

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP YEMEN

EMERGENCY MINE ACTION

(Directly Implemented Project No. 99753, Output No. 103025)

Report No. 2080

Issue Date: 1 August 2019

**Report on the Audit of UNDP Yemen
Emergency Mine Action (Project No. 99753, Output No. 103025)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu – Ghazaleh & Co. (the audit firm), from 1 to 16 May 2019, conducted an audit of Emergency Mine Action (Project No. 99753, Output No. 103025) (the Project), which is directly implemented and managed by the UNDP Country Office in the Republic of Yemen (the Office). This was the first audit of the Project.

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 expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement¹ as of 31 December 2018 as well as Statement of Assets as of 31 December 2018. The audit did not include 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 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 Expenses*			Project Assets	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
5,299	Qualified	226	11	Unmodified

* Expenses recorded in the Combined Delivery Report were \$6,053,222.21. Excluded from the audit scope were transactions that were processed and approved by other UNDP offices outside of the country \$754,064.53.

** NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to project's expenditures incorrectly recorded during the audit period resulting in overstatement of the Combined Delivery Report (CDR) by \$226,157.52.

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the following: (a) reliability and integrity of financial and operational information and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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:

Project's expenditure recorded in the incorrect accounting period. (Issue 1)

The office recorded expenditures for the amount of \$209,405.11 incurred in 2017 in the 2018 Combined Delivery Report (CDR), and as a consequence, the General Management Support expenses were overstated in \$16,752.41, resulting in a total overstatement of the 2018 CDR on \$226,157.52. The supporting documentation of the related transactions were received from third parties in 2018 and lacked relevant dates, thus, the audit could not trace and verify the actual dates of the transactions as well as the receipt of goods and services.

Recommendation: The Office should: (a) consult with UNDP Headquarters on proper recording of transactions given the unique development situation and country context of Yemen; (b) instruct third parties implementing project activities to timely report on the project expenditures; and (c) ensure supporting documentation includes dates, and record the actual date that goods and services are received.

Management comments and action plan

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.

Helge S. Osttveiten
Director
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