



INTERNAL AUDIT DIVISION

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Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

The Representation needed to strengthen its strategic planning and prioritization of resources while also addressing the key control weaknesses over its management of core relief items, cash assistance and procurement processes

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Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in Yemen was managing the delivery of services to the forcibly displaced persons in a cost-effective manner and in accordance with UNHCR's policy requirements. The audit covered the period from 1 January 2021 to 30 September 2023 and included (a) planning and resource allocation; (b) gender-based violence; (c) shelter and settlement; (d) cash-based interventions; (e) non-food items; and (f) procurement.

The Representation participated in mandated clusters as part of the Humanitarian Response Plan and was instrumental in delivering services to forcibly displaced persons, most of whom were internally displaced. However, the complex operating environment in the north and south of Yemen resulted in challenges, including insecurity and restricted access to project sites by government. Further, inadequate strategic planning and prioritization of resources impacted the Representation's delivery of services in areas like shelter and gender-based violence. In addition, there was a need to strengthen internal controls over the cash-based assistance programme, non-food items distribution and procurement processes.

OIOS made seven recommendations. To address issues identified in the audit, the UNHCR Representation in Yemen needed to:

- Review the adequacy and effectiveness of its office structure and staffing and align its resource allocation to key strategic priorities;
- Update standard operating procedures to guide the implementation of its prevention and response of gender-based violence programmes for forcibly displaced persons within the context of the entire Yemen territory;
- Strengthen the design, planning, design, implementation and monitoring of the shelter programme to improve the living conditions of forcibly displaced persons;
- Strengthen controls over the recording and monitoring of the delivery of emergency cash assistance in line with the operational contexts of north and south Yemen;
- Conduct an assessment to inform its decision on an optimal service delivery modality; review the standard non-food items kit composition for relevance; and reinforce controls over reporting and reconciliation of the distributed items;
- Strengthen controls over the safety and security of stock in warehouses and review and address discrepancies between physical stock and MSRP data in a timely manner; and
- Strengthen its capacity to procure in compliance with relevant regulations.

UNHCR accepted the recommendations, implemented one and initiated action to implement the remaining. Actions required to close the remaining recommendations are indicated in Annex 1.

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Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Yemen (hereinafter referred to as ‘the Representation’) started operations in 1982. Yemen had widespread and multiple displacements due to internal conflict and natural disasters. Yemen’s internal conflict resulted in two separate governments: Houthis in the north and the internationally recognized government in the south. Despite a peace deal signed in April 2022, economic conditions have continued to deteriorate. The Representation had to adapt its programme and protection activities to the needs under the different contexts in the north and south, particularly regarding GBV, protection monitoring, and advocacy.
3. As of September 2023, there were about 4.5 million internally displaced persons (IDPs) and 71,000 registered refugees and asylum seekers. The United Nations humanitarian needs assessment overview estimated that around 23.4 million people, including 13 million children, required protection. Travel restrictions between the north and south impacted the Representation’s delivery of services to forcibly displaced persons.
4. The Representation was a member of the Inter-Cluster Coordination Mechanism, which developed a humanitarian response plan (HRP) targeting 14 million affected people, and with a budget of \$4.2 billion. The HRP organized support for IDPs through eight clusters, namely, (i) protection, (ii) health, (iii) education, (iv) shelter, energy and non-food items, (v) food security and agriculture, (vi) water, sanitation and hygiene, (vii) nutrition, and (viii) camp coordination and camp management. The Representation led the protection, shelter, and camp coordination and camp management clusters.
5. The Representative was at D-1 level and reported to the Regional Director in the Bureau of the Middle East and North Africa (Bureau). As of 25 May 2023, the Representation had 307 posts comprising of 54 Professionals, 20 National Officers, 185 General-Level staff and 48 affiliated staff. The Representation’s country office was in Sanaa, with a sub-office in Aden, Field Offices in Hodeida, Ibb and Saada, and field units in Sanaa, Kharaz, and Maarib. The Representation’s total expenditure in 2021- 2022 was \$317 million and its budget for 2023 was \$120 million. The Representation worked with 30 partners in 2021 and 2022, who implemented 26 and 34 per cent of the overall operating level budget, respectively.
6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether the UNHCR Representation in Yemen was managing the delivery of services to the forcibly displaced persons in a cost-effective manner and in accordance with UNHCR’s policy requirements.
8. This audit was included in the 2023 OIOS risk-based work plan due to risks related to the complexity of implementing operations in Yemen.

9. OIOS conducted this audit from July to October 2023. The audit covered the period from 1 January 2021 to 30 September 2023. Based on an activity-level risk assessment, the audit covered higher risks areas and reviewed: (a) planning and resource allocation; (b) gender-based violence (GBV); (c) shelter and settlement; (d) cash-based interventions (CBIs); (e) non-food items (NFIs); and (f) procurement.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical reviews of financial and performance data¹; (d) sample testing of controls; and (e) visits to eight implementing partners, three shelter sites and two warehouses.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Planning and resource allocation

Need to strengthen the strategic resource allocation

Strategic planning and resources allocation

12. In the period under audit, the operating plan budget was \$883 million, but the Representation only received \$363 million (41 per cent). To deliver services to forcibly displaced persons within available resources, the Representation needed to develop strategies to support the prioritization of needs. The development of strategies needed to be informed by reliable population and programme performance data.

13. The Representation had a multi-year strategy (2023-2025) and annual operations plans that provided strategic and operational direction to the delivery of services to forcibly displaced persons. The strategy and operations plans were aligned to UNHCR's global strategic priorities. The strategy and plan were informed by over 600 assessments conducted that supported the prioritization of needs among forcibly displaced persons, i.e., CBI, NFI, shelter, and protection. However, the Representation's protection strategy was spread across multiple documents and could be consolidated into a single document for effectiveness in directing programme activities.

14. The Representation's strategic planning process was however impacted by inadequate population data which was attributed to insecurity and access issues. Thus, all humanitarian organizations relied on outdated information for their decision making. For instance, the 2021 humanitarian needs assessment overview relied on 2020 figures and the 2020 one was based on 2016–2018 data. Further, the government was responsible for IDP registration and provided the lists of beneficiaries, and this carried the risk that programme interventions would be politicized.

15. The multi-year strategy identified voluntary repatriation and resettlement as the only viable durable solutions for the 71,000 refugees and asylum seekers. This was due to growing xenophobia and lack of livelihood opportunities in Yemen. However, the performance of the durable solution programme was low as evidenced by the fact that only 83 and 56 individuals were resettled in 2021 and 2022 respectively. The Representation attributed this low result to the fact most resettlement countries did not have a diplomatic presence in Yemen. This posed challenges for interviewing the applicants and resulted in considerable delays. Thus, refugees and asylum seekers remained heavily reliant on the Representation for support and

¹ Financial data from MSRP and performance data from its results-based management systems, FOCUS and COMPASS

at a time when resources were reducing. The Bureau needed to support the Representation secure more resettlement places and find solutions for timely interviews of the refugees in Yemen.

16. The Representation received \$363 million in the period under audit, with 76 and 24 per cent allocated to IDPs that were managed under the cluster system and refugees and asylum seekers respectively. The Representation spread funds across 12 strategic areas instead of prioritizing interventions where it wanted to create an impact. For instance, core priority areas such as refugee status determination, GBV, child protection, and livelihoods each received between 1-3 per cent of the programme budget. Given resource constraints, the Representation needed a more robust resource allocation to deliver programmes in an impactful manner.

The staffing and the structure of the Representation

17. The Representation's team composition comprised 58 per cent programme, protection and field staff and 41 per cent administrative, finance and other support staff like drivers. Seventy-nine per cent of its staff were in the country office in Sanaa and the sub-office Aden and the remaining 31 per cent in six field offices and units. The concentration of staff at the main offices is contrary to the decentralization process which aimed to move resources nearer to the points of service delivery. It also raised the risks of delays in service as 96 per cent of forcibly displaced persons did not live in these two main areas. Furthermore, the Representation planned to gradually downsize its operations in Yemen by closing field offices and reducing staff from 2024. However, the Representation was yet to determine the optimal structure and resource for cost-effective service delivery and had not identified for mitigation risks that the planned downsizing would have on forcibly displaced persons.

Performance management

18. Despite restricted movements due to security conditions and access, the Representation's multi-functional teams (MFT) conducted two performance and financial verifications during the year. However, project control unit was not involved in most verifications, and this affected the quality of financial monitoring conducted on partner activities.

19. The Representation monitored its programme performance against the targets in the new performance system, COMPASS. However, the audit noted that there was significant underachievement against targets for 83 out of 210 indicators in 2021 and 72 out of 217 in 2022. For example, only 11 per cent of targets for legal assistance to refugees and entrepreneurship training were met. Also, only 28 per cent of targets related to training of government staff were achieved. Additionally, the Representation did not have indicators to monitor the quality of services delivered to displaced persons, e.g., that SPHERE standards had been met.

20. In a complicated operating environment and with limited resources, sub-optimal resource allocation and gaps in performance management impacted not only displaced persons' access to required protection, but also quality of services provided.

(1) To achieve its strategic objectives, the UNHCR Representation in Yemen should: (i) review the adequacy and effectiveness of its office structure and staffing; and (ii) align its resource allocation to key strategic priorities.

UNHCR accepted recommendation 1 and stated that the Representation conducted a staffing review, which resulted in a reduction of staffing levels and a saving of \$1.4 million in the 2024 budget. This involved moving key international positions from Sanaa to Aden to enhance the operations in the south and downgrading others. The Representation enhanced the prioritization of activities deemed critical

and lifesaving, and reduced targets in all activities to ensure that variety of needs of vulnerable individuals are met with reduced resources.

B. Gender based violence

Need to strengthen GBV prevention and response programmes in Yemen

21. The Representation spent approximately \$2 million on GBV interventions in 2021 and 2022 and had a budget of \$3 million in 2023 and implemented related programme activities through 14-15 partners in the period under audit. The Representation needed to have a strategy and standard operating procedures (SOPs) to direct and guide GBV prevention and responses, coordinate with other clusters, sectors and stakeholders, and monitor violations of human rights. The Representation faced restrictions in the delivery of GBV services to the north, and thus had to adapt its programme activities to provide services under the different contexts.

22. The Representation was the protection cluster lead, however, the GBV area of responsibility was under the leadership of another United Nations agency. The Representation's role was limited to identification and referral of forcibly displaced persons, i.e., primarily focused on refugees and asylum seekers. The Representation also coordinated with key stakeholders on the development and implementation of GBV responses.

23. Although the Representation did not develop a standalone country strategy for Yemen, GBV prevention and response was covered in its multi-year strategy (2023-2025) and relevant elements included in the strategies of other related sectors. The GBV response was adapted to take into consideration the operational country context where there were diverse restrictions to delivery in north and south Yemen. However, there was a need for the Representation to strengthen coordination with other key actors to foster safe access of survivors to necessary assistance and support across the north and the south. For instance, a GBV safety audit was last conducted in 2019 with another in progress at the time of the audit. However, the audits only covered the south and consideration needed to be given to conducting these in north Yemen.

24. During the period under audit, the Representation reviewed the GBV SOPs to reflect the different operating contexts thereby strengthening the quality of related service delivery between the north and the south. However, the audit identified the following gaps in the SOPs in use at the time of the audit:

- Previous partners working with refugees and asylum seekers in the north were not closing GBV cases in line with best practice. The current partner started reviewing all open cases after the audit;
- There was no provision for conducting duty of care by partner staff that provided GBV services to survivors;
- The Representation was not conducting client satisfaction surveys on survivors that received services. Only one survey was conducted at the time of the audit; and
- The SOPs did not provide for the safe and ethical collection and safekeeping of GBV data.

25. The Representation conducted a GBV policy implementation self-assessment for 2021, with baseline data analyzed by the Regional Bureau in 2022 and validated in 2023. The self-assessment reflected different levels of GBV attainments for the north and south with the indicators having positive to negative extremes based on the area. Consequently, the overall conclusion of self-assessment was partial compliance with the policy. Assessments by territorial divide would have given a more accurate reflection of the extent to which the GBV policy was implemented and complied with.

26. The audit reviewed the GBV data collection and noted that in 24 case management files at three partners, referral information, consent forms and personal identification were included in the case files, which was a breach of the confidentiality principle. Additionally, data related to refugees and asylum seekers was maintained in the GBV Information Management System (IMS) and the one for IDPs in MS Excel. However, the Representation did not have a GBV IMS SOP in place to ensure harmonized, safe, and ethical GBV data collection and reporting. Further, the GBV IMS was offline due to the sensitive nature of information it contained, and this impacted its functionality regarding statistical analyses.

27. The Multi-Functional Team monitored GBV activities in the period under audit. However, its effectiveness was impacted by the limited staff numbers that had to cover a large number of partners; insecurity; and access restrictions due to failure to get travel permits to project sites on time. Further, the Representation had three GBV outcome indicators in COMPASS, but they had not been configured for relevance to the Yemen situation. Additionally, a key indicator on GBV mitigating activities in IDP sites was removed in 2023. Also, the partner indicators were not aligned to those in COMPASS. For instance, the results reported by the partner regarding the number of persons receiving GBV response services was not reflected in COMPASS.

28. The issues above were caused by socio-political country complexities and restrictions as well as security concerns which negatively impacted the implementation of GBV activities in the north and south. The Representation's SOPs did not provide adequate guidance on the implementation modalities under the different country contexts.

(2) The UNHCR Representation in Yemen should update standard operating procedures to guide the implementation of its prevention and response of gender-based violence programmes for forcibly displaced within the context of the entire Yemen territory.

UNHCR accepted recommendation 2 and stated that the updated standard operating procedures within the context of the entire Yemen territory will be finalized by September 2024. This will include having structured prevention and response programmes for IDPs in the north, although its implementation would depend on the permissions from the authorities to operate there.

C. Shelter and settlement

Need to align shelter programme with available resources and improve controls over shelter activities

29. The Representation provided shelter and settlement solutions to 82,072 forcibly displaced persons in the period under audit. These comprised of 7,182 shelters built, 8,107 units repaired, and 1,302 houses rehabilitated for a total amount of \$11.3 million. It planned to reach 79,135 individuals with shelter interventions in 2023. The Representation also distributed 10,000 emergency shelter kits to 50,000 beneficiaries totaling \$3.6 million. To effectively deliver shelter programme to the forcibly displaced persons, the Representation is required to develop a multi-year shelter strategy informed by needs assessment and involving key stakeholders.

30. The Representation developed a multi-year shelter, settlement and NFI strategy (2022-2024) that was informed by a needs assessment. Its aim was to build emergency and transitional shelters for the forcibly displaced people as well as repair houses for IDP returnees. This was done in coordination with the shelter and other clusters within the humanitarian response plan. The Representation coordinated with the camp management and water sanitation and hygiene clusters to ensure that displaced persons had access to clean water supply and latrines nearby their homes. However, displaced persons did not have access to

health and livelihood facilities in their neighborhood, which was necessary to create a conducive environment for IDPs to return to their areas of origin.

Implementation of the shelter programme

31. The Representation's shelter and settlement programme was affected by the housing, land, and property rights issues in the country, such as cases of overlapping land governance and inadequate land dispute resolution mechanisms. For example, the Representation could not construct 50 shelters in Al Dhali area in 2021 due to the housing, land, and property issues. These issues also affected arrangements of shelter sites, transitional shelter building, providing rental support and finding durable solutions.

32. Inadequate targeting and prioritization of vulnerable people: The Representation prioritized vulnerable groups, such as female-headed households, persons with disabilities, elderly persons at risk, and large-sized families, for shelter interventions. It noted that it had reached four per cent of the most vulnerable with shelter assistance in 2023. However, it did not have data on the number of vulnerable persons reached with shelter assistance in 2021 and 2022. This low coverage of the vulnerable was because it used the lists provided by the government authorities to identify beneficiaries of the shelter programme instead of those persons identified as vulnerable through its own criteria.

33. In visits to four sites in Sanaa and Aden, the audit noted that the emergency and transitional shelters did not meet the SPHERE standards of 3.5 square meters of living space per person, excluding cooking, bathing, and sanitation facilities. Additionally, the streets were narrow, with limited space between the shelters, thereby raising protection risks especially for women and girls. Many tents were torn, and property swept away by the wind and heavy rains, but no repairs/ replacements were provided. Therefore, forcibly displaced persons lived in sub-standard shelter conditions without areas for individual privacy, kitchens, bathrooms and toilets, thereby raising protection risks.

34. Over three million forcibly displaced persons living in urban areas in rental accommodations or hosting arrangements also were facing shelter related challenges. The high cost of necessities and deteriorating economic conditions made it challenging for them to pay rent on time. The humanitarian needs assessment overview (2023) noted that 76 per cent of these persons could not pay rent for more than three months, thereby raising the risk of their eviction.

35. Substandard living conditions for displaced persons: The 2021 Shelter Cluster Report identified the sub-standard living conditions displaced persons were living under, but actions taken to improve them were inadequate to create meaningful impact. Most of IDPs' homes were damaged or destroyed during the ongoing conflicts. The Representation repaired 5,607 shelters and rehabilitated 273 houses for 31,562 beneficiaries in 2022 and planned to repair another 5,105 units for 31,535 beneficiaries and rehabilitate 2,490 homes to help 16,330 people in 2023. However, at this pace, the Representation would only be able to reach all affected persons in 20 years. This slow progress was exacerbated by funding constraints, restrictions to access, and security issues.

36. Further, the Representation completed 39 quick impact² projects for 82,000 IDPs and the host community in the period under audit. It planned to complete 85 quick impact projects in 2023 but had not started these by the end of the audit thus raising the risk that the targets would not be met. Despite these initiatives, IDPs' willingness to return continued to be impacted by inadequate infrastructure and limited facilities and services in the return areas as well as the absence of livelihood opportunities near their places

² Quick Impact projects included small projects such as water channels, drains, sanitation, and health to enhance access to basic services for IDP and host communities and reduce the burden on existing community infrastructure.

of origin. If implemented, the quick-impact projects will help alleviate the need for more facilities and services in areas of return.

Monitoring of shelter programme performance

37. The targets in the strategy differed with those reflected in COMPASS and thus the Representation did not have a basis for measuring the progress made in achieving its strategic objectives. Additionally, the Representation did not meet key shelter indicators due to, amongst other things, limited funding. For instance, a review of the Representation's performance against shelter strategy targets showed that it had achieved only 23 and 34 per cent of the emergency shelter targets in the shelter strategy in 2022 and 2023, respectively. It was also only able to meet 37 and 22 per cent of the repairs in 2022 and 2023 respectively. Similarly, the house rehabilitation results were at 17 and 25 per cent of the targets in the strategy target in 2022 and 2023, respectively.

38. Although the Representation reported 91 per cent success against the indicator, "providing physically safe and secure settlements with basic facilities to forcibly displaced persons' in 2022, it only provided shelter to 29 per cent of the total forcibly displaced persons' population of 1.6 million. The Representation was also unable to meet its shelter targets during the period under audit, with the results for the 11 shelter indicators falling between 5 to 90 per cent of targets in 2022. For example, the Representation fell significantly short of the targets for: (i) transitional shelters and house repair by 69 per cent and 74 per cent respectively in 2022; and (ii) households receiving emergency shelter kits by 97 per cent, house rehabilitation cash grant by 95 per cent, and emergency shelter kits provided by 59 per cent. Additionally, only 18 per cent of its shelter maintenance and upgrading targets were achieved.

39. Identified gaps in the implementation of the shelter programme increased protection risks as displaced persons did not have shelters that provided them with privacy, protection from the elements, emotional security and an adequate space to live as required by UNHCR policies.

(3) The UNHCR Representation in Yemen should take action to strengthen its planning, design, implementation and monitoring of the shelter programme so the living conditions of forcibly displaced persons are improved.

UNHCR accepted recommendation 3 and stated that the Representation would reinforce the shelter programme by updating of existing shelter technical guidelines, strengthening coordination mechanisms, improving data collection systems, and enhancing monitoring and evaluation processes for all shelter interventions. A market assessment had also been conducted that would inform the Yemen shelter cluster and other stakeholders on the delivery of related solutions by mid-2024.

D. Cash based interventions

Need to strengthen controls over the implementation and monitoring of the CBI programme

40. The Representation monetized most of its interventions across three sectors (basic assistance, shelter, and protection). Forty-three per cent of the \$147 million operations budget in the period under audit was delivered through the CBI programme. The Representation made 650,000 cash grants to an estimated 2,200,000 individuals between 2021 and 2022. The delivery of cash was through two financial service providers (FSPs) and for the emergency cash assistance (ECA), through 14 implementing partners. To effectively programme and deliver CBI, the Representation needed to assess the risks and feasibility of the CBI programme, develop beneficiary selection criteria and operational guidelines, establish financial and protection controls, and monitor performance.

41. The complexity of the CBI programme in Yemen was due to the dual political and fiscal contexts, currencies and exchange rates, poverty thresholds, survival minimum essential baskets, and transfer values. In response to the different administrations, fiscal policies, and currencies in the north and the south, the Representation developed and implemented two separate CBI systems. However, all types of CBI were not running simultaneously in both territories. For instance, the Representation was unable to reach the high number of beneficiaries in the south following the ban on the telephone service provider. The Representation regularly monitored the monthly market analysis for both territories to determine the transfer values and types of CBI to be delivered.

42. The Representation had CBI SOPs. A review of these SOPs showed some contradictions. For instance, the Representation was required to first verify whether beneficiaries had received cash assistance from other sources prior to giving ECA. However, the same SOP allowed beneficiaries to receive ECA in addition to other different assistance types. Furthermore, the guidelines did not cover key parameters for disbursement of ECA, e.g., the regulated use of FSPs and the number of disbursements that should be made within the allocated budget. The SOPs were also not updated to reflect the new protocols in the system. Additionally, the audit identified instances of noncompliance with the SOPs, e.g., although ECA should have been paid to only refugees and asylum seekers, reconciliation tables indicated that it was also paid to IDPs.

Implementation of cash assistance programme

43. The audit reviewed the processes followed in effecting two monthly payments conducted through FSPs. It also involved an interview of 25 beneficiaries of multi-purpose cash assistance, ECA and sectoral cash (cash for rehabilitation). The review of payments effected under ECA revealed the following:

- Lack of a platform to record all CBI assistance. ECA was not included in a CBI repository containing data on all other CBI assistance, and this heightened the risk of duplication in assistance. Following the audit, the Representation launched a new repository for ECA;
- Lack of analyses of ECA payments: Until 2023, the Representation did not conduct analyses of ECA payments effected by different partners to identify possible duplications; and
- Unauthorized use of FSP by a partner: One partner used the services of a FSP to deliver emergency cash assistance that caused two days delay in delivery of assistance. The Representation needed to assess the possibility of directly implementing ECA using FSPs.

44. The Representation had standing data-sharing agreements with a United Nations agency and a cash consortium for Yemen and was in the process of signing related agreements with another United Nations agency for data sharing. The Representation also piggybacked on another United Nations agency's FSP service contract. However, frame agreements were signed with only two FSPs, yet more service providers could have been considered to get better value.

45. The audit also noted that no real time and post distribution monitoring was conducted for ECA. Thus, the Representation did not have information on the adequacy and effectiveness (quality, sufficiency and utilization) of CBI as a modality of service delivery in mitigating protection risks. The MFT's monitoring of the CBI programme was also impacted by, amongst other things, restrictions of movement within the country.

46. The CBI unit was led by an international staff (P4) who was supported by two professionals and seven national officers. One post was vacant, and four of the nine positions were temporary, including the head of the unit. This situation affected the effectiveness of management of the programme and continuity of the CBI team.

47. The issues noted above were a result of the: (i) complexities of running two different cash assistance programmes in one country; (ii) a lack of a platform to record CBI assistance to beneficiaries; (iii) lack of real time and post distribution monitoring of emergency cash assistance; and (iv) limited number of FSPs.

(4) The UNHCR Representation in Yemen should: (i) update standard operating procedures to guide the delivery of emergency cash assistance in line with the operational contexts of north and south Yemen; and (ii) strengthen arrangements for recording and monitoring related assistance.

UNHCR accepted recommendation 4 and stated that the Representation would update the standard operating procedures (SOPs) to include emergency cash assistance (ECA) during the first semester of 2024. The Representation also in quarter four of 2023 launched a dedicated platform for the recording and monitoring ECA. The platform was being piloted and would be rolled out in the first quarter of 2024.

E. Non-food items

Need to strengthen controls over NFI distribution and warehouse management

48. To ensure delivery of NFIs in a timely manner to the intended beneficiaries of concern, the Representation is required to: (a) assess the needs and plan for the non-cash assistance activities; (b) design and deliver activities according to the plan; (c) monitor, evaluate and report the activities; (d) coordinate and partner with key actors for non-cash assistance; and (e) manage inventory and warehouse.

Modality for service delivery

49. The Representation distributed NFIs totaling \$23 million through partners to forcibly displaced persons. At the time of the audit, the items in the warehouses totaled \$6.9 million, \$5.2 million of which related to NFIs. The Representation developed SOPs for the management and distribution of NFIs in March 2023, but they were not comprehensive and thus needed to be updated. For instance, the SOP did not cover key controls such as physical verification of beneficiary lists, accounting of inventory, reconciliation to records, and reporting deadlines. The Representation planned to replace NFI interventions with cash assistance due to high logistics costs. However, feasibility studies and market surveys to inform this decision were yet to be finalized at the time of the audit.

Design of the NFI programme

50. Prior to distribution, the partners visited IDP shelter sites to determine the number of families that required NFIs. However, the Representation did not conduct a needs assessment to identify preferred items but rather used the standard NFI kit composition, which included mattresses, thermal blankets, sleeping mats, buckets, a kitchen set, and a solar lamp. This resulted in beneficiaries in the south complaining about the thermal blankets received being too warm for the climate. The NFI cluster working group was reviewing the NFI kit composition in 2023.

51. The Representation targeted the most vulnerable among the forcibly displaced persons for NFI distribution using Protection Monitoring and Shelter NFI Assessment Tool. Since it did not have the complete database of vulnerable individuals, it depended on lists provided by the government, which carried a risk of being inaccurate. In addition to needs assessments, the Representation's distribution of NFIs was also dependent on available funding specifically earmarked for the programme. However, the

Representation initiated the process before funds were received. For instance, while the Representation's proposal for NFIs was yet to be approved, items totaling \$1.6 million had been released for distribution by mid-July 2023.

Distribution of NFIs

52. The responsible partners submitted on-site reports after each distribution and a third company conducted the annual post distribution monitoring reports after each distribution. The audit noted that action was taken to address identified issues, e.g., poor feedback and communication mechanisms before and during distributions. However, a review of 29 distribution documents out of the total 2,247 distributions showed that there were inconsistencies in the practices that the different field offices employed. For instance:

- Some offices did not comply with the maximum number of items that should be distributed to households, with households under Saada Field Office receiving the maximum number of items regardless of the size of their families. For instance, a family of three got seven blankets and five mattresses. This not only represented inequitable NFI distribution but was also wasteful of limited resources.
- The frequency and method of reconciliation of items differed in the north and south and did not align with recommended guidelines.
- Some distributions were made without considering the vulnerability of displaced persons nor whether the items had been provided previously. For instance, some families were provided with full NFI kits despite having already received some items. One partner in Maarib did not consistently conduct vulnerability assessments, for example, it distributed NFIs to some families despite assessing them as non-vulnerable.

Warehouse management

53. The Representation had three warehouses. The overall management of the warehouses was adequate in terms of stacking, safety and security. However, the audit noted that the warehouse did not separate damaged items, items under inspection or reserved for shipping. There were pharmacy rooms in Aden warehouse, but temperature measuring devices were not functioning well in the pharmacy rooms.

54. The partner responsible for managing the Aden warehouse did not have documentation to support its rental of the warehouse as required under project partnership agreement. It was not only non-compliance with UNHCR's requirements but also raised questions about the security of stock totaling \$2.9 million that was held in the warehouse. Despite this and the Representation's having been refused access to the warehouse for two weeks in July 2022, this partner was retained in 2023. The Representation attributed this to the failure to find another partner and alternative warehouse due to the high-value stocks held. It however did not institute controls to address the inherent risks of continuing the relationship nor inform the Implementing Partners Management Committee of these risks prior to making its decision. The Representation stated that it was going to disengage gradually from the partnership in 2023.

55. The Representation maintained a weekly stock report that provided information on the number of households that would be covered with available stock. However, because it did not monitor the stock balances against distribution targets, this resulted in some stock becoming obsolete. For instance:

- The Aden warehouse stock had bar soap donated by a private sector donor for monthly distribution in the Kharaz camp. However, because hygiene items were not distributed from September 2022 to March 2023, 273,945 soap bars worth \$182,064 expired in May 2023 before issuance.

- The standard items, e.g., blankets, buckets and mattresses in the warehouses exceeded the planned quantity for distribution in 2023. For example, the Representation’s target for the distribution of buckets in 2023 was 36,200 households but it was holding to reach 52,727 households. This was in addition to buckets already distributed catering for 12,125 households (bringing the total to 64,852 households). The holding of extra stock came at an extra storage and handling costs.
- While it had surpluses in some items, there were also shortages noted with others, which reflected deficiencies in planning. In 3 of the 29 distribution cases reviewed, full NFI kits could not be distributed due to the shortage of items.

56. If the above weaknesses are not addressed, there is a risk that the Representation will not be able to effectively deliver to beneficiaries in a cost-effective efficient manner.

(5) The UNHCR Representation in Yemen should strengthen the management and distribution of non-food items (NFIs) by: (i) conducting an assessment to inform its decision on an optimal service delivery modality; (ii) reviewing the standard non-food items kit composition for relevance; and (iii) reinforcing controls over reporting and reconciliation of the distributed items.

UNHCR accepted recommendation 5 and stated that the Representation was reviewing the draft report of the market assessment which would inform its decision on the optimal service delivery modality by mid-2024. It would also review the standard non-food items (NFIs) kit composition for relevance; and to strengthen controls over storage and distribution of NFIs to forcibly displaced persons.

(6) The UNHCR Representation in Yemen should strengthen controls over the safety and security of stock in warehouses and review and address discrepancies between physical stock and MSRP data in a timely manner.

UNHCR accepted recommendation 6 and stated that the Representation has successfully implemented measures to improve inventory safety and security in Aden. These included discontinuing the agreement with the responsible partner and contracting a United Nations Agency to store and manage NFIs from November 2023 to 31 December 2024 and conducting the annual physical verification process. The Representation also reached agreement with authorities to distribute the soap to host and IDP communities by 31 December 2023.

F. Procurement

Need to strengthen procurement and vendor management

57. The Representation issued 620 Purchase Orders (POs) totaling \$36.8 million to 155 vendors during the period under audit. The key items procured were mattresses and shelter items as well for the provision of financial logistics, security, and rental services. The Representation also issued POs worth \$20 million to other United Nations agencies for administration, guesthouses, and logistics. It also procured NFIs, e.g., blankets and buckets through UNHCR headquarters. The audit selected 11 PO transactions worth \$5.8 million for review.

58. The Representation prepared comprehensive procurement plans, and this helped address the magnitude of ex post facto procurements identified in the 2019 OIOS audit (AR2019/131/02). The total value of ex-post factor procurements was \$3.9 million in 2020-2023, including an ex-post facto approval for a construction contract (worth \$3.7 million) that was not completed within the approved implementation period. Even then some of these cases (\$0.17 million) were not entirely under the Representation's control,

e.g., when they reflected difficulties in signing contracts on time. The Local Committee on Contracts regularly reviewed all cases submitted for approval in the period under review.

59. In addition, for a contract for cleaning services totaling \$0.5 million, the audit noted that:

- The tender introduced criteria that were not in terms of the reference, and the scoring criteria were not constant. For instance, different scores were given to bidders for submitting financial statements for the same period, affecting the overall evaluation. In addition, the maximum score was given to a supplier that provided financial statements for one instead of the required three years.
- Contrary to local regulations, the Representation did not use the standard government rates for income tax and end-of-service benefits. Thus, the rates quoted by bidders were 6 to 21 per cent above the government rates thereby increasing the total contract price.
- The signed contract provided for 21 per cent of the total wages to be paid as end of service benefits thereby increasing the contract price by \$130,000. These payments were made without controls in place to ensure they were applied to relevant staff.

60. The Representation, however, had significant "non-PO" transactions, which had not been subjected to formal procurement processes as required in UNHCR rules. Non-PO transactions above the \$4,000 threshold amounted to \$1.2 million. The audit sampled transactions worth \$0.5 million and found that security expenses were based on a signed memorandum of understanding, while the other items tested were not subject to any formal procurement procedures and approvals. These items included payments for utilities in Aden guesthouse (\$121,842), vehicle maintenance services (\$41,935), and taxi charges (\$209,000). The taxi charges included \$17,500 worth of retroactive payments to five taxi drivers to compensate them for the reduced use of taxis. Further, for CBI data collection in 2021, the PO was raised five months after the work has been done by the supplier (\$68,900). The Representation acknowledged these issues and had initiated measures to ensure compliance.

61. The above weaknesses occurred due to the absence of SOPs guiding payment procedures for non-POs, utility bills and taxi charges, the lack of a frame agreement for recurrent goods and services, and weak controls for monitoring and oversight over the tendering process. If unaddressed, these weaknesses will result in the Representation not obtaining best value on procurements.

(7) The UNHCR Representation in Yemen should implement an action plan to strengthen its procurement management capacity to ensure compliance with relevant regulations.

UNHCR accepted recommendation 7 and stated that the Representation would: (i) establish standard operation procedures for low-value procurements in line with procurement policy; (ii) regularize cumulative non-PO procurements above thresholds related to utilities; and (iii) establish frame agreements for utilities to avoid purchases of related services under non-PO arrangements.

IV. ACKNOWLEDGEMENT

62. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	To achieve its strategic objectives, the UNHCR Representation in Yemen should: (i) review the adequacy and effectiveness of its office structure and staffing; and (ii) align its resource allocation to key strategic priorities.	Important	O	(i) Action completed (ii) Receipt of a budget report reflecting resource allocation in line with the key strategic priorities.	(i) Implemented (ii) 31 December 2024
2	The UNHCR Representation in Yemen should update standard operating procedures to guide the implementation of its prevention and response of gender-based violence programmes for forcibly displaced within the context of the entire Yemen territory.	Important	O	Receipt of updated standard operating procedures and plans for the implementation of the GBV prevention and response programme within the context of the entire Yemen territory.	30 September 2024
3	The UNHCR Representation in Yemen should take action to strengthen its planning, design, implementation and monitoring of the shelter programme so the living conditions of forcibly displaced persons are improved.	Important	O	Receipt of: (i) updated shelter standard operating procedures to guide related programme implementation; and (ii) action plan to implement the recommendations from the market assessment report.	30 June 2024
4	The UNHCR Representation in Yemen should: (i) update standard operating procedures to guide the delivery of emergency cash assistance in line with the operational contexts of north and south Yemen; and (ii) strengthen arrangements for recording and monitoring related assistance.	Important	O	Receipt of: (i) updated standard operating procedures on the emergency cash assistance (ECA) in the operational contexts of north and south Yemen; and (ii) evidence of the implementation of the ECA platform for monitoring and reporting.	30 June 2024
5	The UNHCR Representation in Yemen should strengthen the management and distribution of non-food items (NFIs) by: (i) conducting an assessment to inform its decision on an optimal service delivery modality; (ii) reviewing the standard NFIs kit	Important	O	Receipt of: (i) the plan to implement the recommendations of the market assessment report on the optimal service delivery modality; (ii) updated composition of the NFI kit; and (iii)	30 June 2024

³ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁴ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by UNHCR in response to recommendations

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
	composition for relevance; and (iii) reinforcing controls over reporting and reconciliation of the distributed items.			evidence of actions taken to reinforce the controls over NFIs storage and distribution.	
6	The UNHCR Representation in Yemen should strengthen controls over the safety and security of stock in warehouses and review and address discrepancies between physical stock and MSRP data in a timely manner.	Important	C	Action completed	Implemented
7	The UNHCR Representation in Yemen should implement an action plan to strengthen its procurement management capacity to ensure compliance with relevant regulations.	Important	O	Receipt of evidence of: (i) updated standard operation procedures for low-value procurement; (ii) actions taken to regularize cumulative non-PO procurement above the threshold related to utilities; and (iii) established frame agreements for utilities.	30 June 2024

APPENDIX I

Management Response

Management Response

Audit of the operations in Yemen for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	To achieve its strategic objectives, the UNHCR Representation in Yemen should: (i) review the adequacy and effectiveness of its office structure and staffing; and (ii) align its resource allocation to key strategic priorities.	Important	Yes	Representative	(i) Implemented (ii) 31 December 2024	<p>(i) The office structure and staffing for 2024 was reviewed after considering the resource position. The staffing reductions for 2024 (around USD 1.4 Million), as part of the staffing review and restructuring, and in accordance with budget reductions, resulted in more positions being impacted in Sana'a than the field. This included some key international positions with countrywide responsibilities being moved from Sana'a to Aden to enhance the focus on the south (e.g., Deputy Representative (Operations), Senior Field Security Officer, Durable Solutions Officer). As part of a restructuring, several operational and general protection positions are being moved from the Country Office protection team to Field Unit Sana'a, to enhance operational effectiveness in protection. Such measures are leading to reduced staffing levels in Sana'a, while certain critical positions may be created/ reinforced/ maintained in the field subject to funding and to ensure less effects of reduction on staffing in the field.</p> <p>(ii) Yemen operation has enhanced the prioritization of activities deemed critical and lifesaving, hence reduction of targets was done in all</p>

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>activities to ensure that variety of needs of vulnerable individuals are met with reduced resources. Phasing out a selected activity (example shelter) in order to allocate funds to other activities would impact vulnerable groups and individuals that need lifesaving shelter assistance. With respect to livelihoods, the operation instead allocated substantial funding in programming livelihood, is facilitating data provision, field knowledge to advocate with development actors to provide livelihood support to Persons of concern of UNHCR. Compass budget report showing revised and updated resource allocation in alignment with the Representation's key strategic is available.</p>
2	<p>The UNHCR Representation in Yemen should update standard operating procedures to guide the implementation of its prevention and response of gender-based violence programmes for forcibly displaced within the context of the entire Yemen territory.</p>	Important	Yes	<p>Assistant Representative (Protection) and Senior Protection Officer</p>	30 September 2024	<p>The updated standard operating procedures detailing guidance to staff and partners on the implementation of the prevention and response of gender-based violence programmes for forcibly displaced within the context of the entire Yemen territory will be finalized by September 2024. It is to be noted that the operation will strive to put in place structured prevention and response programming for IDPs in the north, but the actual success of the above will depend on the permissions to operate from the authorities, given the particularly challenging attitudes to such issues in the north.</p>

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
3	The UNHCR Representation in Yemen should take action to strengthen its planning, design, implementation and monitoring of the shelter programme so the living conditions of forcibly displaced persons are improved.	Important	Yes	Shelter Cluster Coordinator / Shelter Officer	30 June 2024	<p>(i) The UNHCR Country Office will enhance the planning, design, implementation, monitoring and reporting systems of shelters. This will be achieved through various measures, including the updating of existing Shelter technical Guidelines and Standard Operating Procedures (SOPs); Additionally, the coordination mechanisms will be strengthened, alongside the improvement of Data Collection systems, with a goal to monitor and generate reports that provide solid evidence of the enhanced monitoring and evaluation processes in all shelter interventions.</p> <p>(ii). Resulted from external assessment and reviews, a market assessment was conducted on Shelter materials, and the draft report is under review by UNHCR multi-functional units and other key cluster members. The outcome will support the Yemen Shelter Cluster, its partners, and other stakeholders with delivering well-informed shelter solutions by mid-2024.</p>
4	The UNHCR Representation in Yemen should: (i) update standard operating procedures to guide the delivery of emergency cash assistance in line with the operational contexts of north and south Yemen; and (ii) strengthen arrangements for recording and monitoring related assistance.	Important	Yes	Senior CBI Officer	30 June 2024	(i) The UNHCR Country Office will update the Standard Operating Procedures (SOPs) to include Emergency Cash Assistance (ECA) during the first semester of 2024, depending on the ECA direct implementation pilot recommendations. Meanwhile,

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						Representation will also work with partners to fine-tune existing SOPs for ECA under indirect implementation. (ii) In 2023 Q4 the Representation launched a dedicated platform for the recording and monitoring of ECA. The platform is currently being piloted by UNHCR Field team, with the support of IM and CBI units. In the first quarter of 2024 the roll out of the platform will be finalized.
5	The UNHCR Representation in Yemen should strengthen the management and distribution of non-food items (NFIs) by: (i) conducting an assessment to inform its decision on an optimal service delivery modality; (ii) reviewing the standard NFIs kit composition for relevance; and (iii) reinforcing controls over reporting and reconciliation of the distributed items.	Important	Yes	Shelter Cluster Coordinator / Shelter Officer	30 June 2024	The UNHCR Country Office is reviewing the draft report of the market assessment and the outcome of the assessment will be used, by mid-2024, to inform UNHCR decision on the optimal service delivery modality; to review the standard non-food items (NFIs) kit composition for relevance; and to strengthen controls over storage and distribution of NFIs to forcibly displaced persons.
6	The UNHCR Representation in Yemen should strengthen controls over the safety and security of stock in warehouses and review and address discrepancies between physical stock and MSRP data in a timely manner.	Important	Yes	Supply Officer	Implemented	The UNHCR Country office has already undertaken following measures to improve safety and security of inventories in Aden including reconciliations as per global calendar. The partner in Aden has been notified of the non-renewal of partnership in 2024 and the warehouse has been vacated accordingly.

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>UNHCR has agreed with WFP to provide warehousing and inventory management services in Aden effective November 2023. Subsequently, extended the Service Legal Agreement with WFP until 31 Dec 2024.</p> <p>Reconciled inventories in October as prescribed by Headquarters as the annual frequency for doing so was revised from 2 to 1.</p> <p>Performed 2023 year-end physical verification of inventories as prescribed by the headquarters.</p> <p>After extensive negotiations, UNHCR office in Aden successfully reached an agreement with the Taiz authorities to facilitate the processing and distribution of soaps for both host and internally displaced person (IDP) communities. The authorities provided a formal request, underscoring their commitment to this initiative and to accomplish the task by 31 December 2023. In support of this effort, UNHCR has pledged USD 5,000 to cover processing, labor, and logistics costs associated with the distribution. Enclosed is the relevant correspondence with the authorities detailing this agreement. Please kindly note that the expiry date of the soaps was May 2023, not May 2022.</p>

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						Supporting documentary evidence can be found here: Rec. 6.zip
7	The UNHCR Representation in Yemen should implement an action plan to strengthen its procurement management capacity to ensure compliance with relevant regulations.	Important	Yes	Supply Officer	30 June 2024	<p>The UNHCR Country Office will:</p> <ul style="list-style-type: none"> - Establish standard operation procedures for low value procurements in line with procurement policy and cloud ERP. - Regularize cumulative non-PO procurements above threshold related to utilities. - Establish frame agreements for utilities to avoid spending for the same services under non-PO arrangements.