



INTERNAL AUDIT DIVISION

REPORT 2017/085

Audit of technical cooperation projects in the Division on Investment and Enterprise at the United Nations Conference on Trade and Development

Controls over the management of technical cooperation projects need to be further strengthened

23 August 2017
Assignment No. AG2017/340/01

Audit of technical cooperation projects in the Division on Investment and Enterprise at the United Nations Conference on Trade and Development

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of technical cooperation projects in the Division on Investment and Enterprise (DIAE) at the United Nations Conference on Trade and Development (UNCTAD). The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring the effective management of technical cooperation projects at DIAE. The audit covered the period from 1 January 2014 to 31 December 2016 and included a review of: (i) strategic planning and governance; (ii) mainstreaming of Sustainable Development Goals (SDGs); (iii) project management; and (iv) regulatory framework.

The activities and outputs of DIAE projects reviewed were in accordance with the strategic priorities outlined in the biennial work programmes of UNCTAD. DIAE conducted strategic planning activities, applied the results-based management approach, and complied with donor reporting requirements. However, controls over the management of technical cooperation projects needed to be further strengthened.

OIOS made eight recommendations. To address issues identified in the audit, UNCTAD needed to:

- Develop guidelines on engaging with non-traditional donors, including the due diligence checks to be performed before accepting their contributions;
- Institute a mechanism to ensure the use of available National Voluntary Reviews of the country where projects are planned to be implemented;
- Strengthen the controls to ensure that the SDGs are streamlined in technical cooperation projects at the project design stage;
- Take appropriate steps to ensure that funding requirements are prepared for all technical cooperation requests based on the standard methodology and ensure that reasons are documented for not preparing funding requirements in specific instances;
- Revise the project document template to include risk assessment to ensure that appropriate mitigation measures are considered;
- Establish a mechanism to ensure that divisional directors comply with the requirement of internal reporting on the progress of individual projects to enhance oversight during the implementation of technical cooperation projects;
- Revise its memorandum of 15 February 2016 to ensure consistency with ST/AI/2013/3 on official travel; and
- Issue terms of reference for the grants committee with clear guidelines on the process for review and approval of grants.

UNCTAD accepted the recommendations and has undertaken to implement them.

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Audit of technical cooperation projects in the Division on Investment and Enterprise at the United Nations Conference on Trade and Development

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of audit of technical cooperation projects in the Division on Investment and Enterprise (DIAE) at the United Nations Conference on Trade and Development (UNCTAD).

2. UNCTAD is the lead agency and focal point on all work related to investment policy and enterprise within the United Nations system. Programmes implemented by UNCTAD aim to assist developing countries, especially least developed countries, and countries with economies in transition in integrating beneficially into the global economy in support of inclusive and sustainable growth and development. The objective of DIAE is to ensure inclusive growth and sustainable development through investment and enterprise development for the enhancement of productive capacity-building, industrialization and economic diversification, and job creation in all developing countries. It deals with issues related to investment and enterprise development for sustainable development by conducting research and policy analysis, fostering inter-governmental consensus-building, and providing technical assistance to over 150 countries. Its flagship product is the annual World Investment Report and its main global stakeholder event is the biannual World Investment Forum.

3. The core objectives of DIAE technical cooperation projects were to: (a) increase the understanding of various key issues and policies related to public and private investment, particularly the impact of foreign direct investment (FDI) on development; (b) enhance the ability of beneficiary countries to create an environment conducive to attracting and benefiting from investment for development, increasing their understanding of key and emerging issues related to international investment agreements and their development dimension, boosting their capacity to negotiate and implement investment treaties and facilitating the management of investor–State disputes; (c) strengthen the capacity of developing countries to create and manage the policy and institutional framework for attracting and retaining FDI and develop an operating climate that maximizes the contribution of FDI to development objectives; and (d) enhance the understanding and capacity in beneficiary countries to develop policies aimed at stimulating enterprise development. DIAE has four branches namely: (i) Investment Trends and Issues Branch; (ii) Investment Policies Branch; (iii) Investment Capacity Building Branch; and (d) Enterprise Branch.

4. At the time of the audit, DIAE managed 24 active technical cooperation projects funded from extrabudgetary resources. The duration of these projects ranged from 2 to 15 years. Expenditures on DIAE projects for 2014, 2015 and 2016 were \$5.4 million, \$4.7 million and \$5.4 million, respectively.

5. DIAE was headed by a Director at the D-2 level and employed 78 staff within the four branches. It was funded by Subprogramme 2 of the Trade and Development programme budget. The UNCTAD Technical Cooperation Service (TCS) provided policy guidance and sought to promote a coordinated approach to technical cooperation, including through review of project proposals, fundraising and liaison with beneficiaries, donors and other organizations involved in development and trade-related technical cooperation.

6. The Resource Management Service at UNCTAD was responsible for providing administrative and logistical support in the areas of budget, finance, human resources management, information technology support, general services and logistics.

7. Comments provided by UNCTAD are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring the effective management of technical cooperation projects at DIAE.
9. The audit was included in the 2017 OIOS risk-based work plan for UNCTAD due to the risks associated with implementing DIAE projects which could potentially affect the delivery of its mandate.
10. OIOS conducted the audit in May and June 2017. The audit covered for the period 1 January 2014 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of projects at DIAE, which included: (i) strategic planning and governance; (ii) mainstreaming of Sustainable Development Goals (SDGs); (iii) project management; and (iv) regulatory framework.
11. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) review of a stratified sample of 8 projects amounting to \$24 million out of 24 projects amounting to \$32 million. The audit also reviewed the activities performed by 30 consultants amounting to \$467,000 out of 315 engaged during 2014-2016 amounting to \$4 million.
12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Strategic planning and governance

The strategic planning process was adequate

13. One of the indicators of achievement in UNCTAD's strategic framework for the 2014-2015 biennium was increased number of developing countries benefiting from investment policy reviews, e-tools, and implementation of strategies and policies for attracting and benefiting from foreign investment for sustainable development. DIAE had clearly defined vision and mission statements and operational strategy to provide strategic direction to its work. DIAE regularly prepared a work plan at the divisional and sectional level, which linked outputs and available resources to its strategic framework in accordance with the results-based management (RBM) logical framework approach. DIAE also published an annual report highlighting progress and achievements in the investment and enterprise area.
14. UNCTAD's oversight and accountability mechanisms included reporting performance of its technical cooperation activities to its governing bodies, Member States and other stakeholders. Accordingly, DIAE provided inputs to: (a) annual reporting to the Working Party on the Strategic Framework and the Programme Budget and the Trade and Development Board; (b) annual UNCTAD organization-wide reporting, including in the context of the Commission on Investment, Enterprise and Development for which it has responsibility; and (c) the semi-annual United Nations Secretariat-wide reporting through the Integrated Monitoring and Document Information System (IMDIS). OIOS therefore concluded that the strategic planning process was adequate.

Need to develop guidelines for receiving contributions from non-traditional donors

15. UNCTAD technical cooperation activities were financed through a number of sources: the United Nations programme budget; bilateral funding including individual Governments, the European Commission and private and public sector donors; “One United Nations” funds and other multi-donor trust funds; and the United Nations Development Programme.

16. The overall contributions in recent years have covered only a part of the funding requirements of UNCTAD for technical cooperation requests. The number of requests for UNCTAD technical cooperation assistance amounted to 600 during the period 1 January 2013 to 31 December 2016, of which 236 were pending. The backlog in provision of technical assistance was primarily due to inadequate funding. The funding gap, defined as the sum of all costed requests for technical cooperation assistance received by UNCTAD since 1 January 2013, amounted to \$40.4 million in April 2016, up from \$32.5 million in September 2015. The actual gap would be higher because many of the requests had not yet been costed.

17. UNCTAD recognized the need for approaching non-traditional donors such as international and intergovernmental organizations, the private sector, regional development banks, non-governmental organizations and private foundations to bridge the funding gap. The report of the Panel of Eminent Persons on “Enhancing the development role and impact of UNCTAD” recommended diversifying the donor base. The contributions received by DIAE between 2014 and 2016 (including from non-traditional donors) are shown in Table 1.

Table 1: Contributions for DIAE projects from 2014 to 2016

	2014 (\$)	2015 (\$)	2016 (\$)
Total contributions	4,799,943	3,797,805	4,424,679
Contributions from non-traditional donors	40,416	26,076	51,576

18. Although the volume of funds received from non-traditional donors has so far been low, increased involvement of the private sector becomes essential especially in the context of SDG-related considerations. Therefore, UNCTAD needs to develop guidelines on collaborating with non-traditional donors, including the due diligence checks to be performed before such contributions are accepted, to mitigate the risks arising from engaging with external parties.

(1) UNCTAD should develop guidelines on engaging with non-traditional donors, including the due diligence checks to be performed before accepting their contributions.

UNCTAD accepted recommendation 1 and stated that in 2016, funding from non-traditional donors-private and public sectors was \$0.5 million, or 1.3 per cent of total technical cooperation funding to UNCTAD trust funds. This shows that UNCTAD is only at the early stage of engaging with the private sector and had not developed such guidelines due to the small volume of risk involved. At the same time, UNCTAD is seeking to broaden its donor base for its technical cooperation activities, and explore funds mobilization from non-traditional donors. In the future, funding from the private sector is expected to increase and so the recommendation for guidelines is timely. In implementing this recommendation, UNCTAD will be liaising with OIOS to seek guidance on the approach of other OIOS clients to similar recommendations as guidance. Recommendation 1 remains open pending receipt of the guidelines developed by UNCTAD on engaging with and accepting contributions from non-traditional donors.

B. Mainstreaming of SDGs

Action had been initiated to mainstream SDGs in the programme of work

19. General Assembly resolution 70/1 defined 17 SDGs and 169 targets encapsulating in each goal the three development dimensions: economic, social and environmental. United Nations entities are expected to mainstream SDGs in their own programme of work to effectively support Member States in implementing SDGs. Since SDGs are cross-cutting issues in UNCTAD's programme of work, effective inter-divisional coordination is required.

20. In January 2017, UNCTAD established an inter-divisional working group on the 2015-post development agenda and sustainable development objectives. The working group considered proposals on how SDGs could be integrated in UNCTAD's programme of work and support Member States in implementing them. Out of 17 SDGs, UNCTAD identified 7 goals and targets as primary targets. Programme/project managers were required to identify primary and secondary SDGs in their project proposals and explain what has to happen for their work to contribute towards the SDGs. UNCTAD developed a mobile app ("UNCTAD Toolbox") that will update offerings of technical cooperation in relation to the SDGs. The UNCTAD annual report was also updated to reflect its contribution to SDGs.

21. In this connection OIOS noted that in 2014, DIAE had proposed in its World Investment Report a global action plan for the SDGs and later prepared a document titled "A Compact to Deliver the SDGs" showing the relevance of its products in delivering the SDGs. These were good practices aimed at mainstreaming SDGs in its activities. An independent external evaluation of DIAE's work conducted in 2014 acknowledged the efforts by UNCTAD and DIAE in advocating private investment for the attainment of SDGs.

Need to use National Voluntary Reviews when formulating technical cooperation projects

22. General Assembly resolution 70/1 encouraged Member States to "conduct regular and inclusive reviews of progress at the national and sub-national levels which are country-led and country-driven". National Voluntary Reviews (NVRs) serve as the basis for the High-Level Political Forum (HLPF) to review progress on the implementation of SDGs. NVRs aim to facilitate a platform in which Member States can share their experiences, successes, challenges and lessons learned to accelerate the implementation of the 2030 Agenda. Many countries submitted their NVRs to HLPF through the Department of Economic and Social Affairs and these were available publicly online.

23. Project managers at UNCTAD were required to summarize key results and lessons learned from previous technical cooperation projects while preparing a new project document during the project design stage. However, there was no mechanism to ensure the use of available NVRs when formulating new projects in a country. NVRs could provide best practices and lessons learned to enhance the effectiveness and relevance of projects to the countries where they are implemented.

(2) UNCTAD should institute a mechanism to ensure the use of available National Voluntary Reviews of the country where projects are planned to be implemented.

UNCTAD accepted recommendation 2 and stated that it will highlight the requirements of NVRs in the project planning stage and inform the divisions on the availability of NVR information online. Recommendation 2 remains open pending receipt of evidence that a mechanism has been established to enable the use of NVRs in the project planning stage.

Project review procedures needed to be strengthened to mainstream SDGs at the project level

24. According to UNCTAD technical cooperation guidelines for project planning, programme/project managers have to identify primary and secondary SDGs in their project proposals and explain what has to happen for their work to contribute towards the SDGs. TCS was responsible for ensuring that project proposals are coherent with UNCTAD's overall mandate and technical cooperation strategy. The Project Review Committee (PRC) focused on examining and advising on the possibility and scope of inter-divisional collaboration under new project proposals.

25. The roles of TCS and PRC in mainstreaming of SDGs during the project review process were not clearly defined. UNCTAD introduced the minimum RBM requirements for technical cooperation projects on a pilot basis for one year starting from 1 July 2016 and also revised the RBM guidelines to mainstream SDGs. During the pilot phase, TCS was responsible for reviewing project documents against RBM requirements, which included mainstreaming of SDGs in project proposals. However, the role of TCS in mainstreaming of SDGs after the pilot phase was yet to be clarified.

26. UNCTAD revised the terms of reference (TOR) for PRC to identify the need to consider gender perspectives in project proposals. At the time of the audit, the revised TOR for PRC did not require the committee to review whether programme/project managers identified primary and secondary SDGs in project proposals. UNCTAD stated that the adoption of the revised TOR was postponed beyond 30 June 2017 (completion of the pilot phase) to ensure coherence between the revised TOR and the results of the pilot.

27. Since TCS and PRC play important roles in the project review process, there is a need to strengthen the controls by formalizing the primary role of TCS in mainstreaming SDGs in project proposals and incorporating the requirement for PRC to review mainstreaming of SDGs in the project proposals.

(3) UNCTAD should strengthen the controls to ensure that the Sustainable Development Goals are streamlined in technical cooperation projects at the project design stage.

UNCTAD accepted recommendation 3 and stated that it will implement the recommendation by 30 June 2018. Recommendation 3 remains open pending receipt of evidence that controls have been strengthened to ensure that SDGs are streamlined in technical cooperation projects.

C. Project management

Need to document reasons for not preparing funding requirements for technical assistance requests

28. The technical cooperation requests from countries were addressed to the UNCTAD Secretary-General, and forwarded to the concerned divisions. The concerned division was required to assess the feasibility of the request, prepare funding requirements for each request, and identify suitable donors to execute the request. These details were provided to TCS for entry into the database for technical assistance. To ensure the integrity of information in the database, divisions need to provide complete and accurate information to TCS.

29. OIOS review of the database for technical assistance showed that there were 68 requests relating to DIAE during the period 2014-2016 out of which funding requirements for 34 requests were not available in the database. DIAE explained that whenever feasible, it supported a regional approach which allows for cost-effectiveness and synergies. DIAE stated that some requests were not achievable as such and require further discussions with the concerned counterparts, which was why the funding requirements had not been

prepared immediately. While acknowledging these explanations for not preparing funding requirements for 34 requests, OIOS is of the view that DIAE could improve transparency by documenting the specific reasons for not preparing funding requirements in each case.

(4) UNCTAD should: (i) take appropriate steps to ensure that funding requirements are prepared for all technical cooperation requests based on the standard methodology; and (ii) ensure that reasons are documented for not preparing funding requirements in specific instances.

UNCTAD accepted recommendation 4 and stated that it will implement the recommendation by mid-2018. Recommendation 4 remains open pending receipt of evidence that reasons for not preparing funding requirements for technical cooperation requests are documented.

Project documents need to include risk assessment

30. The processes for formulating new projects were outlined in the UNCTAD Deputy Secretary-General's memoranda of 2011 and 2014 as well as the evaluation policy of 2011. These require project documents for new projects to go through the following clearance process: (a) substantive review and clearance by TCS, division directors and the branch of origin; (b) administrative clearance by the Budget and Project Finance and Legal Service Sections; (c) assessment by the Evaluation Unit to ensure that issues of evaluability have been incorporated; and (d) review and approval by PRC. Further, the financial and administrative guidelines require the underlying donor agreements to be signed only by staff with the requisite delegated authority.

31. OIOS review of 8 out of 24 active projects in DIAE showed that these clearance procedures were complied with. However, the project documents did not include risk assessment in sufficient level of detail. They only identified generic risks but did not indicate the likelihood, impact and related mitigating measures. OIOS is of the view that the project document template needs to be enhanced to include a project risk assessment as well as risk-mitigating measures.

(5) The UNCTAD Technical Cooperation Section should, in consultation with substantive divisions, revise the project document template to include risk assessment to ensure that appropriate mitigation measures are considered.

UNCTAD accepted recommendation 5 and stated that it will implement the recommendation by mid-2018. Recommendation 5 remains open pending receipt of the revised project document template with a provision for risk assessment.

Management oversight needed to be strengthened

32. The funding agreements with donors required UNCTAD to provide management, administrative and technical resources to implement the technical cooperation projects effectively.

33. The duration of 24 active projects in DIAE ranged from 2 to 15 years. Based on a review of eight active and six closed projects, OIOS noted that controls over project planning were generally adequate. Similarly, controls over closing of projects were adequate and unspent project balances were processed in accordance with donor agreements in a timely manner. However, there was no evidence of periodic review and reporting on individual projects to senior management except divisional reviews by the director and the annual consolidated reporting to the Working Party on technical cooperation activities.

34. In July 2016, the UNCTAD Deputy Secretary-General directed the project managers to report on activity implementation rates for individual projects on a quarterly basis starting from 15 January 2017. TCS was required to consolidate the inputs from project managers/divisions and submit a report on performance of individual projects for review by senior management. Although DIAE generally complied with the directive, the overall response from divisions was inadequate. Consequently, TCS could not provide a consolidated report to senior management.

(6) UNCTAD should establish a mechanism to ensure that divisional directors comply with the requirement of internal reporting on the progress of individual projects to enhance oversight during the implementation of technical cooperation projects.

UNCTAD accepted recommendation 6 and stated that the recommendation will be implemented by 31 December 2018. Recommendation 6 remains open pending receipt of evidence showing compliance by divisional directors with the requirement of internal reporting on the progress of individual projects.

DIAE applied RBM practices across projects

35. UNCTAD guidelines require 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 for successful project implementation. An independent external evaluation acknowledged that DIAE had established internal procedures to ensure the application of the RBM approach with appropriate allocation of resources. OIOS review of selected projects showed that DIAE applied the logical framework approach in the implementation of projects.

DIAE complied with donor reporting requirements

36. Reporting requirements were stipulated in donor agreements. OIOS review of selected projects showed that DIAE had a system to monitor compliance with donor reporting requirements. Financial reports were produced on a monthly basis to monitor project income and expenditures. DIAE made sure that reports were submitted to donors in a timely manner. OIOS therefore concluded that controls over the donor reporting process were adequate.

D. Regulatory framework

Need to align travel arrangements with the administrative instruction on official travel

37. According to the administrative instruction ST/AI/2013/3 on official travel, programme managers are required to provide justification for official travel arrangements that could not be finalized 16 calendar days in advance of the commencement of travel.

38. During the review period, there were 212 travel requests out of 270 (78 per cent of total travel expenses) that did not comply with the 16-day rule. OIOS review of a sample of 32 travel transactions which had not met the 16-day requirement showed that there was no documented justification for 10 travel requests. There was no approval of justification for 17 cases and in 5 cases, justification was approved at the level of Section Chief and Chief of Branch.

39. UNCTAD stated that after the introduction of Umoja, the Chief, Resource Management Service issued a memorandum on 15 February 2016 notifying a revised, simplified procedure whereby it was up to

the traveler (rather than the programme manager) to provide the justification for non-compliance with 16-day rule in Umoja. OIOS noted that in the absence of review and approval of the justification provided by the traveler, there was no assurance that the justification for non-compliance with the 16-day rule was appropriate. Moreover, the UNCTAD memorandum of 15 February 2016 was inconsistent with the provisions of ST/AI/2013/3 regarding approval of justification for non-compliance with 16-day rule.

(7) UNCTAD should revise its memorandum of 15 February 2016 to ensure consistency with ST/AI/2013/3 on official travel.

UNCTAD accepted recommendation 7 and stated that the original memorandum of February 2016 sought to streamline the procedures for justification on non-compliance with the air travel policy. In retrospect, it is clear that the provisions of the mentioned memorandum did not take due account of a number of cases. The UNCTAD Secretariat will therefore issue revised procedures for compliance with the advance travel booking policy. Recommendation 7 remains open pending receipt of revised procedures that are consistent with ST/AI/2013/3 on official travel.

TOR for the grants committee needed to be developed

40. During the review period, DIAE issued six grants to five grantees amounting to \$84,882. Only three of these were reviewed by the grants committee; for the remaining three grants amounting to \$24,012 there was no evidence that they were reviewed by the grants committee which was established to review all cases involving grants and make recommendations to the Head of Department. There were no TOR with clear guidelines on review and processing of grants. The lack of clear TOR may have caused the non-submission of grant proposals to the committee for review.

(8) UNCTAD should issue terms of reference for the grants committee with clear guidelines on the process for review and approval of grants.

UNCTAD accepted recommendation 8 and stated that the recommendation will be implemented by 30 June 2018. Recommendation 8 remains open pending receipt of the TOR for the grants committee.

IV. ACKNOWLEDGEMENT

41. 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.

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

STATUS OF AUDIT RECOMMENDATIONS

**Audit of technical cooperation projects in the Division on Investment and Enterprise at the
United Nations Conference on Trade and Development**

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNCTAD should develop guidelines on engaging with non-traditional donors, including the due diligence checks to be performed before accepting their contributions.	Important	O	Receipt of the guidelines developed by UNCTAD on engaging with and accepting contributions from non-traditional donors.	31 December 2018
2	UNCTAD should institute a mechanism to ensure the use of available National Voluntary Reviews of the country where projects are planned to be implemented.	Important	O	Receipt of evidence that a mechanism has been established to enable the use of NVRs in the project planning stage.	30 June 2018
3	UNCTAD should strengthen the controls to ensure that the Sustainable Development Goals are streamlined in technical cooperation projects at the project design stage.	Important	O	Receipt of evidence that controls have been strengthened to ensure that SDGs are streamlined in technical cooperation projects.	30 June 2018
4	UNCTAD should: (i) take appropriate steps to ensure that funding requirements are prepared for all technical cooperation requests based on the standard methodology; and (ii) ensure that reasons are documented for not preparing funding requirements in specific instances.	Important	O	Receipt of evidence that reasons for not preparing funding requirements for technical cooperation requests are documented.	30 June 2018
5	The UNCTAD Technical Cooperation Section should, in consultation with substantive divisions, revise the project document template to include risk assessment to ensure that appropriate mitigation measures are considered.	Important	O	Receipt of the revised project document template with a provision for risk assessment.	30 June 2018
6	UNCTAD should establish a mechanism to ensure that divisional directors comply with the	Important	O	Receipt of evidence showing compliance by divisional directors with the requirement of	31 December 2018

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by UNCTAD in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of technical cooperation projects in the Division on Investment and Enterprise at the
United Nations Conference on Trade and Development**

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	requirement of internal reporting on the progress of individual projects to enhance oversight during the implementation of technical cooperation projects.			internal reporting on the progress of individual projects.	
7	UNCTAD should revise its memorandum of 15 February 2016 to ensure consistency with ST/AI/2013/3 on official travel.	Important	O	Receipt of revised procedures that are consistent with ST/AI/2013/3 on official travel.	30 September 2017
8	UNCTAD should issue terms of reference for the grants committee with clear guidelines on the process for review and approval of grants.	Important	O	Receipt of the TOR for the grants committee.	30 June 2018

APPENDIX I

Management Response



CABINET DU SECRÉTAIRE GÉNÉRAL
DE LA CNUCED

SECRETARY-GENERAL'S
OFFICE

MEMORANDUM

18 August 2017

TO: Mr. Gurpur Kumar, Deputy Director
Internal Audit Division, OIOS

FROM: Isabelle Durant, Deputy Secretary-General
UNCTAD

A handwritten signature in black ink, appearing to be 'Isabelle Durant', written over a light blue horizontal line.

SUBJECT: Draft report on an audit of technical cooperation projects in the Division on
Investment and Enterprises at UNCTAD (Assignment No. AG2017/340/01)

I refer to your memorandum addressed to the Secretary-General of the UNCTAD on the above-mentioned subject, dated 7 August 2017. I would like to begin by expressing our sincere appreciation for the work of the audit team. The outcomes of this audit provide a solid basis upon which to improve further in delivering our work programme. Indeed, we believe an effective organization must reflect a culture of continuous improvement.

We are satisfied to see that most of comments and suggestions to the recently submitted detailed audit results were incorporated into the draft audit report.

We place great importance in ensuring a balanced representation of facts. As OIOS reports are publicly available, key stakeholders such as Member States, current and prospective UNCTAD donors, and other UN agencies and partners, rely on them to form an opinion on the work of UNCTAD. It is in that spirit and after a careful review of the draft audit report that I would like to suggest the following changes to the audit report:

1. The Executive summary in its second paragraph, last sentence, could read as follows:

“However, controls over the management of technical cooperation projects ~~in DIAE~~ could needed to be further strengthened”.

This revision would better reflect the findings and conclusions of the report and would be better aligned with the relevant recommendations.

2. The Executive summary in its second paragraph, second sentence, could read as follows:

“DIAE adequately conducted strategic planning activities, applied the result-based management approach, mainstreamed SDGs in its activities, and adequately complied with donor reporting”.

This revision would fully reflect the findings of the report, wherein “adequately” refers to the conduct of strategic planning activities, the application of RBM and also the reporting requirements in DIAE. It would also better reflect the opinion about mainstreaming of SDGs that was stated in paragraph 24 of the detailed audit results.

3. We would also like to reiterate the suggestion made in the previous set of comments on the text of paragraph C (Project management), page 7, whereby the word “generally” could be removed from the sentence “*DIAE generally applied RBM practices across projects*”.

The deletion of this word would better reflect the findings of the report whilst diffusing the ambiguity of interpreting it as being indicative of exceptions. It should be noted that the report does not mention or provide evidence to the effect that RBM practices had not been systematically applied by the Division. To the contrary, the conclusion of the paragraph reads “*OIOS review of selected projects showed that DIAE applied the logical framework approach in the implementation of projects*”.

In addition, the duly completed Appendix I is enclosed herewith.

Thank you for your attention. I look forward to the continued cooperation of UNCTAD and OIOS.

cc: Mr. J. Zhan
Mr. A.T. Issa
Mr. D. Owoko
Mr. R. Javaloyes
Mr. Z. Myint

Management Response

**Audit of technical cooperation projects in the Division on Investment and Enterprise at the
United Nations Conference on Trade and Development**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNCTAD should develop guidelines on engaging with non-traditional donors, including the due diligence checks to be performed before accepting their contributions.	Important	Yes	Chief, Technical Cooperation Section	31 December 2018	UNCTAD comments are included in the report.
2	UNCTAD should institute a mechanism to ensure the use of available National Voluntary Reviews of the country where projects are planned to be implemented.	Important	Yes	Chief, Technical Cooperation Section	30 June 2018	UNCTAD comments are included in the report.
3	UNCTAD should strengthen the controls to ensure that the Sustainable Development Goals are streamlined in technical cooperation projects at the project design stage.	Important	Yes	Chief, Technical Cooperation Section	30 June 2018	UNCTAD comments are included in the report.
4	UNCTAD should: (i) take appropriate steps to ensure that funding requirements are prepared for all technical cooperation requests based on the standard methodology; and (ii) ensure that reasons are documented for not preparing funding requirements in specific instances.	Important	Yes	Chief, Technical Cooperation Section	30 June 2018	UNCTAD comments are included in the report.
5	The UNCTAD Technical Cooperation Section should, in consultation with substantive divisions, revise the project document template to include risk assessment to ensure that appropriate mitigation measures are considered.	Important	Yes	Chief, Technical Cooperation Section	30 June 2018	UNCTAD comments are included in the report.

¹ 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.

² 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

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United Nations Conference on Trade and Development**

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6	UNCTAD should establish a mechanism to ensure that divisional directors comply with the requirement of internal reporting on the progress of individual projects to enhance oversight during the implementation of technical cooperation projects.	Important	Yes	Chief, Technical Cooperation Section	31 December 2018	UNCTAD comments are included in the report.
7	UNCTAD should revise its memorandum of 15 February 2016 to ensure consistency with ST/AI/2013/3 on official travel.	Important	Yes	Chief, Resources Management Service	30 September 2017	UNCTAD comments are included in the report.
8	UNCTAD should issue terms of reference for the grants committee with clear guidelines on the process for review and approval of grants.	Important	Yes	Chief, Technical Cooperation Section	30 June 2018	UNCTAD comments are included in the report.