



AUDIT

OF

UNDP YEMEN

(REMOTE AUDIT)

**GRANTS FROM THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA**

Report No. 1399

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**Report on the remote audit of UNDP Yemen
Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 13 to 30 September 2014, conducted a remote audit of the closure of a grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 61078 [HIV]) managed by UNDP Yemen (the Office) as the Principal Recipient. The audit focused primarily on the steps taken to close the grant.

An audit was initially planned to be undertaken in the field but, due to an unsafe security situation, a remote audit was ultimately carried out. The remote audit was based on the review of copies of supporting documentation for the transactions performed, as well as on information provided by the Office management and staff through emails and teleconferences. OAI did not conduct a physical verification of assets and equipment valued at \$2.6 million, and did not physically observe the Office's day-to-day activities. The Office had no stock of medicine.

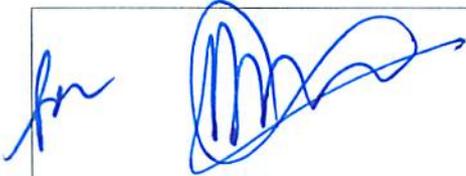
The remote audit covered the activities of the Office from 1 January 2013 to 30 June 2014. During this period, the Office recorded expenditures totalling \$92,000 that related to grant closure activities. This was the first audit of the Office's Global Fund-related activities. OAI had twice planned to carry out an audit of the Principal Recipient, in 2011 and in 2013 but in both cases, the audit work had to be postponed because of security-related concerns.

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

Overall audit rating

In view of the scope limitations entailed by the remote audit, OAI is not issuing an overall audit rating.

The remote audit did not result in any recommendations.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP Yemen

Since 2008, UNDP has been the Principal Recipient of Global Fund grants in Yemen (the Country).

Grant No.	Output No.	Description	Start Date	End Date*	Budget (in \$'000)	Funds Received as of 30 June 2014 (in \$ '000)	Implementation Rate	Expenditures as of 30 June 2014 (in \$ '000)	Global Fund Rating at 30 June 2014
YEM-307-G05-H	00061078	Developing National Capacity to Address HIV/AIDS	1 Jan 2008	31 Dec 2012	10,969	10,890	100%	92	B1 - Adequate

*The Global Fund grant's (phase 2) actual end date was December 2010. The Global Fund then approved another two years of Continuity of Services that ended in December 2012.

II. Audit results

The Grant ended on 31 December 2012 in accordance with the Grant Agreement and a closure plan was subsequently agreed between the Global Fund and the Office with a view to fully close all operations by 31 December 2014. The accumulated expenditure since the grant started in January 2008 amounted to \$6.5 million for the Principal Recipient and \$4.4 million for the Sub-recipients. No disbursements to Sub-recipient were made after 31 December 2012.

Grant closure: The Global Fund communicated to the Office the guidance for grant closure on 4 April 2013, followed by the approval of the Grant Closure Plan (Implementation Letter No. 5) on 30 January 2014. The Office, as Principal Recipient, requested an extension due to the challenging security situation. The extension of the grant closure (Implementation Letter No. 6) was approved by the Legal Support Office and the Global Fund in August 2014 and was signed by the Office in November 2014.

According to the extension terms (Implementation Letter No. 6), the Principal Recipient should refund to the Global Fund, by no later than 31 August 2015, all funds remaining after the completion of grant activities as described in the Grant Closure Plan. No other Principal Recipient will be taking over the grant.

The Office recorded Global Fund-related expenditures amounting to \$68,000 in 2013 and \$24,000 in 2014. OAI reviewed a sample of purchase orders and vouchers, however, documentation relating to a payment of \$21,000 could not be provided by the Office. The detailed list of transactions was reconciled with the approved expenditures in the budget and the amounts were found to be in line with the Grant Closure Plan (according to Implementation Letter No. 5) and were related to grant closure activities. No reportable issues were identified.

The remote audit did not result in any recommendations.

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

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

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 that are considered moderate. Failure to take action could contribute to 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.