

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT
OF
UNDP COUNTRY OFFICE
IN
YEMEN

Report No. 2329
Issue Date: 1 March 2022

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 14 to 30 November 2021. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

In addition, OAI assessed the performance of the Office in the following areas and sub areas: governance, development activities and operations.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

- (a) Development Activities
 1. Has the Office achieved its Country Programme and development project results according to planned budget and timeframe?
- (b) Operations
 2. Did the operational activities effectively and efficiently support the implementation of the programme objectives?

The audit covered the activities of the Office from 1 January 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately \$194 million. The last audit of the Office was conducted by OAI in 2018.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) Safe contents and petty cash were not verified.
- (e) The information communication and technology area were not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance 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 within procurement processes, contract management and project administration.

Key recommendations: Total = **8**, high priority = **3**

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of organization's strategic objectives	1	Medium
	2	High
Effectiveness and efficiency of operations	4, 5	High
	6, 7	Medium
Compliance with legislative mandates, regulations and rules, policies, and procedures	3, 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:

Weaknesses in project administration (Issue 2)

Low project delivery was noted in two outputs reviewed, and three outputs had no expenditure recorded as of December 2021.

For the outputs with low delivery this was due to the political situation and delays in obtaining no cost extensions.

For the outputs with no delivery this was due to (i) recruitment delays of project staff; (ii) delays in the preparation and approval of Environmental and Safeguards Management Plans; and (iii) security challenges preventing the implementation of activities.

Recommendation 2: The Office should strengthen project monitoring and implementation by: (a) identifying projects with low delivery and developing and implementing a delivery acceleration plan; and (b) reviewing the project budget on a regular basis, ensuring that the budget is aligned with activities that can be realistically implemented during the reporting period.

Inadequate procurement process (Issue 3)

The following weaknesses were noted within procurement:

- Not all procurement was included within the corporate planning procurement tool (PROMPT). In 2020, purchases amounted to \$34.4 million while the PROMPT procurement plan included purchases of \$15.5 million.
- Market research was not properly conducted. In all 10 procurement cases with open international competition, only two of the evaluated bids complied with the required submission criteria. In seven cases, the solicitation documents were revised numerous times due to technical ambiguities, errors, inconsistencies and incompleteness highlighted by bidders.
- The Office did not undertake a qualification assessment prior to the technical evaluation.
- Three direct contracting purchases above \$50,000 and totalling \$170,130 were not submitted to the procurement review committee, due to a misunderstanding of the policy.

- For eight purchases totalling \$4.5million, the evaluation process was between 50 to 234 days against a benchmark of 34 days.

Recommendation 4: The Office should strengthen the procurement process by: (a) utilizing the corporate procurement planning tool and conducting structured market research; (b) ensuring completeness and accuracy of technical specifications, conducting a vendor qualification assessments and concluding vendor evaluations within established timeframes; and (c) submitting direct contracting cases exceeding \$50,000 to the procurement review committee.

Weaknesses in the awarding and management of contracts (Issue 4)

The Office renewed a contract with a vendor to provide accommodations for international staff of the UN Country Team (UNCT) totalling \$67.8 million from August 2021 to July 2026, during the review the following weaknesses were observed:

- A bank guarantee of \$8 million was not obtained corresponding to the deposit and rental advance.
- The monthly rent included 13 components for which the criteria were not clear.
- Security enhancements amounting to \$4.5 million were not taken into consideration in the price negotiations for the contract renewal.

In the security service contracts signed in 2017 and 2020 totalling \$4.1 million the following weaknesses were observed:

- In four contracts, the Office did not obtain the required contractual instruments such as fidelity bonds, permits and licenses, and insurance policies agreed in the contracts with vendors.
- Confirmations on screening of security guards and their required trainings including policies on use of force was inadequate for three contracts.

Recommendation 5: The Office should improve the awarding and management of contracts by: (a) establishing an adequate contract management mechanism to ensure all contractual elements are complied with in a timely manner (b) obtaining a bank guarantee for the \$8 million (deposit and advance rental payments) (c) ensuring contract price increase are not accepted without justification and revising the lease to ensure clarity of pricing for all the components; (d) ensuring the relevant insurance is in place for security services including, fidelity bonds, permits and licenses, and consulting with the Office of Legal Services regarding the applicability of proposed exemptions; and (e) completing screening of guards and ensuring required training has been completed.

Implementation status of previous OAI audit recommendations: Report No. 2010, 4 January 2019.

Total recommendations: 8
Implemented: 7
Withdrawn: 1



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 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.

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', with a horizontal line underneath.

Helge Ostveiten
2022.03.01
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Helge S. Ostveiten
Director
Office of Audit and Investigations