

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE REPUBLIC OF YEMEN

Report No. 2010
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Report on the Audit of UNDP Yemen Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Yemen (the Office) from 3 to 16 October 2018. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 June 2018. The Office recorded programme and management expenses of approximately \$306.8 million. The last audit of the Office was conducted by OAI in 2014.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory/major improvement needed**, which means “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.”

This rating was mainly due to weaknesses in programme/project design and implementation, financial resource management, and procurement management.

Key recommendations: Total = 8, high priority = 4

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
	3	High
Reliability and integrity of financial and operational information	4	High
	5	Medium
Safeguarding of assets	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 7	High
	8	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Delays in project closure (Issue 2)	<p>As of the date of the audit, 43 projects had ended in 2015 but were still showing as active in Atlas as of October 2018. The Office indicated that 14 of 43 projects were created by UNDP Headquarters in Atlas and no actions were initiated to close these projects as of the end of the audit.</p> <p><u>Recommendation:</u> The Office, in consultation with the Regional Bureau for Arab States, should ensure the timely closure of projects in accordance with the 'UNDP Programme and Operations Policies and Procedures'.</p>
Weaknesses in project design (Issue 3)	<p>The audit team reviewed five development projects and noted the following:</p> <ul style="list-style-type: none"> ▪ In four projects, the approved project documents omitted, partially or completely, section IX on 'Legal Context' of the UNDP standard template. ▪ In three projects, the project documents were signed by the responsible parties as the Office considered them the implementing partners. ▪ In three projects, Clause No. 3 related to the financial regulations of the Letter of Agreements were modified without obtaining clearance from the UNDP Legal Office. <p><u>Recommendation:</u> The Office should improve project design by: (a) preparing and approving project documents following the corporate standard template; and (b) requesting clearance from the Legal Office for any deviation from the UNDP template for responsible party agreements.</p>
Advances to responsible party incorrectly recorded as expenses in Atlas (Issue 4)	<p>The Office disbursed cash advances in the amount of \$165.3 million to a responsible party. For all projects implemented by the responsible party, the Office did not verify if the expenses reported in the FACE forms were actual expenses. Further, the Office was not requesting the responsible party to provide supporting documents to ensure that final work was completed, nor was it overseeing whether project activities were being implemented.</p> <p><u>Recommendation:</u> The Office should improve management and reporting of advances given to responsible parties by: (a) developing a reconciliation system to ensure advances are liquidated only when expenses have already been incurred; and (b) developing a monitoring system to allow the Office to verify the actual implementation of project activities and review the supporting documents related to the amounts reported by responsible parties in the FACE forms.</p>
Deficiencies in managing a lease agreement (Issue 7)	<p>In September 2016, the Office signed, on behalf of the other United Nations agencies operating in the Country, a three-year lease agreement with a private entity for premises to be used as the United Nations residency in the amount of \$33.58 million. The audit team noted several weaknesses in the procurement process, such as the following: (a) there was no evidence that the lease proposal was submitted and cleared by General Operations and the Legal Office; (b) the lease acquisition was not submitted for review to the Advisory Committee on Procurement and for approval by the Chief Procurement Officer; (c) there were</p>

no supporting documents and evidence confirming that the Office followed a transparent and competitive procurement process for construction work; and (d) the signed lease agreement was not submitted to the Global Shared Service Unit to determine the appropriate accounting treatment of the lease and the leasehold improvements.

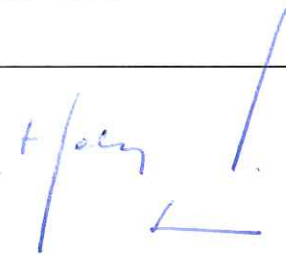
Recommendation: The Office should strengthen procurement oversight and controls by: (a) ensuring that procurement activities are well documented and adhere to the UNDP procurement principles and all relevant policies prior to signing contracts and agreements; (b) submitting the procurement case of the United Nations Common Accommodation Facility, including the procurement of civil works and amendments, to the Advisory Committee on Procurement for review; and (c) submitting the signed lease agreement and amendments to the Global Shared Services Unit for advising on recording of the leased premise and its improvements.

Management comments and action plan

The Resident Representative accepted seven out of eight recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

One recommendation was not agreed upon and the Director of the Regional Bureau for Arab States accepted the risk of not taking action on the issue identified by OAI (issue 5, recommendation 5).

A handwritten signature in blue ink, appearing to read 'H. Osttveiten', is located above the printed name.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Sana'a, Yemen (the Country) and has a sub-office in Aden and a presence in Amman, Jordan. At the time of the audit, the Office had 78 staff members, 4 UN Volunteers and 45 service contract holders. The Office was operating under a high-risk context and volatile security conditions due to the ongoing conflict in the Country. Although, the last Country Programme Document and United Nations Development Assistance Framework for the period 2012-2015 were still valid until 2019, their implementation was abandoned after the onset of the crisis. During the audit period, the Office's resources and programme were responding to the humanitarian crisis, specifically to the Emergency Employment and Community Rehabilitation (Early Recovery) cluster, in alignment with the UNDP Resilience Programme Strategy and the Humanitarian Response Plan. The entire programme was under the direct implementation modality.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Information and communication technology. Information and communication technology control procedures were found to be adequate.
- (b) Staff and premises security. Staff and premises security management was found to be adequate and all security measures were found to be in place. No reportable issues were identified.

OAI made four recommendations ranked high (critical) and four recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Strengthen procurement oversight and controls (Recommendation 7).
- (b) Ensure the timely closure of projects (Recommendation 2).
- (c) Improve management of advances (Recommendation 4).
- (d) Improve project design (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Maintain and update organizational structure and Internal Control Framework (Recommendation 1).
- (b) Improve financial oversight and control over payments (Recommendation 5).
- (c) Improve assets management (Recommendation 6).
- (d) Ensure the completion of mandatory training courses (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Organizational structure and Internal Control Framework not updated

The 'Operational Guide of the Internal Control Framework for UNDP' outlines that each head of office has overall responsibility for establishing and maintaining adequate internal controls in his/her office, and for maintaining documentation of the office's internal control procedures.

The audit team noted the following:

(a) Weakness in the Office's organizational structure

As of May 2018, the Office made significant updates to its structure under the senior management positions, where the Deputy Country Director – Programme and Operations position was split into two positions, namely, the Deputy Country Director – Operations position, and the Deputy Country Director – Programme position. This split and the corresponding job descriptions were approved by the Regional Bureau for Arab States. However, the organizational structure of the Office was not updated to reflect the required changes in the reporting lines within the operations and programme units. Furthermore, job descriptions of staff did not reflect the actual duties they were performing.

(b) Outdated Internal Control Framework

The Internal Control Framework was last updated in 2016 and did not reflect the Office's existing structure and reporting lines.

Subsequent to the audit, the Office held a retreat in November 2018. One of the key issues discussed was the review and realignment of the Office's structure.

An organizational structure and Internal Control Framework that are not well designed or updated could lead to a lack of understanding of processes, could lower staff morale, and could negatively affect the overall work environment and performance of the Office.

Priority	Medium (Important)
Recommendation 1:	
The Office should maintain and update its organizational structure and Internal Control Framework. This should include:	
<ul style="list-style-type: none"> (a) developing a plan and timeline for identifying the steps required to update the organizational structure with clear reporting lines and job descriptions and submitting it to the Regional Bureau for Arab States for approval; and (b) updating the Internal Control Framework to reflect the changes in the Office's structure and allocating the proper Atlas (enterprise resource planning system of UNDP) roles to staff. 	

Management action plan:

The Office is currently working on an updated organization chart and the revision of reporting lines and job descriptions to be in line with the new organization chart and the Office's needs.

The Office acknowledges that the Internal Control Framework and Delegation of Authority require revision and updating in accordance with the new structure and functions, and Atlas roles will be modified accordingly.

The Office will share the revised organization chart with the Regional Bureau for Arab States for approval following the outcome of the senior management retreat and will revise the Internal Control Framework and Delegation of Authority accordingly.

Estimated completion date: January 2019

B. Programme

1. Programme/Project Design and Implementation

Issue 2 Delays in project closure

The 'UNDP Programme and Operations Policies and Procedures' state that a project is considered operationally complete when one of the following project closure conditions are met: (a) when the project end date near (b) when a project delivers its planned outputs; or (c) when the project board recommends closing or cancelling the project. Projects should be financially closed, at the latest, within 12 months of operational closure or after the date of cancellation. A project is closed when all financial transactions have been reported and certified, and all project accounts have been closed. The Regional Bureau is accountable for overseeing project financial closure to ensure it is completed on a timely basis.

As of the date of the audit, 43 projects had ended in 2015 but were still showing as active in Atlas as of October 2018. The Office indicated that 14 of 43 projects were created by UNDP Headquarters in Atlas and no actions were initiated to close these projects as of the end of the audit.

The Office's management explained that in March 2015, office activities were suspended following the crisis. All donors left the Country and the United Nations staff were evacuated. Implementation of projects under the governance portfolio was cancelled, as these projects were considered no longer relevant because of the collapse of the national institutions. Due to the crisis, the Project Board meetings were not feasible and the decision to cancel the projects was made by the Office following consultations with donors. The Office added that many projects, although already closed, were re-opened by Headquarters, as the balances were not cleared and included gains/losses in the exchange module.

By not closing projects in a timely manner, the Office risks unauthorized expenditures being charged against these projects.

Priority	High (Critical)
Recommendation 2:	
The Office, in consultation with the Regional Bureau for Arab States, should ensure the timely closure of projects in accordance with the 'UNDP Programme and Operations Policies and Procedures'.	
Management action plan:	
The Office acknowledges the recommendation and will continue working with the Regional Bureau for Arab States, the Bureau for Management Services and the Office of Financial Resources Management to clear and close all old projects that have mismatches.	
Estimated completion date: March 2019	

Issue 3 Weaknesses in project design

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the design and implementation of projects. Project documents that meet UNDP's quality standards must be developed for all projects. The policies require that project documents be signed by the Government Coordinating Agency, UNDP, and the implementing partner.

Direct implementation is the modality whereby UNDP takes on the role of implementing partner. An implementing partner may enter into a written agreement with other organizations, known as responsible parties, to carry out project activities and/or produce outputs using the project budget. To legally engage a responsible party, the implementing partner should sign the Standard Letter of Agreement with the responsible party. Responsible parties are directly accountable to the implementing partner in accordance with the terms of their agreement or contract with the implementing partner.

The audit team reviewed five development projects comprising 18 outputs and noted the following:

Project document

- In four out of five projects (97850, 99750, 99753 and 99947), the approved project documents omitted, partially or completely, section IX on 'Legal Context' of the UNDP standard template. The missing section was related to the requirement of the implementing partner's financial regulations, rules, practices and procedures not to contravene the principles of the Financial Regulations and Rules of UNDP.
- In three out of five projects (97850, 99750 and 99947), the project documents were signed by the responsible parties as the Office considered them the implementing partners.
- In three out five projects (97850, 99750 and 99947), Clause No. 3 related to the financial regulations of the Letter of Agreements were modified without obtaining clearance from the UNDP Legal Office.

Not following UNDP standard procedures and document templates may expose the Office and its projects to incorrect implementation arrangements as well as to legal and reputational risks.

Priority	High (Critical)
Recommendation 3: The Office should improve project design by: <ul style="list-style-type: none"> (a) preparing and approving project documents following the corporate standard template; and (b) requesting clearance from the Legal Office for any deviation from the UNDP template for responsible party agreements. 	
Management action plan: <ul style="list-style-type: none"> (a) Recommendation noted. The Office will adhere to the corporate project document standard template including section IX – Legal Context. (b) The recommendation is noted and for any future deviation on the corporate template, the Office will obtain clearance from the UNDP Legal Office. 	
Estimated completion date: December 2018	

C. Operations

1. Financial Resources Management

Issue 4 Advances to responsible party incorrectly recorded as expenses in Atlas

According to the 'UNDP Programme and Operations Policies and Procedures', expenses are recognized when goods or services have been received. In addition, if a project uses the cash advance modality, the Financial Report (FR) or Funding Authorization and Certificate of Expenses (FACE) form, reporting expenses, and requesting advances, must also be submitted to the UNDP Country Office at least quarterly and signed by the authorized official within the implementing partner. In Country Offices, the Project Officer or Finance Associate must monitor the outstanding advance balances in order to monitor the correct disbursement of funds.

During the audit period, the Office disbursed cash advances amounting to \$165.3 million to a responsible party. The audit team noted that for all project activities implemented by the responsible party, the Office did not verify the validity of expenses reported in the FACE forms. During discussions with the responsible party, the audit team noted that expenditures reported in the FACE forms included cash transferred to the responsible party bank accounts, which had not been disbursed to beneficiaries as final work had not yet been completed.

This situation was due to the lack of a reconciliation system that could address the differences between the different accounting systems used by UNDP and the responsible party.

Incorrect recording of liquidations of cash advances in Atlas resulted in the overstatement of project expenses and incorrect information on the utilization of projects funds, which may affect donor confidence in UNDP.

Priority	High (Critical)
Recommendation 4: The Office should improve the management of advances given to responsible parties by: <ul style="list-style-type: none"> (a) developing a reconciliation system to ensure advances are liquidated only when expenses have already been incurred; and (b) developing a monitoring system to allow the Office to verify the actual implementation of project activities and review the supporting documents related to the amounts reported by responsible parties in the FACE forms. 	
Management action plan: This recommendation is not new and is related to the same recommendation of the recent directly implemented project audit. Accordingly, the Office has been working with the responsible party. In the last review meeting with the donor, the responsible party confirmed that the upgrading of their accounting system has been completed. The accounting system can now capture project expenses online. Therefore, no further action is required at this stage. In addition, UNDP had already placed a number of verifications and monitoring layers, i.e., third-party monitoring agent, spot checks, Country Office monitoring visits, and monthly reviews.	
Estimated completion date: December 2018	
OAI Response OAI acknowledges that the Office has been working with the responsible party on the upgrade of its accounting system. Implementation of this recommendation will be reviewed as part of the standard desk follow-up process of OAI.	

Issue 5 Weaknesses in financial oversight and controls over payments

According to the signed project document for the Emergency Mine Action Project (Project No. 99753), UNDP shall endeavor to pay allowances to field staff and other specialists according to funds available and only to those staff pre-agreed by UNDP and formally employed by the government institution holding identity cards. Further, any individual deemed eligible for such allowances will receive sums according to the pre-agreed levels outlined in the government institution's policy. Only those personnel included in the organizational chart and staffing lists are eligible.

During the period under review, the Office processed 58 payment vouchers with a total amount of \$4.1 million related to the allowances paid to the administrative staff and demining teams (field staff) under the Emergency Mine Action Project. The Office maintained supporting documents such as requests for direct payments and timesheets, including names of the field and administrative staff and lists of their bank accounts, when making payments of allowances. However, there was no documentation made available to the audit team to support that a verification was undertaken to ensure that staff names in the timesheets submitted by the Emergency Mine Action Project were included in the UNDP pre-agreed lists.

In response to the draft report, the Office indicated that UNDP staff movements were extremely limited due to the security situation in the Country. Therefore, a third-party monitoring agent was contracted to assist the Office in undertaking monitoring activities for the Emergency Mine Action Project.

The audit team reviewed the terms of reference of the contracted third-party monitoring agent as well as five sampled monitoring reports and noted that the monitoring and verification of payments of allowances were not under the scope of the monitoring activities performed by the third-party monitoring agent. The sample monitoring reports reviewed only indicated the number of team members found on every field site. The information on the eligibility of these team members to receive allowances was missing.

Inadequate oversight and controls over financial transactions may lead to the loss of financial resources and errors in payments not being detected and addressed.

Priority	Medium (Important)
Recommendation 5:	
The Office should improve its financial oversight and control over payments of allowances by, on a sample basis, matching the staff names in the timesheets and in the UNDP pre-agreed list prior to making payments.	
Management action plan:	
The Office disagrees with the recommendation. The security situation in the Country is rated very high risk across the Country in view of the ongoing conflict. Under the current UNDSS imposed security conditions, UN(DP) staff are extremely limited in their movements. In response, all UN agencies, including UNDP, contracted third-party monitoring agents to undertake monitoring activities to ensure adequate monitoring takes place despite the adverse situation on the ground. The Office provided adequate evidence of these monitoring reports. No further action can be taken in view of the country context described above.	
Estimated completion date: N/A	
OAI Response	
OAI acknowledges that the Country is a high-risk country and that the Office contracted the third-party monitoring agent to follow up on the programmatic activities. However, the issue is related to the lack of adequate internal controls established by the Office when processing payments of allowances, such as matching the staff names in the timesheets and in the UNDP pre-agreed list prior to making payments. This may be performed even in a high-risk environment. Therefore, OAI is retaining the recommendation.	

2. ICT and General Administrative Management

Issue 6 Weaknesses in asset management

The 'UNDP Programme and Operations Policies and Procedures' prescribe that all furniture and equipment that meet the capitalization requirements should be tagged immediately upon receipt to facilitate their oversight and control. The asset identification number, together with tag numbers, are critical for physical verification as they are the unique identifiers of each asset. Country Offices must assign the responsibility of coordinating the process of verifying the existence of the assets to the Physical Verification Coordinator. The Physical Verification Coordinator is responsible for the establishment of a team that excludes the Asset Focal Point, for the purposes of segregating functions, to carry out the physical verification exercise. In managing assets, business units should identify assets that are obsolete, non-functional and/or past their useful lives for disposal, and process the disposals.

As of the date of the audit, the Office managed 230 assets valued at \$3 million. Of these, the audit team reviewed 10 assets valued at \$51,000. The majority of assets with high value were located in areas not accessible to the audit team.

The audit team noted the following:

- There were inconsistencies in the use of tag codes in the In-Service Report in Atlas. For some assets, the tag number was the serial number while for other assets the tag codes followed a different coding system.
- Tag numbers were missing in all 10 assets sampled, valued at \$51,000, physically verified by OAI. The Office confirmed that tag number stickers were not widely used.
- The Office appointed a team to conduct physical verification of assets in the sub-office in Aden, which included the asset focal point, undermining the proper segregation of functions.
- There were 52 items valued at \$112,000 pending disposal since 2016. During the audit, the Office started the disposal process by submitting the disposal request to the Contracts, Assets and Procurement Committee, who endorsed the disposal process. Given the action taken by the Office, OAI is not making a recommendation for this part of the issue.

Inadequate asset management may increase the risk of misuse or loss of assets.

Priority	Medium (Important)
Recommendation 6:	
The Office should improve assets management by:	
(a) updating the In-Service Report using a consistent asset tagging codes and putting tag numbers on all assets; and	
(b) ensuring adequate segregation of functions when appointing the team for conducting the physical verification of assets.	

Management action plan:

The Office will:

- (a) ensure that assets are properly recorded and managed in and outside Atlas; and
- (b) established an assets verification committee and will ensure that the committee also carries out the physical verification for all Sana'a, Aden and Amman offices.

Estimated completion date: March 2019

3. Procurement

Issue 7 Deficiencies in managing a lease agreement

The 'Acquisition, Renewal and Termination of Premises Leases' policy provides guidance and procedures to follow prior to signing a lease agreement. The policy instructs the requesting unit to perform a cost-benefit analysis of at least three premises to ensure that due diligence is carried out on the potential premises and that value for money is confirmed. The policy also requires the requesting unit to submit the lease agreement proposal to General Operations as well as to the UNDP Legal Office for clearance of the lease agreement prior to submitting the final proposal to the Advisory Committee on Procurement. The signed lease agreement must be sent to the Global Shared Services Unit for review and recording purposes. The heads of units are responsible for maintaining complete and accurate records of premises leased by their offices.

UNDP procurement principles state that the selection of suppliers should be based on open competition, and the evaluation of offers should be fair and transparent. Adequate contract management ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible.

The 'UNDP Programme and Operations Policies and Procedures' require that leasehold improvements should be capitalized if the total cost of the improvement exceeds \$50,000. For leasehold improvements under common premises, the lead agency acting on behalf of all the United Nations agencies will be record the amount contributed based on their share of the occupancy.

In September 2016, the Office signed, on behalf of the other United Nations agencies operating in the Country, a three-year lease agreement with a private entity for premises to be used as the United Nations residency in the Sana'a duty station, currently named 'The United Nations Common Accommodation Facility'. The total amount of the contract was \$33.58 million. This comprised the rental fees of \$29.88 million plus a one-time cost of \$3.7 million for civil works to enhance the security of the residency.

The audit team noted several weaknesses in the procurement process for the lease agreement, the most significant of which are provided below:

- The Head of Office signed the lease agreement that was above his delegated authority of \$300,000, without obtaining prior approval from the Chief Procurement Officer.
- There was no evidence that the lease proposal was submitted and cleared by General Operations and the Legal Office. Although the Office had communicated with the Legal Office, the lease agreement document discussed was a different version from the signed lease agreement provided to OAI.

- The signed lease agreement did not follow the corporate template and missed important clauses. The signed agreement consisted of only 13 clauses while the UNDP Standard Lease Agreement contains 24 clauses. There were key clauses that were not included in the lease agreement, such as lessor warranty in the event of selling the leased premises, and lessor sole responsibility for the payment of all taxes.
- The process of the lease acquisition was not submitted for review to the Advisory Committee on Procurement and for approval by the Chief Procurement Officer.
- The procurement of the civil works was not referred to the Advisory Committee on Procurement for review and for approval of the Chief Procurement Officer. Further, none of the amendments to the lease agreement were submitted to the Committee for review and to the Chief Procurement Officer for approval.
- The signed lease agreement was not submitted to the Global Shared Service Unit to determine the appropriate accounting treatment of the lease and the leasehold improvements under the common premises.
- The Office did not provide sufficient documentation regarding the acquisition of the premises. There was no evidence provided to show that space requirements and preliminary costs were taken into consideration, or to show that local market research was conducted.
- There were no supporting documents and evidence confirming that the Office followed a transparent and competitive procurement process for construction work for security enhancement of the lease agreement.
- The Office did not capitalize its share of the improvements made to the leased premises.
- The lease agreement did not establish the schedule of payments and the milestones linked to them for the construction works. The audit team noted variances between the cost per agreement and amendments, and actual costs, as follows:

Lease agreement	Cost per agreement and amendments \$	Actual cost (implemented) \$	Difference \$
Original Agreement	3,695,000	3,754,512	(59,512)
Amendment # 1	600,005	481,001	119,004
Amendment # 2	347,590	407,076	(59,486)

Source: UNDP Yemen

Failure to adhere to UNDP policies for leasing premises and UNDP procurement principles may result in future liabilities and financial losses for the Office. Ineffective oversight over procurement activities may lead to unfair procurement practices and not providing value for money to the organization. Further, the lack of competitive and transparent procurement processes may expose the Office to significant reputational risks.

Priority	High (Critical)
Recommendation 7:	
The Office should strengthen procurement oversight and controls by:	
<ul style="list-style-type: none"> (a) ensuring that procurement activities are well documented and adhere to the UNDP procurement principles and all relevant policies prior to signing contracts and agreements; (b) submitting the procurement case of the United Nations Common Accommodation Facility, including the procurement of civil works and amendments to the Advisory Committee on Procurement for review; and (c) submitting the signed lease agreement and amendments to the Global Shared Services Unit for advising on recording of the leased premise and its improvements. 	
Management action plan:	
The Office acknowledges the shortfalls in the management of the procurement process for the United Nations Common Accommodation Facility. An expansion of the compound is planned, which will offer the opportunity to regularize the procurement process by submitting the relevant documents. The Procurement Unit is taking the lead in the expansion, and all the various units of General Operations, Legal Office and Global Shared Services Unit will be consulted and involved during the process.	
Estimated completion date: June 2019	

4. Human Resources Management

Issue 8 Non-completion of UNDP mandatory training courses

Mandatory training courses are important for ensuring that staff and managers understand the various policies, regulations as well as the goals and objectives of the organization.

Out of 78 staff members, the below did not complete their UNDP mandatory training courses:

Course name	Number of staff who did not complete the course	Percent of non-completion
Ethics and Integrity at UNDP	15	19%
Prevention of Harassment	19	24%
The Gender Journey	15	19%
UNDP Legal Framework	19	24%
UN Human Rights and Responsibilities	19	24%
Prevention of Sexual Exploitation and Abuse	19	24%

Source: UNDP Yemen

The Office's management explained that this was due to workload and staff not allocating enough time to complete the courses. Despite the efforts made by the Learning Manager to resolve this issue, the completion rate was still below 90 percent.

Not completing the UNDP mandatory training courses may lead to staff members not being aware of the important policies that are relevant to their roles and responsibilities.

Priority	Medium (Important)
Recommendation 8:	
<p>The Office should ensure the completion of mandatory training courses by:</p> <ul style="list-style-type: none"> (a) including the pending mandatory courses as part of the staff learning goals in the Performance Management Development plans for better monitoring; and (b) preparing and following a timetable for completion of the required training courses of all staff. 	
Management action plan:	
<p>The Office will:</p> <ul style="list-style-type: none"> (a) Establish a learning lab equipped with 15 laptops. (b) Hold group learning sessions twice per quarter specially for the non-English speakers (drivers and cleaners). (c) Keep encouraging staff to take these courses and authorize supervisors to grant staff members the learning time as per the corporate learning policy. (d) Enforce inclusion of pending mandatory courses as part of the learning goals for the Performance Management Development plans starting with the next performance cycle. 	
Estimated completion date: March 2019	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** 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** 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/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.