

**UNITED NATIONS OFFICE FOR PROJECT SERVICES
(UNOPS)****PROCUREMENT AUDIT REPORT****7 July 2025**

Project name:	COVID-19 Emergency Response Project
Project number:	23327-001
Country:	Uzbekistan
Auditor:	BDO LLP
Period subject to audit:	23 December 2022 to 30 June 2024

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Acronyms and abbreviations

IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IESBA	International Ethics Standards Board for Accountants
IPSAS	International Public Standard Accounting System
ISA	International Standards on Auditing
UN	United Nations
UNOPS	United Nations Office for Project Services
US\$	United States Dollars

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the procurement undertaken by the project 'COVID-19 Emergency Response Project' ("the project") (oneUNOPS project ID 23327-001), which is implemented and managed by the UNOPS Office in Uzbekistan. The audit firm was under the general supervision of IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

Annex E "Completed cases & contract awards", provided as part of the 'Standard Terms of Reference and Scope / Extent of Work for Audit', listed procurement awards amounting to US\$ 7,868,298 during the period from 23 December 2022 to 30 June 2024. The source of funds are the Asian Development Bank and Asian Infrastructure Investment Bank who contributed to the project. The funds available represent loans made to the Government of the Republic of Uzbekistan.

Audit objectives

1. The overall objective of the audit is to assess the Procurement and Contract management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.
2. Provide an overall assessment of the operational and internal control systems that are in place for the management of procurement and contracts under the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project's objectives.

Audit scope

1. The audit shall review the procurement process as well as the emergency procurement process (if any), covering planning, needs assessment, sourcing, solicitation, evaluation, review and contract award, contracting and contract administration.
2. The audit shall provide reasonable assurance, on a sample basis review of the major contracts (above US\$ 50,000) and those that fall below this limit, with a view to examining whether UNOPS policies and procedures have been followed. In particular, review:
 - a. Delegation of authority, procurement thresholds, calls for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders, adequate segregation of duties.
 - b. Receiving procedures to determine the conformity of goods/services with specifications.
 - c. Timely receipting of goods and services, including cut-off errors.
3. Any other areas related to procurement and contract management, in line with UNOPS policies and procedures and the requirements of the project legal agreement.
4. The designated auditors are required to conduct the audit in accordance with the International Standards on Auditing issued by IAASB and UNOPS internal audit practices as per the detailed scope of audit as shown in Appendix A.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as partially satisfactory (some improvement needed), which means, “The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area”. The details of the audit results are presented in Tables 1 and 2.

Table 1: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Procurement and supply chain	Partially satisfactory (some improvement needed)	

Key issues and recommendations

The internal audit report raised two recommendations, one of which is ranked as high priority, and the other medium.

Recommendations with a high priority mean that ‘Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization)’.

Recommendations with a medium priority mean that ‘Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).’

The table below summarizes the recommendations we have issued in relation to the functional area concerned and provides a list of the audit findings, further details of which can be found in the section ‘detailed assessment’.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (US\$)
1	Procurement and supply chain	Weakness in contract monitoring relating to delays	High	-
2	Procurement and supply chain	Weaknesses in the management of services provided and goods delivered	Medium	-
Total				-

Management’s comments

The Country Manager accepted all recommendations.

Signed:



DS
BDO LLP

BDO LLP

7 July 2025

Operational overview

Under the Republic of Uzbekistan's State Program, a comprehensive transformation of the healthcare system is currently underway. This initiative encompasses the modernisation of the healthcare framework, bolstering of infrastructure, fortification of the system's material and technical foundation, and improvement of both medical and non-medical staff's professional competencies. The collective aim is to elevate the quality, accessibility, and effectiveness of healthcare provision across the country.

On request of the Sanitary and Epidemiological Welfare and Public Health Committee of the Republic of Uzbekistan ("SES") and with the aim to strengthen Uzbekistan's COVID-19 health system response, the ADB Board of Directors approved the COVID-19 Emergency Response Project on 30 July 2020 and the AIIB Board of Directors approved the Healthcare Emergency Response Project on 13 August 2020 (the "Project"). On 31 December 2020, the Republic of Uzbekistan signed a loan agreement with the ADB and a loan agreement with the AIIB, collectively totalling USD 200 Million.

Activities to be implemented under the Loan Agreements have been outlined in the Project Scope as defined in ADB's COVID-19 Emergency Response Project, and AIIB's Healthcare Emergency Response Project. The main objective of the Project is to increase Uzbekistan's resilience to the COVID-19 pandemic and future epidemics by equipping and refurbishing the national laboratory system, establishing an ICT-based national surveillance and monitoring system, and improving and expanding the COVID-19 treatment capacity.

UNOPS signed an agreement with SES on 23 December 2022 to implement activities under the loan agreement and support SES in strengthening Uzbekistan's public health standards by means of its project management, infrastructure, and procurement expertise. Through its project management framework, UNOPS' teams of infrastructure, procurement, biomedical, ICT, and public health experts support the implementation of the Project.

The project started with the preparation of a Feasibility Study for national and regional facilities, including laboratories earmarked for infrastructure and equipment upgrades, and treatment centres that will receive essential medical devices. Further, assessments were carried out on district facilities under the Sanitary and Epidemiology Committee (SES), which then informed an additional Feasibility Study recommending enhancements to the existing infrastructure and equipment.

The contract entered into force on 23 December 2022 with a project completion date of 31 July 2024 (for new commitments to be entered into UNOPS' ERP system) and a loan closing date of 31 January 2025 (for expenditure to be finalised in UNOPS' ERP system). UNOPS' implementation period is therefore 23 December 2022 to 31 January 2025. However, we understand that a no-cost extension is under discussion.

The audit team extends its appreciation to the management and staff members of UNOPS office in Uzbekistan for their full cooperation during the audit.

Detailed assessment

1.	Title:	Weakness in contract monitoring relating to delays
Functional area:	Procurement and supply chain	
Comparison criteria:	<p>The 'Agreement for Delivery of Outputs for implementation of the COVID-19 Emergency Response Project' signed between the Sanitary and Epidemiological Welfare and Public Health Service (SES) and UNOPS on 23 December 2022 includes Annex 1, 'Matrix of Roles and Responsibilities', of the 'Agreement of Delivery of Outputs' states that SES is responsible for 'Securing of customs clearances/exemptions from taxes, access to sites for relevant officials' and 'Logistics and warehousing capabilities where relevant'.</p> <p>UNOPS is responsible for 'Stakeholder engagement and communications, including through a Steering Committee, and escalation of relevant issues and risks'. Furthermore, UNOPS is responsible for 'Proposal of item specifications, procurement of supplies and equipment and in-country coordination for delivery'.</p> <p>The Project Agreement Amendment signed on 31 January 2025 amends the 'Matrix of Roles and Responsibilities' to "reflect the change of consignee from Sanepidcommittee to UNOPS, and therefore the authorization for UNOPS to perform warehouse services, cargo handling services, customs clearance services, metrological attestation, and the preparation of customs declarations, all of which shall be deemed eligible activities under this Agreement".</p>	
Priority:	High	
Cause:	Guidance	Inadequate project management resulting in equipment not being delivered
Responsible manager:	Country Manager	
Due date:	N/A	
Financial impact:	-	
Facts / observation:	<p>At the start of the audit process in September 2024, the majority of equipment procurement subject to this review had not been delivered to the relevant medical centres. From nine equipment procurement processes reviewed, only one set of equipment had been delivered and, from this, only one piece of equipment verified as installed. The majority of delivery 'due dates' had elapsed, and the deliveries to medical centres were therefore overdue. The project was initially due to complete on 31 January 2025.</p> <p>Some shipments had been received by SES in Uzbekistan, where they remained in storage, and further consignments were at customs awaiting custom payments and clearance. Per the original signed agreement between UNOPS and SES, customs clearance, warehousing and logistics were the responsibility of SES.</p> <p>From discussions with management, we understand that during 2024 SES changed legal status, affecting revenue streams, and meaning SES was no longer able to pay for customs clearance. UNOPS was first requested to support SES by acting on their behalf in May 2024, with SES continuing as consignee. UNOPS did not take over as consignee until September 2024, and this was not reflected in the formal agreement confirming the additional responsibility and</p>	

	<p>eligible costs until the 31 January 2025 amendment, almost eight months after the issue was first raised.</p> <p>On 31 January 2025 Amendment 1 was signed as a no-cost extension, which formalised the change in responsibilities to UNOPS and extended the Agreement until 31 December 2026.</p> <p>As part of follow-up processes after the initial audit fieldwork, we were provided with further documentation in April 2025 to verify that the affected items had now been delivered to the medical centres.</p> <p>Further details, including delivery status and delivery date, are shown in Annex II.</p>
Impact:	<p>Delays in delivery of procured items increase the risk that the project will not be completed on time.</p> <p>The delay in UNOPS taking over the consignee role from SES contributed to the delays in equipment delivery.</p> <p>The delay in formalising the Agreement amendment exposed UNOPS to the risk that activities undertaken prior to 31 January 2025 were not in line with the agreement and costs incurred would not be considered as eligible project costs.</p>
Recommendation:	<p>To ensure adequate controls are exercised over financial expenditure, we recommend that the project team improves the quality of its contract management:</p> <ol style="list-style-type: none"> 1) Contracts should be properly monitored to ensure the adequate and timely delivery of items purchased, their installation and their functionality. Problems arising, such as non-release of equipment, should be addressed proactively. Where goods are delayed at customs or at SES warehouses, UNOPS should assist SES to expedite their release. 2) Where issues are noted with counter-parties in project implementation, action should be taken as soon as possible to resolve those issues in order not to inhibit timely project implementation. 3) Where changes to roles and responsibilities are agreed, this should be reflected in a formal amendment to the project agreement, and ideally signed prior to new activities being undertaken.
Management reply:	<p>It is to be noted that per the Matrix of responsibilities of the project, the receipt and customs clearance of the goods is the responsibility of the Client – the SES. Delays in the deliveries were caused for all shipments (save the 1st shipment, which was cleared on time) that were consigned directly to SES, i.e. where SES was assigned as Consignee and was therefore responsible for the customs clearances.</p> <p>████████████████████ UNOPS agreed to handle the clearance processes on their behalf, not changing the consignee. This agreement was reached in May 2024. A member of the UNOPS Logistics team was issued a Power of Attorney by SES in June 2024 to handle the customs clearance processes on their behalf. However, after the clearance of the 1st shipment, SES prepaid account at the Uzbekistan Airports Cargo MCHJ, at Customs, Uzpharm and other agencies involved in the customs clearance processes was depleted and no further clearances could be made until replenishment of the SES accounts. The issue was flagged in every project meeting and only in early September 2024, it was verbally agreed that UNOPS would take over the Consignee role from SES.</p> <p>In anticipation of the above change of consignee (which constitutes a significant change in the project implementation modality and requires amendment in the Matrix of Responsibilities under the Project Agreement, as well as a resource</p>

	<p>allocation to conduct these tasks not planned for in the UNOPS direct cost budget, where these personnel costs are currently not reflected), UNOPS initiated the registration of nine (9) state-owned or affiliated agencies/firms involved in the receipt, storage and customs clearance processes as vendors in its ERP system.</p> <p>On 25 September 2024 SES issued an official letter to UNOPS requesting to change the Consignee for all the future shipments from SES to UNOPS. This request was implemented immediately and all the existing contracts under which goods were not yet shipped, were amended to change the Consignee from SES to UNOPS. From among these contracts, 3 shipments arrived during October 2024. All of these shipments were cleared and handed over to SES.</p> <p>All new contracts starting from the above date are being issued with UNOPS as Consignee.</p> <p>On 18 October 2024 SES issued another letter requesting UNOPS to change the Consignee for the 7 pending shipments that had arrived during June-October 2024 from SES to UNOPS and pay all the fees and demurrages from the project's funds in order to clear them from customs. As of 31 October 2024, 5 out of 8 shipments were already cleared and handed over to SES. The remaining three shipments are expected to be cleared in November 2024.</p> <p>It is noteworthy that UNOPS does not have authority to deliver equipment from the warehouses to the end-user. SES regional and district level facilities do not accept direct deliveries from UNOPS, UNOPS thus is fully dependent on SES in this regard. Despite delivery to the warehouses, UNOPS is unable to close contracts until the SES facilitated delivery to the end-user.</p>
Action plan:	<p>To better address the project requirements with regards to equipment supplies after the Consignee role was assigned to UNOPS, the work-flow within the Procurement and Supply Chain Management department has been updated with an additional tracking tool as well as monitoring and management procedures:</p> <ul style="list-style-type: none"> • A dedicated tracking tool has been developed in Google Sheet, where the details of each contract are recorded, tracked and regularly updated (PO / Contract number, vendor details, item(s) details, local representative(s)' details, applicable Incoterms, point of origin, mode of transport, transporter, estimated departure date, estimated arrival date, customs post number at destination, clearance date, delivery date to the client, etc.). • Division of responsibilities and documents' flow for each step of the supply chain management process has been clearly established between the Procurement and Logistics departments, so then each step of each contract is properly tracked, monitored and managed with full transparency. <p>All equipment procured under CPT terms is insured by UNOPS under its corporate Long-Term Agreement against damage and loss during transportation and storage in Tashkent until handover to the Client.</p> <p>To conclude, though we are experiencing some delays in the delivery of the goods from the Supplier's side, the in-country logistics (customs clearance and in-country deliveries), and installations no longer pose a risk.</p>
Further auditor comments:	<p>We acknowledge the comments and actions taken since the start of the audit. We also note the signature of Amendment 1 on 31 January 2025 which amended the 'Matrix of Roles and Responsibilities' with the purpose to "reflect the change of consignee from Sanepidcommittee to UNOPS, and therefore the authorization for UNOPS to perform warehouse services, cargo handling services, customs clearance services, metrological attestation, and the preparation of customs declarations, all of which shall be deemed eligible activities under this Agreement".</p>

	However, as the processes described above are relatively new, and significant delays had already been incurred, as documented in Annex II, we retain the finding and recommendations. UNOPS, in assisting SES, should ensure that contract delays are fully resolved, and subsequent goods are processed and delivered in a timely manner in accordance with the Amendment to the Agreement.
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2.	Title:	Weaknesses in the management of services provided and goods delivered
Functional area:	Procurement and supply chain	
Comparison criteria:	<p>Annex 1, 'Matrix of Roles and Responsibilities', of the 'Agreement of Delivery of Outputs' signed between the Sanitary and Epidemiological Welfare and Public Health Service (SES) and UNOPS states that UNOPS is responsible for 'Conduct of finance, procurement, logistics human resources and administration processes under UNOPS rules and regulations.'</p> <p>UNOPS is responsible for 'Stakeholder engagement and communications, including through a Steering Committee, and escalation of relevant issues and risks'. Furthermore, UNOPS is responsible for 'Proposal of item specifications, procurement of supplies and equipment and in-country coordination for delivery'.</p> <p>The Project Agreement Amendment signed on 31 January 2025 amends the 'Matrix of Roles and Responsibilities' to include UNOPS' responsibility for "Transfer of procured goods to the Sanepidcommittee and/or the end beneficiary by executing and/or submitting... acceptance certificates or transfer documents or delivery notes or invoices via competitively selected service providers".</p>	
Priority:	Medium	
Cause:	Guidance	Inadequate project management resulting in equipment not being delivered
Responsible manager:	Country Manager	
Due date:	N/A	
Financial impact:	-	
Facts / observation:	<p>At the start of the audit process in September 2024, there was insufficient documentation to evidence the receipt of equipment at medical centres. Furthermore, insufficient verification of the existence of these goods appears to have been carried out by UNOPS.</p> <p>We acknowledge that relatively few equipment shipments had been received at the centres by the time of the initial audit fieldwork in September 2024. However, of the 16 items delivered under one procurement, only one had been physically verified and documented as such.</p> <p>Following UNOPS' uptake of the consignee role from September 2024, we noted that transfer documents including 'Act of Acceptance of Goods' and 'Receiving and Inspection Reports' for equipment deliveries were completed. However, there was no evidence of site visits, photographs of equipment or verification of entries into fixed asset registers.</p>	

Impact:	Without sufficient receiving procedures to determine the conformity of goods with the stated specifications, there is an increased risk that supplies received do not meet the project's requirements, or are not received at all by the relevant medical centres.
Recommendation:	<p>In order to ensure adequate controls are exercised over financial expenditure, we recommend that UNOPS improve the quality of its contract management.</p> <ol style="list-style-type: none"> 1) UNOPS should continue to complete including 'Act of Acceptance of Goods', 'Receiving and Inspection Reports' and other relevant transfer documents in line with UNOPS Uzbekistan's revised Procurement & Supply Chain Management Workflow, issued 20 March 2025. 2) Site visits should be organised to view items delivered. If these are not practical, photographs or online video visits should be organised to view the items. Unique registration labels, such as barcodes, should be seen and documented. 3) Extracts from the medical centres' fixed asset registers should be obtained in order to confirm that assets procured have been properly received by and registered with the end beneficiary as fixed assets.
Management reply:	<p>All the acts of delivery, installation, and training (where applicable) along with warranty certificates for each piece of the delivered and installed equipment with serial numbers is being verified before the relevant supplier's invoice is paid.</p> <p>As of 31 October 2024, only one contract [REDACTED] fully executed and paid off. All of the relevant documents are filed in the relevant project folder.</p> <p>The relevant in-country services (delivery, installation, training) are completed under one more contract [REDACTED]. Once all the warranty certificates are provided per the contract requirements, the supplier's invoice can be paid and this contract can be closed.</p> <p>With regards to deliveries for the regional and provincial laboratories - UNOPS responsibilities end upon delivery of the goods to the SES Central Warehouse. Transfer of ownership between the parties is being documented through signature of Transfer Document, which is being duly signed by the officials of the two organisations. Further distribution from the SES Central Warehouse to other facilities is handled by SES directly. UNOPS is not in a position to demand extracts from the SES fixed asset registers and cannot comply with this recommendation.</p>
Action plan:	Not provided.
Further auditor comments:	<p>We acknowledge the comments and note the signature of Amendment 1 on 31 January 2025 which amended the 'Matrix of Roles and Responsibilities' to include UNOPS' responsibility for "Transfer of procured goods to the Sanepidcommittee and/or the end beneficiary by executing and/or submitting acceptance certificates or transfer documents or delivery notes or invoices via competitively selected service providers". We have reviewed a sample of these transfer documents, and have also obtained UNOPS Uzbekistan's revised Procurement & Supply Chain Management Workflow, issued 20 March 2025.</p> <p>We therefore recognise the improvements to delivery documentation incorporated in the above. However, we retain the recommendation that proof of entry into the fixed asset registers is documented, and site visits and/or photographic evidence for the purpose of asset verification is obtained as part of ongoing monitoring.</p>

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

- (a) satisfactory (effective),
- (b) partially satisfactory (some improvement needed),
- (c) partially satisfactory (major improvement needed), and
- (d) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
Satisfactory (effective)	The assessed governance arrangements, risk management practices and controls 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.
Partially satisfactory (some improvement needed)	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory (ineffective)	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	Action is considered desirable and should result in enhanced control or better value for money.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines:** absence of written procedures to guide staff in performing their functions;
 - Lack of or inadequate corporate policies or procedures
 - Lack of or inadequate RO/OC/PC policies or procedures
 - Inadequate planning
 - Inadequate risk management processes
 - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors;
 - Lack of or inadequate guidance or supervision at the RO/OC/PC level
 - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skill, staff) to carry out an activity or function;
 - Lack of or insufficient resources (financial, human, or technical resources)
 - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other:** Factors beyond the control of UNOPS.

Annex II - Equipment ordered and delivery status

Supplier & Reference	Description	Amount reported US\$	Due date	Confirmation of receipt at end destination - UNOPS Receiving and Inspection Report / Certificate of Completion ¹
[REDACTED] ITB/2023/49824	Lot 1 Ophthalmic ultrasound biomicroscopy 7,	298,627	6 August 2024	19 December 2024
[REDACTED] ITB/2023/49824	Lot 2 Digital xray 9, Lot 3 Ultrasound 5, Lot 4 Fibrosound 9. Plus delivery and training	898,965	6 August 2024	19 December 2024
[REDACTED] TB/2023/49826	Lot 3: Coagulometer. 10 @1375 each	13,750	30 July 2024	6 February 2025
[REDACTED] ITB/2024/50104	Lot 4 Auto Biochem Analyser (7),	91,379	14 September 2024	N/A - contract terminated due to delays 21 November 2024
[REDACTED] ITB/2024/50104	Lot 3 PCR Machine (7), Lot 6 Anaerobic Incubator (3), Lot 7 Immuno Analyser (2)	183,940	11 September 2024	5 March 2025
[REDACTED] ITB/2024/50104	Lot1 Plate shaker (5),	6,256	11 September 2024	31 August 2024 per RIR; 6 November per Act of Acceptance of Goods
[REDACTED] ITB/2024/50105	Lot 1 Haematology Analyser, Lot 2 pH meter,	60,655	11 September 2024	19 December 2024
[REDACTED] ITB/2024/50105	Lot 5 Safety cabinet	39,980	20 September 2024	19 December 2024

¹This date is taken from the issue date of the UNOPS Receiving and Inspection Report / Certificate of Completion. In some cases, some equipment items had a slightly earlier date indicated in other documents, such as the Act of Acceptance signed between the supplier and end user.