



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

PROJECT NAME:	SMALL GRANTS PROGRAMME (SGP) – OPERATIONAL PHASE 5
ATLAS PROJECT NUMBER:	00078675
ONEUNOPS WORK PACKAGE:	10175-007-04
COUNTRY:	CUBA
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY 2011 TO 30 SEPTEMBER 2016

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Acronyms and abbreviations

AI	Administrative Instructions
BU	Business Unit
CBA	Community-based Adaptation
CBO	Community-based Organisation
CD	Country Director
CO	Country Office
COA	Chart of Account (Atlas)
COB	Country Operating Budget
CPMT	Central Programme Management Team
CPS	Country Programme Strategy
DCD	Deputy Country Director
DOA	Delegation of Authority
ERP	Enterprise Resource Planning (Atlas)
FTA	Fixed-Term Appointments
GEF	Global Environment Facility
GLA	General Ledger Account
GLJE	General Ledger Journal Entry
GPSO	(UNOPS) Global Portfolio Services Office
ICF	Internal Control Framework
IPSAS	International Public Sector Accounting Standards
LOA	Letter of Agreement
MOA	Memorandum of Agreement
MOSS	Minimum Operating Security Standards
MOU	Memorandum of Understanding
NC	National Coordinator
NFP	National Focal Person
NGO	Non-governmental Organisation
NHI	National Host Institution
NSC	National Steering Committee
OD	Organisational Directive
OP	Operational Phase
PA	Programme Assistant
PO	Purchase Order (Atlas)
PRINCE2	Projects in Controlled Environments 2
REQ	Requisition (Atlas)
RFP	Request for Payment
RR (Res. Rep.)	Resident Representative
SC	Service Contracts
SGC	Small Grants Cluster (The UNOPS SGP team)
SGP	GEF Small Grants Programme
SOP	Standard Operating Procedures
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNOPS	United Nations Office for Project Services

Executive summary

The engagement context

From 16 to 27 January 2017, the Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through Moore Stephens LLP (“the audit firm”), conducted an audit of Small Grants Programme (SGP), Operational Phase 5 (OP5) in Cuba, (Atlas Project ID 00078675, OneUNOPS Work Package 10175-007-04) (“the project”), which is implemented and managed by UNDP SGP Office in Cuba on behalf of the Global Environment Facility (GEF). 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 USD 1,491,666 during the period from 1 January 2011 to 30 September 2016. This project was funded by the Global Environment Facility (GEF).

The UNOPS-Small Grants Cluster (SGC), in conjunction with the Central Programme Management Team (CPMT), adopted a risk-based approach to form the audit plan, through which the SGP Cuba programme was selected to be audited.

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 IASSB 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 partially satisfactory which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” 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.
Small Grants Programme – Operational Phase 5, Cuba		1 January 2011 – 30 September 2016	00078675 / 10175-007 - 04
Financial statement		Asset listing ¹	
Amount USD	Opinion	Amount USD	Opinion
1,491,666	Unqualified	38,948	n/a

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Grant management	Satisfactory	
Financial Monitoring and Processes	Partially satisfactory	
oneUNOPS (previously Atlas) processes	Partially satisfactory	
Document Management – Filing and Archiving	Satisfactory	
Asset Management	Partially satisfactory	
Overall rating of internal control	Partially satisfactory	

Key issues and recommendations

There are eight recommendations, which are ranked high and medium priority.

Below is a list of the audit findings, further details of which can be found in the detailed assessment section.

¹ All assets procured under the SGP programme are fully expensed at the time of purchase. They do not, therefore, appear on a separate statement of non-expendable property and an audit opinion is not required. The asset listing is provided as Annex II of this report.

Table 3: Summary of audit findings

No.	Functional area	Audit finding title	Priority rating (high / medium / low)	Financial impact (USD)
1	Grant Management	Appointment of NSC Members does not follow prescribed guidelines	Medium	-
2	Grant Management	Memoranda of Agreements undated	Medium	-
3	Financial Monitoring and Processes	Expenses charged to incorrect budget line	High	-
4	Financial Monitoring and Processes	Purchase orders and accounting system vouchers not signed	Medium	-
5	Financial Monitoring and Processes	Expenses could not be agreed to original supporting documentation	Medium	-
6	Financial Monitoring and Processes	Progress reports do not include financial information	Medium	-
7	OneUNOPS (previously Atlas) Processes	Expenditure posted without supporting documentation	Medium	421
8	Asset management	Asset management procedures inadequate	Medium	-
Total				421

Notes to the report

Please consider the following information when reviewing the observations made during the fieldwork:

- Due to the additional layers of government approval required to commence a project, there have been significant delays. The implementation stage of grantee projects only began in 2013 – two years after the first grants were approved by the NSC.
- In view of the above, multiple amendments to the MOA were signed in order to maintain the 3-year implementation period to all the grantees.
- All payments are made at the request of the National Coordinator, by the UNDP Finance department, on behalf of the grantees. No disbursements are made to grantees directly.
- None of the projects have been completed at the time of our report. All of the projects have been moved to OP6 as they are still in the implementation stage. Therefore, no final reports were reviewed during the audit fieldwork.

Detailed assessment

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
1	<p>Title</p> <p>Appointment of NSC Members does not follow prescribed guidelines</p> <p>Comparison criteria</p> <p>Section 31 and 32 of the Operational Guidelines states that:</p> <p>The selection of NSC members is normally done by the NC in consultation with the UNDP RR... The composition of a newly established NSC is subject to ratification by the SGP Global Manager while subsequent appointments can be ratified by the responsible CPMT Regional Focal Point...The UNDP RR provides the appointment letter on behalf of the SGP.</p> <p>Section 33 of the Operational Guidelines states that :</p> <p>NSC members usually serve for a period of three years. Each country or sub-regional programme must decide whether this term is renewable, and how eligibility for renewal is determined. In general, periodically inviting new members is a sound and healthy policy that brings new ideas and expertise to programme implementation, and roughly one quarter of NSC members may rotate in any given year. Changing the entire membership at one time should be avoided.</p>	<p>The appointment of NSC members should follow the recommended procedures stated in the Operational Guidelines, in order to increase impartiality in the selection of grant awards.</p> <p>The basis of appointments to the NSC should be retained and available for inspection.</p> <p>NSC members should be rotated on a pre-determined and justifiable basis to bring new ideas and expertise to the programme</p>	<p>NC comments:</p> <p>SGP Cuba agrees with the finding and will proceed immediately to renew the members of the Steering Committee, according to the established in the Operational Guidelines.</p> <p>UNOPS-SGC comments:</p> <p>We agree with the recommendation. The NC is advised to follow operational guidelines and ensure proper rotation of NSC members.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>

Section 37 of the Operational Guidelines states that:

In as wide a consultation as possible with country stakeholders, the NC shall prepare a long list of possible volunteers to the NSC. From this, the NC in consultation with the UNDP RR prepares the list of NSC members to be nominated for approval by the SGP Global Manager by considering both the expertise and qualifications of the individual candidates, and the overall composition and balance of the committee.

Facts / observation

The audit team observed that the appointment of NSC Members did not follow the procedures outlined within the Operational Guidelines.

Documentation of NSC members and appointments:

No appointment letters have been signed for the attendees noted in the list below:

NSC Committee Attendees	Number of meetings attended (from 9)	Member since
Mr. Luis Paz Castro (NSC - INSMET)	8	February 2005
Mr. Orlando Rey Santos (NSC - CITMA)	9	February 2007
Ms. María Nery Urquiza Rodríguez (NSC - GEF)	3	February 2005
Ms. Tamara Silvia Columbie (NSC - FMC)	7	February 2007
Ms. Maritza García (NSC - UNESCO)	7	September 2010
Ms. María del Carmen Monteagudo (NSC - CIERIC)	9	January 2009

Mr. Claudio Tomasi (NSC - UNDP)	6	July 2012		
Mr. Enrique Hernández (NSC - WWF)	1	January 2016		
Mr. William Díaz (NSC - MINCEX)	1	June 2015		
Ms. María de la Luz B'Hamel (NSC - MINCEX)	5	October 2012		
Ms. Ileana Núñez (NSC - MINCEX)	1	January 2010		
Mr. Jose Gehartz (NSC - WWF)	7	February 2007		
<p><u>Appointment and selection process:</u></p> <p>Subsequent appointments are not ratified by the responsible CPMT Regional Focal Point. We noted that members have not been rotated systematically, and a number of members have been on the committee for a significant amount of time.</p> <p>The NC, in conjunction with existing NSC Members and the Resident Representative, search for local experts in key areas such as the environment, climate change, the protection of rural areas, and foreign investment. Selected individuals are contacted and invited to become NSC members.</p> <p>In most cases there was no evidence to show that new appointments to the NSC had been approved in the minutes of board meetings. The joining dates for each member also differed between the approval dates given in the board meetings (of which there were only two instances) and those maintained on file by the client.</p> <p>Impact</p> <p>The objectivity, transparency and credibility of the NSC is of paramount</p>				

	<p>importance to the success of the country programme, and to maintaining good relations among stakeholders.</p> <p>Cause</p> <p>Guidance: Lack of or inadequate guidance or supervision at the RO/OC/PC level</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority									
Functional area: Grant Management													
2	<p>Title</p> <p>Memoranda of Agreements undated</p> <p>Comparison criteria</p> <p>Section 55 of the Operational Guidelines states that:</p> <p style="padding-left: 40px;">Once the NSC has approved a project for SGP funding support, a Memorandum of Agreement (MOA) is signed on behalf of UNOPS between the grantee and the UNDP CO.</p> <p>Facts / observation</p> <p>We identified a number of projects where the MOA was not dated. The concerned projects we noted within our sample are detailed below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Project number</th> <th style="width: 15%;">Total grant</th> <th style="width: 60%;">Project Title</th> </tr> </thead> <tbody> <tr> <td>CUB/SGP/OP5/Y1/STAR/CC/12/01</td> <td style="text-align: center;">\$50,000.00</td> <td>Disminución de las emisiones de gases de efecto de invernadero en seis comunidades del municipio de Cumanayagua del macizo montañoso de Guamuhaya.</td> </tr> <tr> <td>CUB/SGP/OP5/Y1/STAR/CC/12/02</td> <td style="text-align: center;">\$50,000.00</td> <td>Contribución de las cooperativas Camilo Cienfuegos y Bienvenido Pardillo a la mitigación del cambio climático mediante la introducción de nuevas fuentes de energía renovable.</td> </tr> </tbody> </table>	Project number	Total grant	Project Title	CUB/SGP/OP5/Y1/STAR/CC/12/01	\$50,000.00	Disminución de las emisiones de gases de efecto de invernadero en seis comunidades del municipio de Cumanayagua del macizo montañoso de Guamuhaya.	CUB/SGP/OP5/Y1/STAR/CC/12/02	\$50,000.00	Contribución de las cooperativas Camilo Cienfuegos y Bienvenido Pardillo a la mitigación del cambio climático mediante la introducción de nuevas fuentes de energía renovable.	<p>The SGP office should include a date of signature in the MOA, even though the implementation period of the project is set after the NSC approval.</p>	<p>NC comments:</p> <p>The implementation period of the project is stated in section 3.1 of the MOA.</p> <p>Although the MOA were not signed, it can be verified that the starting date of the project was set after the approval date of the NSC.</p> <p>UNOPS-SGC comments:</p> <p>We agree with the recommendation. The NC is advised to ensure that MOAs are</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>
Project number	Total grant	Project Title											
CUB/SGP/OP5/Y1/STAR/CC/12/01	\$50,000.00	Disminución de las emisiones de gases de efecto de invernadero en seis comunidades del municipio de Cumanayagua del macizo montañoso de Guamuhaya.											
CUB/SGP/OP5/Y1/STAR/CC/12/02	\$50,000.00	Contribución de las cooperativas Camilo Cienfuegos y Bienvenido Pardillo a la mitigación del cambio climático mediante la introducción de nuevas fuentes de energía renovable.											

CUB/SGP/OP5/Y1/STAR/CC/12/03	\$50,000.00	Electrificación fotovoltaica y uso de otras fuentes renovables de energía en la comunidad La Vegueta en la Reserva de la Biosfera de Buena Vista.		properly signed, dated, and initialled.	Further, the MOA annexes should follow the project plan as indicated in proposal by the grantee – this is to ensure the project timeline is in accordance with the project plan, and the start & end dates are appropriately reflected in the MOA.
CUB/SGP/OP5/Y1/STAR/LD/12/06	\$45,000.00	La comunidad de Juraguá por un manejo agrícola sostenible de su tierra.			
CUB/SGP/OP5/Y1/STAR/BD/12/13	\$45,000.00	La comunidad de Crucecitas por un manejo sostenible de sus recursos naturales en la cuenca del río Hanabanilla.			
CUB/SGP/OP5/Y1/STAR/BD/12/14	\$45,000.00	La comunidad La Yaba por un desarrollo sostenible en áreas del macizo montañoso de Guamuhaya.			
CUB/SGP/OP5/Y2/STAR/CC/13/09	\$48,687.00	Disminución de las emisiones de metano a la atmósfera en la cría de cerdos mediante el tratamiento anaeróbico de sus excretas, en comunidades del municipio Contramaestre, provincia Santiago de Cuba.			
CUB/SGP/OP5/Y2/STAR/CC/13/11	\$50,000.00	Contribución de la Cooperativa de Créditos y Servicios Fortalecida Horacio Rodríguez a la disminución de las emisiones de gases de efecto de invernadero.			
CUB/SGP/OP5/Y2/STAR/CC/13/12	\$50,000.00	Disminución de las emisiones de gases de efecto de invernadero, mediante el manejo de las excretas porcinas en áreas de la cuenca Zaza.			
<p>Impact</p> <p>Project documents should be dated in order to demonstrate when the terms of the agreement come into force and will expire. In this instance, it has not been possible for us to verify if grant disbursements were made before the contractual basis for the payments was in place.</p> <p>Cause</p> <p>Un-intentional mistakes committed by staff entrusted to perform assigned functions</p>					

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
3	<p>Title</p> <p>Expenses charged to incorrect budget line</p> <p>Comparison criteria</p> <p>Section 4.2.2 of the SOP states that:</p> <p style="padding-left: 40px;">All administrative Atlas disbursements must be reflected with the correct ACTIVITY ID and Atlas account.</p> <p>Section 4.5.2 of the SOP states that:</p> <p style="padding-left: 40px;">It is the NC/PA's responsibility to ensure that the proper Atlas accounts are used at all times. The NC/PA needs to review the ATLAS financial records on a regular basis in order to "catch" mistakes and to avoid unnecessary reconciliation exercises with the UNDP CO Finance and UNOPS.</p> <p>Section 4.4.3 of the SOP states that:</p> <p style="padding-left: 40px;">The review of supporting documentation for admin POs is done by the local UNDP CO in accordance with their procedures and oversight.</p> <p>Facts / observation</p> <p>We noted a number of instances where expenses were charged to non-corresponding budget lines, which we understand from discussion with the auditee was done in order</p>	<p>Expenses should be matched to the correct account description when being approved and entered into the Atlas / OneUNOPS.</p>	<p>NC comments: SGP agrees with the finding and will proceed accordingly.</p> <p>UNOPS-SGC comments: We agree with the recommendation. The NC should seek advice from their respective UNOPS focal point.</p> <p>Further guidance will be provided to SGP Cuba with regards to appropriate GL accounts and PO Product IDs. With the introduction of new payment procedures in 2016, another</p>	<p>Responsible manager: NC</p> <p>Due date: Immediate</p> <p>Priority: High</p>

to use the entire funding allocated to the country budget within the fiscal year. No authorisation was obtained to transfer expenditure between budget lines and it was clear that the initial COB was not an accurate reflection of the requirements of the country programme.

The transactions which were noted are identified below:

SYSTEM	FISCAL YEAR	ACTIVITY ID	ACTIVITY DESC	ACCOUNT DESCR	ACTUALS	ACTUAL COST DESCRIPTION
ATLAS	2014	ACTIVITY 10	SUNDRY	Common Services-Premises	2,259.91	Travel/car maintenance
ATLAS	2014	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2013	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Communic & Audio Visual Equip	141.41	Replacement water pump for car
ATLAS	2013	ACTIVITY 10	SUNDRY	Bank Charges	1,372.75	Fuel costs
ATLAS	2015	CUBA	CUBA	Insurance	4,000.00	Payment towards Toyota Prado
ATLAS	2015	CUBA	CUBA	Building Maintenance	1,010.10	Fuel costs
ATLAS	2015	CUBA	CUBA	Printing and Publications	181.82	Car repairs
ATLAS	2015	CUBA	CUBA	Bank Charges	50.51	Fuel costs
ATLAS	2012	ACTIVITY 10	SUNDRY	Bank Charges	1,453.50	Car insurance renewal
ATLAS	2015	CUBA	CUBA	Bank Charges	506.26	Fuel costs
ATLAS	2015	CUBA	CUBA	Travel Tickets-Local	758.55	Fuel costs
ATLAS	2015	CUBA	CUBA	Building Maintenance	761.60	Fuel costs
ATLAS	2015	CUBA	CUBA	Building Maintenance	1,010.10	Fuel costs
ATLAS	2012	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	2,020.20	Fuel costs

review layer has been introduced at UNOPS to ensure proper accounting for project expenditure, which should eliminate the project expenses accounting.

ATLAS	2013	ACTIVITY 09	OUTREACH	Printing and Publications	315.56	Hard drive purchases
ATLAS	2012	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2012	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2013	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2014	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2014	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	1,010.10	Fuel costs
ATLAS	2014	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	819.14	Replacement car parts
ATLAS	2015	CUBA	CUBA	Building Maintenance	707.07	Fuel costs
ATLAS	2015	CUBA	CUBA	Bank Charges	505.05	Anniversary brochure
ATLAS	2015	CUBA	CUBA	Building Maintenance	472.26	Telephone charges
ATLAS	2012	ACTIVITY 05	EQUIPMENT, OPERATIONS & MAINT	Building Maintenance	808.08	Fuel costs
OneUNOPS	2016	10175-007-04-02	General Operating Expenses	Fuel, petroleum and other oils	1,606.06	Fishing products
Total:					26,820.53	

Impact

The reported financial information is not based on an accurate allocation of costs and could therefore be misleading or inaccurate.

Cause

Human error: Un-intentional mistakes committed by staff entrusted to perform assigned

functions;			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
4	<p>Title</p> <p>Purchase orders and accounting system vouchers not signed</p> <p>Comparison criteria</p> <p>Section 4.1.5 of the SOP states:</p> <p>The UNDP CO, or NC/PA, is authorized by UNOPS to create a receipt for every grant PO in Atlas and associate it with a voucher for each disbursement.</p> <p>Section 4.2.3 of the SOP states:</p> <p>In order to expedite the payment process of administrative expenses after the UNDP CO receives the UNOPS authorized Admin REQ, the NC/PA should complete the appropriate vendor form and create the Atlas vendor profile, with banking information well ahead of time for all admin service providers. The form should be sent only to UNOPS for approval (within 48 hours) so this will not delay the Purchase Order creation.... The Atlas user "buyer" profile permits the NC and the PA to source Requisition quantities/amounts to a new admin PO for UNDP CO</p>	<p>The NC should ensure that purchase orders and payment vouchers are signed.</p>	<p>NC comments:</p> <p>The approval of POs is carried out by UNOPS in Atlas and these are not signed by PNUD in Cuba.</p> <p>UNOPS-SGC comments:</p> <p>The recommendation is noted. However, the signing of Purchase Order is not required, and the electronic approval is adequate. This is also indicated on the PO print-out from oneUNOPS.</p> <p>The invoices and progress reports of grant projects however do require signature of the NC, to ensure validity, completeness and certification of the supporting documentations.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>

approval.

Facts / observation

It is a requirement under the ATLAS system that all purchases have a Purchase Order as part of the approval process. They must also have a voucher created in the accounting system. Both should be signed.

There were two instances where the purchase order was not signed, referring to vouchers no. 2730 and 2483, as detailed below:

FISCAL YEAR	PO-ID	VOUCHER_ID	ACTUALS
2015	0000002504	00002730	662.90
2013	0000002291	00002483	1,010.10
Total:			1,673.00

There were a further four occasions where the accounting vouchers were not signed, for vouchers no. 75536, 67480, 82519 and 76912.

FISCAL YEAR	VOUCHER_ID	ACTUALS
2014	00075536	2,259.91
2013	00067480	1,850.65
2015	000082519	610.76
2015	00076912	472.26
Total:		5,193.58

We note that there was a change of system during the period, so that the old purchase order forms were no longer required in 2016. All of these instances of missing signatures occurred prior to this period, between

<p>2011 and 2015.</p> <p>Impact</p> <p>It is difficult to see the chain of approval for each expense and verify that the costs were actually authorised.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions;</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
5	<p>Title</p> <p>Expenses could not be agreed to original supporting documentation</p> <p>Comparison criteria</p> <p>Section 4.4.2 of the SOP states that:</p> <p style="padding-left: 40px;">Administrative: Continuous monitoring of all Atlas expenditures against the approved Admin REQ to ensure that the financial records are “clean” (correct COA, non-duplication of expenditures, etc.) and within the approved Admin REQ amounts. The NC must keep records showing supporting documentation (i.e. invoices, receipts, ticket stubs, etc.).</p> <p>Facts / observation</p> <p>There were ten instances within our sample where the underlying documentation could not be tied through in its entirety to the expense listed in the accounting system. This was due to the fuel receipts having faded over time due to the age of the documentation, or grantees, on occasion, failing to provide the receipts for gas costs. These fuel costs were incurred through prepaid cards and the card statements were provided for our inspection, but the individual transaction receipts were not always available.</p> <p>In addition, there were no original invoices on file for the expense transactions that took place between UNDP and UNOPS, as some purchases were done directly by the UNDP office (e.g. office supplies). Some minor examples were</p>	<p>The NC should ensure that all costs have original supporting documentation attached to the file, which is signed and stamped to show authorisation and approval.</p>	<p>NC comments: SGP Cuba agrees with the finding and recommendation.</p> <p>UNOPS-SGC comments: We agree with the recommendation. The NC and PA are advised to keep original and complete documentations for all transactions on file.</p>	<p>Responsible manager: NC</p> <p>Due date: Ongoing</p> <p>Priority: Medium</p>

the purchase of memory sticks and stationary by UNDP on behalf of UNOPS, where no evidence of the original transaction taking place was held on file. There was only email correspondence with detail of items re-invoiced to UNOPS. We reviewed the unit costs charged and considered them reasonable, and so no financial finding was raised.

A summary of these transactions are included in the table below:

SYSTEM	BUDGET YEAR	ACCOUNT_DESCR	VOUCHER	EXPENDITUR E	COST TYPE
ATLAS	2011	Inform Technology Supplies	00002166	120.00	Office supplies
ATLAS	2015	Stationery & other Office Supp	00082517	1,117.58	Stationary
ATLAS	2015	Bank Charges	00002797	506.26	Fuel
ATLAS	2015	Travel Tickets-Local	00002797	758.55	Fuel
ATLAS	2015	Building Maintenance	00002797	761.60	Fuel
ATLAS	2013	Building Maintenance	00002483	1,010.10	Fuel
ATLAS	2014	Building Maintenance	00002594	1,010.10	Fuel
ATLAS	2015	Building Maintenance	00002694	707.07	Fuel
ATLAS	2012	Building Maintenance	00002403	808.08	Fuel
OneUNOPS	2016	Fuel, petroleum and other oils	620066721	1,284.85	Fuel
Total:				8,084.19	

Impact

Original documentation demonstrates the actual costs incurred in providing goods to the SGC.

Cause

Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional Area: Financial Monitoring and Processes				
6	<p>Title</p> <p>Progress reports do not include financial information</p> <p>Comparison criteria</p> <p>Section 4.1.4 of the SOP states that:</p> <p style="padding-left: 40px;">As stated in the UNOPS PO notification, the NC certifies that the progress/financial reports submitted by the grantee are in line with the MOA. The NC submits the necessary supporting documents (invoice, reports, etc.) to the UNDP CO for release of the next grant instalment.</p> <p>Section 4.4.2 of the SOP states that:</p> <p style="padding-left: 40px;">Grant Release: Prior to the release of every grant disbursement from an already authorized Atlas Purchase Order, the NC is responsible for the written certification of all Progress/Financial Reports (including invoices, receipts, etc.) being in line with the MOA and the approved grant.</p> <p>Facts / observation</p> <p>We noted that although in most of the cases progress reports were attached to the file, there were some instances where no financial information was included in the report to specify the actual amount incurred or spent to date. The following projects are affected:</p>	<p>Financial information should be included in both progress and final reports (once they are prepared), notwithstanding that the final responsibility of the purchases lies with the SGP office.</p> <p>The NC should share the information with the grantees so this information can be integrated within the reports.</p>	<p>NC comments: SGP Cuba agrees with the finding and recommendation.</p> <p>UNOPS-SGC comments: As recognized by the observation, the unique payment scenario in Cuba has removed the actual grantees from the payment side of operations. However, UNOPS-SGC agrees with the recommendation that the SGP office inform the grantees appropriately of all finances occurring on their behalf.</p>	<p>Responsible manager: NC</p> <p>Due date: Ongoing</p> <p>Priority: Medium</p>

PROJECTNUMBER	Project ID	Actual Amount	Total granted
CUB/SGP/OP5/Y1/STAR/CC/12/01	Biodigestores Cumanayagua	\$45,443.50	\$50,000.00
CUB/SGP/OP5/Y1/STAR/CC/12/03	La Vegueta	\$36,402.37	\$50,000.00
CUB/SGP/OP5/Y1/STAR/LD/12/06	Juraguá	\$36,002.92	\$45,000.00
CUB/SGP/OP5/Y1/STAR/BD/12/13	Crucecita	\$35,889.54	\$45,000.00
CUB/SGP/OP5/Y1/STAR/BD/12/14	La Yaba	\$33,921.38	\$45,000.00
CUB/SGP/OP5/Y2/STAR/CC/13/09	Biodigestores Contramaestre	\$43,233.10	\$48,687.00
CUB/SGP/OP5/Y2/STAR/CC/13/11	Biodigestores Placeta I	\$48,176.33	\$50,000.00
CUB/SGP/OP5/Y2/STAR/CC/13/12	Biodigestores Placeta II	\$47,974.30	\$50,000.00
CUB/SGP/OP5/Y2/STAR/CC/14/16	Biodigestores Sancti Spiritus	\$43,489.71	\$50,000.00
CUB/SGP/OP5/Y3/STAR/CC/13/03	San Poll	\$45,678.60	\$47,387.75
CUB/SGP/OP5/Y3/STAR/LD/14/22	Aguacate	\$46,456.48	\$50,000.00
CUB/SGP/OP5/Y3/STAR/BD/14/23	Viñales	\$20,168.80	\$150,000.00

This situation arises because in Cuba, the SGP pays suppliers directly and records the expenditure against the grantee vendor account within Atlas / OneUNOPS. The grantee is therefore not automatically informed of the exact amounts spent nor are they in control of the disbursements related to the project. As it stands now, the financial reports are compiled by the NC.

Impact

The grantees will not have complete information relating to the financial progress of their projects.

	Cause Un-intentional mistakes committed by staff entrusted to perform assigned functions Lack of or inadequate guidance or supervision at the RO/OC/PC level			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: OneUNOPS (previously Atlas) processes				
7	<p>Title</p> <p>Expenditure posted without supporting documentation</p> <p>Financial impact</p> <p>US\$ 421.21</p> <p>Comparison criteria</p> <p>Section 4.4.2 of the SOP states:</p> <p style="padding-left: 40px;">Administrative: Continuous monitoring of all Atlas expenditures against the approved Admin REQ to ensure that the financial records are “clean” (correct COA, non-duplication of expenditures, etc.) and within the approved Admin REQ amounts. The NC must keep records showing supporting documentation (i.e. invoices, receipts, ticket stubs, etc.).</p> <p>Section 4.4.3 of the SOP states that:</p> <p style="padding-left: 40px;">The review of supporting documentation for admin POs is done by the local UNDP CO in accordance with their procedures and oversight.</p> <p>Facts / observation</p> <p>We found that expenditure had been recorded within Atlas for a total of \$421.21 without supporting documentation. As the expenditure was</p>	<p>We recommend that only eligible, supported expenditure is posted into Atlas / OneUNOPS</p>	<p>NC comments:</p> <p>The cheque amounting \$ 421.21 was recorded in Atlas.</p> <p>UNOPS has been trying to remove it from the system, but it has not been possible yet.</p> <p>UNOPS-SGC comments:</p> <p>We agree with the recommendation. UNOPS SGC will work with the NC to close this issue.</p> <p>The SOP section 4.4.2 is superseded. The NC is advised to consult the Financial Resources Management chapter in the revised SOPs.</p>	<p>Responsible manager:</p> <p>NC / CPMT</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>

<p>actually incurred by the grantee, who retained the supporting documentation, the transaction should not have been recorded or approved by UNDP Finance.</p> <p>The transaction in question was journal ID AP06215031, PO 0002554 with vendor 97687.</p> <p>We note that the NC is aware of this issue, however as a result of the transition to the OneUNOPS system, they are unable to reverse this transaction.</p> <p>Impact</p> <p>Expenditure had been approved and input into the Atlas system without adequate supporting documentation. The financial statement is overstated by \$421.21.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Asset Management				
8	<p>Title</p> <p>Asset management procedures inadequate</p> <p>Financial impact</p> <p>US\$ 2,138</p> <p>Comparison criteria</p> <p>Section 6.1.5 of the SOP states that:</p> <p style="padding-left: 40px;">Assets are written-off when it is established that they are missing, lost or damaged beyond repair. Obsolete or surplus assets may also be written-off when their current value is nil and/or it is established that they cannot be sold or donated.</p> <p>Regulation 21.08 of the UNOPS Financial Regulations and Rules states that:</p> <p style="padding-left: 40px;">An item of property, plant and equipment and intangible asset should be eliminated from the statement of financial position upon disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential is expected from its subsequent disposal.</p> <p>Facts / observation</p> <p>The audit team observed that 5% of the total of assets listed should be written-off.</p>	<p>Asset listings should be periodically reviewed and the status of assets updated.</p> <p>Assets which are not in use or have been lost should be removed from the assets listing.</p> <p>All original invoices should be maintained on file and assets held in the listing at the actual cost paid, not the original cost.</p>	<p>NC comments:</p> <p>SGP Cuba agrees with the findings and has proceeded to clear the list of assets as recommended.</p> <p>UNOPS-SGC comments:</p> <p>We agree with the recommendation. The NC is advised to update the asset register and review it on a regular basis to ensure its accuracy.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>31 December 2017</p> <p>Priority:</p> <p>Medium</p>

This 5% corresponds to assets that are no longer being used and / or are permanently damaged and should therefore be removed from the assets list. We identify them below:

Date	Description	Provider	Cost USD	Inventory Number	Location	Observation
05/01/05	Cámara Fotográfica Digital Sony	Compra realizada por UNOPS	UNOPS	PPD-001	OFICINA PPD	Broken screen
05/01/05	Laptop Toshiba model Satellite M40-114	Compra realizada por UNOPS	UNOPS	PPD-002	OFICINA PPD	Broken screen
19/06/05	Monitor SAMSUNG SyncMaster 793s	CIMEX	159.84	PPD-004	OFICINA PPD	Obsolete
19/06/05	PC Intel P4 (NC) con accesorios (teclado y mouse)	CIMEX	621.00	PPD-005	OFICINA PPD	Obsolete
19/09/05	PC Asistente de Programa (AP) con accesorios (teclado y mouse)	CIMEX	621.46	PPD-009	OFICINA PPD	Obsolete
19/09/05	Monitor SAMSUNG SyncMaster 793s	CIMEX	159.84	PPD-010	OFICINA PPD	Obsolete
19/09/05	Back-UPS ES APC 500 NC	CIMEX	83.16	PPD-011	OFICINA PPD	Obsolete
09/09/05	Disco Duro Externo HD IOGEAR ION	COPEXTEL	239.76	PPD-013	OFICINA PPD	Obsolete
03/04/07	Celular Nokia 1100	PNUD	116.64	PPD-027	OFICINA PPD	Broken
02/06/08	Celular Motorola 120 t	Caribbean Direct International	136.10	PPD-028	OFICINA PPD	Broken

<p style="text-align: center;">Total:</p>	<p style="text-align: center;">2,137.80</p>					
<p>We observed that the status of assets is not periodically reviewed or updated, as noted within the assets identified above.</p> <p>We also noted that, due to the age of some of the assets, the original invoice for purchase was no longer held on file. The original invoice should be maintained until the asset is no longer included in the asset list.</p> <p>The largest asset in the list, the Toyota Prado, was also included at its original cost, rather than the cost at which UNOPS purchased the vehicle from UNDP.</p> <p>Impact</p> <p>By not being periodically reviewed, the asset list does not provide useful and accurate information.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions.</p>						

Annex I - Definitions

Standard Audit Ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

There are three categories:

- (a) satisfactory,
- (b) partially satisfactory, and
- (c) unsatisfactory.

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
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited party.
Partially Satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the overall objectives of the audited entity could be seriously compromised.

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
High	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).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	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.

List of functional areas

The following categories of **functional areas** are used:

- Grant Management
- Financial Monitoring and Processes
- OneUNOPS (previously Atlas) processes
- Document Management – Filing and Archiving
- Asset Management

Annex II – Asset listing