

**UNITED NATIONS OFFICE FOR PROJECT SERVICES  
(UNOPS)****INTERNAL AUDIT REPORT****13 November 2025**

<b>Project name:</b>	<b>Restoring Communities and Social Infrastructure: A Settlements Based Approach in Mykolaiv</b>
<b>Project number:</b>	<b>24129-001</b>
<b>Country:</b>	<b>Ukraine</b>
<b>Auditor:</b>	<b>BDO LLP</b>
<b>Period subject to audit:</b>	<b>13 July 2023 to 31 December 2024</b>

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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 project 'Restoring Communities and Social Infrastructure: A Settlements Based Approach in Mykolaiv' ("the project") (oneUNOPS project ID 24129-001), which is implemented and managed by the UNOPS Office in Ukraine. The audit firm was under the general supervision of IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US\$ 4,125,164.04 during the period from 13 July 2023 to 31 December 2024. The donor who contributed to the project is Denmark (Department of European Neighbourhood, Danish Ministry of Foreign Affairs).

### Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

- a) Effective, efficient and economical use of resources;
- b) Reliability of reporting;
- c) Safeguarding of assets; and
- d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

- a) Client/donor contributions and project expenditure are properly accounted for;
- b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
- c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project's objectives.

### Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the IAASB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

### Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as satisfactory (effective), which means, "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". The details of the audit results are presented in Tables 1 and 2.

Table 1: Summary results of the financial audit

Project title	Period	Project no.	
Restoring Communities and Social Infrastructure: A Settlements Based Approach in Mykolaiv	13 July 2023 to 31 December 2024	24129-001	
Financial statement		Statement of non-expendable property	
Amount US\$	Opinion	Amount US\$	Opinion
4,125,164.04	Unmodified	N/A	N/A

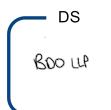
Table 2: Internal control rating summary for project

Rating summary by functional area	
Functional area	Rating
Project management	Satisfactory
Finance	Satisfactory
Procurement and supply chain	Satisfactory
Human resources	Satisfactory
General administration	Satisfactory
Information and Communications Technology	Satisfactory
<b>Overall rating of internal control</b>	<b>Satisfactory</b>

## Key issues and recommendations

No audit issues or recommendations have been raised.

Signed:



**BDO LLP**

13 November 2025

## Operational overview

Ukrainian infrastructure has been weakened by Russian attacks which have had a negative impact on economic development and has deprived many Ukrainians of basic needs.

The project "Restoring Communities and Social Infrastructure: A Settlements Based Approach in Mykolaiv", has the aim of ensuring uninterrupted electricity, water and heating supplies, as well as aiding the further restoration and functioning of activities in the Mykolaiv city and Oblast as well as in other areas across the whole of Ukraine

To achieve these objectives, the project has planned activities under five work packages:

1. Revival of the Communities in the City of Mykolaiv and restoring the educational infrastructure across the Mykolaiv region of Ukraine;
2. Children in the Mykolaiv region have enhanced access to primary and secondary education and are attending schools;
3. Full reconstruction conditions are created for the First Ukrainian Gymnasium building structure named after Mykola Arkas in Mykolaiv City through stabilization;
4. Feasibility options are established for the reconstruction of the Shipbuilding University; and
5. Fire safety provisions for using the dormitory in Mykolaiv State Agrarian University are created.

The delivery of infrastructure aims to provide heating and water to hospitals and ensure uninterrupted heating for the citizens of Mykolaiv.

The contract entered into force on 13 July 2023 for a period of 36 months, ending on 30 July 2025 for a total amount of US\$ 16,870,099.55.

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

## 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. IAIIG 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
<b>Satisfactory (effective)</b>	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.
<b>Partially satisfactory (some improvement needed)</b>	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.
<b>Partially satisfactory (major improvement needed)</b>	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.
<b>Unsatisfactory (ineffective)</b>	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
<b>High</b>	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).
<b>Medium</b>	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
<b>Low</b>	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.