



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

PROJECT NAME:	YEMEN EMERGENCY ELECTRICITY ACCESS PROJECT
PROJECT NUMBER:	21164-001
COUNTRY:	YEMEN
AUDITOR:	BDO LLP
PERIOD SUBJECT TO AUDIT:	1 JULY 2018 TO 31 MARCH 2020

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Acronyms and abbreviations

IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
OC	Operations Centre
PC	Project Centre
RO	Regional Office
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
US\$	United States Dollars

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP (“the audit firm”), conducted an audit of the project ‘Yemen Emergency Electricity Access Project’ (“the project”) (oneUNOPS project ID 21164-001), which is implemented and managed by UNOPS Operational Hub in Amman. The audit firm was under the general supervision by IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US\$ 12,082,635 during the period from 1 July 2018 to 31 March 2020.

Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

- a) Effective, efficient and economical use of resources;
- b) Reliability of reporting;
- c) Safeguarding of assets; and
- d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

- a) Client/donor contributions and project expenditure are properly accounted for;
- b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
- c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project’s objectives.

Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the IAASB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

Due to COVID-19 restrictions this audit was performed remotely and as such no physical verification of non-expendable property or project progress was possible.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as satisfactory, which means “The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area”. The details of the audit results are presented in Tables 1 and 2.

Table 1: Summary results of the financial audit

Project title		Period	Project no.
Yemen Emergency Electricity Access Project		1 July 2018 to 31 March 2020	21164-001
Financial statement		Statement of non-expendable property	
Amount US\$	Opinion	Amount US\$	Opinion
12,082,635	Unmodified	22,394	Not applicable ¹

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Project management	Satisfactory	
Finance	Satisfactory	
Procurement and supply chain	Satisfactory	
Safeguarding	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	Satisfactory	

Key issues and recommendations

No audit issues or recommendations have been raised.

¹ Due to COVID-19 restrictions, this audit was agreed to be performed remotely, and that an opinion on the statement of non-expendable property would not be possible.

Signed:



Robert Waters
Partner
BDO LLP

21 December 2020

Operational overview

The ongoing conflict in Yemen has significantly worsened access to electricity. Before the conflict, only about 66 percent of the population in Yemen had access to public electricity (another 12 percent had access to private electricity solutions), which was the lowest level in the region. By end-2017, this number had dropped to below 10 percent due to extensive damage to the national grid and fuel shortages across the country. Rural and peri-urban areas, which are estimated to account for two-thirds of Yemen's population (estimated at 27 million), had suffered disproportionately from a lack of access to modern energy even before the current conflict, with pre-conflict rural electricity access rates of only 53 percent. Pervasive fuel shortages due to the disruption of transport links have only exacerbated the effects of energy poverty on the rural poor.

Funded by the World Bank's International Development Association, the Yemen Emergency Electricity Access Project focuses on improving access to electricity in Yemen's rural and peri-urban areas. The project responds to immediate developmental crises by restoring electricity supply to critical infrastructure (hospitals, schools, water corporations, and electricity corporation). It also aims to build a more inclusive and sustainable solar market in Yemen through targeted financing to the private sector, in order to expand its reach to the poor and vulnerable, and improve the quality of off-grid energy access products and services based on international experience. The project is expected to benefit 1.34 million individuals across Yemen.

UNOPS is implementing the project in collaboration with local entities, including microfinance institutions (MFIs), solar equipment suppliers, and technical service providers.

The audit team extends its appreciation to the management and staff members of UNOPS office in Yemen, and the UNOPS hub office in Amman, for their full cooperation during the audit.

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

- (a) satisfactory (effective),
- (b) partially satisfactory (some improvement needed),
- (c) partially satisfactory (major improvement needed), and
- (c) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
Satisfactory (effective)	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (some improvement needed)	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory (ineffective)	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	Action is considered desirable and should result in enhanced control or better value for money.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines:** absence of written procedures to guide staff in performing their functions;
 - Lack of or inadequate corporate policies or procedures
 - Lack of or inadequate RO/OC/PC policies or procedures
 - Inadequate planning
 - Inadequate risk management processes
 - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors;
 - Lack of or inadequate guidance or supervision at the RO/OC/PC level
 - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skill, staff) to carry out an activity or function;
 - Lack of or insufficient resources (financial, human, or technical resources)
 - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other:** Factors beyond the control of UNOPS.