

**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**  
**Issue Date: 4 January 2019**

## 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"> <li>▪ In four projects, the approved project documents omitted, partially or completely, section IX on 'Legal Context' of the UNDP standard template.</li> <li>▪ In three projects, the project documents were signed by the responsible parties as the Office considered them the implementing partners.</li> <li>▪ 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.</li> </ul> <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.

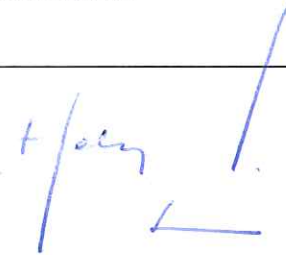
Recommendation: The Office should strengthen procurement oversight and controls by: (a) ensuring that procurement activities are well documented and adhere to the UNDP procurement principles and all relevant policies prior to signing contracts and agreements; (b) submitting the procurement case of the 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