



AUDIT

OF

UNDP SAO TOME AND PRINCIPE

GRANTS FROM THE GLOBAL FUND

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**Report on the Audit of UNDP Sao Tome and Principe
Grants from the Global Fund
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 3 May to 18 May 2021, conducted an audit of one grant from the Global Fund (Output No. 107827 [HIV / Malaria / TB], and output No. 125165 [Covid 19 response]) managed by UNDP Sao Tome and Principe (the Office) as the Principal Recipient until 31 December 2020. 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 and strategic management (organizational structure, risk management, staffing and performance management, capacity development and transition strategy);
- (b) program me management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund grant managed by the Office from 1 January 2020 to 31 March 2021. While the Principal Recipient role was transitioned to the Ministry of Health on 1 January 2021 certain activities including grant closure will continue to be performed by UNDP until 30 June 2021 when the grant will close. The Office recorded Global Fund-related expenses of approximately \$ 1.76 million. The last audit of the Office’s Global Fund-related activities was conducted by OAI in 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
- (c) Project site visits, including to medical facilities, warehouses, Sub-recipients, and meetings with counterparts/beneficiaries were not conducted.
- (d) A physical verification of assets and inventory was not performed.

Overall audit rating

OAI assessed the Office’s management of the Global Fund grants as **fully satisfactory**, 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”.

The audit did not result in any recommendation.



Management comments and action plan

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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I. Profile of Global Fund grants managed by UNDP Sao Tome and Principe

Since 2005, UNDP has been the Principal Recipient of Global Fund grants in Sao Tome and Principe (the Country)¹.

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000). Lifetime budget	Funds Received as of 03/31/2021 (in \$ '000)	Implementation Rate*	Expenses as of 03/31/2021 (in \$ '000)	Global Fund Rating
00107541	00107827	HIV, TB, Malaria and building resilient Health	01/01/2018	06/30/2021	4,770.8	4,676.2	96	4,594.3	B1 (December 2020)
	00125165	Supporting COVID19 response	10/27/2020	06/30/2021	426.6	311.7	29	123.5	Not rated

* Implementation rate: (cumulative expenses / total budget)

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. The Office had established adequate controls within governance and strategic management of the grant.
- Programme management. The implementation of grant activities was carried out in accordance with the grant agreement and closure plan.
- Sub-recipient management. Disbursements were made to Sub-recipients in accordance with UNDP regulations and rules. Financial progress reports were prepared on a quarterly basis with adequate supporting documents.
- Procurement and supply management. There were adequate controls in place in the procurement of health products and other goods and services. No reportable issues were identified within the management of the warehouse, inventory and assets.
- Financial management. The review of payments vouchers did not disclose any reportable issues.

The audit did not result in any recommendations.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

¹ Data provided by UNDP/Global Fund Project Management Unit in €. Conversion rate 0.853\$/€ (United Nations exchange rate as of 01 April 2021)

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** 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.
- **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** 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/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.