



AUDIT

OF

UNDP COUNTRY OFFICE

IN

CUBA

Report No. 2434
Issue Date: 24 January 2023



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Report on the Audit of UNDP Cuba Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Cuba (the Office) from 14 to 25 November 2022. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

In addition, OAI assessed the performance of the Office in the Governance area, as follows:

- i. Was the Office's organizational structure appropriate to achieve the agreed Country Programme results?
- ii. Were all positions in the organization chart in place? If not, were vacant positions filled within a reasonable timeframe (no more than four months)?

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

The audit covered the activities of the Office from 1 January 2021 to 30 September 2022. The Office recorded programme and management expenses of approximately \$56.3 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the Office of **fully satisfactory**, which means that “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.”

Overall, the Office was effectively organized to support the annual work plan, manage risks and achieve results.

During the audit, and through discussions with Office staff as well as key stakeholders such as staff members from the Regional Bureau for Latin America and the Caribbean and Regional Hub Panama, there was an acknowledgment of the good work and results offered by the Office, despite some operational challenges such as connectivity and country sanctions. The assertions from key stakeholders were corroborated by the results of the audit and discussions with counterparts in the Country, such as government officials, donors and staff from projects with whom OAI met.

At the time of the audit, all core positions were filled except for two positions. The ICT Clerk and Finance Associate, who had recently left, and for which the Office had already started the recruitment process.

Results from the performance audit questions were taken into consideration for the overall audit rating.

Key recommendations Total = **3**, high priority = **0**



The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address outstanding Government Contributions to Local Office Costs (GLOC), gaps in the functioning of the ICT unit, and insufficient bandwidth.

The three recommendations aim to ensure the effectiveness and efficiency of operations.

Management comments and action plan

The Resident Representative accepted the three 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.

Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations

I. About the Office

The Office is located in Havana, Cuba (the Country), and its Country Programme covered the period 2020-2024 with the following development priority areas:

- a) Support to Institutional Development and Decentralization
- b) Productive transformation
- c) Natural resources, environment and disaster risk reduction management.
- d) Human development, social equity, and justice.

During the audit period covering January 2021 to September 2022, excluding projects financed by the Global Fund, the Office spent \$36.2 million on development activities, an increase of 25 percent compared to the previous period.

The largest development projects in terms of expenses (representing approximately 72 percent of the total delivery (excluding the Global Fund funded projects) during the period covered by the audit were:

Title	Expenditure Jan – Dec 2021 \$million	Expenditure Jan – Sep 2022 \$million
Resiliencia Energetica post Irma	3.41	3.90
ECOVALOR	2.23	3.43
Resiliencia Costera	1.65	3.04
ALASS Autoabastecimiento local para una alimentacion	1.30	1.89
Formacion profesional jovenes y trabajadores	1.19	1.70
Total	9.78	13.96

The largest sources of funding for the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Vertical fund - GEF	9.89
European Union	5.81
Multi Partner Trust Funds	5.52
Switzerland	2.83
Vertical fund- Green Climate	2.76
Total	26.81

An audit of the projects funded by the Global Fund, was carried out simultaneously with this audit. For further details, refer to OAI Audit Report No. 2312.

Other critical information

Since the 1960s, an embargo has been imposed on the Country, which consists of economic sanctions and restrictions on travel and commerce.

II. Audit results

Effective controls were established and functioning in all audited areas, as follows:



-
- (a) Development activities. The controls governing project design, appraisal and implementation were adequate and supported the implementation of the Country Programme. Interviews were conducted with government counterparts, project stakeholders and donors who expressed their appreciation of the Office as a valued development partner.
 - (b) Operations – Procurement. A review of the procurement function, including samples of procurement transactions and the management of individual contractors indicated that adequate controls were in place.
 - (c) Operations – Finance. The Office adequately monitored the use of financial resources, managed the risk of financial loss, and maintained accurate accounting records. There was appropriate management of commitments, disbursements, and follow-up of outstanding receipts, and cash.
 - (d) Operations – Human resources. The governance, risk management and control systems within human resource management, including recruitment, separations were adequate.
 - (e) Operations – Administrative services. The governance, risk management and control systems within administrative services, which include travel, assets and common services, were adequate and effective.

OAI made three recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) Collect outstanding Government Contributions to Local Office Costs (GLOC) (Recommendation 1).
- (b) Improve the functioning of the ICT unit (Recommendation 2).
- (c) Address technical gaps in telecommunications for increased bandwidth (Recommendation 3).

Conclusion on the Office's performance in the following audit areas/ sub areas:

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- Performance indicators measuring the achievement of development results and the Office's internal control framework as well as standard corporate key performance indicators.
- The Office's Annual Integrated Work Plan and the UNDP Programme and Operations Policies and Procedures for the human resources management area.

And the following questions on the governance of the Office:

- a) Was the Office's organizational structure appropriate to achieve the agreed Country Programme results?

The Office had an adequate structure in place for achieving results. Project counterparts, donors, government officials and project beneficiaries, with whom the audit team met expressed their appreciation of the Office as a valued partner. The inputs from stakeholders were corroborated by the results of the audit, where the audit team was able to conclude on the adequacy of the Office's structure. The gaps in ICT unit as noted in Issue 2 below did not impact the overall assessment of the structure of the Office.

- b) Were all positions in the organization chart in place? If not, were vacant positions filled within a reasonable timeframe?

During the audit period, all core positions within the Office remained consistently filled, except for two posts, resulting in a small gap in 2022. In this regard the Information, Communications and Technology (ICT) Clerk left the Office in July 2022 and was temporarily replaced by a consultant until 31 December 2022. The Finance Associate resigned in November 2022 right before the commencement of the OAI audit, for which the Office had already started the recruitment process.

Results from the performance audit questions were taken into consideration in the overall audit rating.

The detailed assessment is presented below, per audit area:

A. Governance

1. Office Budget, Cost Recovery and Financial Sustainability

Issue 1 Outstanding Government Contributions to Local Office Costs (GLOC)

Country Offices are expected to generate sufficient income to cover institutional costs. Income is generated through the General Management Support (GMS) fees, Government Contributions to Local Office Costs (GLOC), and other revenues.

In accordance with the provision of the Standard Basic Assistance Agreement that governs UNDP operations and programme countries, host governments are expected to contribute towards the local costs of Country Offices.

The GLOC arrears for the period 2004–2022 amounted to \$4.3 million. The last cash contribution from the Government was in 2020, and in 2014 as an in-kind contribution.

The Office explained that reminders have been periodically sent to local authorities regarding the collection of the outstanding GLOC, but there have been no positive responses or actual payments received.

Insufficient income generation may impact the financial sustainability of the Office.

Priority	Medium (Important)
Recommendation 1:	
The Office should continue to advocate for the recovery of GLOC locally and by further engaging with the Regional Bureau for Latin America and the Caribbean and raising the issue with the Permanent Mission of Cuba to the United Nations.	
Management action plan:	
<ul style="list-style-type: none"> The Office has been proactively following up on the uncollected GLOC. This important issue has been systematically raised during official meetings and several communications have been sent to MINCEX (UNDP's main government counterpart) to alert them on the pending contributions and to jointly identify viable solutions. 	

- Given the critical importance of this topic and as recommended by this audit, the Office will continue locally advocating for the recovery of GLOC and will request the Regional Bureau to revisit the issue with the Permanent Mission of Cuba to the United Nations.

Estimated completion date: 31 December 2023

B. Operations – ICT

1. ICT Organisation

Issue 2 Gaps in the functioning of the ICT unit

The UNDP Standards for Information Technology Infrastructure and Services provide guidance for offices to be effective and efficient, and for offices to follow best practices in the area of ICT.

The audit disclosed the following gaps in the management of the Office's ICT function:

The ICT unit was composed of one ICT Associate (fixed term) and one ICT Clerk. The number of users served within the compound was 137, resulting in an ICT staff to Office staff ratio of 68.5 to 1, above the recommended figure of 50 to 1. At the time of the audit, the ICT Clerk's position was vacant due to the departure of the former ICT Clerk in July 2022, and a consultant was temporarily contracted until December 2022 to fill the post. The workload left little time available for ICT unit staff to support programme initiatives and to participate in training activities.

The following issues affecting the ICT function were noted:

- Due to the lack of ICT personnel, there was no designated back-up to the ICT Associate.
- There was an ICT working group that was not fully functional, as it was before the COVID-19 pandemic. As such, activities were programmed according to requests received from the Operations Manager or programme areas throughout the year, which depended on available resources.
- The budget allocated to ICT was limited due to budgetary constraints and was based on requirements, and not on annual planning.
- There was no training plan for ICT.

The Office acknowledged the gaps in the ICT unit and was in the process of reviewing its workload and human resources needs *vis-à-vis* budget availability and strategy for 2023 onwards.

The weaknesses within the ICT function may have a negative impact on the Office's productivity and may affect the achievement of results.

Priority Medium (Important)

Recommendation 2:

To improve the effectiveness of the ICT unit, the Office should:

- (a) re-assess the workload within the ICT area, *vis-a-vis* human resources available and appoint the ICT Clerk and back-up ICT personnel to support the Office when colleagues are on leave;
- (b) develop an annual plan and budget for ICT and consider reviving the ICT working group within the Office and serviced UN agencies; and
- (c) include not only technical training but management skills development as part of a training programme for ICT.

Management action plan:

To support the improvement of the effectiveness of the ICT unit, the Office is already taking the following actions:

- (a) Hiring two ICT Clerks to guarantee adequate workload and the required back-up personnel, while ensuring the quality of service and personnel wellbeing.
- (b) Having direct dialogues with the Regional Bureau for Latin America and the Caribbean, as part of the 2023 Integrated Work Plan strategy, to receive additional resources to be allocated to the ICT area, to cover human resources, training, and infrastructure needs.
- (c) Identifying training opportunities to further strengthen the ICT team's technical and managerial skills and its continuous updating on new technologies.

Estimated completion date: 30 June 2023

2. Data Management

Issue 3 Insufficient bandwidth, limiting the use of cloud computing

The UNDP Standards for Information Technology Infrastructure and Services provide guidance for offices to be effective and efficient, and for offices to follow best practices in the area of ICT, specifically data management. To streamline business continuity and disaster recovery planning, the criticality of information and corresponding processing facilities (i.e., ICT systems) may be classified as "Critical," "Essential," "Non-Essential," or "Derived."

The designation "Critical" applies to information that facilitates decision-making or other business processes directly related to personnel safety and well-being. Such information should be always available, especially in a disaster. The loss or unavailability of "Critical" information and/or corresponding processing facilities (i.e., ICT systems) could be catastrophic in terms of personnel safety, operations, or the reputation of the organization. Systems that acquire, create, process, store, maintain and/or disseminate "Critical" information are the first systems that should be recovered during a disaster.

The Office was experiencing technical issues/challenges, which were impacting its overall performance. The available Internet bandwidth from the local internet service provider was not stable, mainly due to electricity blackouts. This limited the use of necessary cloud computing services.

A remote assessment was carried out by the ICT unit at the Regional Hub Panama, known as a Remote ICT Assessment (RICTA), which disclosed the following issues with respect to connectivity challenges faced by the Office:



- Primary Internet service was obtained from an Internet service provider (ISP) via Very Small Aperture Terminal (VSAT) service and the local government-owned telecommunications company. VSAT is a two-way ground station that transmits and receives data from satellites. However, the contracted bandwidth was not compliant with the minimum recommended per user as indicated in UNDP Standards for Information Technology Infrastructure and Services. The cost of VSAT bandwidth was too expensive for the Office to increase to the minimum acceptable standard of 256 Kilobits per second (Kbps) per user. The rate at the Office was 64 Kbps per user, thus affecting the use of cloud computing. The secondary ISP bandwidth was also not compliant with minimum acceptable standard of 256 Kbps, as it only allowed for 160 Kbps, and it was not stable as bandwidth control and blocks were applied by the local service provider, which often experienced electricity blackouts or was hindered by restrictions due to the embargo imposed on the Country.
- Cloud computing services, such as Microsoft Teams and One Drive, were installed in the Office but use was limited due to low bandwidth availability.

The identified weaknesses present business risks for the Office, which may affect the Office’s productivity and achievement of results.

Priority	Medium (Important)
Recommendation 3:	
To address the gaps noted in data management, the Office should secure the necessary resources to be able to increase bandwidth to cope with the demands of cloud computing.	
Management action plan:	
To address the gaps noted in data management, the Office is already having dialogues directly with the Regional Bureau for Latin America and the Caribbean, as part of the 2023 Integrated Work Plan strategy, so that additional resources are allocated to the ICT area to increase Internet connectivity to meet the required cloud computing technical demands.	
Estimated completion date: 31 March 2023	

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 result in 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.