OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2016/020

Audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean

Overall results relating to the effective management of selected subprogrammes and their related technical cooperation projects were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

22 March 2016
Assignment No. AN2015/730/01

CONTENTS

AUDIT REPORT

Audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean (ECLAC).

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.   ECLAC was established as one of the United Nations' five regional commissions in 1948. The ECLAC mandate derived from the United Nations Economic and Social Council resolution 106 (VI) and required ECLAC to promote economic, social, and environmental sustainable development in Latin America and the Caribbean through international cooperation. ECLAC is headquartered in Santiago, Chile, with two subregional offices in Mexico and Trinidad and Tobago and five national offices located in South America and the United States. The ECLAC work programme comprises 14 subprogrammes: 11 thematic subprogrammes and 3 subprogrammes focused on subregional activities and regional integration. The audit covered the following four subprogrammes:

> (a)   Statistics (subprogramme 11): The objective of the subprogramme is to improve the production, dissemination, and use of quality and timely Member States' statistics for evidenced-based decision-making in the economic, social, and environmental fields in the region. Responsibility for this subprogramme's activities is vested with the Statistics Division;

> (b)   Subregional activities in Central America, Cuba, the Dominican Republic, Haiti, and Mexico (subprogramme 12): The objective of the subprogramme is to achieve dynamic growth and sustainable, inclusive, and equitable development within a robust institutional framework and to fulfil internationally agreed development goals, including those set forth in the Millennium Declaration. The subprogramme operated from the subregional office headquarters in Mexico;

> (c)   Subregional activities in the Caribbean (subprogramme 13): The objective of the subprogramme is to strengthen the development process in the economic, social, and environmental fields in the Caribbean and enhance the cooperation of the subregion with Latin America. The subprogramme operated from the subregional office in Trinidad & Tobago; and

> (d)   Support to regional and subregional integration and cooperation processes and organizations (subprogramme 14): The objective of the subprogramme is to strengthen regional and subregional integration processes, their convergence, and the participation of Latin America and the Caribbean in interregional and global political dialogues. Responsibility for carrying out the activities of the subprogramme is vested with the Office of the Executive Secretary.

4.   A total of $27.7 million, including resources for 114 posts, was allocated to the four selected subprogrammes under the 2014-2015 programme budget for ECLAC. The subprogrammes' approved

budget was funded from both regular budget and extrabudgetary resources and represented 18.4 per cent of the total resources of $150.9 million allocated to ECLAC for the biennium.

5.   As of 30 June 2015, the subprogrammes were implementing six technical cooperation projects that were started in biennium 2014-2015 and 27 ongoing projects from previous biennia.

6.   Comments provided by ECLAC are incorporated in *italics*.

II.   OBJECTIVE AND SCOPE

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

8.   This audit was included in the OIOS work plan for 2015 due to the risk that the four subprogrammes may face challenges in meeting the diverse needs of Member States and adequately implement technical cooperation projects.

9.   The key controls tested for the audit were: (a) subprogramme management; and (b) management of technical cooperation projects. For the purpose of this audit, OIOS defined these key controls as follows:

      (a)   **Subprogramme management** - controls that provide reasonable assurance that systems exist for effective and efficient implementation of mandated objectives based on clearly articulated strategies and guidelines for planning, executing and reporting on subprogramme activities.

      (b)   **Management of technical cooperation projects** - controls that provide reasonable assurance that adequate policies, procedures, and systems exist to manage activities related to technical cooperation projects, including: project planning, resource mobilization, monitoring, evaluation, reporting on project results, and financial management.

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

11.   OIOS conducted this audit from 1 May to 31 August 2015. The audit covered the period from 1 January 2014 to 31 August 2015. The audit included visits to ECLAC Headquarters in Santiago, Chile and the subregional office in Mexico City, Mexico, and teleconferences with the subregional office in Trinidad & Tobago. The audit reviewed and assessed adequacy of policies, procedures, protocols, practices, tools, and systems in managing the selected subprogrammes and their related technical cooperation projects. The audit also conducted surveys of key ECLAC officials, performed a walkthrough of the ECLAC information technology system supporting project management, and reviewed a sample of technical cooperation projects.

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 ECLAC governance, risk management and control processes examined were initially assessed as **partially satisfactory[1]** in providing reasonable assurance regarding the **effective management of selected subprogrammes and their related technical cooperation projects**. OIOS made one recommendation to address issues identified in the audit. ECLAC implemented adequate controls to provide governance, oversight, and overall direction and management of the selected subprogrammes and to ensure accountability for their performance results. Risk assessment processes complied with Organizational policies. The integrated management, coordination, and information-sharing processes were adequate for planning, budgeting, monitoring, and evaluating the subprogrammes. ECLAC was organizing training on updating the Integrated Monitoring and Document Information System (IMDIS) with quantitative and qualitative data on the subprogrammes' outputs. However additional standard operating procedures were needed to adequately guide internal methodological processes that validated Member States' compliance with relevant international statistical standards.

14.   Technical cooperation projects were managed in compliance with the governing administrative instruction, and controls to monitor project management information were adequate. The corporate resource mobilization strategy was effective to obtain extrabudgetary funding for selected subprogrammes' projects.

15.   The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of one important recommendation remains in progress.

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**
Effective management of selected subprogrammes and their related technical cooperation projects	(a) Subprogramme management	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory
	(b) Management of technical cooperation projects	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A.   Subprogramme management

Management instituted effective mechanisms to manage the subprogrammes

16.   ECLAC senior management was required to provide executive direction and management to the selected subprogrammes in order to ensure accountability for their performance results.

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[1] 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.

17. The selected subprogrammes programmed 207 outputs in biennium 2014-2015. These outputs included servicing intergovernmental bodies and *ad hoc* expert bodies, publications, advisory services, and technical cooperation projects. The subprogrammes were supported with institutional mechanisms that provided strategic direction and overall supervision to deliver performance results. These included: (i) annual programme implementation plans, which were approved by the ECLAC senior management team and monitored every six months; (ii) central coordination and guidance by the Programme Planning and Operations Division (PPOD) to develop and report on work programmes and reduce the risk of overlap or duplication of activities; and (iii) bi-annual strategic planning meetings, annual directors' retreats and monthly monitoring meetings, weekly senior management team meetings, designated working groups, and town hall meetings held by the Executive Secretary twice yearly.

18. Through interviews, surveys, and reviews of agendas and meeting minutes, OIOS validated the operation of the ECLAC processes to direct and manage the selected subprogrammes to ensure accountability for performance results. OIOS concluded that ECLAC instituted effective mechanisms to manage the subprogrammes.

Risk assessment processes were adequate to support the subprogrammes

19. The United Nations enterprise risk management and internal control procedures required departments and offices to: (i) appraise risks as well as new opportunities; (ii) develop appropriate risk responses and internal controls; (iii) assign the identified risks to "risk owners"; and (iv) maintain a comprehensive risk register to manage or mitigate them to an acceptable level. ECLAC Division of Administration required subprogramme managers to identify the risks to their operations based on PPOD instructions issued on risk assessment.

20. In April 2015, PPOD instructed the subprogrammes to identify inherent risks to their daily operations since a formal risk assessment had not been conducted since 2010. The subprogrammes were provided with the Organization's risk assessment policy and methodology as a guide. A review of the completed risk assessments showed that three of the four subprogrammes complied with the request. According to ECLAC, the risk assessment for subprogramme 14 was still being conducted by the Office of the Executive Secretary and the Secretary of the Commission.

21. Based on the review of the risk assessment guidelines and the completed risk registers for the subprogrammes, OIOS assessed risk assessment processes as adequate for the subprogrammes to effectively identify and appraise their inherent risks and develop responses to manage them s.

Subprogramme integrated management processes were adequate

22. The Secretary-General's bulletin on programme planning, budgeting, monitoring, and evaluation (PPBME regulations) stipulated a results-based management process to be followed when formulating overall work programmes. Accordingly, subprogramme managers were required to provide their inputs to the ECLAC integrated management instruments comprising: (i) the strategic framework; (ii) the programme budget; (iii) the Secretary-General's programme performance reports; and (iv) evaluation reports.

23. The selected subprogrammes' legislative mandates were translated into four main strategic objectives, nine expected accomplishments, and 207 programmed outputs to be measured by 18 indicators of achievement under Programme 18 in the United Nations strategic framework. The subprogrammes further broke down their biennial programme of work into annual programme implementation plans for 2014 and 2015, specifying the responsibilities of assigned task owners, implementation timeframes, and

budgeted resources. There was a system of centralized and decentralized checks and balances between PPOD and the subprogrammes to monitor performance results against planned targets.

24.　　ECLAC established an evaluation policy and strategy in 2014. The policy required mandatory and discretionary internal evaluations of subprogrammes, projects, and thematic activities. To strengthen evaluation and self-assessment processes, the subprogrammes also established detailed performance measures to quantify the established indicators of achievement. For example, the subprogrammes tracked the number of: (i) Member States' public policies influenced by their technical assistance activities; (ii) downloads of their electronic publications; and (iii) hits to specialized databases operated by the subprogrammes. The subprogrammes generated monthly reports to track performance statistics and gathered feedback from Member States on relevance and usefulness of their outputs through user questionnaires, and used the data to measure relevance and impact.

25.　　ECLAC conducted a discretionary self-evaluation on the statistics subprogramme in 2015; and compiled a "lessons learned" white paper on the 2014 activities of the subregional office-Mexico. Based on the audit results, OIOS concluded that ECLAC had established adequate controls to support the integrated management processes required by the PPBME regulations.

Additional training was needed to timely update IMDIS

26.　　Subprogramme managers were required to timely update IMDIS with quantitative and qualitative data to reflect implementation rates of their outputs. PPOD was expected to monitor IMDIS continuously to ensure the selected subprogrammes' inputs were available for timely preparation of the biennial performance reports of the Secretary-General.

27.　　The selected subprogrammes were reporting on the implementation of the programmed outputs for biennium 2014-2015 in IMDIS. As of 31 August 2015, subprogrammes 11, 12 and 13 had provided detailed statements of accomplishments/results achieved and lessons learned/areas needing improvement in IMDIS. However, subprogramme 14 had not accurately updated IMDIS to reflect work in progress or completed outputs. Two publications and four advisory services missions to Member States that were in progress were shown as not started and three additional outputs to the approved work programmes were yet to be updated.

28.　　PPOD explained that IMDIS records had not yet been updated due to a turnover in the monitoring focal point position in July 2015. PPOD also identified insufficient training of both the subprogramme managers and monitoring focal points on the IMDIS reporting functions as the main reason for their noncompliance. No formal training had been provided in 2014 and 2015 due to unavailability of resources. Without adequate training, the selected subprogrammes' abilities to maintain IMDIS may not be adequate to comply with the PPBME requirements.

29.　　ECLAC was in the process of organizing a more in-depth training on results-based management for subprogramme managers and IMDIS focal points for the first semester of 2016, following successful examples of similar trainings conducted in 2010 and 2013. Based on the planned action, OIOS did not make a recommendation on this issue.

Improved standard operating procedures were needed to validate Member States' compliance with international statistical standards

30.　　The Statistics Division was expected to design key business processes for subprogramme 11 to ensure Member States' data complied with international statistical standards endorsed by the Statistical Conference of the Americas and the United Nations Statistical Commission (UNSTAT-Com).

31.   The objective of subprogramme 11 was to support methodological statistics development in the region and supply CEPALSTAT[2] and publications with harmonized and internationally comparable statistical data on the region. The main business processes underlying this strategy involved: (i) collecting primary data from Member States; (ii) validating them to ensure that they complied with international statistical standards; (iii) regularly updating CEPALSTAT with statistical indicators on economic, social and environmental trends, demographics, and development; and (iv) producing the ECLAC flagship publications such as the "Statistical Yearbook for Latin America and the Caribbean" and national and regional profiles. The Statistics Division conducted validation procedures to assess the collected data in comparison with the endorsed international statistical standards.

32.   As of 31 August 2015, CEPALSTAT contained over 2,000 internationally comparable statistics and indicators endorsed by the Statistical Conference of the Americas and UNSTAT-Com, as well as six major publications and 43 statistical notebooks reflecting Member States' data. ECLAC data collection processes mainly comprised obtaining primary statistical data from Member States' household surveys and national accounts, and secondary statistical data from international organizations with mandates to compile and harmonize statistics for the region. The Statistics Division developed standard operating procedures in 2015 to guide the subprogramme's main business processes. However, the standard operating procedures only included administrative procedures for maintaining CEPALSTAT, hiring and paying consultants and handling travel requests, and for other processes such as editing and disseminating statistical publications. There were inadequate standard operating procedures supporting the internal methodological processes followed by the Statistics Division to collect and validate Member States' data and ensure that they fully complied with international statistical standards. They were also inadequate to provide guidance in the selection of data produced by several secondary data sources on the same topics to capture and feed into CEPALSTAT. As a result, there was no assurance that the Statistics Division applied consistent methodological statistical processes in carrying out its functions.

> (1) **ECLAC should expand the standard operating procedures for the statistics subprogramme to include the internal methodological processes necessary to collect and validate Member States' data to ensure that they complied with relevant international statistical standards.**
>
> *ECLAC accepted recommendation 1 and stated that it will expand existing standard operating procedures by describing procedures on: (i) quality control of statistical data collected from Member States; and (ii) selecting data from secondary sources to feed into* CEPALSTAT. *Recommendation 1 remains open pending receipt of the new standard operating procedures describing ECLAC internal data collection and validation processes.*

B.   Management of technical cooperation projects

Projects were managed in compliance with the governing administrative instruction

33.   The administrative instruction on technical cooperation projects established the requirements for the management of extrabudgetary-funded projects. The subprogrammes were expected to implement activity-level control processes to ensure compliance with these requirements. In addition, the subprogramme managers were required to comply with the terms of reference for the Development Account projects funded from the United Nations regular budget.

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[2] The CEPALSTAT statistics database enabled electronic online availability of Latin American and Caribbean statistics and indicators, country profiles, statistical publications, etc. through the Internet.

34.   OIOS reviewed 12 projects (33 per cent) in various phases of implementation with an aggregate value of $7.1 million. The review indicated: (i) concept notes were formulated prior to project proposals being approved; (ii) project documents were developed to provide a framework for approving the objectives, expected accomplishments, agreed-on project activities, and indicators of achievements to monitor and evaluate project impact; and (iii) financial cost plans were prepared and approved to programme the estimated funds needed for project implementation.

35.   OIOS also satisfactorily traced project budgeted cost estimates, contributions, and expenditures to cost plans, allotment advices, and financial statements of the selected projects. The audit satisfactorily verified adequacy of payment procedures for 26 contracts with project consultants totaling $778,426 to ensure that the payments were governed by authorized contracts, completed performance evaluations, and final evaluations payment vouchers.

36.   Based on the results of the audit tests, OIOS concluded that the controls over the management of projects were adequate.

<u>There was a need to improve availability of project management information</u>

37.   An efficient, user-friendly information technology system was required to enable subprogramme managers to closely monitor their extrabudgetary activities and to provide PPOD with an effective automated tool for central monitoring of donor requirements and completion of project milestones.

38.   Protrack was the main information technology management tool used by subprogrammes and the Project Management Unit in PPOD to record and monitor project information, store and retrieve supporting documentation, and generate progress and final project reports, and financial statements. Protrack also supplied management information to the subprogramme managers on the various stages of the project life cycle and to facilitate monitoring of their implementation. A walkthrough of Protrack revealed that it did not have adequate information on the sampled projects' objectives, results, outputs, and Member States in which the project was implemented. The review showed 27 non-compliance instances as of 30 June 2015.

39.   PPOD subsequently provided OIOS with the underlying hard copy project documents from another information system as evidence of their existence. However, PPOD acknowledged that the noted deficiencies with Protrack showed an overall need to improve project management information and monitoring data in general in order to effectively monitor project activities. A main limitation with the Protrack system was its inadequate capability to produce management reports on activities implemented, outputs produced, project personnel hired, payroll expenditures, and payments made to vendors. For each project, therefore, PPOD had to manually verify completeness of the information in Protrack by utilizing other information technology systems, which was inefficient.

40.   It was expected that the Umoja "Grants and Projects Management" module and Inspira human resources management tool would assist PPOD in efficiently generating management reports with project monitoring data. As of January 2016, the Umoja business intelligence module that would facilitate data analysis and reporting was still being developed. However, ECLAC was working with the Umoja team at Headquarters in New York to solve this issue; in the meantime, PPOD implemented a compensating control to monitor project information manually. In light of this, OIOS did not make a recommendation at this time.

<u>Corporate resource mobilization strategy was adequate to secure extrabudgetary resources for technical cooperation projects</u>

41.   ECLAC corporate resource mobilization strategy required diversification of donors to ensure the subprogrammes were supported with adequate budgetary resources. The subprogrammes were required to develop appropriate measures to manage external risks to their approved work programmes, including those related to mobilization of extrabudgetary resources for technical cooperation projects.

42.   The subprogrammes identified insufficient funding of technical cooperation projects as a critical risk to achieving their strategic objectives. This risk was centrally managed by the ECLAC corporate resource mobilization strategy, which identified various donor sources to secure the necessary funding including the Development Account, the regular programme on technical cooperation, and voluntary donor contributions.

43.   Although the ECLAC corporate resource mobilization strategy did not set specific contribution targets for biennium 2014-2015, it was effective in targeting donors, non-governmental organizations, academia, and civil society to raise the voluntary contributions necessary for funding the subprogrammes' capacity development activities. The strategy also identified other types of funding such as fellowships, internships, and extrabudgetary grants as sources to facilitate capacity development in Member States which the subprogrammes could draw on to supplement the monetary contributions. Based on the audit results, OIOS assessed the corporate resource mobilization strategy as adequate to secure a diverse pool of funding sources and the necessary extrabudgetary resources to mitigate the risk of funding technical cooperation projects.

IV.   ACKNOWLEDGEMENT

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

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STATUS OF AUDIT RECOMMENDATIONS

Audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean

Recom. no.	Recommendation	Critical[3]/ Important[4]	C/ O[5]	Actions needed to close recommendation	Implementation date[6]
1	ECLAC should expand the standard operating procedures for the statistics subprogramme to include the internal methodological processes necessary to collect and validate Member States' data to ensure that they complied with relevant international statistical standards.	Important	O	Submission of new standard operating procedures describing ECLAC internal data collection and validation methodological and other statistical processes.	31 December 2016

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[3] 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.

[4] 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.

[5] C = closed, O = open

[6] Date provided by ECLAC in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ECLAC should expand the standard operating procedures for the statistics subprogramme to include the methodological processes necessary to ensure Member States' data complied with the relevant international statistical standards.	Important	Yes	Statistics Division Director	31.12.2016	In order to implement the recommendation it is important to distinguish among three types of situations for the data compiled by the subprogramme from Member States: (i) Statistics obtained from countries' household survey microdata. This process is partially described in the document made available earlier ("Estandarización de las bases de datos de las encuestas de hogares"). It will be expanded to include the description of the procedure for quality control –already in place but not fully documented– of the microdata received from member states, which is done before including them in the household survey database (BADEHOG). (ii) Economic statistics obtained from countries area generally checked for quality on national accounting coherence, coherence over time and economic consistency at the national and regional levels, following statistical standard procedures already in place. To fulfill the recommendation, these processes will be

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[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

Audit of selected subprogrammes and their related technical cooperation projects in the Economic Commission for Latin America and the Caribbean

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						explicitly described in a standard operating procedure document. (iii) Statistics obtained from secondary sources (other International Organizations). A large number of data contained in CEPALSTAT is obtained from the International Agencies, Funds and Programmes that have a mandate to compile and harmonize statistics in their respective areas of expertise (for example, health, education, balance of payments, etc.). In these cases, the validation of data against relevant international statistical standards is already undertaken by those agencies. However, in the case several data sources produce statistics on the same topic processes to select a specific data source to capture data to feed CEPALSTAT will be explicitly described in a standard operating procedure document