



## **United Nations Population Fund**

**Delivering a world where every pregnancy is wanted,  
every childbirth is safe and  
every young person's potential is fulfilled.**

### **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

### **AUDIT OF THE UNFPA COUNTRY OFFICE IN YEMEN**

### **FINAL REPORT** Nº IA/2024-28

**30 December 2024**

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## EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Yemen (the Office). The audit was conducted remotely from 7 to 25 October 2024. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, Implementing Partner management, programme supplies management, and management of non-core funding; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

2. The audit covered activities conducted from 1 January 2023 to 30 June 2024, which corresponded to the first year and the first six months of the second year of the sixth Country Programme 2023-2024, approved by the Executive Board in its second regular session of 2022, with indicative resources of US\$35.9 million (\$5.9 million of core resources and \$30.0 million of non-core resources).

3. Expenses covered by the audit amounted to \$48.6 million,<sup>1</sup> executed by UNFPA (23.1 million or 48 per cent) and 22 Implementing Partners (25.5 million or 52 per cent), and were funded from core resources (3.9 million or 8 per cent) and non-core resources (44.7 million or 92 per cent).<sup>2</sup> In addition, the audit covered the supply of reproductive health commodities totalling \$3.2 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.<sup>3</sup>

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA).

### Overall audit rating

5. The overall audit rating is **"Partially Satisfactory with Some Improvement Needed"**,<sup>4</sup> which means that the assessed governance arrangements, risk management practices, and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area's objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

6. The audit provided recommendations to address the following issues: (a) emerging risks related to the deterioration of the banking and liquidity situation in the host country; (b) an inadequate workplan monitoring process; (c) ineffective management of a Cash and Voucher Assistance programme; (d) an inadequate Implementing Partner management process; and (e) ineffective management of programme supplies.

<sup>1</sup> Due to successful resource mobilization, expenses covered by the audit exceeded the program cycle's indicative resources.

<sup>2</sup> Source: Quantum Plus Power BI Account Activity Analysis report.

<sup>3</sup> Source: Cognos Inventory Issuance Report and Cognos Status Report.

<sup>4</sup> See complete set of definitions in Annex 1.

7. Ratings by key audit area are summarized in the following table.

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Some improvement needed</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Satisfactory</i>
<i>Risk management</i>		<i>Some improvement needed</i>
<b>Programme Management</b>		<b>Major improvement needed</b>
<i>Programme planning and implementation</i>		<i>Major improvement needed</i>
<i>Implementing Partner management</i>		<i>Some improvement needed</i>
<i>Programme supplies management</i>		<i>Major improvement needed</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
<b>Operations Management</b>		<b>Satisfactory</b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication technology</i>		<i>Not assessed</i>
<i>Safety and security management</i>		<i>Satisfactory</i>

### Good practices identified

8. The audit identified the following practices which enhanced governance, strengthened internal controls, and improved risk management:

- a) The Office fostered and maintained positive partnerships with the Office of the United Nations Resident Coordinator in Yemen and other United Nations organizations by actively participating in inter-agency coordination clusters and working groups; and
- b) The Office proactively and successfully undertook resource mobilization and partnership efforts, increasing the available resources for programme implementation and UNFPA's visibility and strategic positioning as a trusted partner in the country.

### Key recommendations Total = 5, high priority = 3

9. For high priority recommendations, prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the Organization). All high priority recommendations are presented below.

#### *Strategic level*

10. Office Management, in coordination with the Arab States Regional Office, UNFPA Headquarters, and the United Nations Country Team in Yemen, should: (a) initiate high-level discussions with key national stakeholders to identify and pursue possible avenues to access its \$4.2 million frozen funds, originated by a deterioration in the country's banking and liquidity; and (b) leverage the United Nations Country Team's collective influence to advocate for a solution that prioritizes urgent humanitarian operations.

#### *Operational level*

11. Office Management, with support from the Arab States Regional Office and UNFPA Headquarters, should strengthen its Cash and Voucher Assistance programme by: (a) conducting a comprehensive risk assessment that includes financial and fiduciary risks, preparing a checklist for the Cash and Voucher Assistance programme, and having both the risk assessment and checklist approved by the Regional Office and Headquarters; (b) prioritizing the use of recognized Payment Service Providers for delivery of Cash and Voucher Assistance, except in circumstances direct cash payments are needed for life-saving assistance and use of Payment Service Providers is not feasible; (c) developing a payment process that identifies, for the Office, beneficiary names and contact information in a confidential manner; and (d) enhancing monitoring

activities to ensure that cash and vouchers are distributed to target beneficiaries and services delivered, as planned.

12. The Office needs to enhance its programme supplies management process by: (a) developing the capacity of its staff members and IP personnel to manage programme supplies, including accurate and timely recording of supplies; (b) establishing an effective monitoring process that entails, at a minimum, verification of inventory conditions and controls, and tracing of UNFPA deliveries through the supply chain to ensure visibility and assurance over their safeguarding, management, and use for intended purposes, following handover to partners or beneficiaries.

### **Implementation status of previous OAIS recommendations**

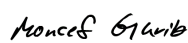
13. The Office was last audited by OAIS in 2018,<sup>5</sup> and by the United Nations Board of Auditors in 2022. All recommendations arising from these audits were fully implemented and closed.

### **Management comments and action plan**

14. Office Management agrees with the audit recommendations and commits to implementing them in accordance with the timelines provided in the report.

#### Acknowledgment

15. The OAIS team would like to thank the Management and personnel of the Office, the Arab States Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

Signed by:  
  
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 Moncef Ghrib  
 Director  
 Office of Audit and Investigation Services

<sup>5</sup> Report No 2018-13 issued on 13 December 2018 with a 'Not Effective' rating.

## I. AUDIT BACKGROUND

1. Yemen had an estimated population of 35.2 million in 2024.<sup>6</sup> The country ranked 186 out of 193 countries and territories on the Human Development Index in 2022, and 166 on the Gender Inequality Index in the same year.<sup>7</sup> In 2020, the maternal mortality ratio was at 183 deaths per 100,000 live births. In 2024, the modern contraceptive prevalence rate (modern methods) for women aged 15-49 was 21 per cent, and the unmet need for family planning was 14 per cent.<sup>8</sup> Yemen is classified as a Tier I programme country in the UNFPA Strategic Plan 2022-2025,<sup>9</sup> and a priority country for the UNFPA Supplies Partnership programme.

2. After the eruption of fighting in 2015, Yemen's population came under two authorities: a de-facto authority that controls a sizable proportion of the population in the north and an internationally recognized government that is based in the south. Yemen's humanitarian crisis remains one of the worst in the world, driven by conflict, natural disasters, hunger, and disease, coupled with a collapse of the economy and public institutions. Over 4 million people are internally displaced, of whom an estimated 73 per cent are women and children. Approximately 30 per cent of displaced households are headed by women, compared to 9 per cent before the escalation of the conflict. Approximately 15 per cent of the total population is disabled. Climate change and extreme climatic events, such as heavy rains, floods, and desert locust infestation, have further exacerbated needs and reinforced the cycles of violence and forced displacement.<sup>10</sup>

3. As set out in the 2024 OAIS Annual Work Plan, an audit of the UNFPA Country Office in Yemen was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the Institute of Internal Auditors - IIA), which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
  - b) Programme Management – Programme planning and implementation, and the management of Implementing Partners (IP), programme supplies, and non-core funds; and
  - c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.
4. The audit included tests, as considered appropriate, to obtain reasonable assurance with regard to:
- a) Effectiveness and efficiency of Office operations;
  - b) Conformity of expenses with the purposes for which funds were appropriated;
  - c) Safeguarding of assets entrusted to the Office;
  - d) Level of compliance with applicable regulations, rules and policies and procedures; and
  - e) Reliability of the Office's financial and operational reporting.
5. The engagement was conducted remotely and, therefore, the audit procedures undertaken may have been impacted by the following:
- a) The audit team relied on scanned copies of documents provided by the Office;
  - b) Meetings with Office staff and personnel were carried out virtually;
  - c) Project visits (i.e., implementation site visits and in-person meetings with partners, and beneficiaries) were not conducted; and
  - d) Physical verifications of programme supplies and assets were not performed.

<sup>6</sup> Source: <https://www.unfpa.org/data/world-population/YE>

<sup>7</sup> Source: <https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf>

<sup>8</sup> Source: <https://www.unfpa.org/data/world-population/YE>

<sup>9</sup> Tier I comprises programme countries that have not achieved any of the strategic plan's three transformative results.

<sup>10</sup> Source: Country Programme Document for Yemen – 2023-2024

6. The audit covered activities conducted from 1 January 2023 to 30 June 2024, which corresponded to the first year and the first six months of the second year of the sixth Country Programme 2023-2024, approved by the Executive Board in its second regular session of 2022, with indicative resources of US\$35.9 million (\$5.9 million of core resources and \$30.0 million of non-core resources). Expenses covered by the audit amounted to \$48.6 million,<sup>11</sup> executed by UNFPA (\$23.1 million or 48 per cent) and 22 IPs (\$25.5 million or 52 per cent), and were funded from core resources (\$3.9 million or 8 per cent) and non-core resources (\$44.7 million or 92 per cent).<sup>12</sup> In addition, the audit covered the supply of reproductive health commodities totalling \$8.8 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.<sup>13</sup>

7. Approximately 40 per cent of the expenses incurred in 2023<sup>14</sup> corresponded to the UNFPA Strategic Plan output 'Quality of Care and Services', 27 per cent to the 'Policy and Accountability' output, 25 per cent to the 'Gender and Social Norms' output, 6 per cent to the 'Humanitarian Action' output, and 2 per cent to each of the 'Adolescence and Youth' and 'Population and Development' outputs.

8. The main UNFPA office in Yemen is in the capital city of Sana'a, with six decentralized offices located in Aden, Hodeidah, Ibb, Saa'da, Mukalla, and Marib. During the period under review and at the time of the audit, the Office was managed by a Representative, assisted by a Deputy Representative and an International Operations Manager. The Office had 57 approved staff posts - 12 international and 18 national professional posts, and 27 general service posts. Thirty-one additional posts were covered under the Service Contract (SC) (29 posts) and United Nations Volunteer (2 posts) modalities.

<sup>11</sup> Due to successful resource mobilization, expenses covered by the audit exceeded the program cycle's indicative resources.

<sup>12</sup> Source: QuantumPlus Power BI Account Activity Analysis report.

<sup>13</sup> Source: Cognos Inventory Issuance Report and Cognos Status Report.

<sup>14</sup> Source: QuantumPlus Power BI SFR Data Dump report for 2023. Data for 2024 not yet available.

## II. AUDIT RESULTS

9. The audit results are presented below, by audit area.

### A. OFFICE GOVERNANCE

**SOME IMPROVEMENT NEEDED**

10. The Office fostered and maintained positive partnerships with the Office of the United Nations Resident Coordinator in Yemen and other United Nations (UN) organizations by actively participating in inter-agency coordination clusters and working groups.

### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

11. Audit work performed in this area included a review of the: (a) Office's results planning process in 2024; (b) alignment of the Country Programme Document Results and Resources Framework with the 2024 Office Results and Resources Plan; (c) effectiveness of Management oversight over programme delivery and operational activities; (d) accuracy of the 2023 Office annual report; and (e) level of familiarization of Office personnel with UNFPA policies and procedures.

12. No reportable matters were identified based on the audit work performed in this area.

### A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

**SATISFACTORY**

13. Audit work performed in this area included a review of: (a) alignment of the Office's organizational structure and staffing arrangements with its programme delivery and operations; (b) use of proper personnel contractual modalities; (c) the effectiveness of the performance planning and appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review.

14. Based on the work performed in this area, the audit identified two operational matters considered to be of low risk, which were reported to Office Management during the fieldwork stage.

### A.3 – RISK MANAGEMENT

**SOME IMPROVEMENT NEEDED**

**Issue 1** Emerging risks related to the deterioration of the banking and liquidity situation in the country

15. In July 2024, the Central Bank of Yemen (Aden) revoked the licenses of six commercial banks operating in the country. Branches of the six banks operating in the Southern Transitional Council controlled areas were excluded from the revocation. One of the six banks was a commercial bank used by most UN agencies, including the United Nations Development Programme (UNDP), through which UNFPA and several of its IPs in Yemen transacted. The bank closures, unanticipated, created liquidity shortages that negatively impacted the Office's operations in the country. Cash advances amounting to \$4.2 million, previously transferred by the Office to IP bank accounts for programme activities, became inaccessible.

16. To mitigate disruption to UNFPA operations and ensure continued programme implementation, the Office, in consultation with the Arab States Regional Office (ASRO) and the UNFPA Finance Branch, proactively took the following steps:

- a) Diversified its banking operations by shifting to another commercial banks used by UNDP that remained operational and maintained sufficient liquidity despite being impacted by the revocation;



- b) Optimized its fund management by limiting advances to IPs in the third and fourth quarters of 2024, and prioritizing the direct payment and reimbursement HACT<sup>15</sup> cash transfer modalities to minimize financial risks;
- c) Enhanced IP banking by encouraging IPs to open accounts with banks that retained their licenses and demonstrated stable liquidity; and
- d) Sought collaborative solutions by actively engaging with the Operations Management Team and the Finance Working Group of the United Nations Country Team (UNCT) to identify and implement common banking solutions.

17. While acknowledging the Office's mitigation efforts, the audit team recommends additional actions to address the critical nature of the banking situation and mitigate its adverse impact on programme implementation. Specific recommendations are detailed below.

Root Cause *Other: factors beyond the control of UNFPA.*

Impact *A deteriorating banking and liquidity situation limits access to funds in the country and negatively impacts the Office's ability to implement the country programme.*

Category *Strategic.*

Recommendation 1	Priority: High
<p>Working closely with the United Nations Country Team, and in coordination with the Arab States Regional Office and the Division for Management Services (DMS):</p> <ul style="list-style-type: none"> <li>a) Initiate high-level discussions with key national stakeholders to identify and pursue all avenues for accessing the \$4.2 million in frozen funds and leverage the United Nations Country Team's collective influence to advocate for a solution that prioritizes urgent humanitarian operations; and</li> <li>b) Proactively assess and address the deteriorated banking and liquidity situation in the country by developing and implementing a comprehensive risk mitigation plan that includes: (i) early warning systems to detect liquidity shortfalls; and (ii) contingency plans to address other potential restrictions or a complete collapse of the banking system, like developing alternative funds transfer mechanisms, establishing emergency cash reserves, and prepositioning supplies for emergencies.</li> </ul>	
<p><u>Manager Responsible for Implementation:</u> Representative, with support from the Directors, ASRO and DMS.</p>	
<p><u>Status:</u> <i>Agree.</i></p>	
<p><b>Management action plan:</b></p> <p>The Office, in collaboration with UNDP, is actively addressing the issue of frozen funds within UNCT. The Office is working to resolve the funds already deposited with IPs. Together with other affected international organizations, the Office actively participates in high-level discussions led by the Office of the Special Envoy of the Secretary-General for Yemen. These discussions, which are part of an ongoing political process, involve the Central Bank of Yemen in Aden and Sana'a and aim to find a solution for the frozen funds. This issue, which affects all UN agencies in Yemen, with approximately \$60 million withheld in banks, extends beyond the Office's responsibility.</p> <p>UNDP Yemen developed a Business Continuity Plan in September 2024, which includes a risk assessment of the banking sector. The plan was shared with the UNFPA Finance Branch.</p> <p>Additionally, the Office is in regular communication with ASRO and the Finance Branch regarding the banking crisis in Yemen and will send a memo to the Regional Director explaining the situation and highlighting the risks and mitigation measures undertaken to ensure that the issue is escalated to the Director, DMS, and the Deputy Executive Director, Management.</p>	

<sup>15</sup> Harmonized Approach to Cash Transfers

To guide the Regional Office and determine the next steps to be taken, the Office will actively work with DMS to coordinate with the UNDP Treasury at Headquarters in following up on the issues affecting UNFPA and its partners.

**Estimated completion date:** *December 2025.*

## B. PROGRAMME MANAGEMENT

## MAJOR IMPROVEMENT NEEDED

18. The Office proactively and successfully undertook resource mobilization and partnership efforts, increasing the available resources for programme implementation and UNFPA's visibility and strategic positioning as a trusted partner in the country.

### B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

## MAJOR IMPROVEMENT NEEDED

#### Issue 2 Inadequate workplan monitoring process

19. According to UNFPA policy,<sup>16</sup> continuous monitoring is mandatory for all programme activities regardless of whether implemented by a partner, or by UNFPA directly. It includes an assessment of how the implementation of activities - programmatically and financially - is progressing compared to what was planned, and how progress is made towards achieving intended workplan targets. Monitoring observations inform and influence decision making i.e., if revisions need to be introduced to the design of the workplan or the overall programme design.

20. The following were noted based on a review of the 2023 and 2024 monitoring plans and reports:

- a) Lack of oversight over the monitoring process - planning and implementation of monitoring activities were conducted through a coordination mechanism involving thematic leads and hubs, with limited involvement, input, and oversight by the Monitoring and Evaluation Specialist. Several issues relating to planning and implementation of monitoring activities - see b) and c) below - were attributed to lack of oversight;
- b) Incomplete monitoring plan - while the Office's 2024 monitoring plan included 14 monitoring visits, 37 field missions were undertaken, most of which were added without updating the monitoring plan. Further, the monitoring plans for 2023 and 2024 contained limited information on the site visits to be conducted. Missing from the plan were site visit objectives, the IPs to be visited, facilities and their locations, and the activities to be monitored; and
- c) Incomplete implementation of the 2023 monitoring plan - the 2023 monitoring plan included 88 planned field visits, of which only 48 (or 55 per cent) were completed. According to Office Management, the remaining 40 visits were not completed mainly due to lack of financial resources. Other reasons cited for not conducting site visits included increased security risks and inability to obtain permission from the authorities to visit certain locations.

Root Cause *Resources: insufficient human and financial resources (limited number of staff with the requisite skills set to oversee the monitoring and evaluation process).*

Impact *The effectiveness of monitoring activities is negatively impacted, and the Office's ability to make informed decisions and implement timely remediation measures is diminished.*

Category *Operational.*

<sup>16</sup> Policy and Procedures for Preparation, Management and Monitoring of Workplans.

Recommendation 2	Priority: Medium
<p>Improve the Office's workplan monitoring process by: (a) training relevant Office personnel on monitoring processes to enhance their capacity; (b) developing and periodically updating comprehensive annual monitoring plans with the required level of detail in a consultative manner i.e., involving thematic leads, decentralized office personnel, and the Monitoring and Evaluation Specialist; and (c) tracking implementation of established monitoring plans.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> <i>Agree.</i></p>	
<p><b>Management action plan:</b></p> <p>The Office plans to take the following actions to implement the audit recommendation:</p> <ul style="list-style-type: none"> <li>a) Enhance the Monitoring and Evaluation team's knowledge of developing, overseeing, and reporting on monitoring plans and activities;</li> <li>b) In conjunction with the preparation of annual work plans, complete the initial detailed monitoring plan in coordination with relevant programme colleagues, including thematic leads and hubs, to ensure that all monitoring plans are budgeted for, scheduled, and cover all key activities to be implemented through the year; and</li> <li>c) The Quality Assurance team, led by the Monitoring and Evaluation Specialist, will provide monthly reports on monitoring activities and updates on implementation of the monitoring plan. This will include following up on implementation of monitoring recommendations.</li> </ul>	
<p><b>Estimated completion date:</b> <i>September 2025.</i></p>	

### Issue 3 Inadequate management of the Cash and Voucher Assistance programme

21. According to policy guidelines,<sup>17</sup> key risks inherent to implementation of Cash and Voucher Assistance (CVA) interventions must be assessed as part of the CVA programme design and appropriate controls put in place to minimize their likelihood and impact identified. The risk assessments must be cleared by the UNFPA Finance Branch before implementation of CVA activities. In addition, CVA checklists must be completed by Country Offices planning to implement CVA programmes. The checklists should be cleared by the relevant Regional Office and the CVA team at Headquarters prior to inclusion of the activities in workplans. The CVA delivery mechanism should not pose significant reputational, security, programmatic, and fiduciary risks to UNFPA.

22. Applicable policy<sup>18</sup> states that cash disbursement expenses reported by IPs to UNFPA must be considered ineligible if not accompanied by detailed disbursement reports that clearly identify payees and their (up to date) contact information, as well as other relevant supporting documents.

23. As part of its Gender Based Violence (GBV) and Reproductive Health (RH) programming in 2024, the Office continued implementing a CVA programme that was initiated as a pilot in 2023, at a cost of \$1.2 million (as of September 2024).

24. The Office developed two CVA-related Standard Operating Procedures (SOP),<sup>19</sup> voucher guidelines, and a dashboard with data input by IPs on the type of support provided, number of beneficiaries, and cost.

25. A review of the CVA programme design and delivery indicated the following areas for improvement:

- a) *The CVA programme was not pre-cleared by ASRO and Headquarters.* While the Office worked closely with the ASRO in developing the programme, a CVA checklist was neither prepared nor

<sup>17</sup> Guidelines for Cash and Voucher Assistance.

<sup>18</sup> Policy and Procedures on Management of Cash Disbursements.

<sup>19</sup> SOP for Implementing CVA Interventions within GBV Case Management and SOP for Referral of Patients from Community and Basic RH Facilities to Specialized RH Services.

cleared by ASRO and Headquarters before commencement of the programme, as is required by applicable guidelines.<sup>20</sup>

- b) *The CVA risk assessment did not cover financial and fiduciary risks and was not cleared by the Finance Branch at Headquarters.* As part of designing the CVA programme, the Office prepared a risk assessment. However, its scope was limited to risks related to the survivors, omitting crucial financial and fiduciary risks such as cash diversion, theft, corruption, and fraud.
- c) *Direct cash disbursements were used as means for CVA delivery.* IP personnel used a mix of cash payment modalities, including Payment Service Providers (PSP) and direct cash distributions, to pay CVA beneficiaries in the field.<sup>21</sup> Cash distributions, which amounted to \$0.9 million in 2024, are strongly discouraged and should be used as a last resort to provide lifesaving assistance or when PSPs are not a feasible option. Office Management explained that direct cash disbursements were used in urgent, unplanned situations when PSPs were not an option.
- d) *Beneficiary information retained by the Office was insufficient to allow effective validation of distribution reports and post-distribution monitoring.* The Office developed tracking sheets to be populated by IPs involved in CVA activities. The sheets included information such as (GBV) reporter name, governorate, district, village, date of the assistance, case code, amount of assistance, method of cash delivery (i.e., PSP or direct cash payment), and purpose of assistance. However, due to confidentiality and sensitivity reasons, the sheets did not include beneficiaries' names and contact information, as specified in GBV programme guidelines. The missing details significantly limited the Office's ability to validate distribution reports and conduct post-distribution monitoring.

Root Cause *Guidelines: inadequate risk management process (risks not comprehensively assessed and mitigation measures not developed and implemented).*

Impact *Cash and vouchers may not benefit the target beneficiaries or may not be used for the intended purpose, hindering the Office's ability to achieve programme results.*

Category *Operational.*

Recommendation 3	Priority: High
Strengthen the Cash and Voucher Assistance programme by: (a) conducting a comprehensive risk assessment that includes financial and fiduciary risks, preparing a checklist for the Cash and Voucher Assistance programme, and having both the risk assessment and checklist approved by the Regional Office and Headquarters; (b) prioritizing the use of recognized Payment Service Providers for delivery of Cash and Voucher Assistance, except in circumstances direct cash payments are needed for life-saving assistance and use of Payment Service Providers is not feasible; (c) developing a payment process that identifies, for the Office, beneficiary names and contact information in a confidential manner; and (d) enhancing monitoring activities to ensure that cash and vouchers are distributed to target beneficiaries and services delivered, as planned.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Directors, ASRO, DMS, and the Humanitarian Response Division.	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>With the support from ASRO and relevant Headquarters units, the Office is committed to enhancing its Cash in GBV case management interventions in line with Global CVA guidelines and GBV Case Management Guidelines. Key steps to be taken are to review and enhance UNFPA's comprehensive risk assessment processes and prioritize the use of recognized PSPs.</p>	

<sup>20</sup> Guidelines for Cash & Voucher Assistance.

<sup>21</sup> Details by delivery modality (Cash-in-hand vs PSP) are not available.

Further, in coordination with ASRO and relevant Headquarter units, the Office will, through quarterly Post Distribution Monitoring Surveys, enhance its monitoring activities to ensure that cash and vouchers reach the intended beneficiaries and services are delivered as planned. The Office will conduct spot checks/verifications through third party monitoring providers to increase the required assurances. These improvements will be implemented in collaboration with the GBV and CVA Units at the Office, ASRO, and relevant Headquarter units, with a focus on maintaining survivor confidentiality and adhering to GBV guiding principles.

The Office plans to take the following actions:

- a) In coordination with ASRO, update the CVA risk assessment to include financial and fiduciary risks and submit it, together with the checklist, to ASRO and Headquarters for review and clearance;
- b) Develop and implement a SOP to prioritize the use of recognized PSPs for CVA delivery;
- c) Establish clear criteria and procedures to be reflected in IP SOPs for exceptional cases where direct cash distribution may be necessary;
- d) Engage with ASRO and Headquarters to consider options for developing a confidential process for accessing GBV survivors' names and contact information. This will be aligned with corporate initiatives and systems around beneficiary data to ensure proper personal data protection;
- e) Enhance monitoring plans to cover CVA, including third party monitoring and post-distribution monitoring; and
- f) Enhance financial monitoring of CVA through quarterly spot-checks, which will be conducted in the presence of the Office's GBV, CVA, and finance teams to ensure that CVA reaches the intended GBV survivors and is conducted in accordance with established corporate policies and guidelines.

**Estimated completion date:** *December 2025.*

## B.2 – IMPLEMENTING PARTNER MANAGEMENT

## SOME IMPROVEMENT NEEDED

### Issue 4 Inadequate IP management process

26. According to UNFPA policy,<sup>22</sup> competition is the preferred and strongly recommended method for selecting non-governmental organization (NGO) IPs. In exceptional circumstances when the non-competitive process is used, the unit must use the non-competitive partnership template to fully document and justify why selecting a particular partner is in the best interest of UNFPA and confirm that the partner has sufficient institutional, technical, and managerial capacity to deliver the proposed interventions. For Country Offices, if the estimated cumulative workplan total for the duration of the programme cycle is expected to exceed \$500,000, the regional director must, in approving the justification to use a noncompetitive process, sign the completed template.

27. UNFPA procurement procedures,<sup>23</sup> further specify that the procurement of pharmaceuticals and medical devices can only be undertaken by UNFPA from reliable suppliers that produce at international quality levels and must never be included in an IP's workplan.

28. OASIS' review of the IP management process indicated the following exceptions:

- a) The Office did not follow competitive processes in the selection of NGO IPs engaged during the period under review. Further, the mandated 'non-competitive partnership' templates were used to document and justify why selecting the partners was in the best interest of UNFPA and to confirm that the IPs had sufficient institutional, technical, and managerial capacity to deliver the proposed interventions, they were not approved by the Regional Director for any of the

<sup>22</sup> Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

qualifying NGO IPs. During the period under review, 14 NGO IPs received funds exceeding \$500,000 each for a cumulative amount of \$32.9 million, warranting prior approval of the justification to use a non-competitive process by the Regional Director.

- b) One IP acquired medical equipment in the amount of \$145,000. The Office was aware of this issue prior to the audit and had put measures in place to restrict similar future purchases by IPs. Therefore, no recommendation will be issued in this regard.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IP management policies and procedures are complied with).</i>
IMPACT	<i>The practice of engaging IPs without approval of the appropriate UNFPA authority exposes UNFPA to financial and operational risks and does not promote accountability. Medical equipment procured from non-UNFPA-approved suppliers may not meet international quality standard, increasing the risk of harm to beneficiaries and UNFPA's reputation.</i>
CATEGORY	<i>Operational.</i>

Recommendation 4	Priority: Medium
<p>Improve the IP management process by: (a) selecting non-governmental implementing partners using competitive processes. If a non-competitive process is used to select strategic partners, the policy-mandated 'non-competitive partnership' templates should be prepared and approved in accordance with policy requirements; and (b) training Office personnel, including supervisors, on the preparation, management and monitoring of workplan policy, particularly with respect to expense eligibility.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> Agree.</p>	
<p><b>Management action plan:</b></p> <p>Given the context in Yemen, IPs are selected using non-competitive processes to ensure that the selected IPs have specific reach in the different governorates. Hence, the Office plans to take the following actions:</p> <ul style="list-style-type: none"> <li>a) Under the leadership of the Monitoring and Evaluation Specialist, the Office's Quality Assurance Unit will ensure strategic selection of IPs using the non-competitive selection form to be completed by relevant staff in a timely manner and submitted for approval, as required by UNFPA Policy; and</li> <li>b) The Monitoring and Evaluation Specialist, as Head of the Quality Assurance Unit, will plan and conduct training for all programme and operations staff on policies and procedures related to IP selection and workplan management.</li> </ul>	
<p><b>Estimated completion date:</b> June 2025.</p>	

### B.3 – PROGRAMME SUPPLIES MANAGEMENT

### MAJOR IMPROVEMENT NEEDED

#### Issue 5 Ineffective management of programme supplies

*UNFPA-donated supplies not timely registered by IPs*

29. As per the IP agreement general terms and conditions, an IP agrees to maintain books and records, including all records relating to programme supplies, that are accurate, complete, and up to date.

30. OAIS' review of a sample of UNFPA-donated supplies indicated the following exceptions:

- a) Significant delays in recording of receipts by IPs, ranging from 40 to 139 days. In three cases, supplies received in September 2024 amounting to \$344,800 were yet to be recorded in an IP's Logistics Management Information System (LMIS) at the time of the audit in October 2024. The



Office attributed the delay in recording the supplies to a national requirement for the regulatory authority responsible for ensuring the safety, quality, and efficacy of pharmaceuticals and medical devices in the country to carry out inspections of donated supplies before their recording in LMIS.

- b) Discrepancies between quantities recorded as distributed from the central warehouse and those recorded as received at governorate warehouses. The discrepancies amounted to \$361,642 (27 per cent of recorded distributions). The Office attributed the discrepancies to delays in recording the receipt of supplies by governorates.

*Ineffective monitoring of supplies handed over to IPs*

31. According to UNFPA policy,<sup>24</sup> budget holders must ensure that sufficient visibility and assurance is obtained over adequate safeguarding, management, and use for intended purposes of programme supplies after their handover to partners or beneficiaries through the Last Mile Assurance (LMA) process and other appropriate monitoring activities.

32. The Office relied on the corporate LMA process, including the annual in-country assessment and Quarterly Stock Review (QSR), to maintain oversight of UNFPA programme supplies across the supply chain. However, an analysis of IP-submitted QSR reports indicated data deficiencies that precluded effective monitoring. Furthermore, during the audit period, no other monitoring activities were undertaken. Consequently, the established monitoring process failed to detect the exceptions detailed in paragraph 30.

ROOT CAUSE *Resources: insufficient human resources (lack of staff with the required skills set).*

IMPACT *Inadequate programme supplies management processes may negatively impact commodity security and result in inventory and/or financial losses.*

CATEGORY *Operational.*

Recommendation 5	Priority: High
Strengthen the programme supplies management process by: (a) developing Office and IP personnel capacity in the management of programme supplies, including accurate and timely recording of supplies; and (b) establishing an effective monitoring process entailing, at a minimum, verification of inventory conditions and controls, and traceability of UNFPA programme supplies throughout the supply chain for visibility and assurance over the safeguarding, management, and use for intended purposes after their handover to partners or beneficiaries.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>The Office plans to take the following actions to implement the audit recommendation:</p> <ul style="list-style-type: none"> <li>a) In coordination with ASRO and the Supply Chain Management Unit (SCMU), develop a training plan to capacitate Office colleagues and the respective IP personnel responsible for managing programme supplies; and</li> <li>b) Work closely with SCMU to develop a monitoring tool that includes monthly reconciliation of the programme supply stocks between the Office, IPs' central and regional warehouses, and service delivery points, in addition to the engagement of third-party monitors to conduct physical verification of supplies twice a year.</li> </ul>	
<b>Estimated completion date:</b> June 2025.	

<sup>24</sup> Policy and Procedures on Management of Programme Supplies.

**B.4 – MANAGEMENT OF NON-CORE FUNDING****SATISFACTORY**

33. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, accuracy of reports submitted to donors, and compliance with the corporate cost recovery policy. In addition, the audit conducted interviews with three of the Office's main donors.

34. No reportable matters were identified based on the audit work performed.

**C. OPERATIONS MANAGEMENT****SATISFACTORY****C.1 – HUMAN RESOURCES MANAGEMENT****SATISFACTORY**

35. Work performed in this area included testing of a sample of 10 individual consultancies and four SCs awarded by the Office for linkage to the corresponding workplans; compliance with applicable policies and procedures; and the operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Testing of the recruitment process for vacant posts filled during the period covered by the audit and review of the Office's leave management process and benefits were also conducted.

36. Based on the work performed in this area, the audit identified an operational matter considered to be of low risk, which was reported to Management during the fieldwork stage.

**C.2 – PROCUREMENT****SATISFACTORY**

37. Audit work performed in this area included the review of a sample of 37 local purchases made at a cost of \$4.2 million (48 per cent of total local procurement) for linkage to the corresponding workplans; compliance with UNFPA procurement policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

38. Based on the work performed, the audit identified an operational matter considered to be of low risk, which was reported to Management during the fieldwork stage.

**C.3 – FINANCIAL MANAGEMENT****SATISFACTORY**

39. Audit work performed in this area included a review of: (a) the Office's financial management capacity; (b) coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (c) operating effectiveness of controls over the accounts payable and payment processes; (d) the value added tax control arrangements in place; (e) the budget management process; and (f) the effectiveness of the Office's financial management accountability process.

40. No reportable matters were identified based on the audit work performed.

**C.4 – GENERAL ADMINISTRATION****SATISFACTORY**

41. Work performed in this area focused on asset management and included testing of a sample of 10 assets to verify their existence. Asset additions and disposals were assessed as low risk during the audit and, therefore, were not tested.



42. Travel management was assessed as low risk during the audit and, therefore, not tested.

**C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY**

**NOT ASSESSED**

43. This area was assessed as low risk during the audit and, therefore, was not tested.

**C.6 – SAFETY AND SECURITY MANAGEMENT**

**SATISFACTORY**


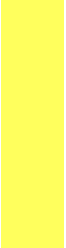


44. Work performed in this area included: (a) a review of the most recent security debriefing and Security Risk Management and Residential Security Management documents; (b) an assessment of compliance with mandatory security training requirements; and (c) a review of the Office Business Continuity Plan.

45. No reportable matters were identified based on the audit work performed.

## ANNEX 1 - DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,<sup>25</sup> are explained below:

▪ <b>Satisfactory</b>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.</p>
▪ <b>Partially satisfactory with some improvement needed</b>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
▪ <b>Partially satisfactory with major improvement needed</b>		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
▪ <b>Unsatisfactory</b>		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

**Guidelines:** Absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

**Guidance:** Inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

**Resources:** Insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

**Human error:** Unintentional mistakes committed by staff entrusted to perform assigned functions

**Intentional:** Intentional overriding of internal controls.

**Other:** Factors beyond the control of UNFPA.

<sup>25</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

## C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum issued upon completion of fieldwork, and not included in the audit report.

## D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient, and effective operations and safeguarding resources against loss, misuse, and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules, and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

**GLOSSARY**

<b>Acronym</b>	<b>Description</b>
<b>ASRO</b>	Arab States Regional Office
<b>CVA</b>	Cash and Voucher Assistance
<b>DMS</b>	Division for Management Services
<b>ERM</b>	Enterprise Risk Management
<b>GBV</b>	Gender Based Violence
<b>IIA</b>	Institute of Internal Auditors
<b>IP</b>	Implementing Partner
<b>LMA</b>	Last Mile Assurance
<b>LMIS</b>	Logistics Management Information System
<b>NGO</b>	Non-Governmental Organization
<b>OAIS</b>	Office of Audit and Investigation Services
<b>PSP</b>	Payment Service Provider
<b>QSR</b>	Quarterly Stock Review
<b>Quantum</b>	UNFPA's Enterprise Resource Planning system
<b>Quantum Plus</b>	UNFPA's Results-Based Planning and Management System
<b>RH</b>	Reproductive Health
<b>SC</b>	Service Contract
<b>SCMU</b>	Supply Chain Management Unit
<b>SOP</b>	Standard Operating Procedures
<b>UN</b>	United Nations
<b>UNCT</b>	United Nations Country Team
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>US\$</b>	United States Dollars