

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP INDIA**

**IMPROVING EFFICIENCY OF HEALTH CARE SYSTEMS IN MULTIPLE STATES (WEST  
BENGAL AND HARYANA)**  
**(Directly Implemented Project, Output Nos. 86136 and 86879)**

**Report No.1380**

**Issue Date: 7 August 2014**

**Report on the audit of UNDP India**  
**Improving Efficiency of Health Care Systems in Multiple States (West Bengal and Haryana)**  
**(Output Nos. 86136 and 86879)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 12 to 21 May 2014, through Moore Stephens (the audit firm), conducted an audit of Improving Efficiency of Health Care Systems in Multiple States (West Bengal and Haryana), Output Nos. 86136 and 86879 (the Project), which is directly implemented and managed by the UNDP Country Office in India (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. The audit did not cover the Statement of Assets as no assets were purchased by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

**Audit results**

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
11,191	Unqualified	-	Not Applicable


**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." This recommendation includes actions to address donor approval on the use of interest not being obtained.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) Inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

### Management comments and action plan

The UNDP Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Antoine Khoury  
Officer-in-Charge  
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

**AUDIT REPORT**

**FINAL REPORT**

**22 JULY 2014**

**FINANCIAL AUDIT OF THE UNDP DIRECTLY IMPLEMENTED (DIM)  
PROJECT**

**IMPROVING EFFICIENCY OF HEALTH CARE SYSTEMS IN  
MULTIPLE STATES (WEST BENGAL AND HARYANA)**

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Project name:	Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)
UNDP Country Office:	India
Atlas Project number:	73182
Atlas Output numbers:	86136 and 86879
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2013

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## EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)' (Project ID 73182 and Outputs 86136 and 86879) (the project), directly implemented by UNDP India for the year ended 31 December 2013. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI). We have issued audit opinions as summarised in the table below and as detailed in the next section:

**Statement of Expenditure**  
**Statement of Fixed Assets**

Unqualified  
Not Applicable

As a result of our audit, we have raised one audit finding with no financial impact as summarised below:

No.	Description	Priority	Amount \$
1	Donor approval on use of interest not obtained	Medium	-
<b>Total</b>			<b>-</b>



Mark Henderson  
Partner  
Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

22 July 2014

## THE AUDIT ENGAGEMENT

### **Audit Objectives and Scope**

The objective of the financial audit was to express an opinion on the DIM project's financial statements, which include:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2013 and the funds utilization as at 31 December 2013 are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations, rules, policies & procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2013. This statement must include all assets available as at 31 December 2013 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2013. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

## AUDIT OPINIONS

### Independent Auditor's Report to UNDP project Improving Efficiency of Health Care Systems In multiple states (West Bengal and Haryana)

#### Statement of Expenditure

We have audited the accompanying Combined Delivery Report and Funds Utilization statement ('the statement') of the UNDP project 73182 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)' ('the project') for the period from 1 January to 31 December 2013.

Management is responsible for the preparation of the statement for the 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)' and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Unqualified Opinion**

In our opinion, the accompanying Statement of Expenditure presents fairly, in all material respects, the expenses of \$ 11,191,050.44 incurred by the project 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)' for the period 1 January to 31 December 2013 in accordance with UNDP accounting policies and were i) in conformity with the approved budget; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.



Independent Auditor's Report to UNDP project  
Improving Efficiency of Health Care Systems in multiple states (West Bengal and Haryana)

Statement of Fixed Assets

We noted that the UNDP project titled "Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)" did not have assets or equipment and accordingly an opinion on Statement of Assets and Equipment was not applicable.

## MANAGEMENT LETTER

The finding related to the audit of the financial statements is discussed in our management letter below:

<b>Finding n°: 1</b>	<b>Title: Donor approval on use of interest not obtained</b>
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**Observation:**

The agreement between UNOPS and three donor agencies states that 'interest is credited only based on month end cash balance at interest rates determined by the UNDP Treasury' (Paragraph 3(d) of Article III) i.e. interest earned on cash balances shall be credited back to the donor.

At the time of hand over of the project from UNOPS to UNDP, Letters of Exchange (LoEs) were signed between donor partners, UNDP and UNOPS, which stated that 'all references to UNOPS shall read UNDP'.

UNDP opened an interest bearing bank account to park surplus funds received from UNOPS at the time of taking over the project from UNOPS. This account was subsequently used for funds from donor agencies and UNDP had earned interest of \$ 24,899.47 by September 2013. However, this interest was reported in the CDR in line with established UNDP procedures instead of being credited back to the donor as required by the Paragraph 3(d) of the donor agreement quoted above.

**Priority: Medium**

**Recommendation:**

We recommend that:

- (a) Contractual obligations which conflict with UNDP procedures or regulations are identified and brought to the notice of the donors.
- (b) The Country Office should seek a waiver from the donors for the interest earned to be used in accordance with UNDP rules.

**Management comments:**

- (a) The point is well noted. In fact the CO has already communicated with partners on any contractual obligation which are not in line with UNDP rules and regulations.
- (b) We are happy to state that in the discussions with the West Bengal government it has already been agreed that UNDP will retain any interest earned and use it for programmatic activities. We are still in discussion with the other donors.



Mark Henderson  
Partner  
Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

22 July 2014

## Annexes

### Annex 1: Combined Delivery Report

Combined Delivery Report By Project				
UN Development Programme				
Port ID: unglcdrp				
Page 1 of 4				
Run Time: 15-04-2014 11:04:57				
Section Criteria :				
Business Unit : IND10				
Period : Jan-Dec (2013)				
Selected Project Id : 00073182				
Selected Fund Code : ALL				
Selected Dept. IDs : ALL				
Selected Outputs : 00086136,00086879				
Project Id : 00073182 Administrative efficiency in health care systems				
Period : Jan-Dec (2013)				
Output # : 00086136 Improving health care systems				
Impl. Partner : 03836 Direct Implementation				
Location : Main				
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Project: 40601 (India - Central)				
Fund: 04000 (Core Programme, UNU Centre)				
71610 - Travel Tickets-Local	0.00	4,644.30	0.00	4,644.30
71620 - Daily Subsistence Allow-Local	0.00	583.14	0.00	583.14
71635 - Travel - Other	0.00	2,268.58	0.00	2,268.58
72120 - Svc Co-Trade and Business Serv	0.00	2,570.40	0.00	2,570.40
75705 - Learning costs	0.00	1,428.02	0.00	1,428.02
75709 - Learning - training of counter	0.00	9,411.20	0.00	9,411.20
Total for Fund 04000	0.00	20,905.64	0.00	20,905.64
Total for Dept : 40601	0.00	20,905.64	0.00	20,905.64
Project: 40604 (India - Dem. Governance)				
Fund: 30071 (Programme Cost Sharing GOV1)				
61105 - Salaries - NP Staff	0.00	0.00	0.00	0.00
61205 - Salaries - GS Staff	0.00	0.00	0.00	0.00
62105 - Dependency Allowance-NP Staff	0.00	0.00	0.00	0.00
62110 - Contrib Joint Staff Pension-NP	0.00	0.00	0.00	0.00
62115 - Contrib to Med,SocIns-NP Staff	0.00	0.00	0.00	0.00
62140 - Annual Leave Expense - NO	0.00	0.00	0.00	0.00
62205 - Dependency Allow - GS Staff	0.00	0.00	0.00	0.00
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	0.00	0.00	0.00
62215 - Contrib. to Medical, social in	0.00	0.00	0.00	0.00
62240 - Annual Leave Expense - GS	0.00	0.00	0.00	0.00
63530 - Contribution to EOS Benefits	0.00	0.00	0.00	0.00
63535 - Contribution to Security	0.00	0.00	0.00	0.00
63545 - Contribution to ICT	0.00	0.00	0.00	0.00
63550 - Contributions to MAIP	0.00	0.00	0.00	0.00
63555 - Contribution to UN JFA	0.00	0.00	0.00	0.00
63560 - Contributions to Appendix D	0.00	0.00	0.00	0.00
65115 - Contributions to ASHI Reserve	0.00	0.00	0.00	0.00
65135 - Payroll Mgt Cost Recovery ATLA	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	0.00	0.00	0.00
71410 - MAIP Premium SC	0.00	0.00	0.00	0.00
72210 - Machinery and Equipment	0.00	8,530,296.36	0.00	8,530,296.36
72330 - Medical Products	0.00	1,348,364.46	0.00	1,348,364.46
73406 - Maintenance of Equipment	0.00	31,367.28	0.00	31,367.28
74510 - Bank Charges	0.00	-24,899.47	0.00	-24,899.47
75115 - Facilities & Admin - OH & Ind	0.00	294,357.27	0.00	294,357.27
76125 - Realized Loss	0.00	3,565.27	0.00	3,565.27
76135 - Realized Gain	0.00	-21,286.03	0.00	-21,286.03

Financial Audit Report of the UNDP DIM project 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)'



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 15-04-2014 11:04:57

Project Id : 00073182 Administrative efficiency in I	Period :	Jan-Dec (2013)		
Output # : 00086136 Improving health care systems	Impl. Partner :	03836 Direct Implementation		
	Location :	Main		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Total for Fund 30071	0.00	10,161,765.14	0.00	10,161,765.14
Total for Dept : 40604	0.00	10,161,765.14	0.00	10,161,765.14
Total for Output : 00086136	0.00	10,182,670.78	0.00	10,182,670.78

Output # : 00086879 Improving health care services	Impl. Partner :	03836 Direct Implementation
	Location :	Main

Dept: 40604 (India - Dem. Governance)

Fund: 30000 (PROGRAMME COST SHARING)

72210 - Machinery and Equipment	0.00	747,987.70	0.00	747,987.70
72330 - Medical Products	0.00	2,943.47	0.00	2,943.47
72401 - Prefab structure/other buildin	0.00	178,139.96	0.00	178,139.96
72405 - Acquisition of Communic Equip	0.00	32,677.17	0.00	32,677.17
73406 - Maintenance of Equipment	0.00	563.06	0.00	563.06
75115 - Facilities & Admin - OH & Ind	0.00	48,115.56	0.00	48,115.56
76125 - Realized Loss	0.00	0.02	0.00	0.02
76135 - Realized Gain	0.00	- 2,047.28	0.00	- 2,047.28
Total for Fund 30000	0.00	1,008,379.66	0.00	1,008,379.66
Total for Dept : 40604	0.00	1,008,379.66	0.00	1,008,379.66
Total for Output : 00086879	0.00	1,008,379.66	0.00	1,008,379.66

Project Total :	0.00	11,191,050.44	0.00	11,191,050.44
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Signed By : \_\_\_\_\_ Date : \_\_\_\_\_

Signed By : \_\_\_\_\_ Date : \_\_\_\_\_

Financial Audit Report of the UNDP DIM project 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)'

Combined Delivery Report By Project

UN Development Programme  
Report ID: unglodrp

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Run Time: 15-04-2014 11:04:58

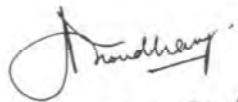
Selection Criteria:

Business Unit: IND10  
Period: Jan-Dec (2013)  
Selected Project Id: 00073182  
Selected Fund Code: ALL  
Selected Dept. IDs: ALL  
Selected Outputs: 00086136,00086879

Project Id: ALL	Period: Jan-Dec (2013)	Impl. Partner:	Location:
Output #: ALL			

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
40601 - India - Central	0.00	20,905.64	0.00	20,905.64
40604 - India - Dem. Governance	0.00	11,170,144.80	0.00	11,170,144.80

  
DEEPAK GERA  
(FINANCE ASSOCIATE)

  
J.S. CHOUDHARY  
(P&SCM SPECIALIST)

  
JØRN SØRENSEN  
(COUNTRY DIRECTOR)





Mark Henderson  
Partner  
Moore Stephens LLP  
22 July 2014

Financial Audit Report of the UNDP DIM project 'Improving efficiency of health-care systems in multiple states (West Bengal and Haryana)'



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4  
Run Time: 15-04-2014 11:04:10

**Funds Utilization**

Selection Criteria :

Business Unit : IND10  
Period : Jan-Dec (2013)  
Selected Project Id : 00073182  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00086136,00086879

Project/Award: 00073182 Administrative efficiency in i Period : As at Dec 31, 2013

Output #	00086136	Impl. Partner :03836 Direct Implementation	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		1,190,174.53

Output #	00086879	Impl. Partner :03836 Direct Implementation	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		456,032.60

## Annex 2: Audit finding priority ratings

The following categories of priorities are used:

<b>High (Critical)</b>	Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.
<b>Medium (Important)</b>	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
<b>Low</b>	Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the auditors directly with the office management, during the exit meeting and through a separate memo subsequent to the fieldwork. <b>Therefore, low priority recommendations are not included in the audit report.</b>