Internal Audit of the Yemen Country Office

October 2019

Office of Internal Audit
and Investigations

oiai

Report 2019/14

unicef | for every child

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Yemen Country Office. The audit sought to provide assurance as to whether there were adequate and effective governance, risk management and internal controls processes over a number of key areas in the office. The audit team visited the office from 23 March to 15 April 2019, and covered the period from January 2017 to March 2019.

The humanitarian operation in Yemen is the largest in the world, with 24.1 million people (approximately 80 percent of the population) in need of some kind of assistance or protection. Of these, 14.3 million (47 percent) are in acute need.[1] Approximately 46.4 percent of the population is aged 18 and under.[2] According to UNICEF's HAC[3] appeal for Yemen, the economy continues to deteriorate, with the local currency losing nearly 50 percent of its value; over a million public-sector workers have been without pay for two years and affected families are struggling to purchase food as a result.

The original 2012-2015 UNICEF country programme for Yemen, a relatively small development programme, has been extended three times, most recently to 2019 due to the humanitarian crisis caused by the civil war that began in 2015. Meanwhile, the office's annual budget has increased from approximately US$ 18 million for the country programme and US$ 20 million in emergency funding per year for the 2012-2015 cycle, to approximately US$ 775 million per year for the 2017-2018 cycle. The office also had received US$ 586.8 million as a result of UNICEF emergency appeals.

The country office is in Sana'a. There are five zone offices within Yemen and two hubs in Jordan and Djibouti. The office also has a Project Management Unit (PMU) in Amman, Jordan; this manages the humanitarian cash transfers programme. As of 31 March 2019, the country office had 284 established posts and 76 temporary posts, for a total of 360 posts. Of the total, 92 were international professionals, 174 national officers and 94 general service.

Results of the audit and action agreed

The audit identified many areas which were functioning well, and the office was acknowledged by the UN Resident Coordinator as an outstanding member of the United Nations Country Team. However, there were also areas where there are opportunities to better manage risks to UNICEF's activities in Yemen.

While the audit includes a range of recommendations, the summary of the seven high-priority recommendations is as follows.

The first significant area warranting improvement is the scope and implementation of the office's risk management strategy. The audit found no cohesive risk management strategy; moreover, the office had not comprehensively assessed the risk of fraud and aid diversion, although these risks are high in

---

[1] 2019 Humanitarian Needs Overview Published by the UN's Office for the Coordination of Humanitarian Affairs (OCHA). See https://reliefweb.int/report/yemen/yemen-2019-humanitarian-needs-overview-enar.

[2] *2017 Revision of World Population Prospects*, UN Population Division. See https://population.un.org/wpp/.

[3] HAC stands for Humanitarian Action for Children. A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at https://www.unicef.org/appeals/; the page for Yemen can be found at https://www.unicef.org/appeals/yemen.html.

an emergency setting such as Yemen. Nor was there a system for ongoing trend analysis and exception reporting, which could have helped mitigate and control these risks. The Jordan-based PMU did have a commendable risk management culture, with a focus on managing risks to the emergency cash transfers. But there was a need for a strong overall risk management strategy adapted to the specifics of the Yemeni context.

Second, the audit also noted a need to better manage the risks arising from partnerships. Again, the use of partners is particularly high in Yemen and the choice and capacity of partners is limited. However, the office was relying only on the HACT framework to control the risks involved, and a more robust risk strategy is warranted given the level of risks in Yemen.

The third high priority area related to staffing. The situation in Yemen is dynamic and the office has to make frequent staffing changes, but these should be done systematically and based on adequate assessments. The audit also found that some staff had exceeded their tour of duty in Yemen but, had not been able to rotate out. The office will need the assistance of the Division of Human Resources to address this.

Fourth, the audit found a need of the office to strengthen its accountability to affected populations. This included obtaining beneficiary feedback. Although there were some channels for feedback, there was no overall plan to collate feedback and ensure that it was adequately reflected in programming. The office also lacked a coordinated approach to prevention of sexual exploitation and abuse, the risk of which is elevated in emergency situations.

The fifth high priority recommendation relates to the office's use of third-party monitors, both for field monitoring and HACT assurance activities. This is normal in situations where large areas are inaccessible to an office's own staff. However, there were steps the office could have taken to make third-party monitoring more effective and efficient.

Sixth, upon review of the management of the supply-chain; the audit concluded that planning of procurement and distribution of supplies can be improved.

The audit also noted that the office was still required to report results against the original Country Programme Document, which had been written before the current emergency. Since then, the situation in Yemen has changed considerably, and the office is now engaged principally in humanitarian work. This has implications for accountability and for planning and results reporting; however, it is difficult for the office to plan a new country programme in a dynamic emergency situation. This is not unique to Yemen, and the Division of Analysis, Planning and Monitoring (DAPM) and the Office of Emergency Operations (EMOPS) have agreed to look at how these situations can best be addressed.

Conclusion

Based on the audit work performed and acknowledging the challenging operating environment for UNICEF and its partners in Yemen, OIAI concluded that the country office's governance, risk management and internal controls needed improvement in several areas.

The Yemen Country Office, the Regional Office for the Middle East and North Africa (MENA) and OIAI will work together to monitor implementation of the measures that have been agreed.

Contents

Audit objectives and scope

The objective of the audit was to provide reasonable assurance that there were adequate and effective governance, risk management and control processes to ensure: achievement of the office's objectives; reliability and integrity of financial and operational reporting; effectiveness; efficiency of operations and economic acquisition of resources; safeguarding of assets; and compliance with relevant policies. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timelines and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the client in the process of the audit.

Audit observations

Fraud risk management

The office should have a structured and systematic process for the assessment of risks to its delivery of planned results for children. It should also incorporate action to manage those risks into workplans and work processes. The audit reviewed the office's risk management plan, taking into account that UNICEF's enterprise risk management (ERM) policy is currently being revised, and noted the following.

The office was aware of the continuing need for a comprehensive risk management strategy, given the complex and high-risk operating environment – which is likely to persist for some time. Having identified this need, it had decided that it would align its risk categories with the UNICEF ERM matrix and review these categories quarterly. However, it had not yet done so.

The office did have robust risk management processes for its Project Management Unit (PMU), which covered emergency cash transfers. However, similar risk management practices did not exist for other activities, such as the office's partnerships with authorities. (See also the following observation, *Managing partnership risks*). The office had, in some cases, established standard operating procedures for the partners, but these were not sufficiently informed by the high risks involved. The risks entailed in these partnerships were not sufficiently factored into programme planning and mid-year and annual reviews. Neither was the office's overall risk position reflected in major documents such as the annual management plan, with a clear explanation of why the office had adopted such positions, or of their implications.

In general, the office's approach to risk management was fragmented, giving inadequate assurance that all key risks to the programme had been identified and appropriate measures taken to mitigate them individually and collectively.

The anti-fraud strategy issued by UNICEF in August 2018 requires offices to perform an annual fraud and misconduct risk assessment. This is particularly important in the context of an emergency, where the risk of aid diversion is inherently high due to the significant amount of resources involved, the strain on existing UNICEF systems and structures, complexity of operations, and fragile economies with rapidly deteriorating socio-economic conditions.

The office had not done a comprehensive assessment of the risk of fraud, corruption and misuse of resources. Such an assessment would identify the risks of aid diversion, asset misappropriation, fraudulent statements, corruption, bribery, kickbacks, etc. that may involve suppliers, partners and UNICEF staff. It would also include measures to mitigate these risks. The audit also noted instances where risks outlined in the Programme Strategy Notes, such as "donors cut assistance due to a fear that it is being diverted to the parties of conflict", had no mitigating actions.

Further, in high-fraud-risk environments like humanitarian operations in Yemen, UNICEF offices should have systems for identifying anomalies and abnormal trends in programme delivery and resource levels. This can be done through trend analysis and exception reporting, using information from programme monitoring activities and external sources. Examples of such information can include the consumption patterns for nutrition supplies compared to defined geographic caseloads, fuel voucher versus water usage, and beneficiary feedback mechanisms.

Agreed action 1 (high priority): The office agrees to set out a management strategy and framework that considers its rapidly changing operating environment and risk profile. It should assure comprehensive identification, assessment, and periodic review of fraud, corruption and other integrity risks entailed in the office's programming, and implementation of appropriate mitigating measures.

Responsible staff members: Chief of Operations
Target date for completion: 31 December 2019

Agreed action 2 (high priority): The office should:

i.   Perform a detailed fraud/diversion vulnerability assessment, looking at both internal and external sources of fraud, corruption and other integrity risks; put in place a more cohesive and interconnected fraud-risk management system; and allocate resources for any additional mechanisms and tools required to address the risks identified.
ii.   Implement a data and trend analysis mechanism that uses monitoring tools, feedback mechanisms and other sources of information to monitor risks from fraud, corruption and aid diversion.

Responsible staff members: Chief of Operations and Operations Manager – Quality Assurance
Target date for completion: 31 December 2019

Managing partnership risks

Direct cash transfers to partners were the largest single input of the Yemen country programme, representing 35 percent of total expenditure in 2017 and 2018. At the time of the audit, the office was working with the internationally recognized authorities based in Aden and with the *de facto* authority based in Sana'a. Analysis of direct cash transfers in 2017 and 2018 showed approximately 70 percent of the cash transfers during the period were made to the authorities, as shown in the table below. Of this, US$ 88 million was to NGOs, and US$ 178 million to authorities at national and sub-national level.

Partner Type	2017 (US$)		2018 (US$)		Total (US$)	
Community based organization	99,830	0%		0	99,830	0.0%
International NGO	16,444,190	14%	17,642,227	12%	34,086,417	13.1%
National NGO	25,335,288	22%	21,288,448	15%	46,623,736	18.0%
Government	73,456,662	64%	105,087,918	73%	178,544,580	68.8%
Total	**115,335,970**		**144,018,593**		**259,354,563**	

Approximately 70 percent of the direct cash transfers to the authorities were to partners in the WASH and Health sectors, as reflected in the table below.

Programme section	Transfers (US$)	
WASH	64,242,727.29	36.4%
Health	61,055,207.75	34.6%
Education	25,681,052.59	14.6%
Social affairs	11,934,862.38	6.8%
Other	15,630,729.99	8.9%
TOTAL	178,544,580.00	

Further analysis showed that most of the transfers were made to partners of the *de facto* Government, underscoring the challenges faced by aid agencies, including UNICEF, in sourcing qualified NGO partners. In meetings, the audit was told by members of the UNCT and UNICEF staff that the market for partnerships had been constrained, making it almost impossible for aid agencies to scale up partnerships with non-governmental implementing partners. The office also stated that, in some instances, working with the public sector with a risk-informed approach was a conscious choice to help enforce and sustain public systems. Another reason for working with the public sector was to achieve scale quickly. Additionally, the audit found risk of external efforts to inappropriately influence UNICEF's management of partnership activities. Given the issues identified with respect to the adequacy of partners' controls and the close link between partners and ultimate beneficiaries, the audit notes the importance of paying specific attention to the understanding of partnership integrity and other risks and implementation of appropriate mitigating measures.

Micro-assessment of Government implementing partners: Under the HACT framework,[4] micro-assessments are required to assess the risks related to work with any implementing partner that has received at least US$ 100,000 in a calendar year. These assessments are typically undertaken once every five years.

In the case of the General Authority for Rural Water Projects (GARWSP), the recipient of approximately 24 percent of the cash transfers under the WASH programme, the assessment was conducted in 2015. However, there had since been significant changes both in the risk factors and profile of GARWSP, and in the methodology used by UNICEF in assessing partnership risks. Government systems have collapsed, and there are now two distinct authorities. However, despite significant changes in risk factors and programme profile, the office had continued to use the standard risk management procedures and operating methodology.

Remedial measures for control deficiencies: Where significant control weaknesses were found, the office did not always take effective steps to mitigate the related risks. For example, the audit of GARWSP in 2017 (a part of the HACT assurance requirement) reported ineligible costs, advances that were reported as expenditure, use of funds for purposes other than those intended, and insufficient supporting documents. There were five high risk internal control findings. Subsequently, two spot checks in the first quarter of 2018 also reported insufficient support documents for allowances,

---

[4] HACT – the Harmonized Approach to Cash Transfers – is a risk-based framework in which offices carry out micro-assessment management capacities of particular partners, and use the results to determine the type of funds transfer and assurance activities that will be used. The office's implementation of HACT in general is discussed in the observation *Programme assurance* later in this report.

overpaid allowance, differences between expenditures and amounts on FACE forms,[5] and payments made in cash. However, the office had not made any change to either the assurance activities or the funding method.

Partners' capacities: The office had defined a partnership strategy in 2016 to strengthen partnerships with NGOs. However, due to the competing priorities related to the humanitarian response, there was reduced focus on capacity strengthening of implementing partners.

Further, the programme documents used to operationalize partnerships contained insufficient evidence that the risks associated with the partnerships had been assessed, or of the actions to be used to mitigate the risks. Recurring constraints in programme implementation (for example, access constraints due to the operating environment, or delayed delivery of supplies) were not sufficiently factored into programme planning, and mid-year and annual reviews did not clearly show how these issues were being addressed. For example, while the office's 2018 and 2019 Annual Management Plans had identified the possible collapse of national social service systems as a key risk and noted the very limited NGO capacity to fill the gaps, the mitigating action to address this was, "maintain open dialogue with all parties in conflict", which did not address the risk adequately. Although the partnership strategy was reviewed in 2018, there was no evidence that any action had been taken to strengthen the capacities of partners.

Looking ahead: In 2018 UNICEF HQ divisions had made a risk assessment of the Yemen operation. This assessment looked at aid diversion in Yemen but did not recommend any additional risk management protocols beyond the requirements of the HACT framework. Instead, the report of the assessment stated that a comprehensive anti-fraud strategy for the Yemen Country office was under development. At the time of the audit, this was not yet in place.

The audit was of the view that the recent change in the senior management of the country office provided an opportunity for a comprehensive assessment of partnership risks that takes a closer at all internal and external factors. The office's overall risk position, as identified during this comprehensive assessment, should be reflected in relevant programme and planning documents such as the office's annual management plan and in sections' workplans. Each section should then set out its programmatic risks and related decisions (e.g. the use of direct cash transfers versus reimbursement as a method of payment), as well as the justifications for decisions made especially when these are not in line with the norm. The country office should also periodically (at least once every six months) review and adjust its risk assessment to ensure that the measures being implemented are appropriate and effective in addressing emerging risks. The experience of the country office's Project Management Unit based in Amman shows that constant review of risks is key to identifying and implementing appropriate, cost-effective mitigation measures. The office could leverage this experience.

Agreed action 3 (high priority): The Yemen Country Office agrees to, with the support of the regional office and HQ, put in place appropriate risk mitigation measures, based on a robust methodology that transcends the existing HACT framework. In assessing partnership risks, all relevant risk factors including those that are internal and external to UNICEF should be considered, along with appropriate mitigation measures – for which appropriate responsibilities should be assigned. The office may wish to identify and replicate best practices from other places, such as its Project Management Unit based in Jordan, in managing the financial risks related to the Emergency Cash Transfer programme.

---

[5] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

Responsible staff members: Deputy Country Representative
Target date for completion: 31 December 2019

Agreed action 4 (medium priority): The office agrees to:

   i.   Review its partnership strategy and make sure it fully reflects the current operating context.
   ii.   Plan and implement appropriate measures to strengthen the capacity of implementing partners, and explore the possibility of coordinating the management of partners with other UN agencies to share/minimize related risks.

Responsible staff members: Chief of Operations and Chief of Planning, Monitoring & Evaluation
Target date for completion: 31 December 2019

Office structure and staffing

As of 31 March 2019, Yemen country office had 360 posts. Of these, 197 posts were based in the Sana'a country office, 23 in the Sana'a field office, 35 in Aden field office, and 73 in the remaining four field offices. There were also 35 staff out-posted in Amman and two in Djibouti.

Changes in office structure and staffing: The country office has been regularly restructuring and increasing its staffing through programme budget reviews (PBRs) [6] and mail polls. [7] The last PBR was approved in January 2019, but most of the structural changes and increases in staff had occurred through mail polls. Since January 2017 there had been 10 mail polls, which had resulted in the creation of 100 posts (28 percent of the total number of approved posts for the office).

The audit appreciates that the office structure and staffing must evolve with changes in its operations. However, it is essential that such changes are informed by adequate reviews, assessments, and systematic gap and capacity analysis, to ensure the right structure and staff skills. Both the country office and regional office were aware of this.

 Operations: The operations section's responsibilities included management of the country office's procurement activities and supplies such as fuel used for all types of equipment, including those used by implementing partners for the distribution of water. These areas are typically the target of all types of fraud, corruption, misappropriations and diversion.

Given that the throughput for the Yemen Country Office is the largest in UNICEF, the operations section needs the appropriate leadership and skills to understand where controls and procedure need to be enhanced, and for the identification of the most effective procedures for prevention and detection of fraud, corruption and aid diversion. The audit noted the lack of adequate capacity in the operations section, particularly in the supply unit. Given that supplies are, like cash, significant target for fraud and diversion, it is important to undertake a thorough review of the supply chain to

---

[6] The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives. In an emergency or crisis, in which the demands are constantly changing, a PBR may be needed more frequently than in a country office adhering to a normal five-year programme cycle.

[7] Mail polls, or *ad-hoc* reviews by email, are requests for post changes made and exceptionally approved outside the scheduled PBR processes.

understand where the risks are and put in place appropriate controls to address them. There should also be a specific review of the unique skills needed in Operations to manage and monitor these supplies adequately. These include supporting skills in financial and operational data analysis, which are key to the use of data for fraud detection analytics in supplies and fuel consumption, and the comparison of such information with feedback mechanisms and other organizations to alert the office to loopholes and problems.

Given that the section is central to the maintenance of an effective risk management culture around fraud, corruption and aid diversion, and in view of the rapidly changing risk profile of UNICEF operations in Yemen, the audit was of the opinion that skills of the section needed to be reassessed to identify and address possible gaps.

Child protection: In emergencies, the Child Protection sub-cluster seeks to scale up child protection services. The audit team reviewed the measures being put in place to achieve these aims in the Yemen humanitarian response.

In discussion with the audit, the office highlighted several constraints to child protection programming in Yemen. These indicated a need for the office to review its child protection programme so it can effectively meet its obligations. Staff and partners also told the audit that existing capacities were inadequate to meet the child protection needs at field level. Moreover, most implementing partners were still relatively new to child protection services and the UNICEF staff acknowledged that there were wide variations, with some partners lacking the relevant capacities.

The audit also noted that there had not been adequate support from the office's senior management in reinforcing child protection accountabilities. For example, the UN Secretary-General requires that the monitoring and reporting mechanism on six serious children's rights violations should be co-led by UNICEF and the highest UN representative in the country. This implies that leadership of this should also be situated at the highest levels in the country office.

To be effective in this area, the office needed to elevate child protection issues internally. Senior management of the office should critically discuss and review protection issues more frequently, to enable the UNICEF representative, with support from the Child Protection section, to contribute more meaningfully to the UN in Yemen's efforts to improve child protection and safeguarding.

Rotation: Mobility benefits individual staff members, enabling them to share what they have learned and to develop new skills that can enrich their UNICEF careers. Mobility is also good for every part of UNICEF, helping to build a stronger, more versatile international staff that can adapt to different contexts and respond to needs more effectively. In a challenging environment such as Yemen, mobility can also provide staff with a much-needed reprieve.

From information provided by the office, the audit identified 25 cases where the staff had exceeded their tour of duty (two years) and been in Yemen for periods ranging from 2.8 years to 4.8 years. Although the staff had participated in the staff rotation exercises, they were not always placed. At the end of 2018, the office had 16 staff due for rotation but only three had been placed by 31 March 2019. Rotation is an organizational policy and the office will certainly need the support of the Division of Human Resources (DHR) in addressing this.

Double incumbency: A double incumbency occurs when two staff occupy one post. Since 2017 there had been 10, with the longest period of such incumbency being over one year. The reasons and justifications for the double incumbencies were not clearly documented; the audit was therefore unable to assess them.

Use of facilitators: At the time of the audit, the office was using two institutions to provide what it referred to as facilitators. Some facilitators were called information management officers (IMOs), responsible for generation and analysis of information needed by the office to monitor progress towards planned results; others were call-centre operators addressing queries from beneficiaries.

In March 2019 there were 58 facilitators (20 female and 38 male) deployed around the country. The largest number were posted in Sana'a (40 out of 58), and the largest area of usage was 22 (13 female, nine male) for the Emergency Cash Transfer call centre in Sana'a. There were also 17 IMOs (nine of which were in Sana'a). The main justification given for using these facilitators was the security restrictions on UNICEF's own staff. However, the audit noted that most of the facilitators were in Sana'a. In effect, therefore, the office was using the facilitators mainly to supplement human resources in the country office.

Agreed action 5 (high priority): The office agrees to:

  i.   Undertake a comprehensive review aimed at putting in place a structure that is fit for purpose and appropriately staffed in terms of numbers and capacities in all locations.
 ii.   Analyze the challenges faced by staff in rotation and the financial implications of double incumbency. With the support of the Middle East and North Africa Regional Office (MENARO) and Division of Human Resources, take adequate and effective action to help staff due for rotation.
iii.   Review where best to deploy facilitators, considering the needs in the field for additional capacity. Where possible, encourage gender parity in the use of temporary staffing for the programmes.

Responsible staff members: Representative, Chief of Operations, Heads of Sections and Human Resources Manager.
Target date for completion: 31 March 2020

Agreed action 6 (high priority): The Yemen Country Office agrees, given that the Operations Section is central to the maintenance of an effective fraud, corruption and aid diversion risk management culture, and in view of the rapidly changing risk profile of UNICEF operations in Yemen, the office will – with the support of the regional office and UNICEF headquarters in New York – undertake a technical assessment to identify skills gaps and take appropriate action to strengthen the Section as necessary.

Responsible staff members: Comptroller, Regional Director MENARO and YCO Representative
Target date for completion: 31 October 2019

Agreed action 7 (high priority): The office agrees to ensure high-level leadership focus and support for the child protection programme, and to see that there are adequate staffing resources for the child protection programme.

Responsible staff members: Representative, Deputy Representative and Chief, Child Protection
Target date for completion: 31 December 2019

Zone-office management

The country office had five zone offices, of which the largest was Sana'a, followed by Aden. A 2017 decentralization study for the Middle East and North Africa region, commissioned by the regional office, recommended that the office decentralize responsibilities to field offices to enable faster responses to need in the field. By October 2018, 70 percent of all Programme Cooperation Agreements (PCAs)[8] concluded by UNICEF in Yemen were initiated by the zone offices, and the Chiefs of Field Office were accountable for implementation and monitoring of the activities in the relevant workplans.

The audit noted the following.

Annual zone-office targets: The programme section chiefs apportioned the output-level results between the different zone and field offices at national/section level. However, in some instances, the targets set were not aligned with the specific demographics and infrastructures of the governorates in question, affecting the achievability of the results and how the field offices' performance could be assessed. For example, the Health Section's formula for assessment of results varied little between governorates (it has since begun updating the formula to reflect the differences between them, and better assess achievement of results at sub-national level).

Travel to zone offices: The office uses what they term a "predictable mission matrix" to plan field visits to zone offices. During discussions with staff and partners, the audit heard that there was need for technical staff at the country-office level to travel to the field more, as a number of technical issues could be resolved faster in face-to-face discussions with implementing partners. Email correspondence and teleconferences, in contrast, sometimes resulted in a lengthy back-and-forth process before agreement. The audit was unable to ascertain whether there were travel performance indicators for programme staff, or how these were monitored.

Agreed action 8 (medium priority): The office agrees to ensure due quality assurance and zone-office involvement when setting targets for zone offices, and put in place mechanisms to strengthen technical consultations and engagement of country-office staff at field level.

Responsible staff members: Chief of Field Operations and Chief of Planning, Monitoring & Evaluation
Target date for completion: 31 December 2019

Project Management Unit

UNICEF has put in place a Project Management Unit (PMU) to oversee the implementation of the Emergency Cash Transfer (ECT) Project in Yemen. This project is funded by and receives technical assistance from the World Bank/International Development Association. It is also co-financed by the US Department of State Near Eastern Affairs.

Although the PMU (which is physically based in Amman) is not reflected as a distinct cost centre within the Yemen Country Office, it has its own unique structures and work processes, separate from those of the country office. For example, due to visa and slots restrictions[9] in Yemen, the office's 284 staff posts includes 39 PMU-specific posts spread across Amman, Jordan, its central point, and the Sana'a country office and five field offices in Yemen. PMU field staff have reporting lines within the PMU structure, with the Chiefs of Field Office providing administrative oversight and arranging coordination with local authorities at governorate level. In addition, the PMU has distinct risk management,

---

[8] The PCAs are the formal documents defining a collaboration between UNICEF and an implementing partner.
[9] For security reasons, the UN limits the number of UN staff ('slots') that may be in Yemen at any one time.

procurement and third-party monitoring systems and processes separate from those used across the Yemen office.

The activities, expenses and overheads of the PMU are lumped together under one output within the country offices' cost centre, and the levels of detail are limited. This meant PMU's efficiencies in achieving its results could not be easily assessed. As an example, the budget of the PMU was not separate from that of the Social Policy output. At the time of the audit, there was no process in place to better understand the efficiencies the PMU delivered or the potential for other UNICEF offices requiring similar approach. A cost-benefit analysis of the PMU could be made much easier by the use of a cost centre to track the cost of doing business by location/function, as required by UNICEF's administrative instruction.[10] This is especially pertinent for the PMU, which might be a showcase for the organization. It will enable UNICEF in Yemen to demonstrate a comprehensive business case for replicating the model in other circumstances, based not only on the results but the cost efficiencies.

Agreed action 9 (medium priority): The country office should, in consultation with the Regional Office, consider using cost centres to proactively perform cost-benefit analysis of different structures and specifically of the PMU, to enhance the business case for the use of the models' structures and processes.

Responsible staff members: Team Leader, PMU
Target date for completion: 31 December 2019

Planning and alignment of results

The 2012-2015 Yemen country programme document (CPD) had originally been approved with a budget of US$ 70.5 million (US$ 18 million per year) and expected emergency funding of US$80 million. It was a relatively small development programme, consisting of three main components (*Equitable access to basic social services*, *Evidence for children's rights*, and *Empowerment for children's rights*). But the humanitarian crises caused by the civil war that began in 2015 changed the demands on the country office and meant that the planning of a replacement programme was not feasible. There had therefore been two one-year extensions (in 2016 and 2017) and a further two-year extension (for 2018 and 2019). Meanwhile, to respond to the humanitarian situation, the office's budget had increased from US$ 18 million per year between 2012-2015 to US$ 775 million per year between 2017-2018, with spending related to health, nutrition, water, sanitation, and child protection.

The audit confirmed that the office had achieved all its 2018 Humanitarian Response Plan (HRP)[11] targets for the health, nutrition water and sanitation and child protection programme components. However, the audit noted the following relating mainly to UNICEF's requirement that the office continue working within the 2012-2015 CPD, and report against its planned outcomes, which are out of date.

Results frameworks: As noted above, the programme has evolved from a relatively small development programme to one of the largest humanitarian responses the organization has ever undertaken. The office had prepared a scenario document to guide it through the transition. Subsequently, in 2018, it developed Programme Strategy Notes (PSNs), with the goal of reformulating

---

[10] UNICEF Financial and Administrative Policy 2: Budget; Supplement 2 – *Management of the Organisational Structure*.
[11] The humanitarian response plan (HRP) sets out a shared vision and committee of the UN agencies, programmes and funds' response to the humanitarian emergency situation caused by the conflict. It was prepared by the humanitarian country team (HCT) for Yemen based on a humanitarian needs assessment.

outputs and indicators related to its response to the humanitarian crisis while the outcomes remained the same as those set in the 2012-2015 CPD.

The audit's review of the results frameworks of the 2012-2015 CPD for the Health and Nutrition, WASH, Child Protection, Education and Programme Monitoring and Evaluation (PM&E) programme sectors noted the following.

i.   For some programme components in the 2012-2015 CPD, there were insufficient links between the planned activities, targets, outputs and outcomes with the HRP. This should be addressed to enhance appropriate reporting against outcomes, and evaluability of the response.

ii. Some of the assumptions, and the risks and their mitigating actions, in the programme strategy notes did not seem to fit the current operating context. For example, it was assumed that the authorities had sufficient human resources to deliver health and nutrition services at scale. However, with the conflict, skilled personnel had either been displaced or left the country.

iii. Some of the expected results in the 2012-2015 CPD appeared highly ambitious, given the context and the two-year (2018-19) planning horizon. Examples of these included Output 4.4 (*A range of gender-sensitive, multi-sector adolescent-led initiatives are available to empower and meaningfully engage adolescents to be change agents in their communities*); and Output 4.1 (*A well-coordinated and capacitated child protection system with three integrated components: a child-friendly justice system, a gender responsive social welfare system, and a functioning birth registration system*).

Accountability for results: Even during the implementation of humanitarian operations, country offices are also required to review the programme environment in general and the situation of children and women in particular at least at the end of each year and determine how best to undertake the necessary adjustments, if relevant, to its results at the output and outcome levels. The office informed the audit team that it considered that outcome results are not to be changed. This situation is not unique to Yemen and has been seen in other humanitarian operations.

Typically, the host government and UNICEF are jointly accountable for the CPD, and UNICEF offices must obtain the endorsement of the relevant workplans by government. The office told the audit that due to the political stalemate, it did not involve the authorities in authorities in the planning process or seek to have the workplans endorsed by any of the authorities. However, in discussions with the audit, some partners stated that there was scope for the office to obtain formal endorsement from some authorities for the implementation of certain planned activities.

Agreed action 10 (medium priority): The office agrees to:

i.   Review and streamline the results framework to ensure consistent alignment of outputs, targets, indicators and means of verification.
ii. Review the programme outcomes and consider the implications for programme evaluability, in the next country programme and Integrated Transitional Framework.
iii. Explore the possibility and, if feasible, obtain formal endorsement of relevant authorities for the implementation of planned activities.

Responsible staff members: Chief of Planning, Monitoring & Evaluation
Target date for completion: 30 September 2020

Agreed action 11 (high priority): The Division of Analysis, Planning and Monitoring (DAPM), in consultation with the Office of Emergency Programmes (EMOPS), agrees to review existing systems with particular attention on clarifying current guidance on planning, and reporting and developing relevant training tools and packages; that will help them to maintain clarity on accountabilities, timely align their country programme results with their particular programming contexts; and more accurately report on country programme results.

Responsible staff members: Chief, Strategic Planning, Monitoring, Implementation & Reporting - DAPM; Chief, Humanitarian Evidence & Learning Section, EMOPS
Target date for completion: September 2020

Humanitarian action and longer-term development

The 2019 Humanitarian Response Plan (HRP) for Yemen acknowledges that the conflict may continue and intensify at some of the frontlines. It also recognizes that the operational budgets for ministries and public institutions will almost certainly remain inadequate to address the demand and need for health care, education, water, sanitation and social protection. To address these, the HRP outlines five strategic objectives. Of these, one relates to preservation of the capacities of public-sector institutions to deliver life-saving basic services. This focuses on the relationship between humanitarian action and development, and aims at sustaining key public service infrastructure in conflict areas where services are collapsing.

At the time of the audit, it was not yet clear what was meant by "sustaining systems" and how this would be achieved; and the key components, infrastructure and services that required preservation and handing over to authorities had not been identified. Further, while the preservation of the capacities of public sector institutions required the collective efforts of all aid agencies, there was no evidence that the Sana'a and Aden-based UN systems were having regular and detailed conversations. They were interacting separately with the internationally recognized government in Aden and the *de facto* authorities in Sana'a, who were wary and loudly dismissive of each other whilst increasingly demanding that aid agencies use separate processes to interact with them.

Agreed action 12 (medium priority): The country office, in collaboration with other interested parties, should identify the key infrastructure, systems and services that require preservation and implement appropriate mechanisms across all programmes for the building of the capacities of vulnerable populations to cope and recover.

Responsible staff members: Chief of Planning, Monitoring & Evaluation
Target date for completion: 31 March 2020

Emergency cash transfer programme

The Emergency Cash Transfer (ECT) programme started as a social safety net, providing vital assistance for the poor and vulnerable through the continuation of the Yemeni Social Welfare Fund (SWF). UNICEF took over the programme in May 2017 and has since completed four payment cycles amounting to US$ 196.5 million. The most recent payment cycle was finalized in January 2019. The Yemen Country Office's Project Management Unit (PMU), based in Amman, Jordan but with some staff within Yemen, was responsible for managing the programme.

The audit noted that there had been regular risk assessments of the cash distribution process, and the lessons learned from each cycle had informed the management of the ensuing payment cycles. The

office had implemented several mitigating measures following its risk assessments. However, the audit also noted the following.

Beneficiary list: Before the conflict started in 2015, the SWF provided cash assistance to 1.5 million beneficiaries, who at the time were identified as the most vulnerable in the country. The list of beneficiaries was prepared by the SWF in December 2014, prior to the current conflict, and had not been adjusted since UNICEF took over the programme, principally because the of limitations of the agreement between the donor and SWF, with no scope for UNICEF to adjust the list. The audit was not able to implement appropriate procedures to confirm the accuracy of the list, as the beneficiary data is confidential.

Since the onset of the conflict, the economic and social conditions in Yemen have deteriorated. This will have had a significant impact on individuals on the current list of beneficiaries, as well as many others that are not on the list. People whose circumstances have deteriorated may not be on the list; conversely, persons who have profited from the conflict may be. To achieve UNICEFs' objective of reaching the most vulnerable and marginalized, these changes of circumstances would demand periodic reviews and adjustments to the list of beneficiaries.

However, as stated above, this could not be done. This means that UNICEF is implementing this programme even though it does not fully meet its objective of reaching the most vulnerable and marginalized in delivering humanitarian assistance. The office should, with the support of the regional office and HQ, strengthen its advocacy for a more robust process of identifying the most the poor and vulnerable who would benefit from other emergency cash transfers. The office stated that the donor had been approached, but the rationale for not conducting a targeting exercise in the current context remains the same – that the agreement between the donor and the authorities is not to change the list.

Payments: The audit reviewed the payment process, as well as activities such as identity verification prior to disbursement of funds, and monitoring by UNICEF staff and third-party monitors (TPMs) to confirm that beneficiaries had received the correct amounts. Based on the review, the audit concluded that there were controls in place to ensure that the office has obtained assurances that beneficiaries had likely received the amounts earmarked for them.

However, the audit noted the need streamline the payment processes and opportunities to reduce transaction costs. The office made payments to beneficiaries through two banks, but this process typically involved at least four banks – i.e. two to make payments to beneficiaries and at least two guarantors. First the payment bank physically deposited a set amount with the guarantor. Then the PMU obtained a guarantee and remitted the aggregate amount to be disbursed to the beneficiaries to the payment bank. There was scope to streamline disbursements by eliminating the guarantors, and instead reimbursing banks for amounts disbursed to beneficiaries. The paying bank would then no longer be required to physically deposit funds with the guarantor. Instead, it would use that amount to pay the beneficiaries and later receive reimbursement from UNICEF.

Data confidentiality: There were Amman-based case managers (i.e. individuals who are responsible to examine complaints from beneficiaries). However, they had no specific signed confidentiality agreement or data-protection clause. Instead, there was just the regular clause in the standard consultancy contracts. This does not assure adequate protection of the personal data they handle.

Outreach: Before each payment cycle, the TPMs hired by the office conducted various activities to ensure beneficiaries were fully aware of the payment, and when and where it would be made. A review of the reports prepared by the TPMs showed that, on average, the awareness was

approximately 30 percent for the four payment cycles, as compared to the target of 90 percent. The low awareness rate did not necessarily mean that beneficiaries were not paid, as the office reported an average disbursement rate of 87 percent for the first three cycles. However, the low awareness rate did mean that the disbursement process was not completed promptly.

Agreed action 13 (medium priority): The office agrees to:

   i.   Continue to engage in discussions on alternative options to ensure that those those who are economically disadvantaged but are not the Yemeni Social Welfare Fund list are also supported.
   ii. Explore an alternative payment system to reduce transaction costs, with due consideration of the impact on timing and costs.
   iii. Ensure there are appropriate clauses on data confidentiality in the consultancy agreements.
   iv. Undertake analysis of outreach activities and take measures to address causes of low beneficiary awareness.

Responsible staff members: Senior Project Coordinator
Target date for completion: 30 September 2020

Programme assurance

To provide reasonable assurance that partners are using funds provided to them by UNICEF as intended, UNICEF and certain other UN agencies have implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework in which office carries out micro-assessments to determine the financial and procurement management capacities of particular partners, and uses the results to determine the type of funds transfer that will be used (direct cash transfer, reimbursement etc.). The micro-assessment will also be used to decide on the number and frequency of assurance activities. The latter include programmatic visits that assess progress of activities and report any constraints, spot checks of the partner's financial management, and audits.

The audit noted the following.

Micro-assessments: A micro-assessment is an overall assessment of the implementing partner's financial, operations and programme management policies, procedures, systems and internal controls. It is undertaken for implementing partners that are receiving US$ 100,000 or more in a calendar year.

For 2017 and 2018, the country office had identified 90 implementing partners that needed to be micro-assessed. The audit reviewed the micro-assessment reports for a sample of 16 of the partners and found the office had not shared the reports with five of them. This meant the partner may have been unaware of any procedural or control issues identified in the report, and was thus less likely to address them.

Assurance activities: The HACT guidelines require a certain level of assurance activities. The audit found that, in 2017, there were cash transfers worth US$ 8 million that did not trigger spot checks when they should have done. Likewise, there was a total amount of US$ 1.6 million that should have been covered by programmatic visits but was not.

The audit also noted weaknesses in the office's response to the findings from assurance activities. For example, for four partners (two with high-risk ratings), with total cash transfers of US$ 17 million in 2018, the spot checks had reported significant adverse findings. But there were no enhanced

assurance activities, follow-ups or consideration of change in the type of funding. Similarly, in 2018 two audit reports had qualified audit opinions, with significant high-priority findings – but there was no evidence of further discussions as to whether the risk rating of the partner and assurance activities should be adjusted. This suggested that the office's HACT implementation was not really focused on risk, although this is an important principle of the HACT system.

Follow-up: The office has established a mechanism called "Action Tracker" to record and follow up findings from assurance activities. However, for 10 out of the 16 partners sampled by the audit, not all assurance findings were recorded in the Action Tracker. Where the findings had been recorded, there was no timely follow-up action for four of the sampled partners, two of which were rated high risk. Further, the basis on which the office closed the recommendations was not recorded.

UNICEF is introducing online tools, called eTools, to be used for tracking certain activities, including HACT assurance activities. The Yemen Country Office stated that they had launched eTools in 2019 and had started using it to record the 2019 findings. However, this meant the office was recording and tracking the findings in two parallel systems, which not only increased the workload of staff but also increased the complexities of monitoring and tracking and the risk of error.

In general, however, the HACT assurance activities reflected UNICEF's guidance, and the implementation rate of those planned had been improved since the previous OIAI audit of the office in 2017, with the office surpassing targets for audits and spot checks in 2018. There was still scope for improved risk-focused prioritization of activities and follow-up of findings, and decisions to change the selection of funds transfer type where appropriate.

Agreed action 14 (medium priority): The office agrees to ensure that all issues arising from HACT assurance activities are tracked and prioritized, and adequate records kept for actions taken. There should be periodic review of the tracked findings and their implications for the partners concerned. Also, where appropriate, the office should share the results of the assurance reviews and micro-assessments with the partner for their action.

Responsible staff members: Chief of Planning, Monitoring & Evaluation
Target date for completion: 31 December 2019

Third-party monitoring

Since 2015, the office had used third-party monitors (TPMs) in hard-to-reach parts of the country. The purpose of TPMs is to verify the implementation of activities by partners and report to the office in a specific format so that it can take corrective actions as necessary.

The audit noted, and the office concurred, that information received from the TPMs was sometimes inaccurate. The reported information sometimes failed to accurately reflect the situation on the ground. The audit also noted the following.

TPM monitoring tools: The audit confirmed that the tools provided to the TMPs to collate information and report were too many number (approximately 35 in total). The tools were also complex and the TPMs appeared to lack technical skills and capacity to use them effectively. Regarding the collation of information, the TPMs were required to: assess the implementation of activities and achievement of results; verify targeting quality and interventions coverage; assess beneficiaries' satisfaction; and assess whether an activity could be said to "do no harm". The office said that TPMs were provided with training. However, both staff and partners agreed on the need to improve the quality of

information received from TPMS. This may be achieved by consolidating the monitoring tools used, reviewing them periodically to ensure their relevance, and making sure the TPMs have the capacity to use them.

Reporting by TPMs: Field offices and implementing partners are the primary users of TPM reports and are responsible for implementation of the remedial actions recommended in them. The audit noted, however, that TPMs were required to send their reports directly to the Planning, Monitoring and Evaluation (PM&E) section in Sana'a without copying the concerned field offices. The PM&E section sent them on to the field offices later, but sometimes only when the field office requested them. As a result, remedial actions were sometimes not undertaken promptly. Three partners told the audit that delays in informing them of the issues found by the TPMs delayed urgent remedial action.

The delays in providing the reports may also have a negative impact on the quality of decisions made by field offices. For example, funds could be transferred to an implementing partner whose financial controls had been noted as weak. By the time the report came back to the field office, that same partner might have received another tranche of funding.

Addressing potential conflicts of interest: There were only two institutional contractors that were responsible for outsourced services such as call centre operators, field consultants, facilitators, case management assistants, HACT-related assurance providers (i.e. spot checkers and auditors) and third-party monitors. The audit appreciates that using the same TPMs to conduct spot checks, programmatic visits and audits of the same partner may provide good opportunity for effective and efficient assurance activities. It could also result in better cross-checking of issues identified from the various assurance activities. However, there was a risk that these contractors might use the same personnel for activities such as spot checks, programme visits and audits. This may diminish the objectivity of the assurance activities. The office had not yet taken specific measures to mitigate this risk. It said it was in the process of reviewing its long-term arrangements for third-party monitoring.

Monitoring framework: UNICEF offices monitor programme implementation through several mechanisms. Some monitor progress on activity implementation, while others are assurance activities that are part of the HACT framework (see observation *Programme assurance*, above). However, there is considerable crossover between the two, as HACT includes programmatic visits. Given that there were 434 planned monitoring visits of one type or another in 2018, there was potential for coordinating the different types of monitoring and assurance activities, both to reduce costs and to increase assurance. Some type of framework that included both would assist with this.

It would also improve the consolidation of information derived from the monitoring and assurance activities. Such an overarching framework would assist in rationalizing the programme of visits, allow a coordinated effort to address data quality, and increase real-time feedback. Further, a better overview of the information coming from monitoring would assist risk management in programmatic activities.

Agreed action 15 (high priority): The office agrees to:

i.   Implement a comprehensive system that enables complementarity of monitoring and assurance activities, and ensures the findings and recommendations resulting from these activities inform programming.
ii.   Review and, as necessary, streamline tools provided used by third-party monitors for collating and reporting information, with due regard to capacities of the monitors.
iii.   Implement systems that ensure that TPMs reports are promptly made available to field offices and to the implementing partners concerned.

iv.   Implement specific monitoring procedures that reduce scope for the use of the same personnel to both implement activities and conduct HACT-related assurance, including spot checks, audits, and programmatic visits; and ensure the effectiveness of HACT activities.

Responsible staff members: Chief of Planning, Monitoring & Evaluation
Target date for completion: 31 October 2019

Accountability to affected populations (AAP)

The Inter-Agency Standing Committee [12] defines AAP as "An active commitment to use power responsibly by taking account of, giving account to, and being held to account by the people humanitarian organizations seek to assist". It is further defined as putting "communities and people at the centre of humanitarian action and promoting respect for their fundamental human rights underpinned by the right to life with dignity, and the right to protection and security as set forth in international law". UNICEF requires offices to enforce this accountability systematically across sectors. The audit sought assess how the Yemen Country Office had operationalized its AAP commitments. The following was noted.

Community-based feedback mechanisms (CBFM): The country office had not embedded AAP and CBFM in it programmes as it did not have a plan for doing this. Such a plan of action would identify the appropriate outreach and feedback mechanisms for the different communities in the Yemeni context.

The audit obtained information from some implementing partners on how they were obtaining feedback from beneficiaries. The channels used by the partners included: collection of feedback during immunization campaigns; programme site visits; local water committees; and some targeted survey activities (for example on Nutrition). The office also had a call centre specifically for beneficiaries of the Emergency Cash Transfer (ECT) project. In general, the feedback mechanisms were disparate, and it was not clear whether the feedback received was being used to adjust programmes.

Protection from Sexual Exploitation and Abuse (PSEA): UNICEF recognises that sexual exploitation and abuse of crisis-affected populations committed by humanitarian actors constitutes the most serious breach of accountability by the humanitarian sector. PSEA is a distinct subset of commitments under AAP. The audit did not find any strong system in place for obtaining and addressing PSEA complaints.

Overall, the audit found no cohesive and integrated approach to AAP and PSEA.

Agreed action 16 (high priority): The office agrees to take appropriate action to ensure that accountability to affected populations and measures on protection of the population from sexual exploitation and abuse are embedded in its programmes, and that feedback received from community-based feedback mechanisms are used to further inform its programming.

Responsible staff members: Deputy Representative, Chief of Communication for Development and AAP and PSEA focal points.
Target date for completion: 31 October 2019

---

[12] The Inter-Agency Standing Committee was set up in the 1990s by UN and non-UN bodies to coordinate humanitarian aid in emergencies. See https://interagencystandingcommittee.org/.

Contracting for services

The total value of services contracted for in 2017-2018 was US$ 297 million. The office also had 45 long-term arrangements during this period, encompassing services for warehousing, human resources, and third-party monitoring.

The audit noted that the office generally complied with UNICEF's controls for competitive tendering, with due regard for value for money and with technical evaluations of proposals received. Controls of this type were outlined in the country office's standard operating procedures for contract review.

However, the audit also noted the following.

Potential conflicts of interest: The institutional contracts for outsourced services, such as the provision of human resource services (for the call centre, field consultants, facilitators and case management assistants) and third-party monitors, were spread between only two service providers. This could lead to conflicts of interest, especially regarding provision of technical services and objective independent monitoring, if the same personnel were used for these activities (for example spot checks, programme visits and audits).

Tendering for services: The Project Management Unit undertakes its contracting separately from that of the country office. During the period under review, its contracts were approximately 63 percent of the value of all country office contracts. In November 2017, it had conducted a market survey to identify and shortlist potential vendors for key services (such as payment agencies and third-party monitoring, amongst others). Expressions of Interest were invited through different channels and were evaluated in March 2018.

After the potential candidates were shortlisted, a request for proposals was issued, giving nine calendar days to respond for most of the tenders. UNICEF procedures require that suppliers be given a minimum of 7-10 days to respond. The audit noted that for some key services, few proposals were received. For example, the tender for facilitators received two proposals, and the one for third-party monitors received only one. This may be because, given the complexity and value of most of the services required, the bid period might have not been sufficient.

Contract review committee (CRC): An office's CRC is an advisory body that is intended to provide a competent, independent and unbiased review of the process leading to proposed award recommendations. The Yemen Country Office's procedures included the preparation, by the CRC secretary, of notes for the record (NFR) as part of CRC submissions. The purpose of these is to document the CRC submission process by providing more detailed background, processes and rationale to support the decision made, and leave a clear audit trail.

The audit noted that in five cases submitted to the CRC, the authorized official (the Representative) approved both the CRC recommendation and the NFR. In three out of the five cases, the authorized official approved the NFR before approving the CRC recommendation. In one case, one CRC committee member also approved the NFRs. The advance approval of the NFRs before the CRC recommendation(s) may influence the review of CRC members, and the approval of the CRC recommendation by the same authorized official may constitute a conflict of interest.

Overall, the audit review did note that CRC deliberations were generally adequate and undertaken in a structured manner. However, the above issues point to the need to improve the CRC's adherence to its own established procedures.

Contracting: Contracts are usually legally binding only when signed by both parties, and their implementation should not start before signature. UNICEF offices are therefore required to ensure that contractors do not start work before the contracts are signed (or before their start date). However, the audit noted that 162, or 28 percent, of the 586 contracts issued during 2017 and 2018 were signed after the contractors had commenced work. The audit checked a sample of 19 contracts and confirmed that in nine cases, signing of the contracts took place after start dates (three days in one case – but 196 days in another). The country office said that a number of these instances occurred because responsible staff were on rest and recuperation, but the matter was regularized as soon as they returned.

Contract management: Country offices are required to regularly monitor the implementation status of contracts. The audit noted that in two (amounting to approximately US$ 1 million) out of 16 contract samples, contractors continued to provide services although the contracts had expired. In one case, a *post facto* CRC review took place six months after contract expiry.

In another contract, the design and construction of a structure had security implications. However, construction work had begun without prior review or approval from the security unit on the bill of quantities and designs, and without United Nations Department of Safety and Security (UNDSS) approval. When the adjustments after the initial security assessment were not properly implemented, the security unit conducted a second security assessment and recommended additional adjustments to the bill of quantities and design. The two adjustments to the contract resulted in cost increase of US$ 147,718, a 49 percent increase from original contract.

Agreed action 17 (medium priority): The office agrees to take a risk-informed approach to contracting that:

  i.   Entails internal oversight over the number and extent of services provided by individual vendors as well as the institution of firewalls between the services they provide, to prevent conflicts of interest arising.
  ii.   Ensures that security requirements are addressed prior to commencement of work where necessary.
  iii. Ensures sufficient time is given for tendering processes for complex and high-value services.

Responsible staff members: Supply and Logistics managers.
Target date for completion: 31 October 2019

Procurement and supply management

The total value of supplies procured during 2017-2018 was US$ 221 million, representing 30 percent of the total programme throughput. The supplies procured centrally by UNICEF's Copenhagen-based Supply Division amounted to US$ 147 million – these mainly included nutrition items, vaccines, etc. Locally procured supplies amounted to US$ 74 million; the major ones typically included basic hygiene water kits, jerry cans used by beneficiaries to fetch water, soaps, school kits, fuel, furniture, and other items. The audit covered local procurement activities and did not cover procurement of supplies by the Supply Division and elsewhere. However, it did cover the management of all supplies, including those. It also covered supply and distribution planning, and end-user monitoring.

The audit reviewed of a sample of 16 contracts (worth US$ 19 million) and seven long-term arrangements, and found that the supplies were procured locally through competitive bidding and procurement processes. However, the audit also noted the following:

Supply planning: Adequate planning for programme supplies ensures the right quantity and quality of items are available when needed, reducing inventory carrying costs (storage and security, spoilage, theft, diversion, etc.). It is essential that there is a supply plan that combines regular programme and contingency stock requirements to clearly define the minimum and re-order levels.

The office had prepared supply plans for 2017 and 2018 and a comprehensive Preparedness Stock Plan for 2019. However, the 2018 supply plan did not have all the supplies required for programme implementation for the year (it only listed US$ 9 million-worth of supplies),and was therefore not sufficient to inform timely and efficient procurement. In addition, supply requests used for procurement purposes were generally not based on an analysis of available stock in the warehouses, contingency-stock levels, or goods in transit. The audit found that requests to procure supplies were more driven by the impending expiry of grants, some of which had specific conditions on supplies not being delivered beyond the grant expiry date.

Overall, there was no comprehensive supplies planning based on a clear programme supply needs assessment that informed sourcing decisions, analysis of turn-over of items in warehouses, warehousing capacity, etc. This affected both general stock levels and contingency stocks; it also affected timely delivery of supplies for planned activities.

Distribution planning: There were no supplies distribution plans in some cases. There was thus a risk of distribution of supplies to communities where the need for them either did not exist or was not compelling. A good distribution planning requires improved collaboration between the supply and logistics and the programme sections.

End-user monitoring: Some monitoring on the usage and appropriateness of supplies was being undertaken through third-party monitoring and programme visits. However, the frequency and depth of monitoring were not readily evident. Further, the audit found no evidence that appropriate action was being taken to address the deficiencies identified in the monitors' end-user reports. For example, quantities of supplies received in the health facilities did not match the distribution plans (where these existed), which would indicate diversion of supplies. However, there was no evidence of action taken to address these discrepancies. TPMs also found vaccines were not always kept in the cold boxes at the standard temperature ranges.

The office told the audit that it had recently implemented supply end-user monitoring; however, it was too early to assess its efficacy.

Agreed action 18 (high priority): The office agrees to:

i.   Undertake a comprehensive review of its supply-chain management and implement measures for adequate planning for procurement and distribution of supplies.
ii.   Put in place a system that prioritizes and follows up weaknesses identified in the third-party monitoring reports on the distribution, storage, and handling of supplies.

Responsible staff members: Deputy Representative, Section Chiefs and Senior Supply & Logistics Manager
Target date for completion: 31 December 2019

Inventory management

UNICEF maintained five warehouses, one at each zone office. The total value of stock in the five warehouses was approximately US$ 28 million at the time of audit. The audit noted the following.

Inventory management: At the time of audit, seven percent of the stock in the warehouse had been there over a year, and 34 percent had been there for more than six months. Included in the stock were perishable items such as therapeutic food and doxycycline. Although there were reports on inventory levels that include the aging of stock, there was no evidence that these were regularly reviewed and used to make informed decisions such as those related to expired items, fast/slow-moving items, or procurement.

The office stated that it needed to maintain six months' worth of contingency stocks, given the prevailing bottlenecks in logistics. However, there was no evidence that the current warehouse capacity (currently 20,000 square metres of rented storage) was based on an analysis of the stock turnover ratio. Such an analysis would have provided a clearer indication of the level of supply consumption (peaks and troughs) throughout the year.

Contractors' oversight: The office had outsourced the management of its warehouses to two companies. The office stated that inventory management was performed in VISION[13] and its staff were responsible for telling the contractor what to issue and from which batch. Programme sections were responsible for ensuring there was clarity in responsibilities for the management of programme supplies. UNICEF staff also performed the annual physical counts.

However, there were no clear measures for the oversight of inventory management. The office also needed to strengthen oversight over the warehouse contractors and assess the risks of maintaining high stock levels in conflict zones.

Agreed action 19 (medium priority): The office agrees to:

i.   Review the adequacy of overall storage capacity in light of the storage requirements for the ongoing activities (including requirements such as temperature-regulated supplies and contingency stocks). This analysis should be performed within the supply-chain management review suggested in agreed action 16.i, and should take into consideration supply lead times, goods in transit and forecast programme requirements.
ii. Put in place clear measures for the oversight of contractor warehouses and the necessary capacity building of their staff.

Responsible staff members: Section Chiefs and Senior Supply & Logistics Manager
Target date for completion: 31 October 2019

Business continuity plan

Yemen is a high-risk environment, and the country office operates in some parts of the country that are classified as very high risk. A robust business continuity plan (BCP) that is well managed and consistent is an absolute imperative.

Since the last update of the office's BCP in November 2018, a number of changes had occurred that had not yet been reflected in it. These included the updated composition of the Country Management

---

[13] UNICEF's management system (VISION is a contraction of Virtual Integrated System of Information).

Team, and critical operations staff and their alternates; and the updating of evacuation locations for international staff. In respect of evacuation points from Sana'a, the BCP still listed Hodeidah although this is no longer an option, given its current high-risk status. Other missing components included key elements such as vital records that had not been clearly defined.

For business continuity, offices should consider all existing risk assessments and focus on those risks that can affect operations. For example, the office had developed four potential scenarios for the continuation of its programmes, as part of its Programme Strategy Notes. However, the BCP outlined different scenarios under which critical processes and functions had to be continued. The office needed to ensure that its BCP took into adequate consideration the potential business continuity implications of all relevant risk assessments.

A recent partial test of the BCP in March 2019 had yet to be documented and reflected in the BCP.

Agreed action 20 (medium priority): The office agrees to update its business continuity plan in line with the high-risk context and ensure that all relevant staff are familiar with their roles should the plan need to be put into action.

Responsible staff members: Operations Manager – Quality Assurance
Target date for completion: 31 December 2019

Cluster coordination structures

UNICEF was leading the Nutrition, WASH[14] and Education clusters, as well as the Child Protection Area of Responsibility (AoR) under the Protection cluster. The audit focused particularly on UNICEF's role as a lead cluster agency and how it functioned within the inter-cluster coordination mechanisms. The following was noted.

Cluster structures: UNICEF had recruited international professionals as cluster coordinators for WASH, Nutrition and the Child Protection Area of Responsibility, while there was a national officer leading the Education cluster.

Unlike other clusters, the Nutrition cluster had not only a cluster coordinator, who was from UNICEF, but a 'roving cluster coordinator', who was also a UNICEF staff member. This is a role originally devised by UNICEF; in effect, it is a deputy cluster coordinator who is geographically mobile, giving help and leadership to other cluster partners in the field. The roving coordinator role does inject more resources into the clusters, but it also increases the supervisory duties of the coordinator, and creates an unnecessary layer between the decision-makers and the field. Further, it means the funding for coordination roles become the sole responsibility of UNICEF, instead of being shared. The other clusters instead had co-leads from other organizations. This enables a sharing of responsibilities; it also means there are diverse views feeding into the coordination role, as well as more objectivity.

Sub-national coordination: The coordination structures at field level consist of UNICEF staff at varying grades, who wear two hats – their cluster role, and their sectoral UNICEF one. Staff and partners across all clusters complained of the lack of objectivity when a staff member 'double-hats'. This was especially so where there was no co-lead.

The audit also noted inconsistency in the extent to which the cluster coordinators' roles were defined.

---

[14] Water, Sanitation and Health.

Some clusters provided ToRs or minimum requirements for the role; others did not. Clarity was needed on this, the more so as the UN has now agreed to increase operations and increase the number of staff in the south, where they would have less easy access to the centre. This made it more pressing that the form of all the sub-national coordination structures – their capacities, role and responsibilities and reporting lines – be enhanced and clarified.

Inter-cluster coordination mechanisms: Emergency forums are a key part of the governance structures of the humanitarian response. To derive adequate benefits from these fora, the office needs to have a clear understanding of the purpose of each and identify staff at the appropriate levels and with relevant technical skills to participate in them. There were several fora - some were relatively formal, with terms of reference (ToRs) and minutes; others were less so. The office was unable to confirm to the audit main agenda items covered in these forums, their frequency, or who was representing UNICEF.

Agreed action 21 (medium priority)*: The office agrees to, in consultation with the cluster co-leads:

i.   Clarify and review the capacities and responsibilities of the sub-national coordinators, to ensure they are aligned with sector coordination accountabilities, and have a clear link to the accountable UNICEF cluster lead.
ii.   Put in place terms of reference (ToRs) for the sector coordinators that 'double-hat'. The ToRs should outline the key responsibilities of the additional roles, and clarify the accountabilities between sector focal points and UNICEF programme roles.
iii.   Clarify responsibility for participation in all emergency for a, so as to derive maximum benefit from them.

Responsible staff members: Chief of Field Operations
Target date for completion: 31 October 2019

Staff wellbeing

The UN's High-Level Committee on Management (HLCM)[15] has committed itself to ensuring that UN personnel remain physically and psychologically safe, under what has been termed "Duty of Care for UN personnel while operating in high-risk environments".

In March 2016, the HLCM established a cross-functional inter-agency Task Force chaired by the Deputy High Commissioner for Refugees (UNHCR), and co-chaired by the Deputy Executive Director of Management (UNICEF), to implement a set of deliverables that cover psychosocial support, health, human resources and administration, and safety and security. As these standards are being applied across the UN system in high-risk environments, including by UNICEF, the audit used these standards against which to review the issues that affect staff wellbeing in the high-risk environment. It noted the following.

Pre-deployment guide and training: UNICEF had pre-deployment guidance in place and the country office had a comprehensive induction package to supplement this. However, there were no mechanisms to provide continuous support and training to managers serving in high-risk environments. This is particularly important in politically sensitive contexts.

---

[15] A UN-wide body that looks for ways of simplifying the UN's business procedures and making them more efficient. See https://www.unsceb.org/content/hlcm.

Health risk assessment and health support: Although a health risk assessment was performed for Yemen, it appeared the UNCT had not adopted a health-support plan as such. At the time of the audit there were different approaches to health risks. As an example, cholera is endemic in Yemen, aggravated by the ongoing conflict, which has destroyed infrastructure for health and water and sanitation. In similar contexts in other countries, staff (both international and national) are vaccinated. But this had not been discussed, even though there have been cases reported amongst staff. Additionally, there are challenges for staff in respect to medical insurance, as none of the service providers in Yemen are accepted by the insurance company (the office had had escalated this problem to the regional office and to HQ). Staff cannot recover the cost of treatment if the service provider is not recognized.

Outposts: Certain conditions apply to UN staff in international service so that they can exercise their official functions. This includes immunity from legal process, taxation of salary, and other impediments to entry and residence. However, the PMU and Yemen Country Office staff in Amman did not have these privileges, although it is listed as their duty station. This was because they were not recognized under the Basic Country Agreement with Jordan. As a result, some staff had been unable to take up their posts as their families could not get visas to stay in the country or were denied access to services as they were not resident.

The audit was told that this had not been an issue for other organizations, as any out-posted staff were included as staff of their regional offices from the outset. At the time of the audit, the audit team had not been shown any official documents or correspondence that would demonstrate how this was being addressed.

Agreed action 22 (medium priority): The office agrees to:

   i.   Expedite support and training mechanisms for managers in high-risk areas, ensuring that they are tailored to the environment in Yemen.
   ii.   Consult the Division of Human Resources (DHR) and UN Medical Services on the possibility of providing cholera vaccines as part of the package for all staff.
   iii. In consultation with the regional office and DHR, obtain organizational guidance on how the standard rights and privileges of UN staff can be obtained for out-posted staff, or whether the positions should be reviewed.

Responsible staff members: DHR business partner, Regional Director, Representative, PMU Team Leader, Chief of Operations and Staff Association
Target date for completion: 31 December 2019

Safety and security

The goal of the United Nations Security Management System (UNSMS) is to enable the conduct of United Nations activities while ensuring the safety, security and well-being of personnel, and the security of United Nations premises and assets. All UN organizations are required to adhere to three principles: i) the determination of acceptable risk; ii) the provision of adequate and sustainable resources to manage the risk to personnel and their eligible dependents, premises and assets; and iii) the development and implementation of security policies and procedures.

The audit looked at whether the country office was making appropriate efforts to reduce the risks to personnel, premises and assets to an acceptable level.

Security equipment: According to the security equipment inventory, UNICEF's rooms at the UN Common Accommodation Facility (UNCAF) are assigned enough Protective Personal Equipment (PPE) to cover the occupants. However, a protocol for periodic checks should be put in place, as during the audit it was noted that some rooms did not have PPE. Ideally, any time UNICEF staff are assigned accommodation, there should be confirmation that the minimum-security requirements (such as PPE, first-aid kits etc.) are in place. The audit also noted that the PPE inventory does not indicate whether PPE is available in the UNICEF guesthouse in Aden.

The list of assigned VHF radios had not been updated. It contained names of staff who were no longer in the country.

Physical security assessments (PSAs): The PSAs of the field offices had been done. The PSA reports stated that all the measures related to the protection of the perimeters were non-negotiable. However, the audit was not provided with any documentation for the follow-up on the recommendations in the reports. There was a need to ensure that the recommended actions were followed up and that the actions taken were documented.

Security personnel: In conflict countries, field-based UN organizations tend to supplement the efforts of UNDSS. In the audit's discussion with UNCT members, the capacity and response of UNDSS in Yemen was raised as a concern. There was therefore a need to review the skills of security staff for the Yemen Country Office.

Agreed action 23 (medium priority): The office agrees to:

i.   Put in place a system of periodic checks to ensure all accommodation has the PPE required, and that it is accessible to occupants. The office should also ensure the list of assigned equipment is kept up to date.
ii.   Ensure recommendations from physical security assessments are followed up, and that actions taken to implement them are documented.
iii. Review the skills of its security staff and take appropriate action aimed at strengthening safety and security UNICEF staff and assets in Yemen.

Responsible staff members: Regional Security Advisor and Administration Specialist and Security Manager
Target date for completion: 31 October 2019

Consolidated sanctions list

The country office duly performed verification of service providers against sanctions lists when a long-term arrangement (LTA) was first issued. However, further verification was not a standard practice on renewal (except for payment agencies). Given the current volatile context in Yemen and the significant inherent reputational risk, verification of all the key service providers against the different sanction lists or sources should be carried out more regularly.

Agreed action 24 (medium priority): The office agrees to ensure the Contract Review Committee confirms, before the renewal of contracts or at a reasonable interval, that vendors being used are not included in the UN Consolidated Sanctions List.

Responsible staff members: Supply Manager
Target date for completion: 31 October 2019

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. The audit team visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with clients and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the client's (for example, a regional office or Headquarters division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of the International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. (Low-priority actions, if any, are agreed with the country office management but are not included in this final report.)

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.