



INTERNAL AUDIT DIVISION

REPORT 2022/033

**Audit of the operations of the
Technology Bank for the Least
Developed Countries**

**Operations of the Technology Bank
were hampered by ineffective annual
work planning and inadequate
accountability for results**

**19 July 2022
Assignment No. AN2021-527-01**

Audit of the operations of the Technology Bank for the Least Developed Countries

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations of the Technology Bank for the Least Developed Countries (TBLDC). The objective of the audit was to assess the adequacy and effectiveness of governance and operational management of TBLDC to achieve its strategic objectives. The audit covered the period from 1 January 2019 to 30 September 2021 and included: (a) governance and oversight mechanisms; (b) strategic and annual work planning and implementation; (c) resource mobilization; and (d) management of staff and other resources.

TBLDC's operations were hampered by ineffective annual work planning and implementation; lack of a risk management process and programme monitoring and evaluation mechanisms; and inadequate due diligence procedures for selecting and vetting potential partners. Resource mobilization activities and administrative practices also needed improvement. Tensions around reporting lines of the Managing Director position, and inadequate accountability for results and capacity during the start-up phase of the Bank contributed to these issues.

OIOS made 10 recommendations. To address issues identified in the audit, TBLDC needed to:

- Obtain advice from the Office of Legal Affairs on the reporting lines of the Managing Director position to ensure they are consistent with the Bank's status as a subsidiary organ of the General Assembly and ensure that performance measures of the Managing Director reflect that status;
- Monitor implementation of decisions by its Governing Council and recommendations from the Advisory Committee on Administrative and Budgetary Questions within stipulated timelines and report thereon;
- Develop a process to approve changes to its approved programme of work, together with the necessary funding and implementation modalities;
- Develop annual work plans specifying measurable outputs, outcomes and key performance indicators, and act to remediate major deviations in a timely manner;
- Document due diligence procedures for engagement of implementing partners;
- Develop a risk register and mitigation plan with clearly assigned risk owners and a monitoring framework;
- Continuously monitor and periodically evaluate the effectiveness and impact of its activities;
- Prepare a targeted resource mobilization action plan identifying the activities to be conducted, potential donors, and roles, responsibilities and timeframes for implementation;
- Review arrangements for its administrative support including through leveraging the United Nations business operations strategy; and
- Establish and implement a mechanism for prior approval or periodic monitoring of the Managing Director's travel to ensure appropriate use of resources.

TBLDC accepted the recommendations but is yet to initiate action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the operations of the Technology Bank for the Least Developed Countries

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations of the Technology Bank for the Least Developed Countries (TBLDC).

2. TBLDC was established through General Assembly resolution 71/251 of 23 December 2016 as an organ of the General Assembly following other related resolutions, notably resolution 70/1 of 25 September 2015, entitled “Transforming our world: the 2030 Agenda for Sustainable Development”. It came into operation after adoption of its Charter (A/71/363) and signing of an agreement on 22 September 2017 between the United Nations and the Government of Türkiye on financial and in-kind support, including provision of office space in Gebze, Türkiye.

3. TBLDC helps least developed countries (LDCs) to enhance their science, technology and innovation (STI) capabilities, and to integrate those capabilities into their sustainable development efforts and structural transformation of their economies. TBLDC’s programme of work thus comprises: (a) technology needs assessment; (b) technology transfer; (c) enhancing STI capacities in LDCs; and (d) partnerships and coordination.

4. A 13-member Governing Council appointed by the Secretary-General provides guidance and advice to TBLDC and reports annually to the General Assembly. The Council members serve in their personal capacity for three years, meeting at least annually to evaluate the programme of work and approve budgets. The Secretary-General is represented on the Council by the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

5. TBLDC is financed through voluntary contributions from Member States and other stakeholders, including the private sector and private foundations. Donations received in 2019, 2020 and 2021 were \$50,000, \$820,862 and \$2,000,000, respectively. (A total of \$8,155,000 had been received in 2018). The overall budget requirements for 2019, 2020 and 2021 were \$2,278,602; \$4,730,689; and \$5,615,966 respectively, as shown in Table 1.

Table 1: Budget requirements (United States dollars)

<i>Component</i>	<i>2019 expenditure</i>	<i>2020 approved</i>	<i>2021 appropriation</i>
Council support	46 770	78 000	49 495
Executive direction and management and operational support	824 650	1 035 574	1 142 075
Programme of work	1 181 396	3 148 308	3 778 311
Subtotal	2 052 816	4 261 882	4 969 881
Programme support costs	225 787	468 807	646 085
Total	2 278 602	4 730 689	5 615 966

Source: TBLDC/2020/5

6. TBLDC is headed by a Managing Director (MD) at the D-2 level. The Director of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small

Island Developing States (OHRLLS) served as acting MD until the appointment of a substantive MD on 24 November 2018. The MD separated on 3 March 2022 and was replaced by a temporary MD.

7. TBLDC staff consists of six officers at the professional level and 10 staff at the general service level. Its operations during the audit period were also supported by four individual contractors and various service providers.

8. In response to the draft report, TBLDC explained that at its special session held on 30 and 31 May 2022, the Council decided to reduce the number of posts in the Bank by 11 and ‘reprofile/reclassify’ the remaining 6 posts except for the Managing Director and Administration Officer. The recruitment of a new Managing Director and the six new posts are expected to be completed by 31 December 2022. Therefore, TBLDC comments to the draft report did not indicate the specific actions to be taken by the Bank to address most of the recommendations. Those provided are incorporated in italics. OIOS will request TBLDC to provide the specific actions they will take to address the recommendations at our next bi-annual follow-up of the implementation status of recommendations, for assessment and monitoring.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to assess the adequacy and effectiveness of governance and operational management of TBLDC to achieve its strategic objectives.

10. This audit was included in the 2021 risk-based work plan of OIOS due to the significance of the establishment of TBLDC under Sustainable Development Goal (SDG) 17. The success and sustenance of the initiative, and lessons learned through TBLDC are also critical to guide the fulfilment of the other SDGs.

11. OIOS conducted this audit from September 2021 to February 2022. The audit covered the period from 1 January 2019 to 30 September 2021. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in TBLDC, which included: (a) governance and oversight mechanisms; (b) strategic and annual work planning and implementation; (c) resource mobilization; and (d) management of staff and other resources.

12. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review of data, and (d) testing of a sample of transactions.

13. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Governance and oversight mechanisms

TBLDC needed to clarify reporting lines for the MD position and improve implementation of Council decisions and Advisory Committee on Administrative and Budgetary Questions recommendations

14. During the audit period, the Council met in January and November 2020 to deliberate on TBLDC activities in 2019 and 2020, respectively, and approve budgets and work programmes. In addition, the representative of the Secretary-General met with the former MD monthly to discuss progress in implementing the strategic plan and Council decisions. However, TBLDC did not provide comprehensive reports on the execution of its work programme and strategic plan to adequately inform reviews of its activities. The reports provided for both the annual and monthly meetings described ongoing activities

without referring to goals established in the Bank's three-year strategy. In addition, many critical decisions taken by the Council were not acted upon, despite regular reminders by the Secretary-General's representative in monthly meetings. These included:

- a. Requests for concept notes, statistical information on projects, country profiles of LDCs, and partnership coordination activities and outcomes.
- b. Updates on key strategies such as resource mobilization, as well as quarterly progress reports for two quarters of 2020 and three quarters of 2021.
- c. Draft strategic plan for 2022-2024 within the agreed timeline of April 2021.

15. Further, the Council had decided in January 2020 that operational costs should be maintained at 20 per cent of total expenditure but no plans were developed to bring them within the approved limits, and operational costs amounted to 28 and 24 per cent in 2020 and 2021, respectively. Also, nine additional staff were recruited in 2021 against approved posts despite instruction from the Council to discontinue staff recruitments in view of TBLDC's financial viability concerns.

16. The Council also urged TBLDC to provide regular updates on implementation of recommendations from the Advisory Committee on Administrative and Budgetary Questions (ACABQ), including:

- a. Making greater use of virtual meetings and online training tools for workshops, conferences or meetings, and limiting travel of staff to optimize resources.
- b. Strengthening efforts on resource mobilization and broadening the donor base.
- c. Continuing to cooperate with other United Nations entities to share knowledge and build partnerships across activities.
- d. Providing updates on the phasing out of the services of one of the service providers, and indicating the related cost implications in annual reports of TBLDC.

17. However, these requirements remained pending, with no specific action plan to address them.

18. The above was partly attributable to inadequate capacity and structures during the start-up phase of the Bank, but in addition, the reporting lines of the MD needed to be further clarified. The job opening announcement of 9 November 2017 stated that the MD position would report to the Secretary-General through the Secretary-General's representative, while the Bank's Charter indicates that the MD is responsible to the Council. The Council delegated direct monitoring of the MD's performance to the Secretary-General's representative in decision 2020/1, but in response to an enquiry about delegation of authority, the Office of Legal Affairs (OLA) advised that as TBLDC is an organ of the General Assembly and not the Secretariat, it did not fall under the Secretary-General's bulletin ST/SGB/2019/2 on delegation of authority. Consequently, the former MD expressed reluctance to submit what he termed administrative updates and documents to both the Secretary-General's representative and the Council, as stated in his email of 4 April 2021.

19. OIOS review of the reporting lines of organizations that are similarly subsidiary organs of the General Assembly, such as the United Nations Joint Staff Pension Fund and the Joint Inspection Unit (JIU), indicate that they do not have reporting lines to the Secretary-General. The Chief Executive of Pension Administration reports to the Pension Board, whose Chair is responsible to review his/her performance based on a report that includes goals that are linked to the expected results of the Fund, as set out in its annual programme budget. These arrangements were reported by the Pension Board in their report to the General Assembly dated 24 August 2021 (A/76/297). The JIU Executive Secretary presents an annual report to the Inspectors (appointed by the General Assembly) at their formal meeting, which is entered into

the summary record of the JIU meeting along with the Inspectors' comments on his/her performance. The Executive Secretary also reports monthly to the Inspectors on finance and human resources matters.

20. TBLDC needed to reconcile the reporting lines of the MD as stated in the job description and the Charter and ensure they are consistent with the Bank's status as a subsidiary organ of the General Assembly. TBLDC also needed to further strengthen performance management and evaluation of the MD by establishing a formal annual performance agreement between him/her and the Chair of the Council, stipulating, among other things, expected accomplishments and key performance indicators (KPIs) in areas such as: servicing of governing bodies, programme objectives, risk management, resource mobilization, compliance with United Nations regulations and rules, and effective use of resources. Gaps were identified in all these areas during the audit, as detailed in the present report.

21. TBLDC commented that there was no ambiguity on the reporting lines reflected in the MD's job description and the Charter but that the challenge was non-compliance with existing regulations, rules and reporting procedures by the former MD. OIOS does not agree with this position entirely, because, as illustrated above, the two documents indicate different reporting lines. In addition, the requirement for the MD of TBLDC to report to the Secretary-General is inconsistent with the practice of other subsidiary bodies of the General Assembly, whose heads of entities are not required to report to the Secretary-General as they are not part of the Secretariat. TBLDC needed to consult with OLA for guidance on this matter.

22. In addition, a clear mechanism to assign responsibility to implement Council decisions and ACABQ recommendations and track their status would help to ensure they are addressed timely and adequately.

- (1) TBLDC should: (a) obtain advice from OLA on the reporting lines of the Managing Director (MD) position to ensure they are consistent with the Bank's status as a subsidiary organ of the General Assembly; and (b) ensure the performance measures of the MD reflect that status.**

TBLDC accepted recommendation 1 and stated that reporting line of the MD was well established and met the requirements of the Charter establishing the Bank. The MD reports to the representative of the United Nations Secretary-General in the Governing Council of the Technology Bank. Nevertheless, TBLDC would seek advice from OLA.

- (2) TBLDC should establish and implement a mechanism to assign to specific officials the responsibility to monitor implementation of Council decisions and ACABQ recommendations within stipulated timelines, and report thereon.**

TBLDC accepted recommendation 2.

B. Strategic and annual work planning and implementation

TBLDC needed to establish procedures to authorize new initiatives arising after approval of the programme of work

23. Based on a 2015 feasibility study, TBLDC finalized a three-year strategic plan on 8 August 2016 that identified activities for immediate implementation during the first 18 months of operation. The activities included technology needs assessments (TNAs) and mapping activities to support LDCs in the areas of STI, digital research access, and networking. However, these priorities were not accomplished, resulting in the carrying forward of programme funds from 2019 to 2020.

24. At the time of the audit, 26 out of 46 TNAs had not started, while for 8 TNAs, relevant reports were pending finalization (Bhutan, Cambodia, Gambia, Guinea, Lesotho, Rwanda, Timor-Leste and Uganda). In addition, 12 TNAs were in progress (Bangladesh, Benin, Burkina Faso, Democratic Republic of Congo, Djibouti, Kiribati, Liberia, Malawi, Mozambique, Nepal, Sierra Leone and Zambia). Programmes of work had projected completion of 5 TNAs in 2019, 10 in 2020 and 5 in 2021, which was inadequate to meet the goal of completing them within 18 months as envisioned in the strategy. Consequently, TBLDC had not identified technological gaps, trends, and priority needs to systematically determine STI priorities and develop coherent, relevant, responsive and integrated technology action plans and blueprints to build capacity in LDCs. This hindered outreach and penetration to secure commitment of both the LDCs and potential donors, and to identify synergies on a multi-country and/or regional scale to promote economies of scale. TBLDC redesigned the TNA methodology in June 2020, which also impacted their timely completion. The activity was already delayed even before disruptions caused by COVID-19.

25. In addition, 15 other activities targeted for completion in the first 18 months and 35 targeted for completion within three years had not been completed, mainly due to bottlenecks in the TNAs. These included: gap analyses of existing national infrastructures, identifying core areas of focus for LDCs, and preparing specific transformation initiatives.

26. As part of its capacity building mandate, TBLDC facilitated training by consultants for 1,500 researchers and professionals on digital research access through 38 in-person workshops in 15 LDCs in 2019. In the wake of the COVID-19 pandemic, TBLDC transitioned to providing massive online open courses for LDCs on the Research4Life platform in 2020, increasing contractual expenses over budget by approximately 50 per cent or \$113,248. Out of 3,514 people who enrolled (70 per cent coming from five countries), 2,178 (62 per cent) participated in the training and 927 (43 per cent) took the examination. However, the training was not informed by STI/TNA reviews and was financed by TBLDC, although the strategic plan had intended it to be financed by bilateral donors, multilateral and regional development banks, foundations, non-governmental organizations and the private sector.

27. Despite outstanding activities on its strategic plan, TBLDC implemented several ad hoc projects without proper assessment of their relevance to the Bank's strategy or financial viability. They were undertaken in response to proposals by donors and other partners based on problems they had identified in LDCs, but there was no assurance that the initiatives were of the highest priority to the LDCs, sustainable or replicable to benefit other LDCs. Such projects were not approved by the Council as required by the Charter or included in budgets and programmes of work. Involvement in these initiatives also introduced reputation and other risks. The following were some of the ad hoc activities:

- a. Establishment of a project on hearing loss in children in Bhutan in 2019.
- b. SDG impact accelerator initiative to address sanitation challenges affecting refugee communities in Uganda and Bangladesh, for which Türkiye Government provided additional funding of \$1 million.
- c. Promoting the award of 15 fellowships and 36 scholarships to selected candidates from LDCs. The fellowships were in the field of biotechnology and TBLDC paid \$583,222 in April 2021 as first instalment of implementation costs of \$1,908,719, which was not budgeted for, and offered limited benefits to LDCs vis-à-vis the amount committed as there was no plan on how they would offer downstream benefits beyond the fellowship awardees.

28. In addition, TBLDC established a technology access partnership (TAP) with three United Nations system organizations (World Health Organization, United Nations Development Programme (UNDP) and the United Nations Conference on Trade and Development). The TAP initiative sought to promote the manufacture of critical medical equipment, transfer technology and assist with production of personal

protective equipment to respond to the COVID-19 pandemic in LDCs. However, it was funded solely by TBLDC at a cost exceeding \$315,000 as the other partners did not contribute resources to it, which led to the termination of the partnership. TBLDC had been advised by one of its service providers that expenditure on TAP and fellowship projects was unbudgeted and would likely hinder delivery of the TNA reviews, but the advice was not heeded.

29. The above occurred because TBLDC did not have a process for adding new activities to its programme of work that had already been approved by the Council. This process should include a review to assess whether a proposed new activity is within the purview of the strategic framework and to determine its financial implication and sustainability. Council decision 2019/1 had required the former MD to promptly inform the Council in writing of additional resources received to further support planned activities and of any additional actions initiated but this was not done.

30. In addition, TBLDC's strategic plan was not supplemented with a detailed annual work plan assigning responsibilities, allocating resources, and setting timelines for activities; as well as specifying annual measurable outputs, outcomes and KPIs. There was also no monitoring mechanism to track the status of implementation of activities, identify major discrepancies and their causes, and develop a plan to remediate them to ensure the Bank was making adequate progress against its strategic objectives. OIOS noted that correspondence from major donors also requested TBLDC to prepare a yearly work plan of activities with expected outcomes and KPIs and explain any major deviations in subsequent work plans including difficulties encountered and strategies to prevent reoccurrence.

(3) TBLDC should develop a process to make changes to its approved programme of work and submit all new initiatives to the Council for approval, together with the necessary funding and implementation modalities.

TBLDC accepted recommendation 3.

(4) TBLDC should develop annual work plans specifying measurable outputs, outcomes and key performance indicators to guide and monitor implementation of its strategy, facilitate identification of major deviations and develop timely remedial actions.

TBLDC accepted recommendation 4.

Need for due diligence procedures when establishing partnerships

31. TBLDC selected 40 implementing partners with which 27 agreements were signed, while 13 other agreements remained as drafts as of December 2021. TBLDC did not establish internal procedures on carrying out due diligence including profile research, preliminary screening against exclusionary criteria, risk-benefit analysis, risk management and final decision-making. Most partnerships appeared to have arisen from proposals by prospective partners, some of which offered funding for specified causes. In addition, the Council repeatedly requested updates and copies of agreements for new partnerships and their relevance to the implementation of the strategic plan, but these had not been fully provided since requested in March 2020.

32. Inadequate due diligence procedures exposed TBLDC to legal and reputation risks of cooperating with partners that may not adhere to the values of the United Nations or advance the strategic goals of TBLDC. Entities such as the Department of Economic and Social Affairs (DESA) had established good practices including internal peer reviews guided by a checklist on due diligence procedures. Considering the size of its operations, TBLDC may consider adopting similar forms of screening.

(5) TBLDC should establish a checklist to document due diligence procedures for engagement of implementing partners to ensure the interests of the Organization are safeguarded.

TBLDC accepted recommendation 5.

TBLDC needed to implement a risk management process

33. TBLDC had not developed a risk register and risk treatment plan in line with United Nations guidelines for risk management. This limited its ability to effectively mitigate and periodically monitor its exposure to risks, including in implementing its strategic plan, mobilizing resources, and building and coordinating partnerships. In addition, a vulnerability scan and information security assessment by the Office of Information and Communication Technology (OICT) in October 2019 identified several vulnerabilities including four critical and four high risks. However, TBLDC had not established a tracking mechanism to monitor and document the status of resolution of the issues identified, although the responsible staff stated that some exposures had been addressed. Also, TBLDC's response to an OIOS questionnaire indicated that it had not yet started to implement the data strategy of the Secretary-General or establish a security policy and disaster recovery plan for its operations.

(6) TBLDC should develop a risk register and mitigation plan with clearly assigned risk owners and a monitoring framework.

TBLDC accepted recommendation 6.

TBLDC needed to establish a programme monitoring and evaluation mechanism

34. Except for the annual report to the General Assembly on its work, TBLDC did not have an effective mechanism to monitor implementation of its mandate and strategic plan, which led to delays, diversions and omissions of some planned actions. Further, the internal review of the Bank conducted in 2021 towards the end of the first planning cycle was not timely, considering that there were critical goals to be achieved within the first 18 months of operation, which would have been a more opportune time to take stock.

35. In addition, TBLDC had not developed an evaluation system that encompasses both programme and project level monitoring and evaluation, complete with a plan and related procedures as required by both the Charter and strategic plan. TBLDC needed to carry out project evaluations, based on risk assessment and/or specific donor requirements. At the fifth Council meeting held on 20 December 2021, the Council requested a functional review of TBLDC with a focus on skills set, capacities and optimal organization structure needed, and an independent evaluation by OIOS.

(7) TBLDC should establish a mechanism to continuously monitor and periodically evaluate the effectiveness and impact of its activities.

TBLDC accepted recommendation 7.

C. Resource mobilization

TBLDC needed to establish measures to expedite resource mobilization

36. According to the strategic plan, during the start-up phase from 2017, TBLDC was to facilitate consolidation of its financial base and help build partnerships with stakeholders in LDCs and other

developing and developed countries, including from the private sector. The 2018 budget and programme of work indicated that TBLDC should incorporate, in the design of projects and activities, financial sustainability considerations that were estimated to require \$35 million to \$40 million annually. The Charter assigned the MD the responsibility to mobilize voluntary contributions. During the meeting of the third session of the Council in January 2020, and in accordance with the rules of procedure, the Council also established a six-member committee on resource mobilization comprising the MD, Council members and a representative from UNDP, and OHRLLS offered a senior economist to provide further technical support.

37. The resource mobilization strategy was finalized in December 2020. The strategy recommended: (a) establishment of financial, reporting and evaluation practices in line with donor expectations; and (b) accommodating donor preference for an active role on the Council. However, the strategy was not accompanied by an action plan of activities to be conducted, complete with roles, responsibilities and timeframes to implement the strategy.

38. The Vice Chairman of the Council reported that the committee for resource mobilization met only twice before the fourth session of the Council in November 2020 and had achieved little because TBLDC did not propose a concrete plan of action to mobilize resources. Consequently, TBLDC had annual funding deficits totalling approximately \$13 million from 2017 to 2021 as reported in its three-year progress report. This resulted in viability concerns, as expressed by the ACABQ and the Council. As shown in Table 2, only one contribution was received in 2019, two in 2020 and one in 2021. Except for Türkiye, none of the original donors in 2018 made additional contributions and the donor base declined. In addition, the funding agreement with Türkiye provided in-kind support to TBLDC including rent free accommodation in Government premises and facility management services comprising maintenance, cleaning, internet and security, although the last three services were subsequently discontinued by TBLDC to address vulnerabilities highlighted by OICT. Also, some donors contributed services in kind such as donated labour and non-reimbursable loans of personnel.

Table 2: Voluntary cash contributions received

<i>Donor country</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Bangladesh	50,000	-	-	-
Guinea	-	50,000	-	-
Philippines	5,000	-	-	-
Türkiye	8,000,000	-	820,862	2,000,000
Others	100,000	-	277,576	-
Total	8,155,000	50,000	1,098,438	2,000,000

39. The inadequate mobilization of resources was attributed to limited capacity to formulate project proposals, yet TBLDC had access to the resource mobilization committee, an economist at OHRLLS and a senior programme officer at the P-5 level. Also, its job postings for programme officers indicated resource mobilization skills as a desirable competency.

40. At the time of fieldwork, the draft funding agreement with the host Government, among other things, required TBLDC to implement a strategy to mobilize resources and diversify funding, including targets and planned outputs to enhance its visibility and ensure continued operations.

(8) TBLDC should prepare a targeted resource mobilization action plan identifying the activities to be conducted, potential donors, and roles, responsibilities and timeframes for implementation.

TBLDC accepted recommendation 8.

D. Management of staff and other resources

There was a need to strengthen the capacity of the Bank to undertake administrative responsibilities

41. At inception, TBLDC did not have adequate internal administrative capacity, therefore, finance, administration and human resources functions were performed by the Executive Office of DESA in consultation with the MD until March 2021. Other functions were provided by service providers under service level agreements. However, TBLDC had not established effective internal control systems, and did not always adhere to United Nations regulations, rules, policies and procedures as required by the Charter, resulting in several challenges in the areas of recruitment, training, procurement and travel.

a) Staff recruitment

42. TBLDC did not conduct an operational workforce planning exercise to guide the recruitment of staff, individual contractors (ICs) and consultants and did not consistently adhere to recruitment guidelines, which resulted in the following:

- Records in Inspira did not indicate how four to six candidates were shortlisted for interviewing from tens and in some cases, hundreds of applicants. There was also inadequate evidence to substantiate that the most qualified candidates were ultimately selected.
- TBLDC employed a driver whose official appointment date was 28 September 2020, although email correspondence indicated that he was providing services to the former MD in August 2020 and was compensated to the tune of \$1,600, which was recorded in Umoja as overtime from October 2020 to May 2021 with approval of the former MD. There were no work-related exigencies requiring the driver to work in excess of established hours.
- Approved staff posts increased progressively from 5 in 2018 to 17 in 2021, and the number of posts filled increased from 2 in 2018 to 12 by September 2021. In some instances, posts were advertised several months after their approval. For example, the administration officer and assistant posts were approved in January 2020 but advertised in August 2020 and filled in March and April 2021 respectively. Discussions with the service provider indicated that most delays were encountered in developing job profiles due to limited understanding of recruitment guidelines at TBLDC. As a result, vacancy rates remained significantly high for most of the audit period as shown in Table 3.

Table 3: Approved posts in annual budgets and vacancy status as of 31 December of each year

No.	Approved posts			Posts filled	Vacancies	Vacancy rate
	Professional	General services	Total			
2018	3	2	5	2	3	60%
2019	4	3	7	3	4	57%
2020	5	5	10	4	6	60%
2021	7	10	17	12	5	29%

- Three out of 61 consultants and ICs were employed for 26 to 33 months continuously, contrary to the requirement to limit their employment to no more than 24 months in a 36-month period as per ST/AI/2013/4 on consultants and ICs.

b) Mandatory and other requisite training courses

43. Completion rate for the nine mandatory courses stipulated in the Secretary-General's bulletin ST/SGB/2018/4 on the United Nations learning programme was 87 per cent, with senior leadership of TBLDC among those who had not completed the training. This included the Prevention of Sexual Exploitation and Abuse by UN Personnel: Managers and Commanders course, which only 50 per cent of eligible staff had attended. These courses are to be completed within six months of joining the organization or assuming a role for which additional training is mandated.

44. Further, one staff who served as a panel member for competency-based interviews could not provide evidence of completing the prerequisite training and another staff with subdelegation of authority to certify transactions had not been granted access to perform the role in Umoja due to pending requisite Umoja training.

c) Procurement

45. OIOS review of procurement contracts showed the following instances where TBLDC did not comply with relevant guidance on procurement and contract management, which undermined the principle of best value for money:

- TBLDC established a contract for EUR65,250 directly with a vendor in May 2020 to develop a digital platform and microsite for a live pilot of TAP without support from a service provider or a competitive process. According to TBLDC this decision was taken due to the urgent need to launch the TAP pilot project to support LDCs with their response to the COVID-19 pandemic. A proposal submitted by the vendor was signed by both parties and served as the contract although it did not incorporate the United Nations general conditions of contract. TBLDC subsequently disputed the reasonableness of some charges included in invoices, such as web hosting fees and the vendor's time for attending development meetings to better understand the product requirements. However, the structure of the vendor's fees had not been detailed in the contract. As a result of TBLDC's refusal to pay, the vendor withheld the domain name for the microsite, abandoned the project and threatened to litigate. After consultation with the OLA, TBLDC agreed to settle the invoiced amount of EUR69,600, although the project was not finalized.
- TBLDC terminated a five-month contract for provision of a communications programme for TAP on 30 October 2020, two months before the agreed completion date, citing unsatisfactory performance. A review of the contract showed that while terms of reference were developed, there were no specific indicators for measuring performance included in the contract signed by the service provider. Also, the contract did not include a clause on consequences of non-performance or late performance. As a result, TBLDC had to pay settlement costs of \$59,000.
- TBLDC awarded a contract RFP/2021/18665 for preparation of a report on the state of STI in the LDCs on 22 April 2021 for \$274,963, which was to be completed by 8 October 2021. The report was to serve as an outreach tool during the fifth United Nations conference on LDCs in January 2022. However, due to consultant delays and quality issues which led to multiple iterations, the report was only completed in December 2021, after which more time was spent editing and translating the report into French. Attempts to recover part of the price through the service provider were unsuccessful, as the original contract did not include a penalty clause to facilitate recovery in the event of unsatisfactory performance. This indicated a need for clearer specifications and legal advice before concluding agreements.

d) Official travel

46. Travel represented about a third of TBLDC's budget from 2019 to 2021, and actual expenditure amounted to \$723,143; \$236,324 and \$76,113 in 2019, 2020 and 2021, respectively. Expenditure in 2020 and 2021 was significantly lower than in prior years due to travel restrictions necessitated by the COVID-19 pandemic. The following control weaknesses were noted in the management of travel:

- In November 2020, the former MD ceased seeking approval of his travel requests from the Secretary-General's representative but did not establish procedures for prior approval or subsequent review of his travel by any competent authority such as the Council, which undermined controls over accountability.
- No annual or quarterly travel plans were prepared, and air travelers did not submit requests at least 21 calendar days prior to the start of travel for 24 out of 95 trips processed by DESA and the United Nations Office at Geneva (UNOG) during the audit period. This represented a 25 per cent non-compliance rate. TBLDC informed that non-compliance was due to delayed confirmation by travelers, late nomination of travelers, late event planning and delays in processing visas/travel documents.
- Although management indicated that mission reports were prepared for all trips to document the details and outcomes of travel, the reports were not available for 19 out of 45 trips conducted by the former MD. Review of meeting minutes indicated that the Secretary-General's representative had reminded the former MD about these reports during their monthly meetings.

47. In addition, no logbook was maintained to track the use of TBLDC's vehicle, although discussions and other documents such as road toll statements indicated that the vehicle was used almost daily, including weekends and after official working hours.

48. In explaining non-adherence to United Nations guidance, the former MD cited the July 2019 advice from OLA that the delegation of authority bulletin did not apply to TBLDC as a subsidiary organ of the General Assembly. However, the Charter requires TBLDC to adhere to all the United Nations regulations, rules, policies and procedures and TBLDC had not developed an internal control framework. OIOS also noted that TBLDC did not have an Administration Officer until April 2021 and thus lacked expertise to ensure relevant guidance was applied.

49. As part of the reform of the United Nations development system, the Secretary-General mandated the implementation of the business operations strategy by 2021. The strategy involves consolidating location dependent common services (such as procurement, finance, information and communications technology, human resources and administration) into local shared service centres with location independent services provided by global shared service centres. TBLDC should leverage on this initiative and identify services that could be performed by other entities in the United Nations country team in Türkiye to enhance its administrative capacity, achieve cost savings and improve the quality of services.

(9) TBLDC should review arrangements for its administrative support including through leveraging the United Nations business operations strategy established by the United Nations country team in Türkiye to achieve benefits such as economies of scale and improved services.

TBLDC accepted recommendation 9.

(10) TBLDC should establish and implement a mechanism for prior approval or periodic monitoring of the Managing Director's travel to ensure appropriate use of resources.

TBLDC accepted recommendation 10 and stated that the Council may have to take responsibility for implementation of this recommendation.

IV. ACKNOWLEDGEMENT

50. OIOS wishes to express its appreciation to the management and staff of TBLDC for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Muriette Lawrence-Hume
Chief, New York Audit Service
Internal Audit Division, OIOS

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Technology Bank for the Least Developed Countries

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	TBLDC should: (a) obtain advice from OLA on the reporting lines of the Managing Director (MD) position to ensure they are consistent with the Bank's status as a subsidiary organ of the General Assembly; and (b) ensure the performance measures of the MD reflect that status.	Important	O	Evidence that advice has been sought from OLA regarding the reporting lines for the MD and related performance measures.	30 September 2022
2	TBLDC should establish and implement a mechanism to assign to specific officials the responsibility to monitor implementation of Council decisions and ACABQ recommendations within stipulated timelines, and report thereon.	Important	O	Evidence that the mechanism implemented to assign officials to monitor implementation of Council decisions and ACABQ recommendations.	31 December 2022
3	TBLDC should develop a process to make changes to its approved programme of work and submit all new initiatives to the Council for approval, together with the necessary funding and implementation modalities.	Important	O	Evidence that the process established to make changes to approved TBLDC programme of work, including funding and implementation modalities.	31 May 2023
4	TBLDC should develop annual work plans specifying measurable outputs, outcomes and key performance indicators to guide and monitor implementation of its strategy, facilitate identification of major deviations and develop timely remedial actions.	Important	O	Submission of the first annual work plan developed, incorporating measurable outputs and KPIs.	31 May 2023
5	TBLDC should establish a checklist to document due diligence procedures for engagement of implementing partners to ensure the interests of the Organization are safeguarded.	Important	O	Submission of the checklist developed to document due diligence procedures for the engagement of implementing partners.	31 May 2023
6	TBLDC should develop a risk register and mitigation plan with clearly assigned risk owners and a monitoring framework.	Important	O	Submission of the TBLDC corporate risk register and mitigation plan.	31 May 2023
7	TBLDC should establish a mechanism to continuously monitor and periodically evaluate the effectiveness and impact of its activities.	Important	O	Evidence of the mechanism implemented to monitor and evaluate TBLDC activities.	31 May 2023

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Technology Bank for the Least Developed Countries

8	TBLDC should prepare a targeted resource mobilization action plan identifying the activities to be conducted, potential donors, and roles, responsibilities and timeframes for implementation.	Important	O	Submission of the resource mobilization action plan prepared.	31 May 2023
9	TBLDC should review arrangements for its administrative support including through leveraging the United Nations business operations strategy established by the United Nations country team in Türkiye to achieve benefits such as economies of scale and improved services.	Important	O	Evidence of arrangements to leverage the United Nations business operations strategy established by the United Nations Country Team in Türkiye.	31 May 2023
10	TBLDC should establish and implement a mechanism for prior approval or periodic monitoring of the Managing Director's travel to ensure appropriate use of resources.	Important	O	Evidence that the MD's trips are approved and periodically monitored.	31 May 2023

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

³ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁴ Date provided by TBLDC in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the Technology Bank for the Least Developed Countries

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	TBLDC should: (a) obtain advice from OLA on the reporting lines of the Managing Director (MD) position to ensure they are consistent with the Bank's status as a subsidiary organ of the General Assembly; and (b) ensure the performance measures of the MD reflect that status.	Important	Yes	Managing Director	30 September 2022	As indicated in an earlier comment, the reporting line of the Managing Director is well established and meets the requirements of the Charter establishing the Bank. The Managing Director reports to the representative of the UN Secretary-General in the Governing Council of the Technology Bank. However, the recommendation of receiving "advice from OLA" is accepted.
2	TBLDC should establish and implement a mechanism to assign to specific officials the responsibility to monitor implementation of Council decisions and ACABQ recommendations within stipulated timelines and report thereon.	Important	Yes	Managing Director	31 December 2022	The recruitment of a new managing Director is underway, and it is expected that this process will be completed by 31 December 2022. Furthermore, in its special session held on 30-31 May 2022, the Council decided to reduce the number of posts by 11 and 'reprofile/reclassify' the remaining six posts except for the Managing Director and administration. The six new posts are expected to be filled by 31 December 2022. Therefore, the decision to assign a specific official to monitor ACABQ decisions will have to wait until a new Managing Director is appointed.

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Management Response

Audit of the Technology Bank for the Least Developed Countries

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	TBLDC should develop a process to make changes to its approved programme of work and submit all new initiatives to the Council for approval, together with the necessary funding and implementation modalities.	Important	Yes	Managing Director	The first meeting of the Council with a new Managing Director will be in May 2023, which the Council meets for its mid-year session. This meeting provides the opportunity for the new managing Director to present a new arrangement for presentation of programme of work.	As above.
4	TBLDC should develop annual work plans specifying measurable outputs, outcomes and key performance indicators to guide and monitor implementation of its strategy, facilitate identification of major deviations and develop timely remedial actions.	Important	Yes	Managing Director	May 2023	As above.
5	TBLDC should establish a checklist to document due diligence procedures for engagement of implementing partners to ensure the interests of the Organization are safeguarded.	Important	Yes	Managing Director	May 2023	As above.

Management Response

Audit of the Technology Bank for the Least Developed Countries

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	TBLDC should develop a risk register and mitigation plan with clearly assigned risk owners and a monitoring framework.	Important	Yes	Managing Director	May 2023	As above.
7	TBLDC should establish a mechanism to continuously monitor and periodically evaluate the effectiveness and impact of its activities.	Important	Yes	Managing Director	May 2023	As above.
8	TBLDC should prepare a targeted resource mobilization action plan identifying the activities to be conducted, potential donors, roles, responsibilities and timeframes for implementation.	Important	Yes	Managing Director	May 2023	As above.
9	TBLDC should review arrangements for its administrative support including through leveraging the United Nations business operations strategy established by the United Nations country team in Turkey to achieve benefits such as economies of scale and improved services.	Important	Yes	Managing Director	May 2023	As above.
10	TBLDC should establish and implement a mechanism for prior approval or periodic monitoring of the Managing Director's travel to ensure appropriate use of resources.	Important	Yes	Managing Director	May 2023	The Council may have to take responsibility for implementation of this recommendation.