



## INTERNAL AUDIT DIVISION

# AUDIT REPORT

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The effectiveness and efficiency of implementation of project activities in UNHCR's Operations in Yemen

Strengthening of strategic planning would enable UNHCR Representaion in Yemen to implement its project activities more effectively

1 June 2011

Assignment No. AR2010/131/03

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. António Guterres, High Commissioner  
A: United Nations High Commissioner for Refugees  
(UNHCR)

DATE: 1 June 2011

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS

REFERENCE: IAD: 11- 00420

SUBJECT: **Assignment No. AR2010/131/03 – Audit of the effectiveness and efficiency of implementation of project activities in UNHCR's Operations in Yemen**  
OBJET: **project activities in UNHCR's Operations in Yemen**

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the recommendations in the OIOS recommendations database, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR  
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR  
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR  
Ms. Karen Madeleine Farkas, Controller and Director, Division of Financial and Administrative Management, UNHCR  
Mr. Yacoub El Hillo, Director, Bureau for Middle East and North Africa (MENA), UNHCR  
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Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
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Mr. Christopher F. Bagot, Chief, Geneva Audit Service, OIOS  
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## EXECUTIVE SUMMARY

### Audit of the effectiveness and efficiency of implementation of project activities in UNHCR's Operations in Yemen

The Office of Internal Oversight Services (OIOS) conducted an audit of the effectiveness and efficiency of implementation of project activities in UNHCR's operations in Yemen. The overall objective of the audit was to assess the adequacy of arrangements to support effective and efficient implementation of project activities in accordance with UNHCR rules and regulations. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Yemen is a complex operation handling both a growing urban refugee population and Internally Displaced Persons (IDPs). The IDP population more than doubled between 2008 and 2009 from 100,000 to 250,000 increasing the number of persons of concern from 241,000 to 422,000. To deal with the increased number of persons of concern the Representation's spending authority was doubled from \$11.7 million in 2008 to \$23.8 million in 2009. Because of the growing importance of this operation, this audit was included in OIOS Internal Audit Division's work plan for 2010.

The Representation in Yemen had established controls to ensure that adequate financial and performance monitoring visits to Implementing Partners (IPs) took place. Some progress was achieved in the field of strategic planning to assist urban refugees and IDPs. However, the following improvements could help strengthen controls over effective and efficient implementation of project activities:

- Existing coordination mechanisms between the main protection cluster and its working groups needed to be strengthened to help improve decision-making on issues relating to IDPs.
- An enhanced IDP strategy and action plan with appropriate indicators, timelines and clear responsibilities for implementation to comply with the Global Management Accountability Framework was needed.
- Controls over IP selection needed strengthening through systematic evaluation of IPs and maintaining adequate supporting documentation for this process.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the effectiveness and efficiency of implementation of project activities in UNHCR's operations in Yemen. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The main objectives of the Yemen operations were to improve the implementation of the 10 Point Plan of Action in response to mixed migration in coordination with the Yemen Government while developing partnerships with Yemen authorities, refugee communities, and other stakeholders. In addition, UNHCR sought to strengthen the legal framework and the capacity of institutions to protect and assist refugees, asylum-seekers and Internally Displaced Persons (IDPs) whilst seeking durable solutions for all persons of concern.
3. During the years 2008 and 2009, the Representation worked with 18 Implementing Partners (IPs) to implement five projects with total programme expenditure of \$16.6 million. Of this expenditure, IPs accounted for 60 per cent (\$9.9 million) and UNHCR direct implementation accounted for 40 per cent (\$6.7 million). The largest project CM/201 Care and Maintenance Community Development for Refugees in Kharaz and Basateen accounted for 56 per cent of the programme implementation. The Representation procured goods and services totalling \$19.2 million of which some \$13.1 million (68 per cent) was local procurement.
4. As of 6 September 2010, the asset records show 1,582 items with purchase cost of \$4.8 million and current value of \$2.7 million. In 2010, the UNHCR workforce in Yemen comprised 30 Professional (P), four National Officer staff, and 81 General Service (GS) staff.
5. Comments made by UNHCR are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The overall objective of the audit was to assess the adequacy of arrangements to support effective and efficient implementation of project activities in accordance with UNHCR regulations and rules.

## III. AUDIT SCOPE AND METHODOLOGY

7. The audit, which took place from 30 October to 10 November 2010, reviewed UNHCR's programme and project management including projects CM/201 Care and Maintenance Community Development for Refugees in Kharaz and Basateen. The audit reviewed activities and projects implemented directly by UNHCR and by two IPs, namely Society for Humanitarian Solidarity (SHS) and INTERSOS, Italy. The audit covered transactions from 1 January 2008 to 31 December 2009. Developments in 2010 were also considered.
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8. The audit methodology comprised review of policies and procedures, administrative guidelines and data available from Managing for Systems, Resources and People (MSRP), interviews with responsible personnel, analysis of relevant data, and observations and verification of processes.

9. The audit also included a visit to the sub-office in Aden where an assessment of the internal controls was made and selected staff members and the representatives of IPs were interviewed. A visit to the refugee camp in Kharaz was not possible for security reasons.

## IV. AUDIT RESULTS

### A. Programme planning, implementation, monitoring and reporting

#### Monitoring visits were conducted in compliance with UNHCR rules

10. The UNHCR manual Chapter 4, Section 6.5 requires that at least one performance and financial monitoring visit be conducted for all sub-projects. OIOS reviewed the monitoring done by the Representation in 2008, 2009 and 2010. At least one performance monitoring and financial monitoring visit was done per sub-project each year and in many instances, up-to three visits were conducted. Between 2008 and 2010, 76 visits were made. The reports were in compliance with the requirements laid out in the UNHCR manual.

#### Need to comply with Implementing Partner selection procedures

11. UNHCR guidelines on partner selection require using a pre-selection checklist when assessing the suitability of an implementing partner for a new programme. It is intended to help offices in identifying and assessing, in a more consistent way, the level of risk accepted by UNHCR in entering into a partnership agreement with an IP, while allowing offices to take the necessary steps to minimize the consequences of potential risks identified.

12. Of the 16 IPs selected between 2008 and 2010, the checklist was used only in one case. Furthermore, there were no supporting documents for selection of 11 IPs, which was not in compliance with UNHCR Manual Chapter 4, Section 5.1 and IOM063-FOM063/2010 on Prioritized Planning and Detailed Budgeting for 2011, dated 12 October 2010.

### **Recommendation 1**

**(1) The UNHCR Representation in Yemen should maintain all supporting documentation for systematic evaluation of Implementing Partners.**

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13. *The UNHCR Representation in Yemen accepted recommendation 1 and stated that the review of the IPs according to IP checklist was done in December 2010. Recommendation 1 remains open pending receipt of copies of supporting documentation for systematic evaluation of Implementing Partners.*

Need to strengthen co-ordination between main protection cluster and its working groups

14. In OIOS opinion, improving co-ordination between the main protection cluster in Sana'a and the cluster working groups in the field could help improve decision-making of the UNHCR protection cluster. There were two field cluster working groups: one in Amran and one in Hajjah. According to the minutes of cluster meetings that took place from 2009 to 2010, there was no evidence that input from working groups in the field was requested or used for IDP decision-making.

15. In addition, there was no mechanism for the main cluster to receive updated information systematically prepared by field clusters to ensure that information for decision-making reflects the issues IDPs are facing on the ground. There were also IDPs in Al Jawf and Sa'ada locations where no active working groups were present. Thus, the two working groups in Amran and Hajjah were not representative of the whole IDP population. IDP Information from these areas is currently not being systematically transmitted to Sana'a, therefore decision-making in Sana'a is based on incomplete information.

16. Creating cluster working groups in other areas with IDPs will ensure the protection cluster decisions incorporate input from a wide cross-section of IDP affected areas. Strengthening coordination mechanisms between main protection cluster in Sana'a and the cluster working groups in the field will further help improve decision-making at the main protection cluster level.

**Recommendations 2 and 3**

**The UNHCR Representation in Yemen should:**

**(2) Strengthen existing mechanisms to improve coordination between the main protection cluster in Sana'a and the cluster working groups in the field.**

**(3) Create additional protection cluster working groups in other existing Internally Displaced Persons locations to ensure decision-making input from a wide cross-section of the areas.**

17. *The UNHCR Representation in Yemen accepted recommendation 2 and stated that the coordination was strengthened with the arrival of the Senior Protection UNHCR (IDPs) Officer in mid-December, and the arrival of the Protection Cluster Lead, seconded by Norwegian Refugee Council (NRC) early 2011. They also stated that a protection cluster was recently established in*

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*Sa'ada.* Recommendation 2 remains open pending receipt of documentary evidence showing that existing mechanisms to improve coordination between the main protection cluster in Sana'a and the cluster working groups in the field has been strengthened.

18. *The UNHCR Representation in Yemen accepted recommendation 3 and stated that the set-up of a new coordination mechanism is being reviewed to enhance coordination and taking into consideration the current elevated security situation and the political turmoil in Yemen.* Recommendation 3 remains open pending receipt of documentary evidence that additional protection cluster working groups have been created in other existing IDP locations to ensure decision-making input from a wide cross-section of the areas.

#### Need for a detailed IDP strategy and action plan

19. In UNHCR's Global Management Accountability Framework (GMAF), the country level accountabilities and responsibilities for the programme function require country operations to implement a results oriented approach for assessing, designing and delivering the country operation. This ensures the country operation is designed to meet the needs of all persons of concern. To comply with GMAF the Representation needed a results oriented approach to fulfill its mandate for IDPs. In January 2010, the Representation in Yemen drafted a five page protection strategy which provided an outline without clearly indicating the expected outcome of each strategy using appropriate indicators and defining responsibility for implementation and timeframe.

#### **Recommendation 4**

**(4) The UNHCR Representation in Yemen should enhance its Internally Displaced Persons strategy and develop an action plan with appropriate indicators, timelines and clear responsibilities for implementation to comply with the Global Management Accountability Framework.**

20. *The UNHCR Representation in Yemen accepted recommendation 4 and stated that an IDP strategy is being developed by the new senior staff that arrived mid-December/early January. An IDPs retreat was held in February for Sana'a and the field staff to develop a joint strategy and action plan. The retreat results will be amalgamated with the conclusions reached by the AGDM/PA exercise with all stakeholders, before finalizing the strategy.* Recommendation 4 remains open pending receipt of a finalized strategy and action plan.

#### B. Implementing Partners

##### **Society for Humanitarian Solidarity (SHS)**

#### Need to countersign the certification of works for construction activities

21. Between 2008 and 2010, SHS implemented UNHCR projects amounting to \$521,032 including the construction of various shelters, a guest house, a river

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bank protection wall and rehabilitation of shelters amongst others. The UNHCR shelter team did not sign the certification of works for construction activities to provide assurance that work had been completed as scheduled at different stages of the project. The Representation explained that the shelter team performed daily monitoring and coordination at the construction sites. However, payments were based only on submissions by SHS. In the opinion of OIOS, an independent confirmation of completion of works at each stage is needed prior to disbursing subsequent installments.

#### **Recommendation 5**

**(5) The UNHCR Representation in Yemen should ensure that UNHCR's shelter team countersigns the certification of works for construction activities to provide assurance to UNHCR that installments paid match the implementation achieved.**

22. *The UNHCR Representation in Yemen accepted recommendation 5 and stated that it took note and that the shelter engineer has already been informed of this recommendation and he has been instructed to countersign the certification of works for construction activities to provide assurance to UNHCR that installments paid match the implementation achieved.* Recommendation 5 remains open pending receipt of copies of the certification of works for construction activities countersigned by UNHCR shelter team.

#### Need to improve controls over the payment of salaries

23. Representation was not systematically checking salaries paid by SHS for specified posts funded by UNHCR against approved budgets. There were instances where SHS paid staff higher salaries from UNHCR funds than what was authorized by the agreement budgets. For example, in 2009, guards were paid YR930,661 (\$4,654) more than what was budgeted in sub-project CM/201. Similarly, in 2009 the Centre Supervisor post (which changed hands a number of times) was paid YR100,800 (\$504) more than budgeted under sub-project CM/201. According to sub-agreements signed with UNHCR in 2009, SHS was obliged to adhere to provisions concerning the number and cost of project personnel in the staffing table and the budget attached to the UNHCR agreement.

#### **Recommendation 6**

**(6) The UNHCR Representation in Yemen should strengthen checks of salaries at Society for Humanitarian Solidarity to ensure that salaries are in conformity with the approved budget.**

24. *The UNHCR Representation in Yemen accepted recommendation 6 and stated that SHS was informed and verification will be done at each Sub-Project Monitoring Report (SPMR).* Recommendation 6 remains open pending receipt of copies of SPMR demonstrating that salary costs are charged in accordance with the sub-project agreement.

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## **INTERSOS Italy**

### Need to monitor adherence to procurement rules

25. According to the sub-agreement between UNHCR and INTERSOS, UNHCR has approved the agency's internal procurement procedures, on the basis of a pre-qualification exercise and therefore INTERSOS may undertake procurement on behalf of UNHCR. Any procurement undertaken as part of the sub-agreement is subject to the UNHCR Implementing Partner procurement guidelines that should be attached to the agreement.

26. The Representation did not have a copy of INTERSOS procurement procedures. The procedures were not attached to the sub-agreement as envisaged by the agreement. Consequently, The Representation was not able carry out periodic checks of conformity with the IP's procurement rules during the period under audit.

27. OIOS examined procurement cases totaling \$34,674 (29 per cent) for procurements undertaken by INTERSOS during 2009 and 2010. In 90 per cent of these cases, there was no evidence that technical criteria were considered in evaluating the proposals. As a result, there is no reasonable assurance that INTERSOS obtained the best value for money in procurements using UNHCR funds. In addition, INTERSOS and the sub-office Aden could not confirm whether such practice was consistent with INTERSOS procurement guidelines.

### **Recommendation 7**

**(7) The UNHCR Representation in Yemen should verify during monitoring visits that INTERSOS adheres to its procurement guidelines in accordance with provisions of the sub-agreement between UNHCR and INTERSOS.**

28. *The UNHCR Representation in Yemen accepted recommendation 7 and stated that this is an ongoing activity. The Programme Unit has been instructed to carry out necessary monitoring and reporting with a view to implementing this recommendation. Recommendation 7 remains open pending receipt of the monitoring report describing adherence of INTERSOS to its procurement guidelines.*

## C. Asset management

### Need to improve asset management

29. The asset management system was not up-to-date. There were errors such as incorrect recording of custodians, and model/serial numbers. In addition, one vehicle had two UNHCR barcodes, while another vehicle could not be traced to the list because an incorrect serial number had been recorded which already existed in the system. Furthermore, there was no evidence that a physical inventory was carried out as no reports were available summarizing the findings of such an exercise with appropriate recommendations, as required by UNHCR

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Manual Chapter 8 and IOM050-FOM049/2009. A report summarizing the findings of the inventory and providing recommendations for remedial action should be prepared within 30 days of the inventory exercise. Strengthening internal controls over asset management would help the Representation in Yemen ensure that up-to-date and accurate information on all its assets is maintained.

#### **Recommendation 8**

**(8) The UNHCR Representation in Yemen should develop procedures for asset management, including maintaining asset management database and conducting periodic inventory of assets accompanied by a report prepared within 30 days on the results of the count and follow-up action required.**

30. *The UNHCR Representation in Yemen accepted recommendation 8 and stated that since the establishment of the new asset management system in November 2010, the team is facing numerous technical problems to update the database in MSRP. Discussions are ongoing with HQ for certain items. The Representation further stated that inventory was conducted by end of December 2010. Property, Plant, Equipment (PPE) report was sent. Serially Tracked Item (STI) reports are being prepared by end of March 2011. Several problems occurred in asset management due to the new system established in November and HQ was informed. Recommendation 8 remains open pending receipt of procedures for asset management, including maintaining asset management database and conducting periodic inventory of assets accompanied by a report prepared within thirty days on the results of the count and follow-up action required.*

## V. ACKNOWLEDGEMENT

31. We wish to express our appreciation to the Management and staff of UNHCR Yemen for the assistance and cooperation extended to the auditors during this assignment.

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNHCR Representation in Yemen should maintain all supporting documentation for systematic evaluation of Implementing Partners.	Compliance	Medium	O	Supporting documentation for systematic evaluation of Implementing Partners	December 2010
2	The UNHCR Representation in Yemen should Strengthen existing mechanisms to improve coordination between the main protection cluster in Sana'a and the cluster working groups in the field.	Strategy	Medium	O	Documentary evidence of the new mechanisms to improve coordination between the main protection cluster in Sana'a and the cluster working groups in the field.	February 2011
3	The UNHCR Representation in Yemen should create additional protection cluster working groups in other existing Internally Displaced Persons locations to ensure decision-making input from a wide cross-section of the areas.	Strategy	Medium	O	Documentary evidence of creation of additional protection cluster working groups.	30 April 2011
4	The UNHCR Representation in Yemen should enhance its Internally Displaced Persons strategy and develop an action plan with appropriate indicators, timelines and clear responsibilities for implementation to comply with the Global Management Accountability Framework.	Strategy	Medium	O	Finalized strategy and action plan.	Ongoing
5	The UNHCR Representation in Yemen should ensure that UNHCR's shelter team countersigns the certification of works for construction activities to provide assurance to UNHCR that installments paid match the implementation achieved.	Operational	Medium	O	Copies of the certification of works for construction activities countersigned by UNHCR shelter team.	Ongoing
6	The UNHCR Representation in Yemen should strengthen checks of salaries at Society for Humanitarian Solidarity to ensure that salaries are in conformity with	Financial	Medium	O	Copies of the Sub-Project Monitoring Reports.	Ongoing

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<b>Recom. no.</b>	<b>Recommendation</b>	<b>Risk category</b>	<b>Risk rating</b>	<b>C/O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
	the approved budget					
7	The UNHCR Representation in Yemen should verify during monitoring visits that INTERSOS adheres to its procurement guidelines in accordance with provisions of the sub-agreement between UNHCR and INTERSOS.	Financial	Medium	O	Monitoring report on adherence of INTERSOS to its procurement guidelines	Ongoing
8	The UNHCR Representation in Yemen should develop procedures for asset management, including maintaining asset management database and conducting periodic inventory of assets accompanied by a report prepared within 30 days on the results of the count and follow-up action required.	Compliance	Medium	O	Receipt of documentary evidence that UNHCR in Yemen has updated the asset management database.	Ongoing

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.

## ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*