

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP YEMEN

(REMOTE AUDIT)

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Report on the remote audit of UNDP Yemen Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a remote audit of UNDP Yemen (the Office) from 8 to 30 September 2014. The review 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 and strategic management (organizational structure, delegations of authority, and financial sustainability);
- (b) United Nations system coordination (development activities and Resident Coordinator Office);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, safety and security, and asset management).

Due to the unsafe security situation in the country, OAI could not conduct an audit in the field and instead decided, on an exceptional basis, to conduct a remote audit. The remote audit was based on the review of supporting documentation of transactions performed, as well as emails and teleconferences with management and staff. OAI did not contact external partners such as government counterparts, donors or other United Nations agencies. Furthermore, OAI did not conduct a physical verification of assets, equipment, or inventory, and did not physically observe the Office's day-to-day activities. The last audit of the Office was conducted in 2008.

The remote audit covered the activities of the Office from 1 January 2013 to 30 June 2014. During this period, the Office recorded programme and management expenditures totalling \$49 million.

The review 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**, which means, "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." This rating was mainly due to weaknesses in Resident Coordinator Office financial planning and reporting, and weaknesses in project management and procurement. The rating is the result of a remote audit that did not include work performed on location. There may thus be risks that have not been identified and which could have influenced the rating expressed in this report.

Key recommendations: Total = 8, high priority = 4

The eight recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 2, 3); (b) reliability and integrity of financial and operational information (Recommendations 1, 4, 6); (c) effectiveness and efficiency of operations (Recommendations 5, 8); and (d) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 7). 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:

Inefficient financial planning and reporting for Resident Coordinator Office (Issue 2)

The Office did not develop a results-based budget linked to the Annual Work Plan for 2013. In addition, the Resident Coordinator Office did not produce or submit a financial report to the United Nations Development Operations Coordination Office showing how \$501,000 in resources was spent by the Office in 2013 and for what purposes.

Recommendation: Strengthen Resident Coordinator Office financial planning and reporting by: (a) producing results-based budgets for each year detailing planned budget allocations for each activity; (b) preparing financial reports at the end of the year detailing how resources were expended; and (c) setting up budgets in Atlas in accordance with guidelines circulated by the United Nations Development Operations Coordination Office.

Inefficient controls over project assurance and oversight (Issue 5)

Roles and responsibilities within the Programme Section for project assurance were not clearly defined. A review of the job descriptions for the Team Leader and Programme Analyst posts showed that neither job description defined who was responsible for project assurance. OAI also noted weak controls for project assurance and oversight, which included project boards not meeting regularly, poorly defined monitoring frameworks, inadequately defined Annual Work Plans and weaknesses in the capacity assessments of implementing partners for national implementation modality.

Recommendation: Strengthen controls over project assurance and oversight by: (a) revising job descriptions of programme staff and segregating duties for project assurance; (b) having Project Steering Committees meet for all projects on a quarterly basis and undertaking substantive reviews of projects; (c) establishing functional project monitoring systems, and setting up proper project budgets in Atlas; (d) developing Annual Work Plans that provide clearly defined timeframes showing precisely when planned activities are to be implemented; and (e) consider to convert all projects to direct implementation modality and basing any decision to adopt national implementation modality on findings and recommendations of capacity assessments.

Weaknesses in procurement management (Issue 6)

The following weaknesses were noted in the review of the procurement activities: (a) high turn-over and limited capacity of the Procurement Unit; (b) the Office did not prepare a consolidated procurement plan during the audit period; (c) deficiencies in the determination of technical specifications of goods and civil works needed; (d) weaknesses in the evaluation of proposals; and (e) incorrect use of Atlas purchase orders and purchase orders created without e-requisitions.

Recommendation: Improve procurement management by: (a) increasing the technical capacity of the Procurement Unit by using the UNDP Procurement Support Office or other UNDP offices in the region for handling complex procurement cases; (b) preparing a consolidated office procurement plan; (c) determining proper technical specifications of goods and civil works needed; (d) thoroughly documenting procurement evaluation processes; and (e) raising Atlas e-requisitions and purchase orders for all applicable procurement activities in compliance with UNDP policies and procedures and for the full amount of the contractual obligation.

Inadequate management of individual contracts (Issue 7)


OAI reviewed 15 individual contracts out of the total of 300 individual contracts issued during the audit period and identified the following deficiencies: (a) incorrect use of the individual contract modality, as individual contractors were used for core functions normally performed by staff members; and (b) schedule of payments, deliverables and milestones were not clearly defined.

Recommendation: Adhere to UNDP policies relating to individual contracts by: (a) using the individual contract modality only for consultancies; and (b) clearly scheduling/defining terms of payments, deliverables and milestones.

Management comments and action plan

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

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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