



**AUDIT**

**OF**

**UNDP UKRAINE**

**PROCUREMENT SUPPORT SERVICES TO THE MINISTRY OF HEALTH OF UKRAINE**  
**(Directly Implemented Project No. 90474)**

**Report No. 2061**  
**Issue Date: 16 August 2019**

**Report on the Audit of UNDP Ukraine  
Procurement Support Services to the Ministry of Health of Ukraine  
(Project No. 90474)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 24 June to 3 July 2019, conducted an audit of Procurement Support Services to the Ministry of Health of Ukraine (Project No. 90474) (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (the Office). The last audit of the Project was conducted by OAI in 2018 and covered project activities from 1 January 2017 to 31 March 2018.

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>1</sup> as of 31 December 2018. 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)
147,099	Unmodified	1,202

\*There was a Net Financial Misstatement (NFM) of \$1,201,968 but it did not affect the audit opinion as it was not financially material.

\*\*NFM = Net Financial Misstatement

**Key recommendations:** Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, 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." These recommendations include actions to address the absence of standard operating procedures for checks on the distribution of medical products (logistical services), and the lack of checks on submissions of deliverables by consultants involved in the evaluation of medical products.

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

**Implementation status of previous OAI audit recommendations:** Report No. 1988, 16 August 2018).

Total recommendations: 3

Implemented: 1

In progress: 2

The pending recommendations pertain to the transition plan not being finalized, and the lack of standard operating procedures to meet quality assurance requirements.

**Management comments and action plan**

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



Helge S. Osttveiten  
Director  
Office of Audit and Investigations