



INTERNAL AUDIT DIVISION

REPORT 2015/081

Audit of the United Nations
Conference on Trade and Development
Special Unit on Commodities

Overall results relating to management of the Special Unit on Commodities were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

24 August 2015
Assignment No. AE2015/340/01

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AUDIT REPORT

Audit of the United Nations Conference on Trade and Development Special Unit on Commodities

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Conference on Trade and Development (UNCTAD) Special Unit on Commodities (SUC).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNCTAD, which is governed by 194 Member States, is the United Nations body responsible for development issues, particularly international trade. A ministerial-level meeting (conference) is held every four years to discuss major global economic issues and to decide on the mandate and work priorities of UNCTAD. The last two conferences were held in 2012 in Doha and in 2008 in Accra. The next one is due to be held in Lima in 2016. The decisions made in the 2012 and 2008 conferences were outlined in the outcome documents, viz. the Doha Mandate for the 2012 conference and the Accra Accord for the 2008 conference.
4. SUC was established in 2009 pursuant to paragraph 183 of the Accra Accord which urged the Secretary-General of the United Nations to transform the Commodities Branch into an autonomous unit reporting directly to the UNCTAD Secretary-General. Prior to 2009, SUC was a branch under the Division of International Trade in Goods and Services and Commodities.
5. The main goal of SUC is to improve the capacity of commodity-dependent countries to address trade and development problems associated with the commodity economy and to seize opportunities emerging from commodity trade and enhanced international and regional cooperation. SUC was led by a D-1 (Chief, SUC) supported by 12 Professional and three General Service staff. The Chief, SUC reported directly to the UNCTAD Secretary-General. The approved budget for SUC for 2014-2015 was \$6.6 million of which \$5.9 million (88 percent) related to staff costs. The actual expenditure for the 2012-2013 biennium was \$5.1 million.
6. Comments provided by UNCTAD are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNCTAD governance, risk management and control processes in providing reasonable assurance regarding the **effective management of SUC**.
8. The audit was included in the 2015 internal audit work plan for UNCTAD in view of the risk that potential weaknesses in the arrangements for coordination and management of SUC could adversely affect the programme's effectiveness.

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

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

(b) **Programme management** - controls that provide reasonable assurance that mechanisms for planning and managing SUC operations are in place and working as intended.

10. The key controls were assessed for the control objectives shown in Table 1. Certain control objectives shown in Table 1 as “Not assessed” were not relevant to the scope defined for this audit.

11. OIOS conducted this audit from February to June 2015. The audit covered the period from 1 January 2013 to 28 February 2015.

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 UNCTAD governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of SUC**. OIOS made three recommendations to address issues identified in the audit.

14. Strategic planning and risk assessment was assessed as partially satisfactory because there was a need to establish a plan of action or implementation strategy for each broad area of work mandated at the conferences. In addition, there was a need to ensure that the structural arrangements relating to the placement of SUC within UNCTAD optimally support the achievement of strategic and operational objectives. Programme management was assessed as partially satisfactory because there was a need to establish standard procedures for planning of publications based on the guidelines in the UNCTAD publications policy.

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 three important recommendations remains in progress.

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.

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 SUC	(a) Strategic planning and risk assessment	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Programme management	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning and risk assessment

Need to establish an action plan or implementation strategy for each broad area of work

16. The ministerial-level conferences held every four years set the mandate and work priorities of UNCTAD for four years for each sub-programme. The mandates were broad areas of work that allowed UNCTAD some flexibility on how to address each area. To ensure that strategic planning is effectively done, it is essential that an action plan or implementation strategy is prepared for each broad area of work. This is consistent with paragraph 221 of the Accra Accord as well as the recommendation made in the 2009 evaluation of SUC which stated that “SUC needs a clear operational strategy for its menu and sequence of activities toward a specific objective corresponding to the mandate, otherwise most activities will remain isolated and disjointed from one another”.

17. SUC strategy for implementing the areas of work approved in the 2012 conference was documented in the UNCTAD 2014-2015 strategic framework. In addition, SUC had summarized all the mandates approved in the last two conferences (the Accra Accord and Doha mandate) in a published booklet. This was a good initiative because the booklet summarized the mandates into one document by their respective sub-themes.

18. However, none of the existing planning documents addressed how SUC planned to address each area of work approved in the 2012 Conference. SUC held a retreat in 2009 where it discussed the mandates approved in the 2008 conference and how it would address them, but did not hold such a retreat or planning meeting following the 2012 Conference. Addressing each area of work would help ensure that important aspects of strategic planning such as addressing lessons learned and exploring areas where SUC can coordinate and collaborate with other parts of UNCTAD and other external partners are effectively assessed. Focusing on each broad area would also strengthen assessment of the aspects of work that need to be prioritized and help identify any significant aspects of the mandates that cannot be effectively addressed within existing resources.

19. OIOS attributed the deficiency to the fact that UNCTAD had not established guidelines for strategic planning that should take place following the conferences. UNCTAD follows the United Nations Regulations and Rules Governing Programme Planning (ST/SGB/2000/8). As this is a policy level guideline that addresses strategic planning at the Secretariat level, UNCTAD needed to develop additional guidelines and procedures tailored to its needs in order to ensure that strategic planning is effectively carried out based on credible evidence of assessments.

(1) UNCTAD should establish guidelines for strategic planning following the ministerial-level conferences, including the need for Units and Divisions to assess and define a plan of action or implementation strategy for each broad area of work.

UNCTAD accepted recommendation 1. Recommendation 1 remains open pending receipt of the new guidelines for strategic planning following the ministerial-level conferences.

Need to ensure that the structural arrangements optimally support the achievement of strategic and operational objectives

20. Paragraph 183 of the Accra Accord (2008) urged the Secretary-General of the United Nations to transform the Commodities Branch into an autonomous unit reporting directly to the UNCTAD Secretary-General. In line with best practices, such structural arrangements should be periodically reviewed to assess and confirm that they optimally support the achievement of strategic and operational objectives.

21. Financial and administrative arrangements had been addressed at the time of SUC transfer to the Office of the UNCTAD Secretary-General and were subsequently refined. However, other aspects of the structural arrangements had not been reviewed since 2009. OIOS assessed the two main aspects of the structural arrangements that changed following the establishment of SUC as a standalone unit reporting directly to the UNCTAD Secretary-General. These were the coordination arrangements with the Division of International Trade in Goods and Services and Commodities (DITC) where SUC was previously located; and the arrangements for overseeing the work of SUC following the new reporting line to the UNCTAD Secretary-General.

22. Coordination arrangements with DITC were not adequate. Some commodities work remained in DITC, including commodities work in the area of organic agriculture and database on standards but no formal coordination arrangements had been agreed upon to ensure that there was no duplication. Email communications showed some attempts by SUC to initiate collaboration with other substantive divisions but no firm decisions or coordination mechanisms were agreed upon. There was also no systematic coordination during the strategic planning and annual work planning process such as joint planning meetings to ensure coherence of activities planned. There were examples of collaboration in some research projects but these were ad hoc based on requests and not proactive identification of areas for collaboration.

23. The arrangements for overseeing and supporting the work of SUC were also not adequate because there were no regular meetings between the Unit and the UNCTAD Secretary-General to discuss strategic issues and obtain guidance. The 2013-2014 performance appraisal of the SUC Director had also not been finalized at the time of the audit. The UNCTAD Secretary-General stated that he had in May 2015 informally delegated to the Director of DITC the responsibilities for overseeing SUC. This informal arrangement was still new at the time of the audit and its effectiveness could not be assessed.

24. The UNCTAD Secretary-General indicated that he had initiated discussions with Member States to re-assess the decision to establish SUC outside of the main substantive divisions with the aim of addressing some of the deficiencies identified in the audit. Staff and managers interviewed had various views for and against having SUC as a standalone unit reporting directly to the UNCTAD Secretary-General. OIOS is of the view that this showed the need for UNCTAD to assess the advantages and disadvantages of the current structural arrangements as a basis for deciding upon the appropriate placement of SUC within UNCTAD.

(2) UNCTAD should ensure that the structural arrangements and placement of the Special Unit on Commodities within UNCTAD: (a) optimally support the achievement of the Unit's strategic and operational objectives; and (b) provide for effective oversight and coordination with other substantive divisions.

UNCTAD accepted recommendation 2. Recommendation 2 remains open pending receipt of evidence that structural arrangements relating to SUC have been reviewed, and coordination and oversight arrangements have been strengthened.

B. Programme management

Need to establish standard procedures for planning for publications based on the guidelines in the UNCTAD publications policy

25. The UNCTAD Publications Committee reviewed and approved the publication planning documents only for major and flagship publications. Only one SUC publication, i.e., the UNCTAD Commodity and Development Report, went through the Publications Committee. Other publications were approved by SUC. As stated in the publications policy, the elements to be taken into consideration for the purposes of approval should include: objectives and expected content; treatment of cross-cutting issues; target readership; production schedule; and the plan for internal quality review.

26. OIOS reviewed a sample of six publications selected from the approved publications programme to assess whether SUC prepared appropriate planning documents that addressed all the recommended elements. All the publications reviewed had defined objectives and expected content. The following exceptions were noted with regard to the other elements:

- a) In four publications SUC had not defined the implementation timelines for developing the publications. This is essential for effective monitoring of the timeliness of publications in order to minimize the risk of delays which could affect the relevance of the statistics and analysis included in the publications.
- b) In five publications the quality review plan was not defined. Defining the quality review plan helps ensure that it is adequate and enhances accountability.
- c) In three cases, the targeted readership had not been documented and therefore it was not clear whether they had been identified. Documenting the target readership demonstrates that adequate thought has been given to who the publication is meant for and facilitates effective review by supervisors.
- d) In two publications, there was no documentation of how cross cutting issues would be treated. This is essential for facilitating coordination with other offices before the publications are started.

27. These deficiencies occurred because SUC had not established a standard practice for planning for publications that was consistently followed and review mechanisms to ensure consistency in quality of publications.

(3) The UNCTAD Special Unit on Commodities should establish standard procedures to ensure that publications are planned in accordance with the UNCTAD publications policy.

UNCTAD accepted recommendation 3. Recommendation 3 remains open pending receipt of the new guidelines for planning of publications.

IV. ACKNOWLEDGEMENT

28. 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) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Conference on Trade and Development Special Unit on Commodities

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNCTAD should establish guidelines for strategic planning following the ministerial-level conferences, including the need for Units and Divisions to assess and define a plan of action or implementation strategy for each broad area of work.	Important	O	Receipt of the new guidelines for strategic planning following the ministerial-level conferences	31 March 2016
2	UNCTAD should ensure that the structural arrangements and placement of the Special Unit on Commodities within UNCTAD: (a) optimally support the achievement of the Unit's strategic and operational objectives; and (b) provide for effective oversight and coordination with other substantive divisions.	Important	O	Receipt of evidence that structural arrangements relating to SUC have been reviewed, and coordination and oversight arrangements have been strengthened.	31 March 2016
3	The UNCTAD Special Unit on Commodities should establish standard procedures to ensure that publications are planned in accordance with the UNCTAD publications policy.	Important	O	Receipt of the new guidelines for planning of publications.	30 June 2016

² Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNCTAD in response to recommendations.

APPENDIX I

Management Response



CABINET DU SECRÉTAIRE GÉNÉRAL
DE LA CNUCED

SECRETARY-GENERAL'S
OFFICE

MEMORANDUM

12 August 2015

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

FROM: Adnan T. Issa
Chief of Staff a.i.
Office of the Secretary General of UNCTAD

A handwritten signature in blue ink, appearing to read 'Adnan', is placed to the right of the 'FROM' field.

SUBJECT: Audit of UNCTAD Special Unit on Commodities (Assignment No. AE2015/340/01)

1. This is in reference to your memorandum dated 29 July 2015 addressed to the Secretary-General of UNCTAD, which contained the draft final report of the above-mentioned audit.
2. We were pleased to note that the minor factual issues that were conveyed under cover of DSG Reiter's memorandum of 22 July 2015 have all been resolved in the final draft.
3. The appendix containing the three final recommendations issued has been completed as requested and is enclosed here.
4. On behalf of the Secretary-General and the UNCTAD team, I would wish to thank you and your team for your help in providing independent assurances of our work.

CC: Dr. M. Kituyi
Mr. J. Reiter
Mr. S. Gayi
Mr. V. Rousak
Mr. J. Martinez Badillo
Ms. Avena-Castillo, OIOS

Management Response

Audit of the United Nations Conference on Trade and Development Special Unit on Commodities

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNCTAD should establish guidelines for strategic planning following the ministerial-level conferences, including the need for Units and Divisions to assess and define a plan of action or implementation strategy for each broad area of work	Important	Yes	Deputy Secretary-General of UNCTAD	31 March 2016	
2	UNCTAD should ensure that the structural arrangements and placement of the Special Unit on Commodities within UNCTAD: (a) optimally support the achievement of the Unit's strategic and operational objectives; and (b) provide for effective oversight and coordination with other substantive divisions.	Important	Yes	Deputy Secretary-General of UNCTAD	31 March 2016	
3	The UNCTAD Special Unit on Commodities should establish standard procedures to ensure that publications are planned in accordance with the UNCTAD publications policy.	Important	Yes	Chief, Special Unit on Commodities	30 June 2016	

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.