



## INTERNAL AUDIT DIVISION

### REPORT 2016/041

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Audit of the United Nations  
Conference on Trade and Development  
projects on strengthening institution  
and capacity building in the area of  
competition and consumer protection

Overall results relating to management of  
projects were initially assessed as partially  
satisfactory. Implementation of eight  
important recommendations remains in  
progress

FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY

10 May 2016  
Assignment No. AE2015/340/02

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1-2
II. OBJECTIVE AND SCOPE	2-3
III. AUDIT RESULTS	3-12
A. Strategic planning and risk assessment	4-5
B. Project management	5-10
C. Regulatory framework	11-12
IV. ACKNOWLEDGEMENT	12
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# **AUDIT REPORT**

## **Audit of the United Nations Conference on Trade and Development projects on strengthening institution and capacity building in the area of competition and consumer protection**

### **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Conference on Trade and Development (UNCTAD) projects on strengthening institution and capacity building in the area of competition and consumer protection.

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. UNCTAD is the lead agency and focal point on all work related to competition policy and consumer protection within the United Nations system. The mandate on competition and consumer protection is derived from: (i) General Assembly resolution 35/63 of 5 December 1980 which mandated UNCTAD to lead the implementation of the Set of Multilaterally agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (the United Nations Set); (ii) the 12th UNCTAD ministerial conference (Accra Accord) which acknowledged and reaffirmed the role of UNCTAD as the focal point on work related to competition policy and consumer welfare within the United Nations system; and (iii) the United Nations Review Conference on Competition Law and Policy which meets every five years to review and reaffirm UNCTAD mandate on implementation of the United Nations Set. In addition, in December 2015 the General Assembly approved the revised guidelines for consumer protection and mandated UNCTAD to set up a new intergovernmental machinery on consumer protection to monitor the implementation of the revised guidelines.

4. Within UNCTAD, the Competition and Consumer Policies Branch (CCPB) is responsible for the mandate on competition and consumer protection. CCPB fulfils this through three main core functions: (a) providing a forum for intergovernmental deliberations on competition and consumer protection; (b) undertaking research, policy analysis and data collection; and (c) implementing technical assistance projects in developing countries.

5. As of 30 September 2015, CCPB was implementing 22 projects, of which 10 with an estimated budget of \$15 million were projects on strengthening institution and capacity building in the area of competition and consumer protection, including the Competition and Consumer Protection Project for Latin America (COMPAL) which was the largest with an estimated budget of \$7.6 million (these 10 projects are henceforth referred to as COMPAL and related projects). COMPAL is funded by the Swiss government and is currently in its third phase of implementation. It started with five member countries in Latin America in 2003. Due to its success, there was an increase in the number of donors and member states wishing to participate in the programme, which led UNCTAD to extend the project to other parts of the world. COMPAL and related projects were being implemented across Africa, Latin America and the Caribbean and the Association of South-East Nations (ASEAN) region (see details in Table 1 below).

**Table 1: Details of COMPAL and related projects**

<b>Project Reference</b>	<b>Project Name</b>	<b>Implementation period</b>	<b>Budget/Funding value (US\$)</b>
T3BF	COMPAL Phase 1	2004 – 2008	2,000,000
T3BF	COMPAL Phase 2	2009 – 2013	3,000,000
TEAG	COMPAL Phase 3	2015 – 2018	1,796,000
<b>Sub-total - COMPAL Latin America</b>			<b>6,796,000</b>
TDBG	COMPAL Middle East and Northern African (MENA) countries	2015 – 2019	5,300,000
T8AU	Extension of COMPAL Programme to the Dominican Republic	2009 – 2011	281,370
TDAS	Strengthening Technical Capacities for Policy Formulation and Review of Competition Law in Zimbabwe	2014 – 2016	305,669
TDBM	Strengthening Technical Competency of Consumer Protection in ASEAN region	2014 - 2015	325,451
TDCC	Strengthening of Competition and Consumer Protection Enforcement Capacities in Ethiopia	2014 – 2017	411,600
TBAH	Implementation of the Competition Framework in the West African Economic Monetary Union (WAEMU) region	2011 – 2014	621,118
X603	Support to Restrictive Business Practices	2003 – 2015	747,712
<b>Sub-total - COMPAL others</b>			<b>7,992,920</b>
<b>OVERALL TOTAL</b>			<b>14,788,920</b>

Source: Prepared by OIOS based on individual project budgets and donor agreements

6. The core objectives of COMPAL and related projects were to: (a) enhance beneficiary countries capacities to adopt and implement competition and consumer polices; (b) provide assistance to private sector to create a competitive environment without unnecessary bureaucratic burdens; and (c) develop regional strategy to assist beneficiary countries in adopting competition neutrality frameworks for enforcing competition law to public enterprises.

7. CCPB was headed by a Chief at the D-1 level who reported to the Director of the Division on International Trade in Goods and Services, and Commodities (DITC). CCPB had a total of 11 approved posts (nine professional and two general service), eight of which were funded through the regular budget and three through extra-budgetary funds.

8. Comments provided by UNCTAD are incorporated in *italics*.

## **II. OBJECTIVE AND SCOPE**

9. The audit was conducted to assess the adequacy and effectiveness of UNCTAD governance, risk management and control processes in providing reasonable assurance regarding the **effective management of COMPAL and related projects by UNCTAD**.

10. The audit was included in the OIOS 2015 work plan for UNCTAD due to the risks associated with implementing COMPAL and related projects which could potentially affect the delivery of the CCPB mandate.

11. The key controls tested for the audit were: (a) strategic planning and risk assessment; (b) project management; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning and risk assessment** - controls that provide reasonable assurance that appropriate strategic planning and risk assessment processes are in place and working effectively.

(b) **Project management** - controls that provide reasonable assurance that COMPAL and related projects are planned and managed effectively and in accordance with relevant UNCTAD policies and guidelines.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of the projects; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

12. The key controls were assessed for the control objectives shown in Table 2. Certain control objectives shown in Table 2 as “Not assessed” were not relevant to the scope defined for this audit.

13. OIOS conducted this audit from October 2015 to February 2016. The audit covered operations and activities pertaining to COMPAL and related projects listed in Table 1 above, for the period 1 January 2014 to 30 September 2015.

14. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

15. The UNCTAD governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of COMPAL and related projects by UNCTAD**. OIOS made eight recommendations to address issues identified in the audit.

16. Strategic planning and risk management was assessed as partially satisfactory. The activities and outputs of COMPAL and related projects were consistent with strategic priorities outlined in the biennium work programmes and budgets of UNCTAD. There was also evidence of coordination and inter play amongst the three pillars of UNCTAD. However, there was a need for CCPB to document and clearly communicate its strategy for extending the COMPAL projects to other parts of the world.

17. Project management was assessed as partially satisfactory. UNCTAD was successful in implementing COMPAL and related projects, as demonstrated by the results and findings of two independent evaluations commissioned by a major donor and the increase in number of donors wishing to fund the projects. Further, needs assessment were conducted to justify the business case for project interventions. However, there was a need to: (a) strengthen project review, approval and clearance processes to enhance the quality of project documents and to facilitate inter-divisional coordination; (b)

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<sup>1</sup> A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

streamline CCPB operational arrangements to enhance efficient project delivery; (c) strengthen fundraising and resource mobilization efforts; (d) strengthen the application of results-based management and budgeting practices; and (e) develop mechanisms to track and monitor the timely preparation and issuance of progress reports to donors.

18. Regulatory framework was assessed as partially satisfactory. There was a need for CCPB to ensure compliance with the United Nations Regulations and Rules relating to procurement of goods and services and evaluation of consultants.

19. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of eight important recommendations remains in progress.

**Table 2: Assessment of key controls**

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of COMPAL and related projects by UNCTAD	(a) Strategic planning and risk assessment	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## A. Strategic planning and risk assessment

Need to develop and communicate the strategy for extending the COMPAL projects globally

20. UNCTAD mandate in the area of competition and consumer protection was defined in General Assembly resolutions, the Accra Accord and the resolutions of the United Nations Review Conferences on Competition Law. Further, the strategic and operational accomplishments planned in the area of competition and consumer protection were outlined in the biennium work programmes and budgets of UNCTAD.

21. However, there was a lack of clarity on the strategy and approach adopted by CCPB to implement the COMPAL projects globally. In May 2014, UNCTAD launched the “COMPAL GLOBAL” strategy which was to extend the COMPAL projects to other regions of the world. Details of how this strategy was to be operationalized were not developed or communicated. Opinion appeared to be divided amongst CCPB staff as to the viability of the new strategy, including the advisability of applying it to other regions of the world that were more diverse economically and socially.

22. A clear strategy for extending COMPAL projects globally is essential for ensuring their effectiveness. OIOS attributed the lack of consensus and clarity to the fact that CCPB had not engaged all staff and stakeholders in developing the strategy. Additionally, there was need to operationalize the

strategy by clearly communicating the long-term goals that would be achieved by extending COMPAL projects globally.

**(1) The UNCTAD Competition and Consumer Policies Branch should review and operationalize its COMPAL global strategy in consultation with stakeholders.**

*UNCTAD accepted recommendation 1 and stated that implementation of this recommendation would imply a reformulation of activities of the CCPB Branch, which in turn is dependent on the outcome of UNCTAD 14 and the 2016 Intergovernmental Groups of Experts on Competition Policy. Recommendation 1 remains open pending receipt of evidence that the COMPAL global strategy has been reviewed and operationalized in consultation with stakeholders.*

Coordination amongst the three pillars of UNCTAD in implementing of COMPAL and related projects was satisfactory

23. The Accra Accord called for the three key pillars of UNCTAD (i.e. the Intergovernmental deliberations; Research and Policy Analysis, and Technical Assistance) to be strengthened, and required increased coordination for greater impact and synergies. The Intergovernmental Group of Experts on Competition Law and Policy (IGE) met every year to discuss ways of improving global cooperation on competition policy implementation. There was evidence that the results and outputs of IGE were applied in UNCTAD's technical cooperation projects. For example, project TDAS (Strengthening Technical Capacities for Policy Formulation and Review of Competition Law in Zimbabwe) was meant to implement the recommendations of a voluntary peer review that was performed under the auspices of the IGE. The results, findings and the outputs of the Research Partnership Platform (a platform created by UNCTAD to bring together researchers to assist in development of best practices in the formulation and effective enforcement of competition and consumer protection laws and policies) were utilized in the technical cooperation projects reviewed. OIOS therefore concluded that coordination among the three pillars of UNCTAD in implementing COMPAL and related projects was satisfactory.

## **B. Programme and project management**

Need to strengthen project review, approval and clearance processes

24. UNCTAD's processes for formulating new projects are outlined in the Deputy Secretary-General's memo of 2011 and 2014 as well as the evaluation policy of 2011. These require project documents for proposed new projects to go through the following clearance process: (a) substantively reviewed and cleared by the Technical Cooperation Service and directors of the divisions and branch of origin; (b) administratively cleared by Budget and Project Finance and Legal Service Sections; (c) assessed by the Evaluation Unit to ensure issues of evaluability have been incorporated, and; (d) reviewed and approved by the Project Review Committee (PRC). Further, the financial and administrative guidelines require underlying donor agreements to be signed only by staff with the requisite delegated authority.

25. OIOS noted the following with regard to the Branch's practices for reviewing and approving new projects, and signing of project agreements:

i. The review by PRC was not timely

26. Project documents for COMPAL and related projects were subjected to the required substantive and administrative review process. However, in 5 of the 10 COMPAL and related projects, the PRC

review was done after the projects had already been cleared by the substantive and administrative officers and underlying project agreements approved by donors. In one other instance, no documentary evidence was provided to indicate the PRC involvement in the review. According to its terms of reference, the PRC role includes facilitating inter-division coordination in project implementation and fundraising initiatives. Therefore, PRC needs to review the proposed projects before terms and conditions are agreed with donors to facilitate early identification and mitigation of potential project implementation and inter-divisional coordination issues. UNCTAD had drafted new terms of reference for the PRC that indicate that the PRC review should be done prior to the review by substantive units. The draft terms of reference do not however reflect that the PRC review should also be done prior to signing agreements with donors. Further, CCPB staff were of the view that coordinating fundraising activities could be done by the Technical Cooperation Service instead of PRC to enhance timeliness and efficiency. In OIOS view, this is a useful proposal that should be considered when finalizing the terms of reference of PRC.

ii. In one case the funding agreement was not signed by an authorized official

27. Contrary to the organization's financial and administrative guidelines, a funding agreement worth \$95,000 was signed in June 2013 on behalf of UNCTAD by the Chief of Branch, yet he did not have the authority to do so. The authority to sign funding agreements was vested on the Chief of the Resource Management Service and sub delegated to the Chief, Budget and Project Finance Section. The deficiency was identified by the Budget and Project Finance Section and the staff member made aware of the extent of their delegated authorities and consequences of non-compliance. The signing of agreements by staff lacking the appropriate delegated authority may lead to UNCTAD entering into agreements that do not safeguard the interests of the Organization. There was a need to clearly communicate to all staff that agreements should only be signed by those who have the authority to do so, and to ensure that they are aware that they will be held accountable for any non-compliance.

iii. Evaluation Unit had not been involved in project review prior to June 2015

28. While the requirement for project documents to be cleared by the Evaluation Unit was provided for in UNCTAD's Evaluation policy of 2011, and reaffirmed in the Deputy Secretary General memo of 2014, the practice was only operationalized in June 2015. In this regard, five of the ten projects that were started after 2011, and hence eligible for the Evaluation Unit's review, were not reviewed by the Evaluation Unit. Review by the Evaluation Unit could have helped to identify and address the deficiencies in performance measures for 3 out of the 10 projects discussed later in the present report. As corrective action had been taken to involve the Evaluation Unit in the review process, OIOS did not make a recommendation on this issue.

**(2) UNCTAD should: (i) streamline its project clearance processes to ensure the timely involvement of the Project Review Committee; (ii) review the arrangements for coordinating fundraising activities; and (iii) ensure that donor funding agreements are signed only by staff with the requisite delegated authority.**

*UNCTAD accepted recommendation 2 and stated that implementation of this recommendation is linked to overall changes in Technical Cooperation activities in UNCTAD. Recommendation 2 remains open pending receipt of evidence that the UNCTAD project review and approval guidelines and procedures have been strengthened to address the need for: (a) timely involvement of the PRC; (b) effective coordination of fundraising activities; and (c) agreements to be signed only by staff with the requisite delegated authority.*



### Need to streamline operational arrangements to enhance project delivery

29. As per UNCTAD's governance structure, COMPAL and the related projects were resourced and administered by CCPB under DITC. The funding agreements with donors required UNCTAD to provide management, administrative and technical resources and structures necessary to implement the projects effectively.

30. UNCTAD set up appropriate management structures to provide governance, oversight and support to the projects. Each project had a separate governance and management structure comprising of the Strategic Direction Committee, the Programme Management Committee and the National Project Coordinators. Separate ad hoc committees (e.g. Advisory Group of Experts) were also formed to provide advisory support when needed. There were also coordination practices and team work amongst the different project teams in the preparation of the IGE which was a means for deliberating ways of improving global cooperation on implementation of competition policy.

31. OIOS made the following observations with regard to the management and administrative arrangements set up by CCPB to implement the projects.

- The Chief of Branch position had been vacant since January 2015 following the retirement of the previous Chief. The DITC Director, who was also responsible for overseeing three other branches and one unit in the Division, was acting as the Head and Officer-in-Charge of CCPB. The DITC Director indicated that this interim arrangement had provided the opportunity for CCPB to become more integrated with other branches and units in the division. However, the prolonged vacancy may not be sustainable and there was a need for UNCTAD to fill the vacant post.
- There was little evidence to support the mechanisms (e.g. progress reports, briefing notes, and/or minutes of meetings) utilized by the Branch to demonstrate its day-to-day functional reporting and accountability to the Division. There was a need for management to clarify the reporting and monitoring arrangements to ensure effective oversight and support to the projects at the operational level.
- Work plans were not consistently prepared, and were not regularly updated to reflect current CCPB activities and operational circumstances. For example, the 2015 work plans were not updated to reflect the planned and ongoing activities of two projects (project TDBG with a budget of \$5.3 million and TDCC with a budget of \$411,000), while some of the activities outlined in the work plan were assigned to staff who were no longer in UNCTAD's employment.
- In view of the changing number of projects, the Branch needed to review the appropriateness of the implementation structure for the four active projects to ensure the staffing allocation for each project was still relevant and that the overall Branch work allocation was optimal. Most of the projects were staffed by one or two staff, despite some of the projects having wider geographical scope and substantive reach. For instance, project TDBG with a budget of approximately \$5.3 million and coverage of eight countries had a budget for two staff, but presently has only one dedicated staff while projects TDAS and TDCC did not have any provision for extra-budgetary staff posts, and the projects were managed by regular budget staff with the support of consultants.

**(3) The UNCTAD Competition and Consumer Policies Branch should review and streamline its operational arrangements including: (i) clarifying internal project progress reporting and monitoring arrangements; (ii) strengthening annual work planning; and (iii) reviewing the appropriateness of the staffing structure and work allocation for COMPAL projects.**

*UNCTAD accepted recommendation 3 and stated that implementation of this recommendation is linked to recommendation No. 1. Recommendation 3 remains open pending receipt of evidence that CCPB operational arrangements for project reporting and monitoring, annual work planning and project staffing for COMPAL projects have been reviewed and streamlined.*

Need to strengthen the application of results-based management and budgeting practices across projects

32. UNCTAD Guidelines for Results-Based Management (RBM) in technical cooperation projects requires project officers to incorporate RBM principles in project planning and budgeting. These include requirements for project managers to apply a logical Framework Approach to develop specific, measurable and quantifiable performance indicators, and to assess and devise mitigation measures for risks that could impair successful project implementation. The guidelines also provide a broad outline of processes through which these could be done.

33. OIOS noted the following with regard to UNCTAD's application of RBM management principles:

- Some performance indicators were not specific and measurable. Three out of the 10 COMPAL projects listed output and outcome indicators without specifying the timelines or quantitative and qualitative criteria through which the outputs would be assessed. The use of non-quantifiable and measurable, performance measures was also identified as a weakness in the two external evaluations conducted of the COMPAL programmes in 2008 and 2012. The absence of specific and measurable indicators would make it difficult for the Branch to effectively assess the extent to which planned results were accomplished.
- Project risks were not adequately assessed and managed. For example, the log frames for projects TEAG and TBAH, only listed the risks without assessing and documenting their significance, potential impact or outlining measures to mitigate the risks while risks for projects TDBM, T8AU TDCC and X603 were not identified and analyzed. There was also no evidence to indicate that risks identified in the project documents were periodically reviewed and updated throughout the projects' life cycles.
- There was a need to improve budgeting and resource planning practices. There were numerous instances where revisions were done to reallocate funds along project budget lines. One project (T3BF) had a total of 161 revisions from 2003 to 2013 (an average of 17 project revisions a year) and 7 of the other 10 COMPAL projects had an average of 6 to 12 revisions a year. While the revisions made were all subjected to the internal certifications and approval processes required by UNCTAD, and respective donors where required, the high number of revisions for some of the projects was administratively inefficient to manage and was indicative of inadequacies in the Branch's processes for planning and budgeting.

34. The deficiencies noted were attributed to inadequate training and exposure to RBM principles. Upon introduction of the RBM guidelines in 2012, the Technical Cooperation Service was required to prepare supplementary manuals and template to guide staff on how to prepare project documents and

apply the logical framework approach in different projects and areas of UNCTAD work. This had not been done. Effective January 2016, UNCTAD recruited a Programme Officer with the task of coordinating the implementation of the RBM framework within UNCTAD. This appointment was expected to enhance the application of RBM principles in UNCTAD projects.

**(4) The UNCTAD Competition and Consumer Policies Branch should: (i) ensure that project managers and staff are trained on results-based management practices; and (ii) develop mechanisms for ensuring the consistent application of the results-based management practices across projects.**

*UNCTAD accepted recommendation 4.* Recommendation 4 remains open pending receipt of evidence that CCPB has: (a) arranged training in RBM for its project managers and staff; and (b) established review mechanisms to ensure compliance with RBM requirements.

#### Need to strengthen fundraising and resource mobilization efforts

35. UNCTAD's Guide to Technical Cooperation Activities (2012) highlights its mechanisms for administering technical cooperation projects. It outlines the types of projects that UNCTAD undertakes, the manner in which projects are funded, and procedures that Member States could follow to request and access technical cooperation assistance from UNCTAD. Through its resolution four, the Sixth United Nations Review Conference called upon UNCTAD to mobilize resources and widen its search for potential donors to support its technical cooperation activities. In response to the Sixth United Nations Review Conference resolution, in 2013 UNCTAD developed a fundraising strategy that outlined its proposed strategies for enhancing its capacity to fundraise for its technical cooperation. This strategy had, however, not been approved by Member States and was therefore not implemented. There were no alternative formal mechanisms such as fundraising action plans and targets put in place to guide the mobilization of the resources.

36. As at December 2015, CCPB had an estimated funding gap of approximately \$2.3 million relating to funding required to finance 15 requests from Member States for new projects in the areas of competition and consumer protection. The funding shortfall is expected to increase and widen even further following the General Assembly's December 2015 resolution that expanded UNCTAD's mandate in the implementation of the revised guidelines on Consumer Protection. This is because the new mandate could lead to a further increase in requests for technical assistance from Member States wishing to implement the revised guidelines. CCPB management indicated that although there was no formally approved fundraising strategy, they had informal practices in place to approach donors and have been successful in raising funds. OIOS is of the view that establishing a strategy or action plan, with fundraising goals and targets, would further enhance CCPB efforts and ability to mobilize the resources required. Formalizing the informal approach would also help ensure that existing good practices and knowledge are managed and provide continuity in case of staff turnover.

**(5) The UNCTAD Competition and Consumer Policies Branch should develop fundraising work plans detailing the goals, targets and actions through which it plans to mobilize the resources required to sustain its technical cooperation activities.**

*UNCTAD accepted recommendation 5.* Recommendation 5 remains open pending receipt of the CCPB work plan for mobilizing resources for its technical cooperation activities.

## Need to monitor compliance with external reporting requirements to donors

37. UNCTAD's oversight and accountability mechanisms include reporting performance of its technical cooperation activities to its governing bodies, member states and other stakeholders. Reporting is achieved through: (a) the annual reporting to the Working Party on the Strategic Framework and the Programme Budget and the Trade and Development Board; (b) annual UNCTAD corporate-wide reporting; (c) the semi-annual United Nations secretariat-wide reporting done through the Integrated Monitoring and Document Information System (IMDIS); and (d) the United Nations Review Conferences which meet every five years to review performance and reaffirm its mandate. Externally, UNCTAD is required to submit periodic financial and progress reports in compliance with respective donor agreements.

38. The activities of COMPAL and its related projects were consistently included in the annual reports of the Working Party on the Strategic Framework and the Programme Budget; and the Trade and Development Board. Projects performance data were also reflected in IMDIS, while summary performance on competition and consumer protection related activities were included in UNCTAD's annual corporate-wide reports. However, improvements needed to be made with regards to submission of progress reports to donors. While UNCTAD routinely issued financial reports to donors on a timely basis, there were three instances where the progress reports and deliverables stipulated in the agreements with the donors were either not submitted or were submitted late. Delays or failure to submit the progress reports to donors constitutes non-compliance with the terms and conditions of the donor agreements and could potentially affect the image and reputation of UNCTAD. The delays in submitting reports to donors were attributed to delays in closure of projects and changes or departure of key project staff. CCPB did not also have a system for tracking the preparation and issuance of progress reports further impairing the ability to detect any delayed reports.

39. With regard to project X603, UNCTAD received donations from several donors. The funds were administered jointly and the financial accounting and reporting was consistently done on a combined basis as per UNCTAD's policies for accounting and reporting for trust funds. However, almost five years after project activities were completed, CCPB had not prepared and submitted to one of the donors the progress reports to indicate the activities performed and results accomplished in each country as required under the terms of the agreement with that donor. The donor had written to UNCTAD on two separate occasions (in 2014 and 2015) requesting for the reports, but there was no evidence that these requests were complied with. According to CCPB, the project was managed and administered by its former Chief of Branch, who was responsible for custody of project records and reports. No records relating to the project plans and progress reports could be located and it was not clear whether they had been prepared. In the absence of any records, UNCTAD may need to recreate the progress reports from the existing financial information.

**(6) The UNCTAD Competition and Consumer Policies Branch should: (a) establish a mechanism to monitor and ensure that progress reports to donors are prepared and submitted in a timely manner; and (b) prepare and submit to donors the two outstanding final progress reports relating to projects X603 and T8AU.**

*UNCTAD accepted recommendation 6.* Recommendation 6 remains open pending receipt of evidence that CCPB has: (a) established a mechanism to monitor and ensure that progress reports to donors are prepared and submitted in a timely manner; and (b) submitted to donors the two outstanding final progress reports relating to projects X603 and T8AU.

## C. Regulatory framework

### Need to ensure compliance with established procurement procedures

40. For procurement actions above \$4,000 and up to \$40,000, the United Nations Procurement Manual requires the use of requests for quotation (RFQ), evaluation and documentation of vendor submissions, issuance of statements of award detailing basis for awards, and execution of formal contracts in the form of purchase order or contract. The Manual also highlights circumstances under which exceptions to the use of formal methods of solicitation could be allowed, and requires such exceptions to be accompanied by written justifications and approved by relevant staff.

41. Two out of the 12 payments above \$4,000 relating to the 10 COMPAL projects were approved by the Procurement Section on an ex post facto basis. In the first instance, a vendor provided CCPB with training services worth \$37,000 in July 2013 and the transaction was approved, on an ex post facto basis, by UNOG Procurement Unit in October 2013. The second ex post facto transaction was for training services of \$39,000 provided by the same vendor one year later between 30 June and 11 July 2014 but approved by UNOG Procurement Unit on 15 July 2014. In both cases, CCPB selected the same vendor on a sole-source basis without providing a written justification in advance, as required by the Procurement Manual.

42. The Procurement Manual regards ex-post-facto procurement cases as serious violations and requires these to be rare exceptions which should be supported by written justification and measures put in place to avoid future recurrence. In line with this requirement, UNOG Procurement Unit, as a condition for approval of both procurement actions, required CCPB to prepare and submit written justification, undertaking to prevent future recurrence. According to CCPB, the ex post facto cases were attributed to erroneous omissions to prepare the required requisitions, and time pressures experienced in organizing the second training event, due to late confirmation of funding. In the view of OIOS, the occurrence of two ex post facto transactions, twice in successive years, and after having once undertaken to avoid future recurrence, signified weak enforcement of internal controls and applicable policies.

**(7) The UNCTAD Competition and Consumer Policies Branch should sensitize staff on the issue of ex post facto procurement and ensure that they comply with established procurement procedures.**

*UNCTAD accepted recommendation 7. Recommendation 7 remains open pending receipt of evidence that CCPB has sensitized staff on the need to avoid ex post facto procurement and strengthened its review mechanisms to ensure compliance with established procedures.*

### Need to perform formal evaluations to assess consultants' performance

43. A review of 25 consultants' contracts showed that consultants were recruited in accordance with the relevant administrative instruction. Comparisons of suitable consultants were made, the qualifications of the selected consultants were in line with the terms of reference, consultancy contracts were signed by authorized staff, and payments were made against agreed outputs. However, in four cases CCPB did not conduct formal evaluations to assess consultant's performance as prescribed in the administrative instruction. By not conducting formal performance evaluations, the Branch may miss the opportunity for recording useful feedback that could inform recruitment and contract award decisions in the future.

**(8) The UNCTAD Competition and Consumer Policies Branch should ensure that formal performance evaluations are performed to assess consultants' performance as required by the administrative instruction.**

*UNCTAD accepted recommendation 8.* Recommendation 8 remains open pending receipt of evidence that CCPB has strengthened its review mechanisms to ensure that consultants' performance evaluations are prepared as required by the administrative instruction.

#### **IV. ACKNOWLEDGEMENT**

44. OIOS wishes to express its appreciation to the Management and staff of UNCTAD for the assistance and cooperation extended to the auditors during this assignment.

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## STATUS OF AUDIT RECOMMENDATIONS

**Audit of the United Nations Conference on Trade and Development projects on strengthening institution and capacity building in the area of competition and consumer protection**

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	The UNCTAD Competition and Consumer Policies Branch should review and operationalize its COMPAL global strategy in consultation with stakeholders.	Important	O	Receipt of evidence that the COMPAL global strategy has been reviewed and operationalized in consultation with stakeholders.	31 December 2017
2	UNCTAD should: (i) streamline its project clearance processes to ensure the timely involvement of the Project Review Committee; (ii) review the arrangements for coordinating fundraising activities; and (iii) ensure that donor funding agreements are signed only by staff with the requisite delegated authority.	Important	O	Receipt of evidence that the UNCTAD project review and approval guidelines and procedures have been strengthened to address the need for: (a) timely involvement of the PRC; (b) effective coordination of fundraising activities; and (c) agreements to be signed only by staff with the requisite delegated authority.	30 June 2017
3	The UNCTAD Competition and Consumer Policies Branch should review and streamline its operational arrangements including: (i) clarifying internal project progress reporting and monitoring arrangements; (ii) strengthening annual work planning; and (iii) reviewing the appropriateness of the staffing structure and work allocation for COMPAL projects.	Important	O	Receipt of evidence that CCPB's operational arrangements for project reporting and monitoring, annual work planning and project staffing for COMPAL projects have been reviewed and streamlined.	31 December 2017
4	The UNCTAD Competition and Consumer Policies Branch should: (i) ensure that project managers and staff are trained on results-based management practices; and (ii) develop mechanisms for ensuring the consistent application of the results-based management practices across projects.	Important	O	Receipt of evidence that CCPB has: (a) arranged training in RBM for its project managers and staff; and (b) established review mechanisms to ensure compliance with RBM requirements.	31 December 2017

<sup>2</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>3</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UNCTAD in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

**Audit of the United Nations Conference on Trade and Development projects on strengthening institution and capacity building in the area of competition and consumer protection**

<b>Recom. no.</b>	<b>Recommendation</b>	<b>Critical<sup>2</sup>/ Important<sup>3</sup></b>	<b>C/ O<sup>4</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>5</sup></b>
5	The UNCTAD Competition and Consumer Policies Branch should develop fundraising work plans detailing the goals, targets and actions through which it plans to mobilize the resources required to sustain its technical cooperation activities.	Important	O	Receipt of the CCPB work plan for mobilizing resources for its technical cooperation activities.	31 March 2017
6	The UNCTAD Competition and Consumer Policies Branch should: (a) establish a mechanism to monitor and ensure that progress reports to donors are prepared and submitted in a timely manner; and (b) prepare and submit to donors the two outstanding final progress reports relating to projects X603 and T8AU.	Important	O	Receipt of evidence that CCPB has: (a) established a mechanism to monitor and ensure that progress reports to donors are prepared and submitted in a timely manner; and (b) submitted to donors the two outstanding final progress reports relating to projects X603 and T8AU.	31 December 2016
7	The UNCTAD Competition and Consumer Policies Branch should sensitize staff on the issue of ex post facto procurement and ensure that they comply with established procurement procedures.	Important	O	Receipt of evidence that CCPB has sensitized staff on the need to avoid ex post facto procurement and strengthened its review mechanisms to ensure compliance with established procedures.	31 July 2016
8	The UNCTAD Competition and Consumer Policies Branch should ensure that formal performance evaluations are performed to assess consultants' performance as required by the administrative instruction.	Important	O	Receipt of evidence that CCPB has strengthened its review mechanisms to ensure that consultants' performance evaluations are prepared as required by the administrative instruction.	31 July 2016



# **APPENDIX I**

## **Management Response**

## Management Response

**Audit of the United Nations Conference on Trade and Development projects on  
strengthening institution and capacity building in the area of competition and consumer protection**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNCTAD Competition and Consumer Policies Branch should review and operationalize its COMPAL global strategy in consultation with stakeholders.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.12.2017	Implementation of this recommendation would imply a reformulation of activities of the CCPB Branch, which in turn is dependent on the outcome of UNCTAD 14 and the 2016 and 2016 Intergovernmental Groups of Experts on Competition Policy.
2	UNCTAD should: (i) streamline its project clearance processes to ensure the timely involvement of the Project Review Committee; (ii) review the arrangements for coordinating fundraising activities; and (iii) ensure that donor funding agreements are signed only by staff with the requisite delegated authority.	Important	Yes	Chief, Resources Management Service and Chief, Technical Cooperation Section	30.06.2017	Implementation of this recommendation is linked to overall changes in TC activities in UNCTAD.
3	The UNCTAD Competition and Consumer Policies Branch should review and streamline its operational arrangements including: (i) clarifying internal project progress reporting and monitoring arrangements; (ii) strengthening annual work planning; and (iii) reviewing the appropriateness of the staffing structure and work allocation for COMPAL projects.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.12.2017	Implementation of this recommendation is linked to recommendation No. 1

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

**Audit of the United Nations Conference on Trade and Development projects on strengthening institution and capacity building in the area of competition and consumer protection**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	The UNCTAD Competition and Consumer Policies Branch should: (i) ensure that project managers and staff are trained on results-based management practices; and (ii) develop mechanisms for ensuring the consistent application of the results-based management practices across projects.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.12.2017	
5	The UNCTAD Competition and Consumer Policies Branch should develop fundraising work plans detailing the goals, targets and actions through which it plans to mobilize the resources required to sustain its technical cooperation activities.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.3.2017	
6	The UNCTAD Competition and Consumer Policies Branch should: (a) establish a mechanism to monitor and ensure that progress reports to donors are prepared and submitted in a timely manner; and (b) prepare and submit to donors the two outstanding final progress reports relating to projects X603 and T8AU.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.12.2016	
7	The UNCTAD Competition and Consumer Policies Branch should sensitize staff on the issue of ex post facto procurement and ensure that they comply with established procurement procedures.	Important	Yes	Chief, Competition and Consumer Policies Branch	31.7.2016	
8	The UNCTAD Competition and Consumer Policies Branch should ensure that formal performance evaluations are performed to assess consultants'	Important	Yes	Chief, Competition and Consumer Policies	31.7.2016	

Management Response

Audit of the United Nations Conference on Trade and Development projects on strengthening institution and capacity building in the area of competition and consumer protection

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	performance as required by the administrative instruction.			Branch		