



## INTERNAL AUDIT DIVISION

# REPORT 2016/066

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Audit of management of technical cooperation projects in the Economic Commission for Africa

Overall results relating to the effective management of technical cooperation projects were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

13 June 2016  
Assignment No. AN2015/710/01

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# AUDIT REPORT

## Audit of management of technical cooperation projects in the Economic Commission for Africa

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of technical cooperation projects in the Economic Commission for Africa (ECA).

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. The Economic Commission for Africa was established by the Economic and Social Council of the United Nations in 1958, resolution 671A (XV), with the overall objective of assisting African countries to formulate and implement policies and programmes that will lead to sustainable economic growth and inclusive development. During the biennia 2012-2013 and 2014-2015, ECA conducted its work through various technical cooperation projects. Member States through the various statutory organs provided directives and demands to ECA to implement technical cooperation activities and projects.

4. The Executive Secretary and two Deputy Executive Secretaries provided strategic direction, policy guidance and leadership on the formulation of regional strategies and programmes aimed at transforming Africa. The Advisory Committee on Administrative and Budgetary Matters (ACABM) within ECA provided advice on proposals to allocate budgetary resources to various projects.

5. The technical cooperation projects were managed within the 10 ECA subprogrammes. They involved: (i) providing advisory services, upon request, to Member States, regional economic communities and intergovernmental organizations; (ii) funding fellowships and grants to enhance capacity in development issues and policy analysis; and (iii) conducting training courses, seminars and workshops and various field projects. Projects were funded through both regular budget and extrabudgetary resources under three programme budgets totalling \$106.43 million for the biennia 2012-2013 and 2014-2015 as shown in Table 1.

**Table 1: ECA technical cooperation projects by programme budget for the biennia January to December 2012-2013 and 2014-2015 (amounts in millions of United States dollars)**

<b>Programme budget</b>	<b>Budget section</b>	<b>Number of projects/activities</b>	<b>Amount</b>
ECA programme budget	18	207	95.27
New Partnership for Africa's Development	11	34	3.83
Development Account	35	12	7.33
<b>Total</b>		<b>253</b>	<b>106.43</b>

6. Comments provided by ECA are incorporated in italics.

## II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of ECA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of its technical cooperation projects in ECA**.

8. The audit was included in the 2015 risk-based work plan of OIOS due to the operational and financial risks related to the implementation of projects and the importance of ECA accomplishing its mandate through technical cooperation projects.

9. The key control tested for the audit was project management. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that systems exist for planning, executing, monitoring and reporting on the performance and results of technical cooperation projects in an efficient and effective manner.

10. The key control was assessed for the control objectives shown in Table 2.

11. OIOS conducted the audit from June to August 2015. The audit covered the period from January 2012 to December 2014. OIOS selected a sample of projects from the three budget sections for technical cooperation and reviewed project files, ECA monitoring of projects, donor agreements and compliance by ECA with such agreements. OIOS also reviewed ACABM oversight of project funding.

12. 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

13. The ECA 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 its technical cooperation projects in ECA**. OIOS made three recommendations to address issues identified in the audit. ECA introduced processes to: (i) improve documentation of activities funded from the budgets of the New Partnership for Africa's Development (NEPAD) and the Development Account; (ii) review donor agreements to ensure validity of requirements; (iii) monitor timeliness of project activities; and (iv) streamline the consultant selection process. However, ECA needed processes to: (i) formulate individual technical cooperation projects; (ii) maintain adequate documentation on technical cooperation activities funded from the programme budget and extrabudgetary resources; and (iii) finalize and implement internal procedures for engaging and managing third party organizations that implement projects on its behalf.

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

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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.

**Table 2: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of technical cooperation projects in ECA	Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **Project management**

ECA needed a process to formulate individual technical cooperation projects

15. ECA is expected to develop demand driven technical cooperation projects based on: (i) the broad thematic areas approved in its budgets; (ii) outcomes of conferences and meetings of intergovernmental organs, committees and conventions; and (iii) Member States' requests.

16. There was no evidence to show how ECA developed individual technical cooperation projects and activities funded from its programme budget, NEPAD budget or soft/unearmarked voluntary contributions. ECA prepared Programme Implementation Plans from 2013, which included: (i) the planned tasks for carrying out the technical cooperation activities outlined in the programme budgets; (ii) expected outcomes; (iii) implementation timeframe; and (iv) staff and other resources required. Some of the expected outcomes indicated the specific countries and topics of technical cooperation. However, the preliminary activities undertaken to formulate projects were not evident. Projects were not linked to outcome documents of meetings of intergovernmental bodies, Member States' requests or needs assessments conducted by ECA. The ECA process to identify countries or beneficiaries requiring assistance and the specific areas of intervention was therefore not clear.

17. Although ECA explained that technical cooperation activities were based on its business plans, strategic framework and proposed programme budgets, ECA could not demonstrate the process used and did not have a documented or evidence-based process to track and translate the broad thematic areas in these documents into specific projects and activities. ECA could not therefore demonstrate that projects designed and selected had the potential to meet the needs of its stakeholders.

**(1) ECA should develop a systematic mechanism to formulate technical cooperation projects and activities funded by its programme budget, budget of the New Partnership for Africa's Development and soft/unearmarked voluntary contributions.**

*ECA accepted recommendation 1 and stated that the updated Project Management Manual was being revised which, along with guidance on project management, would spell out a systematic procedure for formulating technical cooperation projects. Recommendation 1 remains open pending receipt of the revised Project Management Manual.*

ECA needed to maintain adequate documentation of technical cooperation activities funded from its programme budget and extrabudgetary resources

18. ECA is expected to create and maintain records to provide evidence of its decisions and actions relating to technical cooperation activities funded from its programme budget and extrabudgetary resources.

19. ECA project files were not adequately maintained by the technical managers implementing the projects. Files reviewed were incomplete with most files not containing basic project information such as project proposal and approval, details of project activities, evidence of project activities undertaken and outputs. OIOS was able to obtain information from other sources such as the Partnership Office, which provided copies of donor agreements and amounts received for projects; and the Finance Section, which provided information on project fund requests and related financial statements. However, other information relevant to the implementation of the projects such as project activities, evidence of participation by the target audience, travel, reports on activities and consultants used were not available in a centralized manner when requested for review during the audit.

20. This occurred because projects were implemented by technical experts in various divisions without sufficient emphasis on the documentation requirements of the project. Non-assignment of project managers to projects also contributed to the breakdown in project documentation. ECA has since embarked on an exercise managed by the Public Information and Knowledge Management Division to archive previous records and project related documentation.

21. In the absence of adequate documentation on project activities, ECA may not be able to demonstrate that projects were undertaken as planned and that project funds were expended for the approved activities.

**(2) ECA should: (i) develop and implement documentation standards for technical cooperation activities funded from its programme budget and extrabudgetary resources; and (ii) update project files with the relevant documents as per the documentation standards.**

*ECA accepted recommendation 2 and stated that the revised Project Management Manual would identify documentation standards for technical cooperation projects. Additionally, the Strategic Planning and Operational Quality Division would issue an interoffice memorandum requesting divisions to ensure all future ECA projects adhere, produce and retain standard project documentation according to the revised Project Management Manual. Recommendation 2 remains open pending receipt of copies of the revised Project Management Manual and the memorandum to requiring all divisions to comply with it.*

ECA took action to improve documentation of NEPAD and Development Account activities

22. The ECA Project Manual provides operational guidelines and procedures on project management to assist project design, monitoring, implementation and reporting. The retention policy for records common to all United Nations Offices requires that files pertaining to projects are to be retained for five years following the termination of a project.

23. Twenty NEPAD projects totaling \$1.9 million and 12 Development Account projects totaling \$7.3 million were approved and active at the time of the ECA restructuring in March 2013. However, ECA could only provide two mission reports and a report on one workshop conducted in the field to support the NEPAD projects. Details on pre- and post-activities such as the requests from Member States,

proposals and approvals of activities/projects, persons who attended the workshop and individuals and governments consulted with, were not available for review. ECA also did not maintain adequate information on Development Account activities. For a climate change project for \$637,500 implemented in 2012, only its concept note published in the Development Account website was made available as evidence of the project activity although the project was completed and its completion report was issued. No other details on the project were available for the audit review.

24. After the ECA restructuring, NEPAD projects were reassigned to the newly formed Capacity Development Division. The Division prepared a Programme Implementation Plan and a programme of work for 2014 in the Integrated Management and Document Information System. It tracked and monitored activities through Output Implementation Reports for 2013 and 2014-2015. These reports indicated the results achieved, lessons learned, reviews and evaluations done. Activity reports were maintained of ad hoc group meetings, mission reports for meetings attended, reports on regional workshops, consultation with country authorities and technical assistance support provided.

25. Development Account projects were reassigned according to the new themes undertaken by divisions. In addition to the archiving exercise initiated by the Public Information and Knowledge Management Division, the Strategic Planning and Operational Quality Division tracked and monitored Development Account activities through progress reports to the Department of Economic and Social Affairs, ECA Performance Management dashboard and annual status of allotments.

26. Based on the information reviewed, OIOS concluded that ECA had taken action to improve documentation of NEPAD and Development Account activities.

#### ECA took action to monitor ongoing implementation of project activities

27. The ECA Project Manual requires ongoing projects to be monitored to ensure funds are used for the intended purpose and implementation is accomplished as planned. Additionally, ECA is expected to comply with implementation timelines specified in donor agreements and project documents.

28. Projects were not monitored by the divisions to ensure timely completion. Eleven of the 16 technical cooperation projects reviewed by OIOS required extensions, mainly as a result of the inability of ECA to implement the projects within the required project implementation period. Approval for project extensions ranging from six months to two years was obtained from the donors.

29. Two of the four Development Account projects reviewed required extension. One project had to be extended by six months, while another had to be extended by one year as deliverables and project evaluations were still outstanding at the planned completion dates of the projects. ECA explained that there were delays by the Department of Economic and Social Affairs to approve project proposals and disburse funds.

30. Additionally, there was no evidence of how divisional managers tracked the implementation of their technical cooperation project activities during the audit period to ensure timely delivery. This was attributed to programme officers no longer being assigned to assist in project administration, which contributed to delays in project activities. Project implementation timelines were also not realistic based on the resources available for managing projects. Inability to meet project implementation dates delayed the achievement of the desired assistance to Member States for technical cooperation.

31. ECA developed and implemented a self-monitoring tool, the Executive Performance Management Dashboard in 2015. ECA subprogrammes are required to submit subprogramme achievements and timelines through the dashboard on a quarterly basis, and the inputs are used to monitor

their activities. As ECA had developed and implemented tools that should enhance the monitoring of subprogramme activities, OIOS did not make a recommendation in this regard.

ECA needed to establish letters of agreement and a process for managing third party implemented projects

32. Project agreements with donors require ECA to implement projects in compliance with United Nations Regulations and Rules. They also require ECA to ensure that all project costs are adequately supported with the necessary documentation to ensure goods and services received are in accordance with the agreed terms of reference before making payments.

33. ECA administered one project that was implemented by a third party organization from 2012 to 2014 with a budget of \$915,000. The donor agreement executed between ECA and the donor indicated that ECA was receiving funds for a specific project involving the third party. However, ECA did not establish an agreement with the third party organization spelling out requirements for reimbursing funds spent by the third party, monitoring the project and receiving reports on its activities. ECA did not therefore implement the necessary controls over the project, but reimbursed costs the implementing partner incurred on the basis of payment requests without reviewing documentation to support these requests.

34. ECA explained that it viewed the project as a pass-through facility as the implementing partner was primarily responsible for the project. Additionally, the Secretariat as a whole did not have guidelines to govern management of implementing partners. ECA subsequently provided guidance to the implementing partner but needed overall procedures to engage and manage third party project managers.

**(3) ECA should develop and implement internal procedures for engaging and managing third party organizations that implement projects on its behalf.**

*ECA accepted recommendation 3 and stated that in the absence of a Secretariat-wide framework, ECA had drafted an internal guideline to ensure a consistent corporate approach to selecting, engaging and managing implementing partners. The guideline would also establish full accountability for project delivery, including judicious use of resources for the intended purposes and effective project delivery. Recommendation 3 remains open pending receipt of ECA guidelines on the selection, engagement and management of third party organizations that implement projects on its behalf.*

ECA introduced a process to strengthen the consultant selection process

35. According to the administrative instruction on consultants and individual contractors (ST/AI/2013/4), heads of departments and offices are responsible for instituting competitive selection procedures to engage consultants. Documented justification is to be provided for any exceptions.

36. OIOS reviewed the engagement of 25 consultants for 12 projects totaling \$907,000. The consultants were from different countries in Africa and selections were made by substantive divisions. ECA had not developed official rosters of consultants and individual contractors. For all 12 projects reviewed, each division identified three potential candidates for consultancy services and ascertained their availability by contacting the candidates directly by phone or by e-mail. This information however was not maintained on the project or consultants' files. There was no evidence of the announcement of the consultancies, responses received and the evaluation process undertaken to arrive at the three candidates shortlisted for selection. Exceptions from using a competitive basis for selection were not documented as required.



37. ECA did not have a comprehensive process to engage consultants including a platform to announce advertisements and a roster of consultants. Instead, project managers relied on their knowledge of technical experts in the required fields of expertise. An inadequate competitive process for selecting consultants could result in non-consideration of the best candidates available in the various areas of expertise.

38. OIOS noted that effective 1 June 2015, ECA instituted a more competitive and robust selection process, which included advertising in Inspira and maintaining a consultant roster. Therefore, OIOS did not make a recommendation in this regard.

ECA took action to assess specific audit requests from donors to be included in the donor agreement

39. United Nations Financial Regulations and Rules specified the internal and external audit requirements for the Organization.

40. OIOS review of 16 donor agreements indicated that three of them included clauses that stipulated audit arrangements that were not in line with the United Nations Financial Regulations and Rules. These included the requirement for separate audited financial statements to be prepared for a project, project records to be made available to the donor for spot checks and external audit could be requested by the donor if so desired.

41. ECA made commitments to donors that it might be unable to fulfill since the commitments were not in line with the United Nations Financial Regulations and Rules.

42. Although ECA had delegated authority to sign donor agreements, it had not obtained clearance from the Controller prior to signing agreements with special or unusual terms and conditions agreed with the donor. ECA engaged a legal advisor in October 2013 to review all donor agreements and to ascertain whether ECA could fulfill the agreed terms. ECA was also in the process of updating its donor agreements. Based on the actions taken by ECA, OIOS did not make a recommendation.

#### **IV. ACKNOWLEDGEMENT**

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

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of management of technical cooperation projects in the Economic Commission of Africa

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	ECA should develop a systematic mechanism to formulate technical cooperation projects and activities funded by its programme budget, budget of the New Partnership for Africa's Development and soft/unearmarked voluntary contributions.	Important	O	Submission of the revised Project Management Manual that includes a systematic mechanism to formulate technical cooperation projects and activities.	31 March 2017
2	ECA should: (i) develop and implement documentation standards for technical cooperation activities funded from its programme budget and extrabudgetary resources; and (ii) update project files with the relevant documents as per the documentation standards.	Important	O	Submission of the revised Project Management Manual containing the requirements for the documentation standard for technical cooperation projects and a copy of the memorandum to all divisions requiring them to comply with the Manual.	30 June 2017
3	ECA should develop and implement internal procedures for engaging and managing third party organizations that implement projects on its behalf.	Important	O	Submission of ECA guidelines on the selection, engagement and management of third party organizations that implement projects on its behalf.	30 September 2016

<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 ECA in response to recommendations.

# **APPENDIX I**

## **Management Response**



United Nations  
Economic Commission for Africa

INTEROFFICE MEMORANDUM — MEMORANDUM INTERIEUR

To: Ms. Muriette Lawrence-Hume, Chief  
New York Audit Service  
Internal Audit Division OIOS

Date: 9 June 2016  
Ref.: SPOQD/16/06/0142

From: Eskedar Nega, Chief  
Evaluation Section/SPOQD

Subject: **Subject: Draft report on an audit of the management of technical cooperation projects in Economic Commission for Africa (Assignment No. AN2015/710/01)**

Reference is made to OIOS interoffice memo (IAD: 16 - 00258) dated 23 May 2016 on the above subject.

ECA has accepted all three recommendations. Kindly find attached the management response including ECA comments and target date for implementing the recommendations.

Thank you.

- cc: - Ms. Giovannie Biha, Deputy Executive Secretary  
Knowledge Delivery (KD)
- Mr. Collen V. Kelapile, Chief of Staff  
Office of the Executive Secretary
  - Ms. Aida Opoku-Mensah, Officer-In-Charge  
Capacity Development Division (CDD)
  - Ms. Cynthia Avena-Castillo, Professional Practices Section  
Internal Audit Division, OIOS

## Management Response

## Audit of the management of technical cooperation projects in the Economic Commission of Africa

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ECA should develop a systematic mechanism to formulate technical cooperation projects and activities funded by its programme budget, budget of the New Partnership for Africa's Development and soft/unearmarked voluntary contributions.	Important	Yes	Ms. Donna Muwonge (PMO) PPBS	31 March 2017	The updated Project Management Manual (PMM) manual is currently being revised, along with guidance on project management it will spell out systematic procedure for formulation of technical cooperation projects.
2	ECA should: (i) develop and implement documentation standards for technical cooperation activities funded from its programme budget and extrabudgetary resources; and (ii) update project files with the relevant documents as per the documentation standards.	Important	Yes	Ms. Donna Muwonge (PMO) PPBS  Strategic Planning and Operational Quality Division (SPOQD)	31 March 2017  30 June 2017	The updated PMM will identify documentation standards for technical cooperation projects.  The Strategic Planning and Operational Quality Division (SPOQD) will issue an interoffice memorandum requesting divisions to ensure all future ECA projects adhere, produce and retain standard project documentation stressing strict compliance to the documentation standards that will be developed in the PMM.
3	ECA should develop and implement internal procedures for engaging and	Important	Yes	Mr. Marlon Lezama, Chief PRMS	30 September 2016	Whilst recognizing progress made in strengthening internal controls in the management of IPs and in the absence

<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 management of technical cooperation projects in the Economic Commission of Africa

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	managing third party organizations that implement projects on its behalf.					<p>of Secretariat-wide framework, SPOQD has prepared a draft internal guideline with a view to ensuring a consistent corporate approach to selecting and engaging implementing partners. The IP assessment will help ECA identify and mitigate financial, programmatic and reputational risks and, in turn establishing full accountability for project delivery, including judicious use of resources for intended purposes and effective project delivery.</p> <p>The draft guideline will be tabled for approval and internal circulation by August 2016. The document is to provide all programme managers clear guidelines covering engaging and managing third party organizations that implement projects on ECA behalf.</p> <p>This will also be complemented by the revised PMM, devising a harmonized regime and practices of programme management.</p>