

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP YEMEN

SUPPORT TO ELIMINATE THE IMPACT FROM MINES
(Directly Implemented Project No. 72780, Output No. 85825)

Report No. 1809

Issue Date: 17 August 2017

Report on the Audit of UNDP Yemen
Support to Eliminate the Impact from Mines (Project No. 72780, Output No. 85825)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 17 to 24 May 2017, conducted an audit of Support to Eliminate the Impact from Mines, Project No. 72780, Output No. 85825 (the Project), which is directly implemented and managed by the UNDP Country Office in Yemen (the Office). This last audit of the Project was conducted in 2016 by Deloitte & Touche (M.E.) under HACT audits covering the expenditures of the year ended 31 December 2015.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2016 and the accompanying Funds Utilization Statement¹ as of 31 December 2016. The audit did not include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Assets as there were no assets held by the Project as of 31 December 2016. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*		
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)
3,506	Qualified	158

* Expenditures recorded in the Combined Delivery Report were \$3,941,806. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$436,115).

**NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenditure mainly due to unsupported basis for calculating the Direct Project Costs.

Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the reliability and integrity of financial and operational information (Recommendations 1 and 2).

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

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:

Basis for calculating the Direct Project Cost not provided (Issue 1)

The review noted that the Office did not adhere to the UNDP policy and procedures in calculating the Direct Project Costs. The Office was not able to provide sufficient justification and supporting documents on the basis of calculating the Direct Project Costs amounting to \$158,073.

Recommendation: UNDP management should adhere to UNDP policy and procedures in calculating the Direct Project Costs and maintain appropriate documentation.

Inadequate budgetary controls (Issue 2)

The review between the budget and actual expenditures disclosed that expenditures amounting to \$77,089 relating to salary, travel and allowances were charged to the project. However, they were not provided for in the approved donor budget. Furthermore, expenditures amounting to \$574,406 that were charged to the project in excess of the approved budget line items, although the overall project budget was not overspent.

Recommendation: UNDP management should enhance controls to ensure only budgeted expenses are charged to the project at each appropriate period. In addition, approval should be sought from the donor prior to incurring costs over and above the approved budget amounts.

Management comments and action plan

The UN Resident Coordinator and UNDP Resident Representative accepted both recommendations and is in the process of implementing them.

Management comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Osttveiten
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