



## **INTERNAL AUDIT DIVISION**

# **REPORT 2014/004**

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### **Audit of the management of capacity development activities in the Department of Economic and Social Affairs**

**Overall results relating to efficient and effective management of capacity development activities were initially assessed as satisfactory**

**FINAL OVERALL RATING: SATISFACTORY**

**14 February 2014**

**Assignment No. AN2012/540/01**

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# AUDIT REPORT

## Audit of the management of capacity development activities in the Department of Economic and Social Affairs

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of capacity development activities in the Department of Economic and Social Affairs (DESA).
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. DESA provides advice and support to the Secretary-General in the discharge of his global responsibilities relating to economic and social issues. Capacity development activities are the main channels through which DESA translates its normative and analytic work into operational activities to assist developing countries in meeting the challenges of the internationally-agreed goals (IADGs), including the Millennium Development Goals (MDGs) and outcomes of intergovernmental conferences. These activities include advisory services to Governments, upon their request, on the ways and means of translating policy frameworks developed in United Nations conferences and summits into strategies and programmes at the country level and, in this regard, helping build national capacities to develop and implement national policies and programmes. DESA also delivers its capacity development activities through technical cooperation projects at the country level and inter-country level in priority areas of the United Nations Development Agenda.
4. DESA's organizational structure comprises nine substantive divisions which are responsible for delivering DESA's mandated programme of work under nine subprogrammes, including its capacity development activities. The Capacity Development Office (CDO), within DESA's Office of the Under-Secretary-General, provides strategic guidance and programme support to the substantive divisions in managing their various capacity development activities. The approximate level of regular budget and extrabudgetary funding available for DESA to deliver its capacity development activities in the biennium 2012-2013 amounted to \$68.8 million, including \$25.7 million from the regular budget resources and extrabudgetary resources of \$43.1 million. These figures exclude programmes which are managed by DESA on behalf of the United Nations Secretariat, including the Associate Expert Programme and the Cambodia Court.

### II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of DESA's governance, risk management and control processes in providing reasonable assurance regarding **efficient and effective management of DESA capacity development activities**.
6. The audit was included in the 2012 OIOS risk-based workplan due to operational and financial risks associated with managing capacity development activities which span across the globe and are mostly funded from extrabudgetary resources.
7. The key controls tested for the audit were: (a) risk management and strategic planning; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Risk management and strategic planning** - controls that provide reasonable assurance that: (i) there is clarity regarding the authority, roles, and responsibilities of DESA in the management of capacity development activities; (ii) strategic planning and risk management mechanisms, management tools, and practices are in place to effectively manage capacity development activities; and (iii) the fundraising capability for capacity development activities exists to support their continued financial sustainability; and

(b) **Regulatory framework** - controls that provide reasonable assurance that (i) policies and procedures exist to guide the operations of the capacity development activities; and (ii) proper delegated authority is obtained in order to execute financial management of related technical cooperation trust funds and management of human resources at the technical cooperation project level.

8. The key controls were assessed for the control objectives shown in Table 1.

9. OIOS conducted this audit from October 2012 to July 2013. The audit covered the period from January 2011 to February 2013. The audit covered controls over DESA’s management of capacity development activities in the areas of programme planning, budgeting, monitoring, evaluation, and fundraising, and included DESA delegations of authority for financial and human resources management of technical cooperation projects.

10. 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. Audit procedures also included divisional surveys and a review of supporting documentary evidence.

### III. AUDIT RESULTS

11. In OIOS’ opinion, the DESA governance, risk management and control processes examined were **satisfactory** in providing reasonable assurance regarding **efficient and effective management of DESA capacity development activities**.

12. The overall rating is based on the assessment of key controls presented in Table 1 below.

**Table 1: 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 |
| Efficient and effective management of capacity development activities | (a) Risk management and strategic planning | Satisfactory                       | Satisfactory                                 | Satisfactory           | Satisfactory                                    |
|   | (b) Regulatory framework                   | Satisfactory                       | Satisfactory                                 | Satisfactory           | Satisfactory                                    |
| <b>FINAL OVERALL RATING: SATISFACTORY</b>                             |  |                                    |  |                        |   |

13. Controls relating to risk management and strategic planning were satisfactory to support effective and efficient capacity development programme planning, budgeting, monitoring, and evaluation of individual activities, as well as reporting on and fundraising of extrabudgetary resources. DESA's controls included a capacity development strategy and a two-year implementation plan to achieve specific aims identified in the capacity development strategy. In addition, DESA put in place an integrated workplan and budgeting framework in 2013 to incorporate detailed planning of its diverse capacity development activities among substantive divisions, utilizing all available funding.

14. Controls relating to the regulatory framework were satisfactory. The necessary delegated authorities for financial management of technical cooperation trust funds and for human resources management were appropriately obtained in accordance with the relevant United Nations regulations and rules. Controls in place, including various management tools and systems, as well as written guidelines, were adequate to guide the management of the capacity development activities.

### **A. Risk management and strategic planning**

#### Programme planning, budgeting and monitoring controls were adequate

15. OIOS reviewed DESA's management processes and tools in place to manage its capacity development activities. CDO, in consultation with the substantive divisions, developed a capacity development strategy to focus on five strategic priority development areas. The strategy aimed at enhancing DESA's contributions to national capacity development, drawing on DESA's comparative advantages and expertise developed over many years. To implement the strategy, a two-year implementation plan, identifying specific activities to achieve the strategy's aims was also developed. Together, the strategy and its implementation plan laid out the guiding framework and principles, including the areas of DESA's priority and expertise, resources, and services to be implemented. CDO also conducted a staff needs assessment to survey and inventory the internal capacities of its workforce to implement its capacity development strategy, with a view to identifying gaps requiring additional training and development. In 2013, CDO introduced an integrated workplan and budget to incorporate the substantive divisions' capacity development activities, utilizing available funding provided from the Development Account, the Regular Programme of Technical Cooperation (RPTC) funds, and extrabudgetary resources. In addition, CDO introduced guidelines and tools for coordinating the work of the divisions, which required the substantive divisions to prepare their workplans with expected accomplishments and their interrelationships to achieving the objectives of the related subprogrammes. OIOS concluded that programme planning, budgeting and monitoring controls over capacity development activities were adequate.

#### Evaluation processes for individual capacity development activities were adequate

16. In 2012, DESA issued a departmental evaluation policy, the DESA Evaluation Policy, which provided the institutional framework for the conduct of evaluation of its capacity development activities, and established a common understanding and approach to the internal evaluation function. In addition, CDO drafted guidelines related to the planning and management of project-level evaluations. The guidelines provided the context for planning project-level evaluations, as well as the policies and procedures and roles and responsibilities of the relevant units and focal points within the Department in the conduct of project evaluations.

17. OIOS reviewed the evaluation policy and related guidelines outlining evaluation procedures, and concluded that controls over evaluative processes of individual capacity development activities were adequate. The policy was comprehensive to gather feedback regarding effectiveness of the outcomes and

results of the completed projects or activities on an individual basis. DESA had already identified programme-level evaluations as an opportunity for improvement whereby individual project evaluations could be aggregated and fed into the development of successor programmes and projects.

#### Controls supporting fundraising capability were adequate

18. OIOS noted that extrabudgetary resources reported for the capacity development activities for the period from 1 January 2012 to 31 December 2013 totaled \$43.1 million, which had been raised by seven of the nine substantive divisions. Of the seven substantive divisions reporting extrabudgetary resources, only three had strong fundraising results, which accounted for 85.2 per cent of that total. One of the leading fundraising substantive divisions, the Division on Sustainable Development, accounted for 49.3 per cent of total divisional fundraising.

19. The substantive divisions and the CDO confirmed that fundraising as a whole had been identified as a strategic area that needed improvement. Additionally, DESA had identified several underlying reasons for the varied fundraising results among substantive divisions. Some substantive divisions did not conduct fundraising of extrabudgetary resources, either because (i) they had no programmed capacity development activities; (ii) their fundraising capacity was not as effective as the other substantive divisions; or (iii) they mainly relied on regular funding from RPTC and the United Nations Development Account resources to support their capacity development activities.

20. CDO, in consultation with the substantive divisions, developed a strategic approach to secure donor support for its capacity development activities and proactively improve its fundraising efforts Department-wide. The strategy called for each substantive division to develop capacity development activities based on quality and results, and to leverage these results as a basis to attract and solicit donor support. As part of the strategy, those substantive divisions that did not have significant capacity development activities were able to access available funding from the Development Account and RPTC as seed funding to initiate capacity development activities with the strategic aim of producing tangible results that could be promoted and shared with donors to attract support. In addition, CDO had taken some initial steps to address fundraising challenges by profiling donors and maintaining their profiles on the shared-drive compendium to enable the substantive divisions to explore existing sources of extrabudgetary funding. OIOS concluded that controls supporting fundraising capability were adequate.

## **B. Regulatory framework**

#### Delegated authority was appropriate for financial management of technical cooperation trust funds

21. As of 31 December 2012, DESA had the necessary delegated authority for financial management of its technical cooperation trust funds supporting its capacity development activities. OIOS examined a sample of projects and verified that DESA complied with the relevant administrative instructions. Specifically, detailed budgets (cost plans) were proposed by the substantive divisions under the Development Account and approved by CDO prior to requesting allotments by the Office of Programme Planning, Budget and Accounts. Acceptance of voluntary contributions was controlled by donor agreements, and donor reporting complied with the donors' terms of reference. DESA exercised financial control over project expenditures through close monitoring of allotments and expenditures. Financial reporting from the project-level to DESA was timely and consistent, and approved by the responsible programme manager in the substantive divisions and CDO. A review of closed projects showed that DESA had also exercised satisfactory controls over financial closing procedures, including refunds of unspent balances to donors, as applicable, and re-programming of unspent balances in accordance with the donor's agreement. Disposal of inventories of closed projects to the beneficiary governments at the

end of the winding-down process also complied with established procedures. OIOS concluded that the delegated authority for financial management of technical cooperation trust funds was exercised appropriately and in accordance with the relevant regulations and rules.

Delegated authority was appropriate for human resources management

22. OIOS reviewed the various human resources delegations of authority issued to DESA by the Assistant Secretary-General for Human Resources Management and concluded that DESA had the necessary delegated authority to manage and administer technical cooperation project personnel. DESA also had proper delegated authority issued to administer personnel serving under the staff classifications of Field Service personnel and National Officers. OIOS assessed these delegations of authority exercised by DESA as adequate for management of capacity development activities.

Controls were adequate to guide the administrative management of projects

23. OIOS reviewed the inventory of management tools and systems DESA had put in place to manage its capacity development activities. Management tools included the mandatory United Nations Strategic Framework, which encompassed capacity development activities implemented under the nine subprogrammes, and the United Nations proposed programme budget for these activities, as well as the capacity development strategy, the implementation plan, the integrated workplan and budget framework, project documents, cost plans, memoranda of understanding and donor agreements, and, *inter alia*, various management reports, and written guidelines to provide guidance to the substantive divisions and CDO in managing the Department's capacity development activities. OIOS concluded that the controls in place were adequate to guide the administrative management of the capacity development activities.

#### **IV. ACKNOWLEDGEMENT**

24. OIOS wishes to express its appreciation to the Management and staff of the Department of Economic and Social Affairs for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

# **APPENDIX I**

## **Management Response**



United Nations  Nations Unies

INTEROFFICE MEMORANDUM

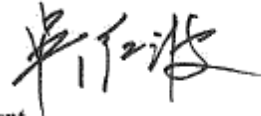
MEMORANDUM INTERIEUR

TO: Ms. Carmen Vierula, Chief, New York Audit Service  
A: Internal Audit Division, OIOS

DATE: 24 January 2014

REFERENCE: DESA-14/00063

FROM: Wu Hongbo, Under-Secretary-General  
DE: Department of Economic and Social Affairs



SUBJECT: **Draft report on the audit of the management of capacity development activities in the Department of Economic and Social Affairs (Assignment No. AN2012/540/01)**

1. Reference is made to your memorandum dated 6 December 2013 forwarding the above-mentioned draft audit report.
2. I would like to express appreciation for OIOS's positive report, and for the recognition which has been given to the ongoing efforts of DESA's Capacity Development Office to manage the Department's Capacity Development Programme. As you know, DESA's capacity development activities represent the third pillar of DESA's work, along with its normative and analytical activities, and the results of these activities feed directly back into DESA's normative processes and analytical products. In this manner, our normative and analytic work is based on field level realities, thereby enriching our processes.
3. There are only minor factual corrections which should be incorporated into the final report, as reflected in the attached Annex.
4. I would like to take this opportunity to thank OIOS for its continued support of DESA's programmes, and the efforts taken to conduct audit in achieving participation and constructive manner.

cc: Mr. Ivan Koulov  
Ms. Marie Oveissi

Annex: Proposed Changes to the Audit report on the management of capacity development activities in DESA.

Paragraph 4 - As the dollar value of DESA's extrabudgetary portfolio in the proposed programme budget includes Secretariat programmes which are administered by DESA, we would suggest to add at the end of this paragraph the following sentence: "These figures exclude programmes which are managed by DESA on behalf of the UN Secretariat, including the Associate Expert Programme, and the Cambodia Court."

Paragraph 20 - The third sentence should read as follows: "Specifically, detailed budgets (cost plans) were proposed by the substantive divisions under the Development Account and approved by CDO prior to requesting allotments by the Office of Programme, Planning, Budget and Accounts."