



AUDIT

OF

IMPROVING EFFICIENCY OF VACCINATION SYSTEMS IN MULTIPLE STATES
(Directly Implemented Project No. 98752, Output No. 101970)

IN

UNDP INDIA

Report No. 2369
Issue Date: 26 October 2021

Report on the Audit of UNDP India
Improving Efficiency of Vaccination Systems in Multiple States
(Project No. 98752, Output No. 101970)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 29 April to 31 July 2021, conducted an audit of 'Improving Efficiency of Vaccination Systems in Multiple States' (Project No. 98752, Output No. 101970) (the Project), which is directly implemented and managed by the UNDP Country Office in India (the Office). The last audit of the Project was conducted by OAI, through KPMG SA in 2020, and covered project expenses from 1 January to 31 December 2019.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020. 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	NFM* (in \$ '000)	Impact on CDR
9,182	Qualified	3,922	Overstatement

*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to expenditure being recorded that related to another project. The resulting financial impact was a material overstatement of the financial statements in the amount of \$3,921,829 that represented 43 percent of the project expenditures directly incurred by the Office as of 31 December 2020.

Key recommendations: Total = 3, high priority = 3

The three recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 2 and 3).

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

¹ 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.

Incorrect recording of project expenditure (Issue 1)

Project expenditures included \$3.92 million that related to another project. This resulted in the overstatement of project expenditures.

Recommendation:

The Office should enhance the financial reporting process by:

- a) implementing monitoring processes to ensure that donor funds are used only for the activities agreed, and where necessary obtaining donor approval for any deviations;
- b) managing cost-sharing deficits in accordance with the risk management guidelines;
- c) maintaining an up-to-date financial tracker to review project expenditures; and
- d) preparing and submitting donor reports that accurately reflect the use of funds.

Long-Term Agreement extension beyond three years without approval (Issue 2)

Two Long-Term Agreements were entered into by the Office for the period from 1 January 2017 to 31 December 2019. These Long-Term Agreements and related secondary contracts were extended for a three-month period without the prior approval of the relevant procurement authority as required under 'UNDP Programme and Operations Policies and Procedures'.

Recommendation: The Office should monitor Long-Term Agreements and secondary contracts and initiate the process of renewal in advance, to avoid delays in obtaining extensions or renewals.

Contract/Purchase order prepared after commencement of work (Issue 3)


The Office did not have a valid contract in place for a three-month period during which services were rendered by a service provider. Vendor invoices were processed for the three-month period based on a contract that was signed after the services had been delivered.

Recommendation: The Office should strengthen controls over the management of contracts by ensuring that receipt of goods or services does not commence without a valid contract in place.

The previous audit (Report No. 2222 issued on 28 July 2020) did not result in any recommendations.

Management comments and action plan

The Resident Representative accepted all three recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

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Helge
Ostveiten
2021.10.26
13:54:25 -04'00'

Helge S. Ostveiten
Director
Office of Audit and Investigations

AUDIT

OF

**UNITED NATIONS DEVELOPMENT PROGRAMME
INDIA**

**IMPROVING EFFICIENCY OF VACCINATION SYSTEMS IN MULTIPLE
STATES**

(Directly Implemented Project No. 98752, Output No. 101970)

Issue Date: 19 October 2021

PKF Littlejohn LLP

PKF
Accountants &
business advisers

**United Nations Development Programme
(UNDP)**

Draft Report of the Independent Auditor on
the United Nations Development Programme (UNDP)
Directly Implemented (DIM) Project – Implemented by UNDP India

Project name:	Improving Efficiency of Vaccination Systems in Multiple States
Output name:	Improving vaccination systems
UNDP Country Office:	New Delhi, India
Atlas Project ID:	98752
Atlas Output ID:	101970
Auditor:	PKF Littlejohn LLP
Period subject to audit:	1 January to 31 December 2020

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EXECUTIVE SUMMARY

PKF Littlejohn LLP conducted the financial audit of UNDP DIM Project ID 98752, “Improving Efficiency of Vaccination Systems in Multiple States” (Output No. 101970) (‘the Project’) directly implemented by UNDP India (‘the Office’) for the period from 1 January to 31 December 2020. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI), United Nations Development Programme (UNDP). The audit was carried out from 29 April to 31 July 2021.

Due to the on-going COVID-19 pandemic, the fieldwork was completed partially on a remote basis.

AUDIT OPINIONS

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

Project Financial Position	Qualified
Statement of Fixed Assets	Not applicable
Statement of Cash	Not applicable

MANAGEMENT LETTER SUMMARY

As a result of our audit, we have raised one financial finding and two other audit findings as summarised below:

Financial Finding

No.	Title	Priority	Amount US\$
1	Incorrect recording of project expenditure	High	3,631,323.43
Add: 8% GMS Cost			290,505.87
Total			3,921,829.30

Non-financial Findings

No.	Title	Priority
2	Non-adherence to LTA policy due to contract extension for more than 3 years	High
3	Contract / Purchase Order prepared after commencement of work	High

PRIOR YEAR AUDIT

The project ID 98752 “Improving Efficiency of Vaccination Systems in Multiple States” (Output ID 101970) was audited in the prior year and there were no recommendations to follow up on.



PKF Littlejohn LLP

19 October 2021

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THE AUDIT ENGAGEMENT

AUDIT OBJECTIVES AND SCOPE

FINANCIAL AUDIT

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 to 31 December 2020 as well as the Funds Utilization statement as at 31 December 2020 and the accounts receivable and accounts payable as at 31 December 2020 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 project as at 31 December 2020. This statement must include all assets available as at 31 December 2020 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 project as at 31 December 2020. Disbursements made against a project are usually financed from regular country office bank accounts. Exceptionally, a dedicated account may be opened and used solely for the cash transactions of a project, e.g. if the project is in a remote location. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. 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.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

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

The scope of the audit relates only to transactions concluded and recorded against the UNDP project between 1 January to 31 December 2020. 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.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FINANCIAL POSITION

**To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

We have audited the financial position of the UNDP project ID 98752, "Improving Efficiency of Vaccination Systems in Multiple States" (Output ID 101970), for the period 1 January to 31 December 2020 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.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying CDR and Funds Utilisation Statement present fairly, in all material respects, the expenses of US\$ 9,182,470.77 directly incurred by the UNDP Country Office in India and charged to the project for the period 1 January to 31 December 2020 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 modified 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' for the audit of the CDR and funds utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

As explained in the management letter section of our report, during the project period under audit the UNDP Country Office in India incorrectly recorded expenses amounting to US\$ 3,921,829.30 relating to other projects. This has resulted in overstatement of project expenses reported in the CDR and unapproved use of project funds. The misstatement is deemed to be material but not pervasive to the financial statements.

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 skepticism throughout the audit. We also:

1. 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.
2. 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.



PKF Littlejohn LLP

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19 October 2021

COMBINED DELIVERY REPORT AND FUNDS UTILIZATION STATEMENT

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Combined Delivery Report

Project: **00098752 - GAVI Phase II-Improving vaccin**

Country: **India**

Period: **Quarter 4, 2020**

Status: **Pending Release**

Report by Output and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00101970 - Improving vaccination systems		0.00	9,182,470.77	0.00	9,182,470.77
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	88,607.13	0.00	88,607.13
64397	Services to projects -CO staff	0.00	3,586.48	0.00	3,586.48
72165	Svc Co-Social Svcs, Social Sci	0.00	54,990.91	0.00	54,990.91
72410	Acquisition of Audio Visual Eq	0.00	-1,975.00	0.00	-1,975.00
73310	Maint & Licencing of Software	0.00	30,207.29	0.00	30,207.29
74596	Services to projects -GOE	0.00	632.91	0.00	632.91
75705	Learning costs	0.00	877.07	0.00	877.07
76125	Realized Loss	0.00	364.44	0.00	364.44
76135	Realized Gain	0.00	-76.97	0.00	-76.97
Fund: 30000 - Programme Cost Sharing		0.00	9,082,857.45	0.00	9,082,857.45
33001	Change(s) in accounting policy	0.00	-0.01	0.00	-0.01
63360	Medical Exams(incl Pre-empl)	0.00	137.93	0.00	137.93
64397	Services to projects -CO staff	0.00	87,088.00	0.00	87,088.00
71305	Local Consult.-Sht Term-Tech	0.00	136,966.69	0.00	136,966.69
71350	Internship stipend	0.00	1,002.41	0.00	1,002.41
71360	Local Consult-Security	0.00	537.48	0.00	537.48
71405	Service Contracts-Individuals	0.00	1,087,256.05	0.00	1,087,256.05
71410	MAIP Premium SC	0.00	767.96	0.00	767.96
71415	Contribution to Security SC	0.00	61,163.33	0.00	61,163.33
71605	Travel Tickets-International	0.00	33,099.66	0.00	33,099.66
71610	Travel Tickets-Local	0.00	982.06	0.00	982.06
71615	Daily Subsistence Allow-Intl	0.00	260,549.57	0.00	260,549.57
71620	Daily Subsistence Allow-Local	0.00	-14,269.45	0.00	-14,269.45
71625	Daily Subsist Allow-Mtg Partic	0.00	-4,048.11	0.00	-4,048.11
71635	Travel - Other	0.00	13,118.88	0.00	13,118.88
72105	Svc Co-Construction & Engineer	0.00	-80,000.00	0.00	-80,000.00
72135	Svc Co-Communications Service	0.00	2,431.12	0.00	2,431.12
72160	Svc Co-Education & Health Serv	0.00	-0.20	0.00	-0.20
72165	Svc Co-Social Svcs, Social Sci	0.00	3,985,993.28	0.00	3,985,993.28
72205	Office Machinery	0.00	614.09	0.00	614.09
72210	Machinery and Equipment	0.00	45.57	0.00	45.57
72220	Furniture	0.00	1,410.64	0.00	1,410.64
72330	Medical Products	0.00	-1,090.82	0.00	-1,090.82
72399	Other Materials and Goods	0.00	9,761.55	0.00	9,761.55
72402	Building Maintenance	0.00	52.35	0.00	52.35
72405	Acquisition of Communic Equip	0.00	574,282.31	0.00	574,282.31
72415	Courier Charges	0.00	29,030.54	0.00	29,030.54
72425	Mobile Telephone Charges	0.00	414,266.20	0.00	414,266.20
72435	E-mail-Subscription	0.00	9,892.43	0.00	9,892.43
72440	Connectivity Charges	0.00	-194,752.95	0.00	-194,752.95
72445	Common Services-Communications	0.00	1,117,427.33	0.00	1,117,427.33
72505	Stationery & other Office Supp	0.00	91,782.84	0.00	91,782.84
72510	Publications	0.00	53.12	0.00	53.12
72805	Acquis of Computer Hardware	0.00	657.44	0.00	657.44
72810	Acquis of Computer Software	0.00	60,874.92	0.00	60,874.92
72815	Inform Technology Supplies	0.00	7,500.00	0.00	7,500.00
73110	Custodial & Cleaning Services	0.00	130.45	0.00	130.45
73125	Common Services-Premises	0.00	21.26	0.00	21.26
73305	Maint & Licencing of Hardware	0.00	62.13	0.00	62.13
73310	Maint & Licencing of Software	0.00	634,338.00	0.00	634,338.00
73405	Rental & Maint-Other Office Eq	0.00	1,113.25	0.00	1,113.25
73406	Maintenance of Equipment	0.00	400.85	0.00	400.85
74105	Management and Reporting Srvs	0.00	167.86	0.00	167.86
74110	Audit Fees	0.00	10,630.00	0.00	10,630.00
74205	Audio Visual Productions	0.00	218.01	0.00	218.01

Combined delivery report and funds utilization statement - continued

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74210	Printing and Publications	0.00	23,173.98	0.00	23,173.98
74215	Promotional Materials and Dist	0.00	56.08	0.00	56.08
74220	Translation Costs	0.00	60.12	0.00	60.12
74225	Other Media Costs	0.00	343.77	0.00	343.77
74525	Sundry	0.00	-589.44	0.00	-589.44
74596	Services to projects -GOE	0.00	6,897.00	0.00	6,897.00
75105	Facilities & Admin - Implement	0.00	673,849.32	0.00	673,849.32
75705	Learning costs	0.00	48,867.13	0.00	48,867.13
75710	Participation of counterparts	0.00	2,642.80	0.00	2,642.80
76110	Foreign Exch Translation Loss	0.00	19.18	0.00	19.18
76125	Realized Loss	0.00	18,861.69	0.00	18,861.69
76135	Realized Gain	0.00	-32,990.20	0.00	-32,990.20
Fund: 30084 - Prog Resources from 11888		0.00	11,006.19	0.00	11,006.19
72410	Acquisition of Audio Visual Eq	0.00	1,975.00	0.00	1,975.00
73310	Maint & Licencing of Software	0.00	7,890.45	0.00	7,890.45
75105	Facilities & Admin - Implement	0.00	789.24	0.00	789.24
76125	Realized Loss	0.00	351.50	0.00	351.50
Project Total:		0.00	9,182,470.77	0.00	9,182,470.77

Report by Activity and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00101970 - Improving vaccination systems		0.00	9,182,470.77		0.00 9,182,470.77
Activity: -		0.00	7,320.61		0.00 7,320.61
Fund: 30000 - Programme Cost Sharing		0.00	7,320.61		0.00 7,320.61
33001	Change(s) in accounting policy	0.00	-0.01		0.00 -0.01
72405	Acquisition of Communic Equip	0.00	6,778.35		0.00 6,778.35
75105	Facilities & Admin - Implement	0.00	542.27		0.00 542.27
Activity: ACTIVITY4 - Proc,Dist&Install TempLog CCPs		0.00	-65,456.41		0.00 -65,456.41
Fund: 30000 - Programme Cost Sharing		0.00	-65,456.41		0.00 -65,456.41
71605	Travel Tickets-International	0.00	1,801.95		0.00 1,801.95
71610	Travel Tickets-Local	0.00	18.55		0.00 18.55
71615	Daily Subsistence Allow-Intl	0.00	1,142.00		0.00 1,142.00
71620	Daily Subsistence Allow-Local	0.00	3,251.35		0.00 3,251.35
71635	Travel - Other	0.00	282.00		0.00 282.00
72399	Other Materials and Goods	0.00	9,761.55		0.00 9,761.55
72405	Acquisition of Communic Equip	0.00	-77,670.51		0.00 -77,670.51
72440	Connectivity Charges	0.00	-16,115.86		0.00 -16,115.86
72445	Common Services-Communications	0.00	6,854.40		0.00 6,854.40
72505	Stationery & other Office Supp	0.00	3,535.46		0.00 3,535.46
72815	Inform Technology Supplies	0.00	7,500.00		0.00 7,500.00
75105	Facilities & Admin - Implement	0.00	-4,771.13		0.00 -4,771.13
76135	Realized Gain	0.00	-1,046.17		0.00 -1,046.17
Activity: ACTIVITY12 - GAVI Secretariat & Evaluation		0.00	44,560.28		0.00 44,560.28
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	-225.00		0.00 -225.00
64397	Services to projects -CO staff	0.00	1,488.00		0.00 1,488.00
72410	Acquisition of Audio Visual Eq	0.00	-1,975.00		0.00 -1,975.00
74596	Services to projects -GOE	0.00	262.00		0.00 262.00
Fund: 30000 - Programme Cost Sharing		0.00	42,652.28		0.00 42,652.28
71305	Local Consult-Sht Term-Tech	0.00	-6,687.10		0.00 -6,687.10
71405	Service Contracts-Individuals	0.00	42,047.50		0.00 42,047.50
71410	MAIP Premium SC	0.00	19.68		0.00 19.68
71415	Contribution to Security SC	0.00	1,575.02		0.00 1,575.02
71605	Travel Tickets-International	0.00	-50.93		0.00 -50.93
71615	Daily Subsistence Allow-Intl	0.00	295.70		0.00 295.70
71620	Daily Subsistence Allow-Local	0.00	-214.08		0.00 -214.08
72505	Stationery & other Office Supp	0.00	2,196.34		0.00 2,196.34
75105	Facilities & Admin - Implement	0.00	3,158.80		0.00 3,158.80
75705	Learning costs	0.00	303.02		0.00 303.02
76125	Realized Loss	0.00	7.55		0.00 7.55
76135	Realized Gain	0.00	0.78		0.00 0.78

Combined delivery report and funds utilization statement - continued

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Fund: 30084 - Prog Resources from 11888	0.00	2,133.00	0.00	2,133.00
72410 Acquisition of Audio Visual Eq	0.00	1,975.00	0.00	1,975.00
75105 Facilities & Admin - Implement	0.00	158.00	0.00	158.00
Activity: ACTIVITY1 - Preparatory Assmnt - Metadata	0.00	41,688.21	0.00	41,688.21
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)	0.00	2,500.00	0.00	2,500.00
64397 Services to projects -CO staff	0.00	2,125.00	0.00	2,125.00
74596 Services to projects -GOE	0.00	375.00	0.00	375.00
Fund: 30000 - Programme Cost Sharing	0.00	39,188.21	0.00	39,188.21
72160 Svc Co-Education & Health Serv	0.00	-0.20	0.00	-0.20
72165 Svc Co-Social Svcs, Social Sci	0.00	36,406.90	0.00	36,406.90
73310 Maint & Licencing of Software	0.00	-3.84	0.00	-3.84
75105 Facilities & Admin - Implement	0.00	2,912.23	0.00	2,912.23
76125 Realized Loss	0.00	4.65	0.00	4.65
76135 Realized Gain	0.00	-131.53	0.00	-131.53
Activity: ACTIVITY10 - Recrt.& rem-eVIN Project Staff	0.00	1,084,796.94	0.00	1,084,796.94
Fund: 30000 - Programme Cost Sharing	0.00	1,084,796.94	0.00	1,084,796.94
63360 Medical Exams(incl Pre-empl)	0.00	137.93	0.00	137.93
71305 Local Consult.-Sht Term-Tech	0.00	2,643.06	0.00	2,643.06
71350 Internship stipend	0.00	1,002.41	0.00	1,002.41
71360 Local Consult-Security	0.00	109.69	0.00	109.69
71405 Service Contracts-Individuals	0.00	994,820.39	0.00	994,820.39
71410 MAIP Premium SC	0.00	725.88	0.00	725.88
71415 Contribution to Security SC	0.00	57,801.42	0.00	57,801.42
71605 Travel Tickets-International	0.00	1,024.52	0.00	1,024.52
71615 Daily Subsistence Allow-Intl	0.00	1,624.69	0.00	1,624.69
71625 Daily Subst Allow-Mtg Partic	0.00	-320.49	0.00	-320.49
71635 Travel - Other	0.00	188.00	0.00	188.00
72405 Acquisition of Communic Equip	0.00	-55,472.20	0.00	-55,472.20
74105 Management and Reporting Srvs	0.00	167.86	0.00	167.86
75105 Facilities & Admin - Implement	0.00	80,356.24	0.00	80,356.24
76125 Realized Loss	0.00	0.24	0.00	0.24
76135 Realized Gain	0.00	-12.70	0.00	-12.70
Activity: ACTIVITY11 - Rect, mgmt, & remun -VCCMs	0.00	4,179,452.21	0.00	4,179,452.21
Fund: 30000 - Programme Cost Sharing	0.00	4,179,452.21	0.00	4,179,452.21
72165 Svc Co-Social Svcs, Social Sci	0.00	3,880,361.87	0.00	3,880,361.87
75105 Facilities & Admin - Implement	0.00	310,428.93	0.00	310,428.93
76125 Realized Loss	0.00	9,343.41	0.00	9,343.41
76135 Realized Gain	0.00	-20,682.00	0.00	-20,682.00
Activity: ACTIVITY13 - Research Studies	0.00	3,966.05	0.00	3,966.05
Fund: 30000 - Programme Cost Sharing	0.00	3,966.05	0.00	3,966.05
71305 Local Consult.-Sht Term-Tech	0.00	3,525.94	0.00	3,525.94
71360 Local Consult-Security	0.00	146.33	0.00	146.33
75105 Facilities & Admin - Implement	0.00	293.77	0.00	293.77
76125 Realized Loss	0.00	0.01	0.00	0.01
Activity: ACTIVITY14 - HSS Travel	0.00	59,038.33	0.00	59,038.33
Fund: 30000 - Programme Cost Sharing	0.00	59,038.33	0.00	59,038.33
71605 Travel Tickets-International	0.00	13,068.88	0.00	13,068.88
71610 Travel Tickets-Local	0.00	749.76	0.00	749.76
71615 Daily Subsistence Allow-Intl	0.00	38,172.22	0.00	38,172.22
71620 Daily Subsistence Allow-Local	0.00	361.92	0.00	361.92
71625 Daily Subst Allow-Mtg Partic	0.00	-157.82	0.00	-157.82
71635 Travel - Other	0.00	2,469.11	0.00	2,469.11
75105 Facilities & Admin - Implement	0.00	4,373.09	0.00	4,373.09
76125 Realized Loss	0.00	8.45	0.00	8.45
76135 Realized Gain	0.00	-7.28	0.00	-7.28
Activity: ACTIVITY16 - Data SIM Card Monthly cost	0.00	1,549,463.53	0.00	1,549,463.53
Fund: 30000 - Programme Cost Sharing	0.00	1,549,463.53	0.00	1,549,463.53
72405 Acquisition of Communic Equip	0.00	67,475.55	0.00	67,475.55
72425 Mobile Telephone Charges	0.00	413,314.57	0.00	413,314.57
72435 E-mail-Subscription	0.00	9,892.43	0.00	9,892.43
72440 Connectivity Charges	0.00	-161,396.49	0.00	-161,396.49
72445 Common Services-Communications	0.00	1,108,669.82	0.00	1,108,669.82
75105 Facilities & Admin - Implement	0.00	115,036.50	0.00	115,036.50

Combined delivery report and funds utilization statement - continued

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76125	Realized Loss	0.00	2,670.78	0.00	2,670.78
76135	Realized Gain	0.00	-6,199.63	0.00	-6,199.63
Activity: ACTIVITY17 - Voice SIM Card Monthly Cost		0.00	2,881.88	0.00	2,881.88
Fund: 30000 - Programme Cost Sharing		0.00	2,881.88	0.00	2,881.88
72425	Mobile Telephone Charges	0.00	745.17	0.00	745.17
72445	Common Services-Communications	0.00	1,903.11	0.00	1,903.11
75105	Facilities & Admin - Implement	0.00	211.85	0.00	211.85
76125	Realized Loss	0.00	24.65	0.00	24.65
76135	Realized Gain	0.00	-2.90	0.00	-2.90
Activity: ACTIVITY18 - Nat level Professional Staff		0.00	120,741.84	0.00	120,741.84
Fund: 30000 - Programme Cost Sharing		0.00	120,741.84	0.00	120,741.84
64397	Services to projects -CO staff	0.00	87,088.00	0.00	87,088.00
71405	Service Contracts-Individuals	0.00	6,923.92	0.00	6,923.92
71410	MAIP Premium SC	0.00	3.20	0.00	3.20
71415	Contribution to Security SC	0.00	255.89	0.00	255.89
74110	Audit Fees	0.00	10,630.00	0.00	10,630.00
74596	Services to projects -GOE	0.00	6,897.00	0.00	6,897.00
75105	Facilities & Admin - Implement	0.00	8,943.83	0.00	8,943.83
Activity: ACTIVITY19 - Non-communicable Diseases -TSU		0.00	37,291.42	0.00	37,291.42
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	37,291.42	0.00	37,291.42
64397	Services to projects -CO staff	0.00	-26.52	0.00	-26.52
72165	Svc Co-Social Svcs, Social Sci	0.00	36,334.74	0.00	36,334.74
74596	Services to projects -GOE	0.00	-4.09	0.00	-4.09
75705	Learning costs	0.00	877.07	0.00	877.07
76125	Realized Loss	0.00	159.14	0.00	159.14
76135	Realized Gain	0.00	-48.92	0.00	-48.92
Activity: ACTIVITY2 - Upgrdn&Enhancmnt-eVINsoftware		0.00	818,175.94	0.00	818,175.94
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	18,540.00	0.00	18,540.00
73310	Maint & Licencing of Software	0.00	18,540.00	0.00	18,540.00
Fund: 30000 - Programme Cost Sharing		0.00	799,635.94	0.00	799,635.94
71605	Travel Tickets-International	0.00	8.70	0.00	8.70
72105	Svc Co-Construction & Engineer	0.00	-80,000.00	0.00	-80,000.00
72165	Svc Co-Social Svcs, Social Sci	0.00	43,341.60	0.00	43,341.60
72405	Acquisition of Communic Equip	0.00	83,813.84	0.00	83,813.84
72810	Acquis of Computer Software	0.00	60,874.92	0.00	60,874.92
73310	Maint & Licencing of Software	0.00	631,462.63	0.00	631,462.63
75105	Facilities & Admin - Implement	0.00	59,160.14	0.00	59,160.14
76125	Realized Loss	0.00	1,672.48	0.00	1,672.48
76135	Realized Gain	0.00	-698.37	0.00	-698.37
Activity: ACTIVITY20 - ANCHAL-Maternal&NeonatalHealth		0.00	39,373.90	0.00	39,373.90
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	30,500.71	0.00	30,500.71
72165	Svc Co-Social Svcs, Social Sci	0.00	18,656.17	0.00	18,656.17
73310	Maint & Licencing of Software	0.00	11,667.29	0.00	11,667.29
76125	Realized Loss	0.00	205.30	0.00	205.30
76135	Realized Gain	0.00	-28.05	0.00	-28.05
Fund: 30084 - Prog Resources from 11888		0.00	8,873.19	0.00	8,873.19
73310	Maint & Licencing of Software	0.00	7,890.45	0.00	7,890.45
75105	Facilities & Admin - Implement	0.00	631.24	0.00	631.24
76125	Realized Loss	0.00	351.50	0.00	351.50
Activity: ACTIVITY3 - Proc & Distribution Mobile		0.00	404,606.54	0.00	404,606.54
Fund: 30000 - Programme Cost Sharing		0.00	404,606.54	0.00	404,606.54
71615	Daily Subsistence Allow-Intl	0.00	614.32	0.00	614.32
72405	Acquisition of Communic Equip	0.00	380,593.03	0.00	380,593.03
72425	Mobile Telephone Charges	0.00	206.46	0.00	206.46
72440	Connectivity Charges	0.00	-17,240.60	0.00	-17,240.60
72505	Stationery & other Office Supp	0.00	10,029.33	0.00	10,029.33
75105	Facilities & Admin - Implement	0.00	29,936.21	0.00	29,936.21
76135	Realized Gain	0.00	467.79	0.00	467.79
Activity: ACTIVITY5 - Proc&Dist Laptops&Hardwares		0.00	190,108.55	0.00	190,108.55
Fund: 30000 - Programme Cost Sharing		0.00	190,108.55	0.00	190,108.55
72405	Acquisition of Communic Equip	0.00	168,764.25	0.00	168,764.25
72505	Stationery & other Office Supp	0.00	6,535.12	0.00	6,535.12

Combined delivery report and funds utilization statement - continued

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75105	Facilities & Admin - Implement	0.00	14,023.95	0.00	14,023.95
76125	Realized Loss	0.00	817.74	0.00	817.74
76135	Realized Gain	0.00	-32.51	0.00	-32.51
Activity: ACTIVITY6 - Proj Field Off,Main&Adm Suppor		0.00	229,825.89	0.00	229,825.89
Fund: 30000 - Programme Cost Sharing		0.00	229,825.89	0.00	229,825.89
71305	Local Consult.-Sht Term-Tech	0.00	36,732.65	0.00	36,732.65
71360	Local Consult-Security	0.00	142.40	0.00	142.40
71405	Service Contracts-Individuals	0.00	43,464.24	0.00	43,464.24
71410	MAIP Premium SC	0.00	19.20	0.00	19.20
71415	Contribution to Security SC	0.00	1,531.00	0.00	1,531.00
71610	Travel Tickets-Local	0.00	486.17	0.00	486.17
71615	Daily Subsistence Allow-Intl	0.00	-394.98	0.00	-394.98
71620	Daily Subsistence Allow-Local	0.00	-106.60	0.00	-106.60
71625	Daily Subsist Allow-Mtg Partic	0.00	0.61	0.00	0.61
71635	Travel - Other	0.00	1,372.65	0.00	1,372.65
72165	Svc Co-Social Svcs, Social Sci	0.00	25,882.91	0.00	25,882.91
72205	Office Machinery	0.00	614.09	0.00	614.09
72210	Machinery and Equipment	0.00	45.57	0.00	45.57
72220	Furniture	0.00	1,410.64	0.00	1,410.64
72330	Medical Products	0.00	-1,090.82	0.00	-1,090.82
72402	Building Maintenance	0.00	52.35	0.00	52.35
72415	Courier Charges	0.00	29,030.54	0.00	29,030.54
72505	Stationery & other Office Supp	0.00	67,095.57	0.00	67,095.57
72805	Acquis of Computer Hardware	0.00	657.44	0.00	657.44
73110	Custodial & Cleaning Services	0.00	130.45	0.00	130.45
73125	Common Services-Premises	0.00	21.26	0.00	21.26
73305	Maint & Licencing of Hardware	0.00	62.13	0.00	62.13
73310	Maint & Licencing of Software	0.00	2,879.21	0.00	2,879.21
73405	Rental & Maint-Other Office Eq	0.00	1,113.25	0.00	1,113.25
73406	Maintenance of Equipment	0.00	400.85	0.00	400.85
74210	Printing and Publications	0.00	697.92	0.00	697.92
74215	Promotional Materials and Dist	0.00	56.08	0.00	56.08
74525	Sundry	0.00	-389.37	0.00	-389.37
75105	Facilities & Admin - Implement	0.00	17,035.22	0.00	17,035.22
75705	Learning costs	0.00	1,022.83	0.00	1,022.83
76125	Realized Loss	0.00	4,014.96	0.00	4,014.96
76135	Realized Gain	0.00	-4,164.53	0.00	-4,164.53
Activity: ACTIVITY7 - eVIN Training		0.00	59,916.22	0.00	59,916.22
Fund: 30000 - Programme Cost Sharing		0.00	59,916.22	0.00	59,916.22
71605	Travel Tickets-International	0.00	189.37	0.00	189.37
71615	Daily Subsistence Allow-Intl	0.00	2,895.88	0.00	2,895.88
71620	Daily Subsistence Allow-Local	0.00	1,606.17	0.00	1,606.17
71625	Daily Subsist Allow-Mtg Partic	0.00	-2,199.23	0.00	-2,199.23
71635	Travel - Other	0.00	1,445.55	0.00	1,445.55
72505	Stationery & other Office Supp	0.00	1,801.32	0.00	1,801.32
74210	Printing and Publications	0.00	180.97	0.00	180.97
74525	Sundry	0.00	-200.07	0.00	-200.07
75105	Facilities & Admin - Implement	0.00	4,472.30	0.00	4,472.30
75705	Learning costs	0.00	47,541.28	0.00	47,541.28
75710	Participation of counterparts	0.00	2,642.80	0.00	2,642.80
76125	Realized Loss	0.00	4.93	0.00	4.93
76135	Realized Gain	0.00	-465.05	0.00	-465.05
Activity: ACTIVITY8 - eVIN Communication&Dist Materi		0.00	137,104.25	0.00	137,104.25
Fund: 30000 - Programme Cost Sharing		0.00	137,104.25	0.00	137,104.25
71305	Local Consult.-Sht Term-Tech	0.00	100,752.14	0.00	100,752.14
71360	Local Consult-Security	0.00	139.06	0.00	139.06
72135	Svc Co-Communications Service	0.00	2,431.12	0.00	2,431.12
72505	Stationery & other Office Supp	0.00	713.48	0.00	713.48
72510	Publications	0.00	53.12	0.00	53.12
74205	Audio Visual Productions	0.00	218.01	0.00	218.01
74210	Printing and Publications	0.00	22,295.09	0.00	22,295.09
74220	Translation Costs	0.00	60.12	0.00	60.12
74225	Other Media Costs	0.00	343.77	0.00	343.77
75105	Facilities & Admin - Implement	0.00	10,160.48	0.00	10,160.48
76125	Realized Loss	0.00	378.76	0.00	378.76
76135	Realized Gain	0.00	-440.90	0.00	-440.90
Activity: ACTIVITY9 - Travel for eVIN		0.00	237,614.59	0.00	237,614.59

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Fund: 30000 - Programme Cost Sharing		0.00	237,614.59	0.00	237,614.59
71605	Travel Tickets-International	0.00	17,057.17	0.00	17,057.17
71610	Travel Tickets-Local	0.00	-272.42	0.00	-272.42
71615	Daily Subsistence Allow-Intl	0.00	216,199.74	0.00	216,199.74
71620	Daily Subsistence Allow-Local	0.00	-19,168.21	0.00	-19,168.21
71625	Daily Subsist Allow-Mtg Partic	0.00	-1,371.18	0.00	-1,371.18
71635	Travel - Other	0.00	7,361.57	0.00	7,361.57
72415	Courier Charges	0.00	0.00	0.00	0.00
72505	Stationery & other Office Supp	0.00	-123.78	0.00	-123.78
75105	Facilities & Admin - Implement	0.00	17,574.64	0.00	17,574.64
76110	Foreign Exch Translation Loss	0.00	19.18	0.00	19.18
76125	Realized Loss	0.00	-86.92	0.00	-86.92
76135	Realized Gain	0.00	424.80	0.00	424.80
Project Total:		0.00	9,182,470.77	0.00	9,182,470.77

Funds Utilization

Output: 00101970 - Improving vaccination systems	UNDP Amount
Implementing Partner: 03836 - Direct Implementation	
Outstanding NIM Advances:	0.00
Undepreciated Fixed Assets:	0.01
Unamortized Intangible Assets:	0.00
Inventory:	0.00
Prepayments:	0.01
Commitments:	1,691,852.64

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Manish Pant

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22-Mar-2021 Chief, Health & Governance



Dr. Manish Pant

Shoko Noda

Shoko Noda Resident Representative

07-Oct-2021

Shoko Noda
Resident Representative

Nadia Rasheed

Nadia Rasheed

22-Mar-2021

Nadia Rasheed
Deputy Resident Representative

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS

**To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

We noted that the UNDP Project ID 98752, "Improving Efficiency of Vaccination Systems in Multiple States" (Output ID 101970) did not present balances in the fixed assets accounts and accordingly a Statement of Fixed Assets was not produced.



PKF Littlejohn LLP

19 October 2021

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INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH

**To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

We noted that the UNDP Project ID 98752, "Improving Efficiency of Vaccination Systems in Multiple States" (Output ID 101970) did not have a dedicated bank account for the DIM project activities subject to audit and accordingly a Statement of Cash was not produced.



PKF Littlejohn LLP

19 October 2021

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MANAGEMENT LETTER

Finding No: 1 Incorrect recording of project expenditure

UNDP was named as one of four lead implementing agencies in a Health Systems Strengthening support application – Phase 2 (HSS2 proposal) submitted to the Gavi Alliance (Gavi) by the Government of India in December 2016 (revised in April 2017). The HSS2 proposal covered an implementation period of five years (2017-2021). Based on Gavi's approval of the HSS2 proposal in July 2017, communicated through its decision letter, the annual amounts were to be disbursed by Gavi directly to the agreed implementing agencies rather than to the Country.

Consequent to Gavi's approval of the HSS2 proposal, financing agreements were signed between UNDP and Gavi to fund the implementation of activities in the HSS2 proposal required to be carried out by UNDP. The initial financing agreement was signed in 2017 covering a period of two years and a subsequent financing agreement was signed in 2019 covering a further two-year period.

The terms of the financing agreements tie UNDP's usage of Gavi's contribution (Gavi funds) solely for the purpose of fulfilling the activities described in the HSS2 proposal. Any significant changes are to be reviewed and approved in advance by Gavi. Further, under the financial management and procurement arrangements detailed in the approved HSS2 proposal, a specific award number was to be given to Gavi funds by UNDP so that funds could be monitored and tracked using the number. Accordingly, the Office created a separate Atlas¹ project (previously known as an award) to track usage of Gavi funds.

According to UNDP Financial Regulations and Rules, offices do not have authority to enter into commitments in the absence of available cash for cost-sharing contributions to 'other resources'. The Operational Guide of the Internal Control Framework for UNDP specifies that in Atlas, all cost-sharing contributions are defined as 'cash-controlled funds'. Use of the Atlas commitment control (KK) module enforces this control by ensuring that only those purchase orders, vouchers, and journals entries that have funds available (i.e., pass budget check) can be finalized. Short-term deficits, where agreed contributions have not been received, are required to be managed in accordance with the risk management guidelines for contributions by donors to 'other resources'.

Based on the review of project narrative reports, reports submitted to donor, CDR, Account Activity Analysis (AAA) report and other related project documents, the following observations are noted:

- a) During the audit period, the Office cumulatively transferred expenses of \$2.49 million from the Project to other Atlas projects. Similarly, expenses amounting to \$109,728 were transferred to the Project from other projects. The outward transfers indicated that expenses were incurred using Gavi funds and recorded in the Project but were subsequently transferred out as they related to other Atlas projects.

The Office explained that there was one project document covering the Gavi funded HSS2 activities and other activities (relating to HSS Phase 1 or HSS1) which were to be funded by the Government (including various state governments). Hence, the activities were being implemented from a common pool of funds across 36 states.

However, the usage of Gavi funds without prior approval for activities not approved under the HSS2 proposal is inconsistent with the terms of the signed financing agreement.

The Office provided evidence of e-mail correspondence with Gavi taken place on 30 August 2021 after the conclusion of the audit fieldwork where Gavi appeared to indicate concurrence with the use of funds for HSS1 activities on a temporary basis subject to their reimbursement in a timely manner. However, this communication occurred ex post facto and not prior to the use of the funds.

¹ UNDP's Enterprise Resource Planning system

- b) The Office's usage of Gavi funds to incur expenses for activities related to other Atlas projects for which donor contributions were not received in full, did not comply with the UNDP Financial Regulations and Rules. Cost-sharing deficits in the other Atlas projects should have been managed in accordance with the risk management guidelines.
- c) Quarterly unaudited financial reports submitted to the Gavi Secretariat (i.e. donor reports) did not disclose the amounts spent towards non-HSS2 activities using Gavi funds. These reports included the funds utilized towards other Atlas projects as expenses incurred for approved HSS2 activities.
- d) For the purposes of the audit, the project team has identified expenses amounting to US\$ 4,073,913.90 (excluding 8% GMS) recorded in the financial year 2020 under the HSS2 project relating to non-HSS2 activities.

Out of these total unrelated expenses recorded in 2020, expense amounting US\$ 442,590.47 had been transferred out in 2020, US\$ 1,260,950.00 has been transferred out in 2021 till the time of the audit and the remaining expenses totaling US\$ 2,370,373.43 are intended by the management to be further transferred out.

In addition to the above, it was noted, that during the year 2021 unrelated expense amounting US\$ 1,389,915.74 recorded under the project for the financial year 2019 was also transferred out. This transfer, however, does not impact the expense recorded and reported in the 2020 CDR.

The transfers and other necessary adjustments suggest weakness in related internal controls, financial recording, and reporting mechanism. The incurring of unrelated project expenses through HSS2 funds and incorrectly reporting them under the project also suggests that the funds were not utilized for the approved purposes of the project.

Based on the matters highlighted above we consider project expenses amounting to US\$ 4,073,913.90 to be incorrectly recorded and US\$ 3,631,323.43 to be incorrectly reported against the project during the period under audit. This has resulted in overstatement of project expenses reported for the period, unapproved use of project funds and constitutes a non-compliance with UNDP policies and procedures.

Priority: High

Recommendation:

The Office should enhance their overall financial reporting process with respect to recording, reviewing, reporting and ultimately accountability for the use of donor funds on projects implemented by them. We recommend:

- a) Implementing monitoring processes to ensure that donor funds are used only for the activities agreed as per the financing instrument, and where necessary -obtaining prior donor approval for deviations;
- b) Managing cost-sharing deficits in accordance with the Risk management guidelines for contributions by donors to "Other Resources";
- c) Maintaining an up to date financial tracker to assist in performing review of project expenditure at regular intervals with a view to timely identify any necessary adjustments and transferring any expenses not linked to approved HSS2 activities; and
- d) Preparing and submitting donor reports that accurately reflect the use of funds.

Management Comments:

The office acknowledges the recommendations and notes that the project management arrangements were adopted based on guidance and consultations with the Government counterpart and Programme Governing body.

Action plan:

- The office will continue discussions with the donor and the government counterpart to address delays in transfer of funds from State Governments and emphasize the need for timely disbursement of funding.
- The office will further strengthen the financial tracker and monitoring and reporting arrangements in agreement with the donor and the government counterpart.

Finding No: 2**Non-adherence to LTA policy due to contract extension for more than 3 years**

UNDP Programme and Operations Policies and Procedures (POPP) state that Long Term Agreements (LTAs) generally have a maximum duration of three years, except where the nature of the market or the requirement justifies a longer duration. POPP also requires an ex-ante review for LTAs of longer duration than the standard three-year period. They also state that contracts shall be amended when there are justifiable requirements such as the extension of the duration, modification of the scope of the goods or services to be delivered or other relevant aspects of the contract and they shall be duly approved by the relevant authorities in the business unit and the Procurement Review Committees where applicable.

The Office had entered into LTA 2016/042 and LTA 2016/043 with two vendors for a period of 3 Years (i.e., from 1 January 2017 to 31 December 2019). The procurement actions related to these LTAs were approved by the Chief Procurement Officer for a three-year period as recommended by the Advisory Committee on Procurement which had reviewed the procurement case.

These LTAs were amended/extended for a further period of 3 months (i.e., from 1 January to 31 March 2020) on 15 November 2019 and 14 November 2019 respectively. The secondary contracts signed under LTA 2016/042 (i.e., 2018/16, 2016/257 and 2017/160), LTA 2016/43 (i.e., 2016/258) and 2018/072 were also amended/extended for the period of 3 months (i.e., from 1 January to 31 March 2020).

The solicitation and evaluation process for a new LTA however, was started in November 2019 (i.e., after entering into the amendment of LTAs). The said matter has resulted in the following observations:

- a) Above mentioned LTA amendment / contract extensions are not in line with POPP as the prior approval of the relevant procurement authority had not been obtained. The Office explained that the case was discussed with the regional procurement advisor prior to the LTA amendment but no evidence was provided to support this statement. Refer **Table 2** for summary amounts of invoices processed under the amended LTA.
- b) Delay in starting the solicitation and evaluation process for the new LTA.
- c) Signing of contract amendments after initiation of service validity – In relation to one of the vendors (Vendor 1), UNDP had entered into an extension of agreement via “Amendment No. 5 of Contract no. 2018/72”, extending the validity by 3 months up to 31 Mar 20. The provision of services under the contract amendment, however, commenced before the signing and execution of the contract on 29 January 2020.

Table 2: Details of the contracts

Vendor	Month	USD Amount	Number of Transactions
Vendor 1	January 2020	34,768	4
	February 2020	48,832	4
	March 2020	65,744	7
Vendor 2	January 2020	247,916	24
	February 2020	39,835	12
	March 2020	322,133	28
Grand Total		759,228	79

The issues identified above, represents non-compliance with UNDP policies and procedure at the time of occurrence. The Office however, recognizing these as procedural delays/errors had taken the necessary steps during the period of the project under audit to conform with the applicable rules.

Accordingly, only a management recommendation has been raised in respect.

Priority: High

Recommendation:

- a) The Office should track all Long-Term Agreements and secondary contracts and initiate the process of renewal / fresh contracts in advance, to avoid any delays.
- b) To reduce such type of delays, all open commitments / contracts could be tracked for validity and process of amendment or extension should be initiated well in advance with the approval of relevant procurement authorities.

Management Comments:

Action plan:

The office will strengthen tracking of Long-Term Agreements and secondary contracts and ensure timely initiation of amendment and renewal processes. The office has already prepared an application to strengthen contract management.

Observation:

As per UNDP Programme and Operations Policies and Procedures (POPP), a “long term agreement” is a written agreement between UNDP and a supplier that is established for specific goods or services at prescribed prices or pricing provisions for a defined period of time, against which specific orders (call-offs) can be placed at any time, during the defined period and with no legal obligation to order any minimum or maximum quantity.

Contracts are legally binding commitments that become effective on or after their signature by the contracting parties.

As per the secondary contract (call-off) entered with a vendor under Long Term Agreement (LTA) 2020/001 (dated 28 February 2020) for term of 2 years, for maintenance and licensing of a software application, the contract validity period was from 4 June 2020 to 31 July 2020. On 27 July 2020, the contract was extended till 31 August 2020 via Amendment #01.

On verification of the vendor invoice No. 2020-21-001 for June 2020, it was observed that the vendor's charges included the months March, April and May 2020, which did not form part of the contract period. The Office explained that the contract was intended to be made for a period of 5 months, with work commencing from March 2020, but the contract was wrongly worded. It is to be noted that the contract was signed on 4 June 2020, as against the intended start date of 1 March 2020. The total value of the invoices relating to the three months that were not part of the contract amounted to US \$ 81,726.

The Office also explained that continuity of services from the vendor was critical while discussions were ongoing regarding the terms of reference to be used in the call-off contract and that the services were received under a valid LTA. However, in absence of a call-off contract, the LTA did not create a legally binding commitment to procure the services.

Furthermore, there is no breakup in the LTA/Contract for the HR cost of the software application production management, which is considered as a fixed monthly fee of INR 5,83,163 as per contract.

The issues identified above, represents a non-compliance with UNDP policies and procedure at the time of occurrence. The Office however, recognizing these as procedural delays/errors have taken majority of the necessary steps during the period of the project under audit to conform with the applicable rules. Accordingly, only a management recommendation has been raised in respect.

Priority: High**Recommendation:**

The Office should strengthen controls over management of contracts by:

- a) Ensuring that no delivery of goods or services are commenced without a valid contract in place; and
- b) The Human Resources cost should be charged based on actual man hours consumed for software application production management.

Management Comments:

Action plan:

The office will further strengthen communication with vendors to ensure conditions in Long Term Agreements are honored and to avoid risks of disruptions to essential health services in a pandemic context. The office has already prepared an application for contract management as part of the mitigation process.

The office issues contracts as per “need” and in line with UNDP policies and procedures. This allows for deliverable based lump-sum payments.