

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



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**AUDIT**

**OF**

**UNDP SUDAN**

**PROCUREMENT SUPPORT SERVICES TO THE FEDERAL MINISTRY OF HEALTH (FMOH)**  
**(Directly Implemented Project No. 95107, Output No. 99137)**

**Report No. 2150**

**Issue Date: 30 August 2019**

**Report on the Audit of UNDP Sudan  
Procurement Support Services to the Federal Ministry of Health (FMOH)  
(Project No. 95107, Output No. 99137)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 4 to 8 August 2019, conducted an audit of Procurement Support Services to the Federal Ministry of Health (FMOH) (Project No. 95107, Output No. 99137) (the Project), which is nationally implemented<sup>1</sup> with direct support services provided by the UNDP Country Office in Sudan (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 expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement<sup>2</sup> as of 31 December 2018. The audit did not include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Assets as no assets were held 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 Expenses*	
Amount (in \$ '000)	Opinion
9,737	Unmodified

\*Expenses recorded in the Combined Delivery Report were \$20,594,925. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$10,857,949).

**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. Failure to take action could result in negative consequences for UNDP." This recommendation includes actions to address outstanding contributions not recorded as accounts receivable.

<sup>1</sup> Nationally implemented projects, or NIM projects, are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expensed by UNDP.

<sup>2</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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.

The recommendation aims to ensure the reliability and integrity of financial and operational information.

**Management comments and action plan**

The 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.

A handwritten signature in blue ink, appearing to read 'Helge S. Osttveiten', is located within a rectangular box.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations



UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

## **FINAL AUDIT REPORT**

Financial audit of the UNDP directly implemented project  
Project ID 00095107 - output ID 00099137 “Procurement Support  
Service to the Federal Ministry of Health (FMOH)”

Sudan

## IDENTIFICATION

<b>Project name:</b>	Procurement Support Services to the Federal Ministry of Health (FMOH)
<b>Output name:</b>	Procurement Support Services to FMOH
<b>UNDP Country Office:</b>	Sudan
<b>Atlas Project ID:</b>	00095107
<b>Atlas Output ID:</b>	00099137
<b>Auditor:</b>	BDO LLP
<b>Period subject to audit:</b>	1 January to 31 December 2018

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## EXECUTIVE SUMMARY

BDO LLP conducted the financial audit of Procurement Support Services to the Federal Ministry of Health (FMOH) (Project ID 00095107 - Output ID 00099137) (the project), directly implemented by UNDP Sudan for the year ended 31 December 2018. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

### Audit opinions

We have issued audit opinions as summarised in the table below and as detailed in the next section:

<b>Project Financial Position</b>	Unmodified
<b>Statement of Fixed Assets</b>	Not applicable
<b>Statement of Cash</b>	Not applicable

### Management letter summary

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

No.	Title	Priority	Net financial impact \$
1	Outstanding contributions not recorded as accounts receivable	Medium (Important)	-
Total			

### Prior year audit

The project ID 00095107 - Output ID 00099137 "Procurement Support Services to the Federal Ministry of Health (FMOH)" was not audited in the prior year.



Mark Henderson  
Partner

BDO LLP  
150 Aldersgate Street  
London EC1A 4AB

29 August 2019





## THE AUDIT ENGAGEMENT

### Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the DIM project's financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2018 in the Combined Delivery Report (CDR), the Funds Utilization statement as at 31 December 2018 and the accounts receivable and accounts payable as at 31 December 2018 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 and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the Statement of Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the UNDP project as at 31 December 2018. This statement must include all assets available as at 31 December 2018 and not only those purchased in a given period.

Where a DIM project does not have any assets or equipment, it is not necessary to express such an opinion.

- Expressing an opinion on whether the Statement of Cash held by the project presents fairly the cash and bank balance of the UNDP project as at 31 December 2018.

In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit was conducted in accordance with the International Standards on Auditing (ISA), the 700 series.

As applicable, the audit report provides the progress made in implementing the recommendations raised in the previous year's audit report.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2018. 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 - Procurement Support Services to the Federal Ministry of Health (FMOH)

#### Project Financial Position

#### To the Director of the Office and Audit and Investigations United Nations Development Programme

##### Unmodified opinion

We have audited the financial position of the UNDP project ID 00095107 - output ID 00099137 "Procurement Support Services to the Federal Ministry of Health (FMOH)" for the period from 1 January to 31 December 2018 which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization statement ("the statement"); and (c) the project-related accounts receivable and accounts payable.

The CDR expenditure, totalling US\$ 20,594,924.54, is comprised of expenditure directly incurred by the UNDP Country Office in Sudan for an amount of US\$ 9,736,975.12 and expenditure incurred by entities other than the Country Office for an amount of US\$ 10,857,949.42. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Sudan of US\$ 9,736,975.12.

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of US\$ 9,736,975.12 directly incurred by the UNDP Country Office in Sudan and charged to the project for the period from 1 January to 31 December 2018 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (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.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's responsibilities section of this report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Management responsibilities

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that are free from material misstatement, whether due to fraud or error.

##### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and the Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mark Henderson  
Partner

BDO LLP  
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London EC1A 4AB

29 August 2019



## Independent Auditor's Report to UNDP - Procurement Support Services to the Federal Ministry of Health (FMOH)

### Statement of Fixed Assets

#### To the Director of the Office and Audit and Investigations United Nations Development Programme

We noted that the UNDP project ID 95107 - Output ID 99137 "Procurement Support Services to the Federal Ministry of Health (FMOH)" had no assets and accordingly a Statement of Fixed Assets was not produced.

## Independent Auditor's Report to UNDP - Procurement Support Services to the Federal Ministry of Health (FMOH)

### Statement of Cash

#### To the Director of the Office and Audit and Investigations United Nations Development Programme

We noted that the UNDP project ID 95107 - output ID 99137 "Procurement Support Services to the Federal Ministry of Health (FMOH)" did not have a dedicated bank account for the DIM project activities subject to audit and accordingly a Statement of Cash was not produced.

## MANAGEMENT LETTER

The audit finding and recommendation arising from the financial audit of the project are set out in our management letter below:

<b>Finding n°: 1</b>	<b>Title: Outstanding contributions not recorded as accounts receivable</b>
<p><b>Observation:</b></p> <p>In accordance with the UNDP revenue policy, all funds will be recorded in Atlas according to the established rules for Receivables irrespective of the origin of the funds to implement the project. Funds may be corporate (i.e. TRAC), Agencies' funds, Trust funds, Cost Sharing from the Government, International Financial Institutions, Bilateral Donors, etc.</p> <p>The accounts receivable typically include: (i) contributions to be received from donors, e.g. a contribution agreement has been signed and the payment of the contributions is being made in accordance with an agreed upon schedule; (ii) advances made by the UNDP country office to a responsible parties; (iii) advances made to a personnel; (iv) etc.</p> <p>The cost sharing agreement signed between the UNDP and the Government of Sudan represented by the National Medical Supplies Fund (NMSF) on 10 March 2016 indicate that NMSF shall contribute to UNDP the amount of US\$ 60 million, payable in USD or Sudanese pounds using the United Nations operational rate of exchange in effect of date of payment.</p> <p>As of 31 December 2018, total funds received by UNDP from NMSF amounted to US\$ 40,152,605.50. We noted that, the remaining funds which were not yet received as of 31 December 2018 amounting to US\$ 19,847,394.5 were not recorded as an account receivable within the Atlas code account "14015 - Contributions Receivable" at the same date.</p>	
<b>Priority: Medium (Important)</b>	
<p><b>Recommendation:</b></p> <p>In order to ensure effective monitoring and the accurate reporting of receivables amounts due from donors, the office should:</p> <ul style="list-style-type: none"> <li>(a) generate a monthly and annual report for receivables accounts; and</li> <li>(b) ensure that the reports include all amounts that should be presented therein, based on the agreements that have been signed.</li> </ul>	
<p><b>Management comments:</b> Accepted. The office starting from 1 September 2019, and on monthly bases, will generate ATLAS report for account receivable with code account 14015 so as to monitor the total receivable versus received amount as per the project agreement with the donor. By the end of each year, an annual report for the same ATLAS code 14015 will be generated.</p>	
<p><b>Auditors' response:</b></p> <p>No further comment required. We accept the action plan submitted by management.</p>	



Mark Henderson  
Partner

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29 August 2019



## **Annexes**

### **Annex 1: Combined Delivery Report**





Selection Criteria :

Business Unit : SDN10  
Period : Jan-Dec (2018)  
Selected Project Id : 00095107,00103342  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099137

Project Id : 00095107 Procurement Support Services t		Period :	Jan-Dec (2018)	
Output # : 00099137 Procurement Support to FMOH		Impl. Partner :	02881 National Execution	
		Location :	office	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Activity : ACTIVITY1 (Procurement of medicines NFSM)

Fund : 30071 (Programme Cost Sharing GOV1)

72125 - Svc Co-Studies & Research Serv	0.00	6,881.00	0.00	6,881.00
72160 - Svc Co-Education & Health Serv	0.00	250,577.24	0.00	250,577.24
72330 - Medical Products	0.00	19,706,851.68	0.00	19,706,851.68
74505 - Insurance	0.00	5,591.99	0.00	5,591.99
74725 - Other L.T.S.H.	0.00	15,791.22	0.00	15,791.22
75105 - Facilities & Admin - Implement	0.00	599,570.79	0.00	599,570.79
76125 - Realized Loss	0.00	92,224.88	0.00	92,224.88
76135 - Realized Gain	0.00	- 82,564.26	0.00	- 82,564.26

Total for Fund 30071 0.00 20,594,924.54 0.00 20,594,924.54

Total for Activity ACTIVITY1 0.00 20,594,924.54 0.00 20,594,924.54

Total for Output : 00099137 0.00 20,594,924.54 0.00 20,594,924.54

Project Total : 0.00 20,594,924.54 0.00 20,594,924.54

*Mark Henderson*

Mark Henderson  
Partner  
BDO LLP



29 August 2019

Signed By :

*Ammar S. Mohamed*

Date :

*20/2/2019*

Signed By :

*Selva Ramachandran*  
RR

Date :

*21/02/19*

Dr. Selva Ramachandran  
UNDP Resident Representative  
Sudan



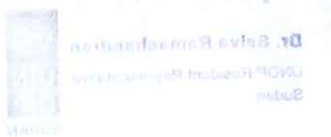


Selection Criteria :

Business Unit : SDN10  
Period : Jan-Dec (2018)  
Selected Project Id : 00095107,00103342  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099137

Project Id : ALL	Period : Jan-Dec (2018)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

47001 - Sudan - Central	0.00	20,594,924.54	0.00	20,594,924.54
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Funds Utilization

Selection Criteria :

Business Unit : SDN10  
Period : Jan-Dec (2018)  
Selected Project Id : 00095107,00103342  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099137

Project/Award: 00095107 Procurement Support Services t

Period : As Of Dec31,2018

Output #	00099137	Impl. Partner :02881 National Execution	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			3,420,606.82

## Annex 2: Audit finding priority ratings

The following categories of priorities are used:

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

## FOR MORE INFORMATION:

BDO LLP International Institutions and Donor Assurance team

<https://www.bdo.co.uk/en-gb/services/advisory/consulting/international-institutions-and-donor-assurance>

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