



AUDIT

OF

PROCUREMENT SUPPORT SERVICES TO THE MINISTRY OF HEALTH OF UKRAINE
(Directly Implemented Project No. 90474, 51 Outputs)

IN

UNDP UKRAINE

Report No. 2348
Issue Date: 29 September 2021

**Report on the Audit of Procurement Support Services to the Ministry of Health of Ukraine
implemented by UNDP Ukraine
(Project No. 90474, 51 Outputs)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 10 May to 24 June 2021, conducted an audit of ‘Procurement Support Services to the Ministry of Health of Ukraine’ (Project No. 90474), and its 51 Outputs (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, through BDO LLP in 2020 and covered project expenses from 1 January to 31 December 2019.

The audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series. The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project’s operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. 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. It also reviewed the relevant systems, procedures, and practices in place as they relate to the Project, in the areas of governance, programme, and operations. The audit did not include 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*.

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **fully satisfactory**, which means, “The assessed governance arrangements, risk management practices and controls as applicable to the Project’s financial statements were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.”

The details of the audit results are presented in the table below:

Project Expenses*	
Amount (in \$ ‘000)	Opinion
95,702	Unmodified

*Expenses recorded in the Combined Delivery Report were \$96,878,332. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$1,176,626).

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.

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 a project board meeting not held in 2020.

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

Additional information on sample and scope of audit

In response to the audit report, OAI shared with the audit firm a short summary of observations by the OAI Investigations Section with regard to the Project. These observations included control lapses and a lack of adherence to UNDP rules and procedures from the Project Management Unit personnel.

The audit firm reviewed the documents and concluded that the aforementioned control issues did not affect the conclusion of its audit report.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2267, issued on 11 August 2020) did not result in any recommendations.

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.

Helge S. Ostveiten
Director
Office of Audit and Investigations