation practices;
4. HAMCO will organize a training on Risk Management for the P3M Community (PMs, PMSOs, PEs, PMO, PLT), and update guidance on issues and risk escalation procedures;
5. MCO will establish Exception Plans for the mentioned projects, in which the financial risk will be estimated. The Exception Plans will be escalated to the AFR Regional Office for direction on further escalation in keeping with current practice;
6. The MCO Engagement Acceptance and Amendment procedures are reviewed to ensure that all opportunities are promptly recorded in the EA monitoring tool and fully comply with the mandatory prior-review process;

Observation 7

Deficient inventory management leading to financial misstatement and unmitigated operational risks

Absence of detailed inventory listings

The review uncovered non-compliance with UNOPS inventory management policy, with construction materials for two active projects during May and June 2025 omitted in the June 2025 inventory submission.

Despite a reported zero inventory at the end of the first half, the office manages ongoing projects where it procures materials directly, while suppliers provide only labour.

Specifically:

- Project 25005-001: Construction materials worth over \$16,000 from four suppliers were received and inspected in

June 2025.

- Project 21622-006: Construction materials exceeding \$125,000 in value were inspected and received at the end of May 2025.

Given this volume, it is unlikely that all quantities were utilized within one month. However, HAMCO failed to classify these materials as inventory and to report them to the Finance Group (FG). This failure results in two primary risks:

- First, the risk of material misstatement in the financial statements. The inventory balance in the financial statements is understated, posing a risk of undetected errors, obsolescence or theft.
- A separate risk arising from UNOPS-supplied materials not being documented into the project's risk register is that UNOPS retains responsibility for their quality. This makes it challenging to ascertain liability for defects identified during the DNP, as the supplier can attribute faults to the quality of the materials procured by UNOPS.

For transactional projects, a revised project handover procedure shifted the management of goods to a UNOPS-managed warehouse to improve efficiency. This change transferred operational and financial risks (e.g., loss, damage) to UNOPS without the simultaneous implementation of necessary mitigating controls.

The following control gaps were noted:

1. **Insurance gap:** Insufficient or non-existent insurance coverage for the goods now held in the UNOPS-managed warehouse.
2. **Weak inventory controls:** Inventory control mechanisms are still in development, creating a vulnerability to loss or theft.
3. **Accounting non-compliance:** Lack of proper accounting assessment to determine if the inventory should be recorded on UNOPS's books as required by the UNOPS Standard Operating Procedure (SOP) on inventory management.
4. **Lack of visibility:** Inventory movement records or weekly reports from warehouse operators have not been provided for review.

Management action plan: 15006/07

Priority: Medium

The Director, HAMCO, will:

1. Review and determine the need for inventory recording for client procured items held in our warehouse in consultation with Finance Group;
2. Streamline warehouse management practices by implementing inventory controls and improving documentation and visibility of the movement of items;
3. Update project risk registers for the projects referenced to reflect UNOPS liability for materials and clarify quality assurance responsibilities with suppliers; and
4. Provide targeted refresher training on UNOPS inventory policies, SOPs, and revised handover procedures.

Observation 8

Project control failures

Shortcomings in project management have been identified across projects, leading to potential cost increases, delays, and risks to quality and safety as follows:

1. Project 22229-001: Unauthorized works and delayed approvals

The contractor for the Kayango-Basilia road executed additional works without a formal variation order, relying only on an email from the donor (████). The variation order was not approved until April 2024, after the contract had ended and the construction had been handed over in December 2023. This led to a delayed payment to the contractor, as a project amendment was necessitated due to the incurred costs exceeding the contingency allocation. This introduced a risk of a potential write-off which, while ultimately averted, should have been prevented.

Furthermore, two Ministry employees received a stipend from UNOPS as part of a capacity building initiative during a project's defects notification period (DNP), which was not disclosed to the EAC as pay agent services to government personnel.

2. Projects 21622-006 and 23769-001: Inefficient risk mitigation and safety protocols

Excavation and foundation work, despite being identified as high-risk during the rainy season in the project agreements, proceeded extensively in August 2025 and led to safety risks, specifically observed through trench wall collapses and near-collapses. This required extra accident prevention measures. While no injuries were

reported, there was no dedicated HSSE specialist during this construction phase, heightening the potential for incidents. The responsibility for managing on-site HSSE currently falls to the site engineer and the project manager, pending the eventual employment of a specialist.

3. Project 23966-001: Control and oversight deficiencies

This project demonstrated multiple related control failures, indicating a lack of effective management and oversight:

- Inadequate tools and risk management: Site visits to Juba/Buluk and Kuac North/Kujok revealed inadequate and poor quality tools. Although the [REDACTED] was responsible for procurement, UNOPS remains accountable for project delivery. The issue was not recorded in the risk register at the time and lacked formal mitigation measures. Following IAIG's preliminary observation, HAMCO recorded the issue in the oneUNOPS Project Issue log in September 2025; however, the response provided there by the Project Manager focused on beneficiaries' adaptations and engagement with [REDACTED] rather than addressing the underlying risk. While [REDACTED] has since requested UNOPS to assume procurement responsibilities, formal agreement remains pending. With the donor and [REDACTED] deciding not to provide additional tools due to imminent project closure, the risk remains unmitigated.
- Lack of financial reconciliations: The project lacks formal, documented reconciliations of payments made under 'Labour intensive public works'. There is no documented comparison of wage requests to actual payments, despite this being required by the legal agreement; this increases the risk of errors, omissions or misstatements.

Management action plan: 15006/08

Priority: Medium

The Director, HAMCO, will:

1. Enhance awareness among Project Executives and Project Managers regarding change control guidelines by organizing a knowledge training emphasizing the prerequisite for prior written authorization of all relevant stakeholders prior to commencement of proposed changes.
2. Expedite the recruitment of the HSSE Associate for Kassala projects and HAMCO HSSE coordinator will provide intensive induction to the new joiner;
3. HAMCO will update the risk related to the decision not to replace the poor quality hand tools under SNSOP in the oUP Register; and implement formal mitigation measures to ensure quality tools are for project delivery; and
4. The MCO will review and implement relevant changes to the Labour Reconciliation process including improvement of evidence and reporting related to this service in compliance with the legal agreement.

Observation 9

Issues noted in the technical advisory portfolio

Project approach and planning

IAIG's review of seven technical advisory projects identified recurring issues stemming from inadequate project planning. Project scope descriptions lacked sufficient detail or were inaccurate, and clear project approaches and strategies were not properly established from the outset; for example, it was not determined whether grant management or procurement procedures were to be used, and appropriate HR strategies were not defined.

This lack of clarity has resulted in material delays, with the majority of activities being pushed towards the end of the project duration. This places unnecessary pressure on UNOPS personnel and heightens the risk of incurring expenditure after the project end-date. IAIG noted that the risk has already materialized in one project, and exists in another two ongoing projects. For all three projects, the internal quarterly assurance reported the projects as "on track", in some instances citing external factors rather than acknowledging internal project planning issues. In none of the three cases was this risk escalated to the Engagement Acceptance Committee (EAC) or Project Oversight Committee (POC).

Project 23750-001:

The project was initially signed for the period from September 2022 until December 2023, but it required two extensions without an additional budget, taking it up to the end of March 2024.

- Concentrated spending: Excluding the grant component, 50 per cent of the \$1 million project's activities was expended on training events during the final extended quarter (January to March 2024).
- Late expenditure: An amount of \$243,705 was recorded as expenditure after the project's end date. Although IAIG confirmed this expenditure related to training events held before 31 March 2024, HAMCO should have

ensured adequate time for recording the expenditure within the project's duration.

- Unfunded LSS: The entire LSS budget of \$102,109 was recovered in 2023. Consequently, the amount of project work carried out in the first quarter of 2024 was not funded by LSS.

Project 24865-001:

- This project, scheduled to run from November 2024 to November 2025, faced initial clarity issues regarding its approach. Although the engagement review was premised on UNOPS applying a competitive grants process, it was not until January 2025, two months after the project started, that UNOPS presented the partner with the options (grants vs. procurement modalities) for their decision. This, combined with the participant list not being received from the [REDACTED] until March 2025, resulted in a project delay right from the outset.
- IAIG noted that HAMCO recognized the tight timelines prior to signing the legal agreement, citing the need for "fast-track mechanisms." This expectation proved unrealistic, as UNOPS ultimately had to conduct competitive tenders for most training events, including re-tenders for two of them.
- Consequently, all 14 training events to be held abroad are scheduled in the final quarter of project implementation. This concentration of activity leaves insufficient time for finalizing procurements, travel logistics (such as visa arrangements), and DSA reconciliation, thereby increasing the risk of expenditures occurring beyond the project end-date.

Project 23752-001:

- The project agreement was signed on 15 May 2023 with conflicting clauses, assigning UNOPS the roles of "routine supervision and implementation support" and "construction."
- A \$1.74 million budget line item for "Reconstruction of Infrastructure (OSSC, Primary school & health centers)" in the signed agreement was presented to engagement reviewers under the generalized heading: "Other direct cost."
- On 30 May 2023, after the agreement was finalized, HAMCO sought clarification from the partner that no construction work was expected under the contract, despite having reassured the engagement reviewers beforehand that the project would not include any infrastructure component.

Project 24577-001:

The project was signed for a duration from 11 July 2024 to 30 November 2025.

- As of 6 November 2025, 45 per cent of the project budget of \$877,206 remains unspent and uncommitted.
- The second component of the project experienced delays due to challenges in identifying consultants for Organizational Development. Eventually, the office opted for an existing UNOPS LTA for consulting services and a purchase order was issued on 29 July 2025. Per project plan, the consultant was supposed to deliver the final report by the end of October 2025, to allow for a lessons learned workshop and report as well as a final board meeting. IAIG considers that this tight timeline is not feasible.

Projects 23945-001 & 23945-002:

- Part of the project's objectives is to transition some of the personnel currently on UNOPS retainer contracts to the [REDACTED], but this is at risk due to salary discrepancies. While this was adequately captured in the UNOPS risk register and also presented to the board, IAIG considers that this could have been better planned for, with options discussed with PCG prior to engaging the personnel.

Management action plan: 15006/09	Priority: Medium
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The Director, HAMCO, will:

1. Organize a lessons learning workshop to enhance understanding of risks and management strategies related to "staged" implementation approaches to promote more effective delivery in future projects; and
2. Strengthen Technical Advisory project planning and scoping to establish UNOPS's approach and strategy before signing agreements or early in implementation.

Observation 10	Project finance issues
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Inter-project expenditure transfers

In two situations, HAMCO opted for cross-charging projects instead of using the advance financing modality:

1. The agreement of project 23546-001 was signed on 16 May 2022. On 2 August 2022, the HAMCO Director requested approval from the then Director of Regional Portfolios for a funds check override totalling \$244,436 due to a delayed contribution, to allow for office set-up and other start up activities. The argument not to use

advance financing was that the contribution should have arrived promptly. The contribution of \$2,940,116 was applied to the project on 16 November 2022, four months after the project start-date and three and a half months after the override request.

2. Project 23966-001 started on 4 May 2023, and received the first tranche of \$6,549,706 on 27 June 2023. The office charged payroll for May to June 2023, totalling \$107,024, to another project funded by the same donor 23232-001, and reversed the cost back to 23966-001 in December 2023. The accompanying Note to File does not explain in the section on mitigating measures why advance financing was not used. Approval from the right authority on the partner's side to cross-charge the projects was not obtained.

Incorrect project classification impacting expense recognition

Project 24112-001 has been incorrectly classified as a Construction project. The scope of the project consists of building an administrative building for the hospital in work package 2 and pay agent services under work package 1. Currently, \$246,000 is recorded under principal expense classification under the work package 1, and the amount would increase up to \$2 million of pay agent services as per the legal agreement, if not corrected as a result of this audit. While correction is still possible for 2025 and onward, the expenditure recorded in 2023 and 2024 causes a \$132,000 misstatement.

Control gaps in operational advances management

IAIG noted that operational advances that were held for extended periods lacked bi-weekly cash counts. HAMCO relies on a tracking sheet prepared only upon recoupment, with no independent cash count evidence while the advances are outstanding. This was noted on vouchers [REDACTED], [REDACTED] and [REDACTED]

IAIG also noted voucher [REDACTED] that was paid on 1 June 2023 for a one-off event held from 1 to 6 June 2023. The operational advance (OA) was issued to a personnel whose contract was ending on 31 July 2023, not with a further four months of contract at the time of issuance as is required per OA operational guidelines. IAIG noted the OA's recoupment was delayed, only occurring on 12 October 2023.

Unreallocated miscellaneous revenue from donated assets

In 2020, donated assets valued at \$300,250 were capitalized under project 21691-001, but the related miscellaneous revenue was not reallocated to successor project 23232-001 when the assets were transferred. This has delayed the financial closure of project 21691-001 and resulted in misstatements in the financial statements of project 23232-001, which had to be reopened and reissued. The issue reflects weaknesses in asset-related revenue management, project coordination, and project closure processes, and may create similar misstatement risks in other related projects.

Management action plan: 15006/10	Priority: Medium
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- The Director, HAMCO, will ensure that:
1. Internal processes are instituted to ensure that, in cases of delayed partner contributions, the advance financing modality is properly assessed and utilized in accordance with applicable guidelines;
 2. Additional guidance and training will be provided to relevant personnel to ensure correct application of financing options;
 3. Inter-project transfers will be limited to cases where it is justified, approved, and fully compliant with organizational policy;
 4. Expenses under project 24112-001 WP1 are reclassified in alignment with the pay agent model as stipulated in the legal agreement. The necessary adjustments will be processed in the financial records for 2025, where corrections remain permissible;
 5. To prevent recurrence, a review of project classifications will be undertaken in collaboration with Finance and Programme units to ensure all future project setups reflect the correct accounting treatment from the outset, and in the event of project amendments, based on the scope of services outlined in the legal agreements;
 6. Regarding OAs, mandatory bi-weekly cash counts will be institutionalized for all outstanding operational advances;
 7. Internal procedures are strengthened through the development of a SOP to ensure proper accounting treatment for asset transfers and associated revenue; and
 8. Pending issues related to the reallocation of revenue for asset transfers are expedited to ensure timely project closure and accurate financial reporting.

3. Procurement and contract management

Observation 11	Deficiencies in procurement and contract management
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A. Technical specification issues causing procurement delays and multiple re-tenders, particularly the following:

Project	Issue	Resulting impact
Water pumps ██████████ Project 23041-001	Three bidding rounds due to changing technical specifications and expanded requirements. Initial bid ██████████ not evaluated as specifications needed material revision. Re-bid ██████████ cancelled as partner identified need for specifications to be revised.	Project end date was moved from 31 July 2022 to 31 May 2024 The project budget was increased from initial \$795,559 to \$2,432,271.62. The price change was due to a change in specifications.
10-ton crane truck ██████████ Project 23475-001	Initial tender ██████████ cancelled for technical specification changes; re-bid with updated specifications.	Project end date was postponed from 31 May 2023 to 31 May 2025 The project had five amendments (two for specifications , three no-cost time extensions).
Research laboratory equipment ██████████ Project 24280-001	Five lots failed due to technical specification issues. Re-bids ██████████, ██████████, and ██████████ amended and improved the specifications.	Project end date was extended from 31 July 2025 to 31 December 2025. The project had two amendments for time extension.
Research laboratory equipment ██████████ Project 24280-001	Six lots failed due to technical specification issues. Re-bid ██████████ improved compliance and amended specifications.	Project end date was extended from 31 July 2025 to 31 December 2025. The project had two amendments for time extension.
Service rigs ██████████ Project 24292-001	Three bidding rounds due to redefining technical specs. Initial tender ██████████ cancelled as both bidders failed technical evaluation; re-bid ██████████ also cancelled as specifications had to be redefined.	Project end date was extended from 31 May 2025 to 30 December 2025.
Five ton crane 4x4 workshop ██████████ Project 24292-001	Initial bid ██████████ delayed for deficiencies in the tender process and unclear specifications.	Project end date was extended from 31 May 2025 to 30 December 2025

B. Ineffective competition due to branding:

A procurement case ██████████ for two forklifts in two lots totalling \$600,000 included a brand name in the technical specifications, which is contrary to the requirements of the procurement manual unless there is justification. The specifications included the restrictive text: "Supply and Delivery of Reach Truck Forklift (Caterpillar)". Consequently, one bidder was disqualified for offering an alternative brand. IAIG has not received any evidence that the requirement for the brand was justified. This condition presents a risk of limiting competition and failing to achieve the best value for money.

C. Evaluation process irregularities:

1. Inaccurate historical price comparison: ██████████ - Lot 1, had one technically compliant bid for financial evaluation received, the review used reasonableness of cost based on historical prices that were provided by the sole bidder and were 22 per cent and 21 per cent lower than the offered bid price. This is contrary to section 8.7.1 of the procurement manual, which defines the use of 'historical price' as being to "compare current price

to a price paid in the recent past for the same or a similar product". In this case there was no indication given as to how recent the prices used were.

- Inaccurate evaluation: [REDACTED] - One company was assessed as technically compliant despite submitting a BOQ from a previously cancelled tender [REDACTED]. Another bidder also submitted a BOQ from the previously cancelled tender, but was not disqualified. By letting the first bidder pass despite them submitting a wrong BOQ, the tender was seen to have received three technically compliant bidders, even though only two bidders actually complied.

The evaluation raises some red flags: two bidders submitted the same BOQs from the previously cancelled tender, yet it was the cheaper one that was disqualified, while the more expensive one passed to the financial evaluation. A third bidder, who won the tender, had already been engaged by the client for construction on the work-package where UNOPS acts as a pay agent and the beneficiary confirmed their satisfaction with the company during the IAIG visit.

D. Inadequate procurement planning and coordination:

- Procurement plans management: HAMCO employs disparate, unconsolidated procurement plans with diverse templates, resulting in the omission of key information, as exemplified by Purchase Order [REDACTED]. Although a procurement progress tracking sheet was introduced in 2024, it lacks expected timelines for completion. IAIG acknowledges the development of the transactional projects-progress tracking system dashboard as a positive step for tracking and monitoring transactional projects procurements. However the dashboard lacks defined completion timelines and does not record planned procurements that have not yet been converted into purchase orders.
- Lots Division: [REDACTED] had its requirements divided into three lots to give the client the option of deciding how many pieces of the machine to procure depending on the budget available. Only one lot was ultimately evaluated and awarded. Proper procurement planning would have allowed the client to determine the budget and therefore the number of pieces of the machine to be procured before the tender was floated.
- Evaluation process timing: For [REDACTED] bidders had to respond to queries by 25 December, Christmas Day, potentially limiting participation due to holiday closures. Although HAMCO indicated there was no impact on participation, IAIG suggests careful timing to avoid the perception that competition has been restricted.

Management action plan: 15006/11	Priority: High
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The Director, HAMCO, will ensure that:

- Existing dashboards and procurement tracking systems are strengthened to capture all KPIs;
- The office will adhere to the procurement manual when defining requirements, ensuring specifications clearly indicate function, output performance, and conformance. Furthermore, brand names will be avoided unless a justifiable reason for standardization purposes aligns with UNOPS procurement rules and regulations.
- In future Tenders where "Brand" is utilized for standardization, the Office will ensure that a justification text is included within the eSourcing system for bidders to understand the rationale of buying a specific brand.
- Historical price use follows the acceptable timeframe as defined in the procurement manual which is validated by time period.

4. Human resources management

Observation 12	Misuse of contract and recruitment modalities
<p>Misuse of retainer and daily wage contract modality</p> <p>The use of retainer contracts and daily wage contracts has deviated from established human resources policies. The retainer contract modality is intended to secure ad-hoc, time-bound expertise for a selected number of outputs. However, current practices demonstrate the utilization of retainer contracts to secure services that constitute full-time equivalent roles with continuous, day-to-day responsibilities. Specifically:</p> <ul style="list-style-type: none"> For project 23546-001, ten individuals have been continuously employed under retainer contracts since January 2025 for routine construction and supervision activities. For project 25005-001, three retainers were engaged for everyday project management and supervision activities, contravening the intended ad-hoc nature of the retainer modality and substituting regular contractual arrangements. Although the office sought clarification from the policy unit, no approval was granted, and the process was subsequently routed to the engagement review process, which remains at draft status. 	

- Projects 23945-001 and 23945-002 engage ██████████ embedded at ██████████. IAIG reviewed COPs for 31 personnel who are on a retainer contract and yet work full time (20 days a month).
- Project 24894-001 engages ██████████ (██████████) who have been working full time for the ██████████.

In all instances, the absence of an exemption from the policy unit constitutes a policy override.

Furthermore, for project 25005-001, daily wage workers exceeded the stipulated limits of 20 consecutive days in a month and 100 days within a 12-month period. In both respects, these represent unapproved policy overrides. Moreover, the utilization of the cash-for-work (C4W) modality is not in accordance with the project agreement.

Misuse of desk review modality

IAIG noted the inappropriate use of the desk review modality for eight individuals in Project 24894-001, ‘Comprehensive project management support for the development of the national examination administration system in Ethiopia’, with a duration from November 2024 until January 2026. This group included ██████████ (██████████) and ██████████ (██████████) all hired for one-year durations. IAIG disagrees with the justification of urgency provided for using the desk review, as the individuals began their assignments two to three months after project implementation commenced, and no other demonstrable effort was made to hire these profiles prior to the desk reviews.

The due diligence conducted by HAMCO failed to disclose information regarding the ██████████ background. ██████████ had served as a consultant for the ██████████ on the same national examination project from December 2022 until the current recruitment. Based on reference checks, this individual concurrently worked for a ██████████ during the same period as the ██████████ consulting engagement.

Furthermore, IAIG noted that six of the recruited retainers also worked for the same company, a fact that was not disclosed by HAMCO in the desk review checklist or minutes. HAMCO confirmed to IAIG that the profiles were sourced from networks.

The sourcing of multiple personnel from a single external entity that could have been previously associated with the client’s project constitutes the use of an HR process instead of a procurement method, resulting in a potential avoidance of preselection. A procurement approach would have required an EAC review.

The selected approach creates a risk for the future implementation of the project; since the individuals are contracted only until the current project end-date, and UNOPS will be unable to extend these key resources, jeopardizing the opportunity of further engagement addition. The project is about to develop a computerized system able to accommodate 150,000 concurrent users, while the MoE’s ambition is the development of a system able to accommodate 500,000 concurrent users.

Weak justification of desk reviews

Desk review justifications often cited “urgent need for human resources which cannot be addressed through another selection method,” without supporting details. Three cases were identified where candidates began work two to three months after the desk review was finalized.

Other issues

IAIG noted weaknesses in controls designed to ensure objectivity when candidates initially hired via desk review were regularized through competitive selection. Specific examples include:

- ICA award ██████████ (desk review) / ICA award ██████████: A technical expert on the interview panel had a supervisory relationship with the recommended candidate, representing a clear conflict of interest.
- ICA award ██████████ (desk review) / ICA award ██████████: Both awards were pre-cleared by the same individual, reducing the segregation of duties and increasing the risk of bias.
- ICA award ██████████ (desk review) / ICA award ██████████: The same panel composition was observed in both recruitment cases, limiting the measures in place to ensure objectivity and to prevent potential conflicts of interest.

Management action plan: 15006/12

Priority: High

The Director, HAMCO, will:

1. Coordinate with the 24894-001 project team and the partner to undertake the following actions (i) Review the partner’s updated delivery schedule; (ii) Assess capacity requirements to support project completion; (iii) Develop

- a transition and handover plan to maintain continuity of operations; and (iv) Include provisions for a potential project extension, if necessary;
2. Organize a dedicated learning session on the C4W Guidelines and establish an SOP for the use of the C4W modality. For new projects, HAMCO will explore the possibility of establishing manpower service contracts in lieu of daily wage agreements, as applicable;
 3. Appraise the use of retainer modality on a case by case basis and ensure documentation of the decision for cases that are exceptional;
 4. The MCO will conduct competitive recruitment processes for all existing desk review contracts to ensure equal employment opportunities and will apply safeguards to prevent incumbency advantage; and
 5. HR will undertake desk review due diligence to ensure that all details are adequately disclosed, the panel is constituted as per policy and there is adequate justification for use of desk review.

ANNEX

This annex contains a summary of all the infrastructure-related observations, based on the IAIG field mission in HAMCO and desk reviews on selected projects with infrastructure components.

These observations are intended to identify necessary improvements in specific project deliverables, allowing the office to implement corrective action. If corrective measures are not feasible, the observation should be documented as a lesson learned for consideration in the planning of future projects.

Technical observations

24279-001 Data centre and multimedia facilities

IAIG identified unfinished activities within the conference centre, specifically relating to electrical and sanitary installations. These items were initially documented on the project's punch list but were not finalized, leading to the facility not being fully operational upon the conclusion of the DNP.

Specific incomplete activities include:

Power connections: The final power connections necessary to energize the facility's systems and individual units remain incomplete. This prevents the functional testing and usage of electrically dependent components.

Installations of monitors: The planned installations of display monitors, essential for presentations and digital signage within the conference rooms and public areas, have not been completed.

Sink placements: The final placement and securing of sinks in washrooms and potentially service areas are pending.

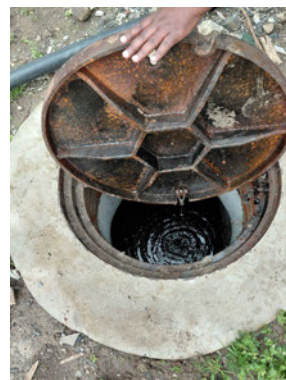
Wastewater network connections: The essential final connections to the overall wastewater network have not been established. This omission renders the sanitary facilities unusable.

While some of the outstanding electrical and sanitary works are reportedly complete, the official conclusion of the DNP leaves accountability for the remaining works unclear. This lack of ownership for the final completion poses a risk of delaying the full operationalization of the conference centre and may potentially incur unexpected costs.



Infrastructure and safety deficiencies

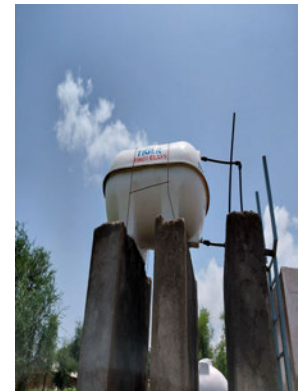
- The installed power outlets and sockets are not compatible with the standard plug types utilized in the country. This non-conformance will necessitate the use of adapters for all connected equipment in future replacements.
- The manhole covers installed across the stormwater network are of a standard removable design. This creates the potential for theft of the covers due to the scrap value of the material. The office acknowledged the issue and confirmed that the items would be replaced with versions incorporating a locking pin.
- The main room features a large, fabric-covered wall element, intended for aesthetic and acoustic purposes. Despite being a relatively new installation, the fabric material has already begun to show marks and signs of soiling. The porous nature of the fabric makes it highly susceptible to collecting dust and other stains. The premature marking of this surface indicates that a high-maintenance material was selected, which will necessitate a frequent cleaning schedule to maintain an acceptable appearance and hygiene standard.
- The main incoming power supply is inadequate to support the cumulative power demand of the installed electrical infrastructure. During the site inspection, this inadequacy was confirmed by occurrences of power cuts and voltage drops. This insufficient power capacity poses a risk to the longevity of the connected equipment and impairs the reliable operation of the facility. The subsequent agreement is expected to incorporate an upgrade of the power source to resolve the issue.



- The staircase providing access to the VIP rooms was assessed as presenting a safety hazard stemming from uneven runs across the flight of stairs that increases the risk of tripping and falls. Instructions were given to the contractor to undertake the necessary corrective actions to resolve the issue.

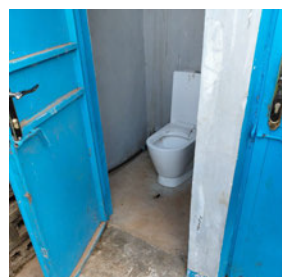
23546-001 May Hanse Primary School

- While the local beneficiaries had explicitly requested a security fence to protect the school premises, this security measure was not implemented. Instead, resources were utilized to construct an entrance gate. While aesthetically pleasing, this gate was determined to be functionally purposeless, failing to offer the necessary control that a perimeter fence would have provided.
- The materials selected for the construction of the side walls have proven to be non-durable and difficult to maintain. As a result, the walls are already marked and dirty, suggesting that a lack in material specification is detracting from the facility's intended clean appearance.
- Rainwater is currently able to enter the structure through the door thresholds, leading to stagnant water inside the classrooms. This issue damages the interior finishes, and disrupts the educational environment.
- Issues with water drainage and stagnation were documented in the exterior area surrounding the elevated water storage tank, indicating a failure in the site's overall surface water management.
- The elevated water tank was found to be resting on only two support pillars. This is a deviation from the original construction specification, which called for three pillars, suggesting an error in the tank's specifications. Furthermore, the edges of the existing two pillars are already showing signs of damage, which compromises the structural integrity of the water tank stand.
- Installed sinks within the facility were found to be non-functional, as they were not properly connected to either the clean water supply network or the wastewater drainage network, rendering them unusable for sanitation and hygiene purposes.
- The failure of door handles, which are actively falling off, points to the installation of low-quality fixtures or inadequate installation practices.
- A primary drainage pipe was installed without an adequate protective surface covering. This makes the pipe highly susceptible to physical damage from foot traffic or external impact, risking a future failure of the entire drainage line.
- The perimeter drains designed to collect and channel rainwater runoff from the roof are unevenly installed. In the corners around the classrooms, the level of these drains is higher than the surrounding floor level. This elevational difference together with the absence of drain covers is creating a tripping hazard for students and staff.



23546-001 Kisd Gaba Primary School

- Observations indicate structural degradation that requires attention to ensure the safety of the building. Specifically, load-bearing beams show worn-down edges, suggesting material fatigue or localized crushing failure which could compromise their structural capacity.
- Window frames are visibly sagging, which may be a symptom of foundation settlement, wall movement, or localized structural failure in the surrounding frame.
- The plumbing system utilizes a single connection for both



sewage and drainage. This configuration means that drainwater is routed into the same pipe as 'blackwater' from toilets, and both are discharged through a common outlet.

23546-001 Kisad Gaba water sanitation and hygiene (WASH)

The perimeter fence around the water tank is not maintained in a serviceable or secure condition. Specific deficiencies noted include support poles that are inadequately anchored leading to instability, and a poorly managed wire mesh, which detracts from its intended function as a physical security barrier.

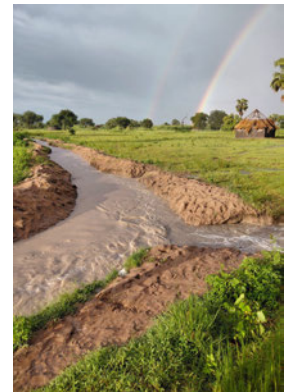


Axum oxygen plant (24623-001)

During the construction phase, deviations from the formally endorsed design documents were observed in both the structural and architectural elements of the project. Specifically, it was noted that the construction of the walls did not adhere to the original architectural and structural plan. The approved drawings and specifications mandated the inclusion of specific openings on the bottom parts of these walls to allow access to utilities. However, the constructed walls were found not to have any of the required openings.

South Sudan safety net project (23966-001)

Efforts to construct drainage channels to mitigate the impact of rain on crops and settlements were acknowledged. However, these hand-made structures are likely to offer only temporary solutions, as the channel sides are prone to collapse or erosion, eventually rendering them ineffective. It is unclear if alternatives were explored to incorporate minimal materials to protect the channel sides, which would reduce the frequency of maintenance and allow local community efforts to be directed towards other needs.



The earth roads constructed as part of the project were damaged and in some areas impassable even for 4x4 vehicles. This highlights that rainfall can easily erode the road's surface, leading to potholes and stagnant water, negating the initial construction efforts. Similar conditions were observed on urban streets, suggesting that the project's scope, as agreed by stakeholders, may not be adequate. Larger interventions, such as the provision of road materials and excavation equipment, were not available.

Safe house and buildings in Juba and Wau (25033-001)

During the audit, two locations designated for new project activity buildings were physically inspected. While the rationale behind selecting sites that are secure, safe and strategically positioned away from densely populated urban centres is acknowledged as a necessary measure for staff and beneficiary protection, a concern has emerged regarding the feasibility of access for the intended beneficiaries.

The poor condition of the access roads, characterized by inadequate surfacing, lack of maintenance and general disrepair, raises doubts about the accessibility of the services offered at these locations.

This deficit questions whether the most vulnerable beneficiaries will be able to safely reach these vital services. In response to this, the project management team reported that they have initiated formal communication with the relevant authorities with the objective to rehabilitate the access routes and ensure improved, safe passage for all beneficiaries.

Kassala hospital (21622-001/006, 23769-001)

Excavation works

The project encountered challenges during the excavation works, particularly due to these activities being scheduled during the region's rainy season. The high saturation of the soil caused by heavy rainfall compromised the stability of the trench sidewalls. This led to localized collapses along the excavation route. These collapses create a dangerous working environment for the site personnel and obstruct the continuity of



operations, necessitating the suspension of work in the affected areas.

Issues identified concerning the physical state and utilization of the facilities include:

- The integrity of the building's security and environmental control were compromised due to the primary reception entrance door being not yet installed.
- Rooms designated for the blood bank were being utilized as general staff resting areas, undermining operational integrity and potential safety standards for blood products.
- Publicly accessible rooms were noted to have inadequate lighting and insufficient spatial capacity, resulting in an outdoor waiting area. This external space, which should provide temporary shelter, was highly susceptible to adverse environmental conditions, specifically high temperatures, thereby reducing patient and visitor comfort and safety.
- The physical interior displayed signs of wear and neglect, particularly the false ceiling tiles, which were worn-out and required immediate replacement to maintain hygiene and aesthetic standards. Furthermore, a section of wall exhibited peeling paint, suggesting a structural or plumbing defect leading to leakage or chronically high moisture levels within the wall assembly.
- A safety concern was identified in a damaged structural beam which had exposed its internal steel reinforcement bars, indicating structural distress that compromises the load-bearing capacity and long-term stability of the structure.



External infrastructure and accessibility

- UNOPS constructed a hospital entrance gate without coordinating the surrounding site elements, notably road access. A drain pipe was installed directly in front of the entrance gate, creating a hump that prevented standard vehicular entry, and therefore limited operational logistics and emergency access.
- The main hospital entrance gate presented safety concerns. It featured unevenly placed beams and lacked necessary vertical support components, raising questions about its stability and compliance with original design specifications and safety standards.
- An open space that had been rehabilitated by UNOPS, including the installation of tiles and an appropriate drainage system, subsequently underwent layout modifications by an unrelated agency. These changes disrupted the original drainage design, resulting in blocked drains and recurrent flooding during rainfall.
- The entrance building was designed to incorporate a dedicated ramp to ensure accessibility for persons with disabilities. However, this accessible entrance point was found to be physically blocked, rendering the facility non-compliant with accessibility standards.
- A lack of adequate air conditioning was noted throughout the common areas of the facility. This deficiency renders these spaces uncomfortable and potentially unsuitable for sustained occupancy, especially in high-temperature environments.



Technical facilities and safety concerns

- Buildings constructed to house technical equipment for the hospital's power supply (generators) and gas supply systems were being utilized as general storage areas. This practice increases the risks of fire, equipment damage and workplace accidents, as highly combustible areas are cluttered.
- The fuel tank and the generator unit were observed to be openly exposed and lacked any restricted access

controls (e.g., fencing or lockable enclosures). This open exposure presents a safety risk, including the potential for tampering, vandalism, fuel theft, and accidental injury.



A key factor in assessing the ongoing operational status of the project outputs is the fact that the majority of the constructed infrastructure has already undergone a formal handover process to the relevant authorities. This transfer of ownership and control signifies that the primary responsibility for maintenance and repairs now rests with the receiving bodies. While the day-to-day management is no longer its direct mandate, concerns can still be raised regarding the resilience, durability and overall long-term functionality of some of the completed buildings and structures. Issues stemming from the use of any substandard materials or poor construction quality remain the responsibility of UNOPS, even post-handover. UNOPS remains accountable, even after the transfer, for any systemic failures or premature deterioration attributable to these initial factors. UNOPS, is accountable to ensuring that the projects deliver the intended value and have a sustainable lifespan.

Management action plan:

The Director, HAMCO, acknowledges the technical observations from the projects. For projects that remain ongoing HAMCO will take steps to close these observations. For future projects, HAMCO will mainstream lessons into project quality management plans and systems.