

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**SAO TOME AND PRINCIPE**

**Report No. 1903**  
**Issue Date: 9 February 2018**

## Report on the Audit of UNDP Sao Tome and Principe Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sao Tome and Principe (the Office) from 20 November to 1 December 2017. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 30 September 2017. The Office recorded programme and management expenditures of approximately \$8.5 million. The last audit of the Office was conducted by OAI in 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office 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.” This rating was mainly due to non-compliance with financial management policies and procedures.

### Key recommendations: Total = 6, high priority = 1

The six recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 3, medium priority); (b) reliability and integrity of financial and operational information (Recommendation 4, high priority); (c) effectiveness and efficiency of operations (Recommendations 1, 2, 5 and 6, medium priority).

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. The high (critical) priority recommendation is presented below:

Non-compliance with financial management policies and procedures (Issue 4)	The audit reviewed the payments process handled by the Office and noted the following main weaknesses: budget overrides amounting to \$134,805 without an override policy; cheque payments processing in Atlas (enterprise resource planning system of UNDP) amounting to \$435,200 before the receipt of goods and services, and their subsequent cancellation in 2017; initiation and approval
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of transactions amounting to \$8,035 by the same staff members who were also the beneficiaries of these transactions. These weaknesses were mainly due to lack of oversight regarding financial management internal controls and in the case of the cancelled cheque payments led to an overstatement in the year-end financial reporting.

Recommendation: The Office should strengthen compliance with financial management policies and procedures by: (a) establishing an override policy which should be approved by the Comptroller, and clarify circumstances and processes to follow when performing budget overrides; (b) monitoring cancelled cheques and reporting the cases of the cancelled cheques to Office of Financial Resources Management to decide if a prior year adjustment is necessary; and (c) disallowing a single person to approve both purchase orders and vouchers or payment of expenses relating to themselves.

**Implementation status of previous OAI audit recommendations:** Report No. 963, 1 June 2012.

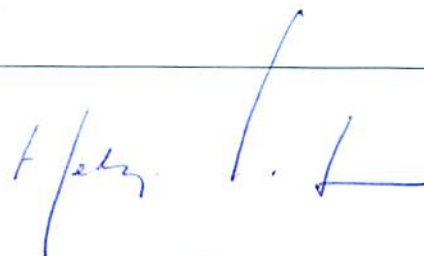
Total recommendations: 7

Implemented: 7

**Management comments and action plan**

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten  
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