

## OFFICE OF THE INSPECTOR GENERAL

### Audit of the FAO Representation in Cuba (AUD0323)

#### EXECUTIVE SUMMARY



The Office of the Inspector General (OIG) conducted an audit of the FAO Representation in Cuba between July and September 2022. While the audit covered the period from January 2021 to May 2022, this report also reflects subsequent developments as of January 2023.

#### Main observations and conclusions





Overall, OIG assessed the Representation as **Some Improvement Needed** in its implementation of the system of internal controls, as shown in the table below. The ratings used in assessing the controls were as shown below:

 Satisfactory	 Some improvement needed	 Major improvement needed	 Unsatisfactory
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#### **Governance:**

-  Governance structure and capacity: The Representation had well-established reporting lines and a reasonable supervisory span. However, all personnel were located in Havana even though project sites were outside the capital city. The Representation frequently faced challenges in conducting field visits due to fuel shortages, leading to difficulties in monitoring project implementation.
-  Risk management: The Representation had updated its Risk Log and Fraud Prevention Plan and completed the annual Internal Control Questionnaire. However, key fraud risks relating to the receipt of goods and input distribution activities were not included in the Fraud Prevention Plan. There were also some errors in the status of risk-mitigating measures in the Fraud Prevention Plan and ratings in the Internal Control Questionnaire.

#### **Operations:**

-  Human resource management: The Representation had a recruitment plan and had conducted a competitive process for the recruitment of local Non-Staff Human Resources (NSHR). During the audit, the Representation took prompt action to improve its application of the salary scales and maintenance of personnel records for local NSHR.
-  Procurement: The Representation had annual procurement plans but they were not used for procurement planning in practice. The Representation faced significant delays in obtaining authorizations from local authorities for its procurement. It relied solely on government institutions and counterparts to receive goods and did not have information to assess suppliers' performance in terms of timely delivery. Other issues identified included the lack of purchase requisitions in the corporate system; procurement from 34 vendors who were not registered with the United Nations Global Marketplace; and allowing bids to be opened by unauthorized personnel.
-  Financial management: The Representation processed most of its payments through Electronic Fund Transfers and for manual bank transfers, it took corrective actions during the audit to record payee banking information in the corporate system.
-  Inventory and asset management: The asset register was incomplete and inaccurate. The Representation handed over project-funded assets to government counterparts without proper approval, recording and monitoring. The Representation did not monitor the usage of vehicles by government counterparts and was unaware of two vehicle accidents. It also did not update the asset register in a timely manner to record the sale of five assets and the receipt of four new vehicles.

**Programme:**

- Country Programming Framework: The Representation had integrated gender into its CPF. It also mobilized 97 percent of the 2020–2024 Country Programming Framework (CPF) resource requirement by December 2022 and duly reported the status of CPF result indicators in its annual report.
- ◆ Project formulation: During project formulation, the Representation had duly assigned gender markers for its projects. However, except for one project, the Representation did not implement project-level grievance mechanisms due to challenges in conducting field missions. It also misunderstood that a grievance mechanism was not needed for projects related to the provision of technical assistance in the development of public policies.
- ▲ Project implementation: Although all projects were supposed to be directly implemented by the Representation, its involvement in project activities was limited. Instead, the Representation relied on local government counterparts to select project beneficiaries and to plan and distribute inputs without proper monitoring. Key issues identified were incomplete beneficiaries' records and lack of supporting evidence for input distribution activities.
- ▲ Project monitoring and reporting: The Representation submitted financial information to government counterparts on a monthly basis without prior approval of the Finance Division. It also did not fully comply with the reporting requirements agreed in project documents, did not allocate the cost of shared resources among projects and had budget overruns in three projects.

Agreed actions

This report contains seven actions that the Representation has agreed to undertake. The Representation has committed to fully implement all actions by December 2023.





*Mika Tapio*

**Mika Tapio**  
**Inspector General**

**10 March 2023**

## ANNEX: DEFINITION OF AUDIT TERMS

### AUDIT RATINGS

Rating System		<b>An audit rating system (defined below) has been used to rank the adequacy of internal controls<sup>1</sup> in each area.</b>
Satisfactory		The assessed controls, governance arrangements, and management of opportunities and risks, are adequate and effective to provide reasonable assurance that objectives are met.
Some Improvement Needed		A few specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; generally however, they are adequate and effective to provide reasonable assurance that objectives are met.
Major Improvement Needed		Numerous specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; they are unlikely to provide reasonable assurance that objectives are met.
Unsatisfactory		The assessed controls, governance arrangements, and management of opportunities and risks, are not adequate or effective to provide reasonable assurance that objectives are met.

<sup>1</sup> FAO's accountability policy, in an extension of the COSO internal control objectives, establishes five critical areas of performance relevant for assessing the adequacy of controls – effectiveness, economy and efficiency, compliance, reporting and protection.