



**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 statement<sup>1</sup> 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:

<b>Project Expenses</b>			
<b>Amount (in \$ '000)</b>	<b>Opinion</b>	<b>NFM* (in \$ '000)</b>	<b>Impact on CDR</b>
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:

<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.

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.



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**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.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations