Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of UNCTAD Technical Cooperation Project "Strengthening the Debt Management Capacity of Developing Countries"

Overall results relating to the effective management of the Debt Management and Financial Analysis System Programme were initially assessed as partially satisfactory. Management has satisfactorily implemented all audit recommendations

FINAL OVERALL RATING: SATISFACTORY

19 December 2012
Assignment No. AE2012/340/01

CONTENTS

AUDIT REPORT

Audit of UNCTAD Technical Cooperation Project "Strengthening the Debt Management Capacity of Developing Countries"

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations Conference on Trade and Development (UNCTAD) technical cooperation project "Strengthening the debt management capacity of developing countries" known as the Debt Management and Financial Analysis System (DMFAS) Programme.

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. The overall objective of the DMFAS Programme (the Programme) is to help strengthen the capacity of governments to manage their debt effectively and sustainably, in support of poverty reduction, development and good governance. Implementation of the Programme is guided by the 2011-2014 strategic plan and related annual work plans. The Programme is executed through a portfolio of country projects involving installation of the DMFAS software (used for recording, monitoring, analyzing and reporting of public debt); delivery of training on software management and related information technology; training on debt database creation, validation and quality review; assistance in production of debt reports and statistical bulletins; and other advisory services related to debt management as requested by governments. The Programme was implementing 28 country projects as of October 2012. The DMFAS Advisory Group (DAG), composed of representatives of donors and beneficiary countries, provides strategic direction and governance for the Programme.

4. Since its inception in 1982, the Programme had assisted 105 public Debt Management Offices (DMOs) in 69 countries. At the end of 2011, the latest version of the DMFAS software (version 6.0) was being used in 10 countries, while other countries continued to use the previous version (5.3). In 2007, the Programme decided to change the programming platform of the software from Oracle to Java and outsourced the development of the Java based version 6.0 to an external company through the Purchase and Transportation Section (PTS) of the United Nations Office at Geneva (UNOG). The Programme's strategic priority was to gradually upgrade the software version to 6.0 in most countries.

5. The Programme is headed by a P-5 Chief reporting to the D-1 Director of Debt and Development Finance Branch (DDFB) under the Division on Globalization and Development Strategies (GDS) of UNCTAD. Of the 24 Programme staff located in Geneva, five staff members (one P-5, two P-3s and two G-5s) were funded through the regular budget and the rest were funded by extra-budgetary resources through either country projects or the DMFAS Central Trust Fund (CTF). The CTF was created by the UNCTAD Secretary-General in 2001 to ensure financial sustainability of DMFAS central operation for software development and maintenance, training in debt management and networking activities. In 2011, the total Programme expenditures were $5.78 million. The estimated budget for 2012 was $7.32 million.

6. Comments provided by UNCTAD and UNOG are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of the UNCTAD governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the DMFAS Programme**.

8. The audit was included in the 2012 internal audit work plan for UNCTAD because DMFAS is UNCTAD's second largest technical cooperation programme and has not been previously audited.

9. The key controls tested for the audit were: (a) strategic planning and risk management; (b) project management; (c) coordinated management; and (d) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

> (a) **Strategic planning and risk management** - controls that provide reasonable assurance that risks relating to the programme are identified and assessed and action is taken to mitigate or anticipate risks;
>
> (b) **Project management** - controls that provide reasonable assurance that there is sufficient project management capacity such as human and financial resources to achieve mandates;
>
> (c) **Coordinated management** - controls that provide reasonable assurance that potential overlaps in the delivery of the programme are mitigated, and that issues affecting or involving other United Nations partners and actors are identified, discussed and resolved timely and at the appropriate forum; and
>
> (d) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of the programme in the areas of administration and finance, management of consultants and procurement; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

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

11. OIOS conducted this audit from March to August 2012. The audit covered the period from 1 January 2010 to 31 May 2012.

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 assessed as **satisfactory** in providing reasonable assurance regarding the **effective management of the DMFAS Programme**. OIOS made five recommendations to address the issues identified in the audit.

14. The strategic planning and risk management key control was rated satisfactory as strategic plans were developed as intended, with participation of the beneficiary countries and in consultation with donors. Key risks related to the Programme were identified and assessed and fund-raising and outreach activities were carried out in accordance with the strategic plan. The coordinated management key

control was also rated satisfactory because the Programme's arrangements for ensuring cooperation with other technical cooperation providers on debt issues were functioning effectively. The Programme focused on its area of expertise and comparative advantages and undertook joint activities with other relevant organizations.

15. Regarding project management, the Programme had an adequate performance management system in place. Annual work plans of the Programme were developed in accordance with the strategic plan and were further transferred into unit work plans and staff performance plans. The Programme strategic plan included a well defined logical framework at the programme level that was subsequently applied to projects. Action was taken to strengthen follow-up with beneficiary institutions for the collection of over $200,000 in unpaid fees under the maintenance agreements.

16. Regarding regulatory framework, the Programme had a clearly defined mandate stipulated in the Accra Accord and further confirmed in the 2012 Doha Mandate and General Assembly resolution 65/144. The structure of the Programme was also well defined and continuously assessed to maintain relevance and gain cost-effectiveness. UNOG had obtained from a vendor an adequate performance bond in relation to the contract for the development and maintenance of the DMFAS software. In addition, action was taken to establish a special account for the accrual of provisions for the funding of separation entitlements for staff funded from extra-budgetary technical cooperation projects. The Programme also took action to value and report in-kind contributions received in accordance with relevant United Nations instructions.

17. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **satisfactory** as all recommendations have been implemented.

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 the DMFAS Programme	(a) Strategic planning and risk management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Coordinated management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(d) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Strategic planning and risk management

<u>Programme strategic planning and risk management processes were functioning as intended</u>

18. UNCTAD developed strategic plans to guide the implementation of the DMFAS Programme activities. The current strategic plan covered the period from 2011 to 2014. The strategic plan was developed based on the policies initiated in the previous strategic plan (2007-2010), lessons learned from its implementation and recommendations of the mid-term review of the previous strategic plan conducted

by an external company in November 2009. The strategic planning process also considered the views and feedbacks of donors and beneficiary countries. The plan was presented to the DAG and DMFAS donor meetings in November 2011, both of which found the plan relevant and responsive to countries' needs. The strategic plan identified risks and assumptions related to the Programme and articulated the expected results and priorities of the Programme. It also outlined strategies for fund-raising, communication and advocacy and coordination with other organizations working on debt issues such as the World Bank and the International Monetary Fund (IMF). In addition, the DMFAS Programme maintained a risk management system to identify, assess and mitigate key risks to the Programme, such as lack of funding to implement the strategic plan, insufficient liquidity to cover operational needs, potential donor funding diverted to other organizations. The current processes for strategic planning and risk management of the Programme were therefore considered to be functioning as intended.

Fund-raising activities were carried out in accordance with the DMFAS strategic plan

19. A fund-raising strategy was developed by the DMFAS Programme in accordance with the strategic plan. A fund-raising group was established within the Programme which regularly reviewed the programme funding situation, communicated with existing and potential donors, organized regular donor consultation meetings and monitored new developments and trends in donor financing. Activities for fund-raising were carried out as per the fund-raising strategy and were aimed at continuing an increase in cost-sharing by beneficiary countries, strong partnerships with current donors, expansion of the donor base and increasing multi-year commitments by donors. In addition, the Programme maintained alternative funding scenarios for the implementation of the strategic plan, which provided flexibility to plan activities according to resources available. The Programme's fund-raising efforts were working as planned. For example, while bilateral donor contributions continued to provide the largest funding source for the Programme, beneficiary countries (and donors who funded specific country projects on the country's behalf) cost-sharing contributed 34 per cent of the Programme's income in 2011; a significant increase compared to 15 per cent in 2010.

Programme outreach activities had been strengthened

20. The Programme's key outreach elements included its website, the annual report of the Programme, quarterly newsletters and continuous communication with stakeholders through emails, letters, brochures, etc. The Programme had taken steps to improve the DMFAS website with provisions for user forums that allow sharing of information, experiences and best practices as it was identified in the DMFAS strategic plan and included in successive annual work plans of the Programme. The design for the new website structure was already in place and its implementation was planned to be completed by the end of 2012. Arrangements for the preparation of the DMFAS annual report were adequate and included the assignment of staff dedicated to the preparation and review of specific sections of the report. The report combined the results of implementation of country projects and consolidated results at the programme level in accordance with the framework established in the strategic plan. It also included financial information and highlighted key challenges and lessons learned. A soft copy of the report was prepared and made available within the required timeframe. In addition, the Programme had established a dedicated unit responsible for communication and outreach activities which regularly prepared the quarterly newsletters and maintained other continuous communications with Programme stakeholders.

B. Project management

Programme performance management was adequate

21. The DMFAS Programme's performance management mechanisms were provided in three key documents: the Logical Framework (logframe) included in the Programme's strategic plan outlining the indicators and means of verification for the Programme's 19 results under two immediate objectives; the annual work plan of the programme; and the project documents. The Programme logframe was developed and updated in consultation with donors and the DAG. The logframe in the strategic plan provided the expected results for the four-year period, which were further planned and progress reported on an annual basis by the Programme. Logframes were also included in country projects that were aligned with the programme logframe. The Programme developed annual work plans in accordance with its strategic plan, which were further divided into unit work plans and subsequently transferred into staff performance plans. The Programme also conducted assessments for the annual plan by units and staff performance appraisals were carried out on time.

22. In addition to the logframe, the Programme adopted a new Effectiveness Evaluation Framework comprising 12 indicators, in order to align its results with the Debt Management Performance Assessment and Public Expenditure and Financial Accountability programmes of the World Bank. A monitoring and evaluation (M&E) framework was also in place, which included the Programme's strategy and related responsibilities for programme and project M&E. Standard forms and formats were developed and used for estimating project manager's time for various standard tasks. Manuals were in place for project managers and programme officer, which served as a reference guide for them. The DMFAS Programme had also committed to establish procedures for the measurement of overall client satisfaction every two years. In fact, while the audit was still ongoing, the Programme took immediate action to set aside resources for a mid-term review (MTR) to take place from end-2012 to early 2013 and purchased a license for a web-based software to undertake client satisfaction surveys.

Project trust funds were created and managed in accordance with applicable rules

23. In accordance with the requirements, UNCTAD created and managed separate accounts for each DMFAS trust fund. UNCTAD had also put in place arrangements to ensure that trust funds are charged only for costs related to the specific project activities with multiple reviews within the Programme and approval of the UNCTAD Budget and Project Finance Section (BPFS). Annual donor statements for each trust fund were prepared and made available to donors through the UNCTAD technical cooperation portal by March of the following year, as required.

Action was taken to strengthen arrangements for follow-up on collection of maintenance fees

24. UNCTAD had signed maintenance agreements with the beneficiary countries whereby each institution committed to pay $5,000 maintenance fees per year to UNCTAD for the provision of help desk support, software updates and other technical assistance during the post-project implementation period. Such payments enabled the Programme to continue the help desk support services with a web-based tracking system administered by dedicated Programme staff. However, weaknesses were observed in the arrangements for follow-up and collection of the maintenance fees from the countries resulting in around $225,000 in uncollected amounts. The combined uncollected amount in years 2010 and 2011 was $195,000 as shown in Table 2 below and an additional $30,000 remained uncollected from the years 2008 and 2009. While invoicing was done on an annual basis, follow-up was not streamlined. One staff member kept track of payment status by countries but actual follow-up was done by individual project managers with their respective countries through emails or during missions. Strengthening of this

mechanism to a centrally managed quarterly follow-up of unpaid amounts was necessary to ensure an effective collection process. The DMFAS fund-raising strategy emphasized the need to systematically invoice and timely follow up payments with the clients, which was also included in the DMFAS work plan.

Table 2: Maintenance fees collection status by year

Year	Collected	Uncollected
2011	$264,683	$130,000
2010	$263,491	$65,000
Total	$528,174	$195,000

(1) UNCTAD should strengthen procedures to follow up with beneficiary institutions of the DMFAS Programme collection of fees under the signed maintenance agreements.

(2) UNCTAD should seek to collect and reconcile the unpaid maintenance fees amounting to over $200,000 from the beneficiary institutions of the DMFAS Programme.

UNCTAD accepted recommendation 1 and stated that the procedure for the regular, systematic review of maintenance fees had now been established. The first implementation of the quarterly reviews had already taken place in December 2012. As a result, formal follow-ups had been made with all governments concerned. Based on the action taken by UNCTAD, recommendation 1 has been closed.

UNCTAD accepted recommendation 2 and stated that a review of all arrears had been made and the necessary action taken to reconcile all unpaid amounts, including sending reminders and statements for outstanding amounts in December 2012. UNCTAD added that it was important to note that full recovery may prove to be impossible and UNCTAD cannot be held responsible for the collection of all arrears, as it had no practical leverage over governments to enforce payment (the agreements were de facto voluntary and did not allow for discontinuing service if governments did not pay, and governments can opt out of the agreements without paying). Moreover, consideration would need to be given to any beneficiary that shows that conditions beyond its control contribute to its inability to pay, in line with the principle established by Article 19 of the United Nations Charter. Through the review, the reasons for non-collection of all outstanding amounts had been properly documented. Based on the action taken by UNCTAD, recommendation 2 has been closed.

C. Coordinated management

Cooperation with other technical assistance providers was effective

25. In line with General Assembly resolution 65/144 on external debt sustainability and development and the Accra Accord, which emphasized the need for UNCTAD to continue and intensify cooperation with the IMF, World Bank and other stakeholders in the delivery of the DMFAS Programme, the Programme's strategic plan identified cooperation with other agencies as a priority. Accordingly, the DMFAS Programme had analyzed activities performed by other technical cooperation providers on debt issues and focused on its area of expertise and comparative advantages in order to avoid overlap and improve efficiency and effectiveness through continuous sharing of information, mutual support and joint activities. While the IMF and World Bank were active in the "upstream" technical cooperation activities of debt sustainability analysis and debt strategy formulation, the DMFAS Programme focused on the "downstream" activities of debt database creation, statistical reporting and debt analysis. The Programme

had collaborated with the World Bank and IMF by organizing missions and workshops, producing guidelines on debt management and actively participating in the Inter-Agency Task Force on Finance Statistics led by the IMF. The complementarities between the work of the World Bank and the DMFAS Programme were also visible. In 2011, the Programme had earned nearly $300,000 through partnership with the World Bank and the International Organisation of Supreme Audit Institutions (for the trans-regional capacity building programme for the auditing of public debt management), which serves as testament to the Programme's efforts to ensure cooperation. The Programme also collaborated with several other international and regional organizations that are involved in debt management issues. Furthermore, the Programme's efforts to cooperate with other technical cooperation providers were commended by its donors and acknowledged by the DAG in November 2011.

D. Regulatory framework

UNCTAD had a clearly defined mandate for the DMFAS Programme

26. UNCTAD had a clearly defined mandate for the implementation of the DMFAS Programme as stipulated in paragraph 40 of the Accra Accord, and further confirmed in paragraph 31 (c) of the Doha Mandate. UNCTAD was mandated to continue to provide technical assistance and support for developing countries in building national capacities for debt management through the DMFAS Programme. General Assembly resolution 65/144 on external debt sustainability and development also affirmed UNCTAD's mandate for the provision of continuous capacity-building activities in the area of debt management and sustainability.

Programme structure was clearly defined and regularly assessed

27. The DMFAS Programme was divided into five operational units: Systems Unit, Project Management Unit, Training and Documentation Unit, Debt Analysis Unit and Administration and Communication Unit. Reporting lines, roles and responsibilities for each of the units were clearly defined in the Programme organigramme and reflected in the respective units' work plans. In addition, the Programme undertook continuous assessment of its structure, including through post reclassifications, in an effort to keep the Programme structure relevant and cost-effective.

Protection of intellectual property rights of DMFAS software version 6.0 had been addressed by amending the original contract

28. UNCTAD decided to outsource the development and maintenance of DMFAS software version 6.0 in 2007 and requested UNOG to identify the vendor and to procure the requested services. The UNOG Committee on Contracts reviewed the bidding process and recommended that the UNOG Director of Division of Administration award a contract for the development and maintenance of the DMFAS software version 6.0 to a private vendor in the not-to-exceed amount of $1,926,115. Accordingly, UNOG signed a contract with the vendor; however, the contract had expired even before it was signed. UNOG PTS had issued 19 purchase orders (POs) to the vendor from January 2008 to January 2012 without issuing any contract amendment for the development and maintenance of DMFAS software version 6.0 in the amount of $977,044. In the absence of necessary contract amendments to extend the timeframe and scope of the contract, these POs were issued without the support of a proper contract and, therefore, the works ordered through the POs were not covered by the United Nations General Terms and Conditions of Contract that were included in the original contract. In addition, the POs were issued in standard format which did not include any provisions for the protection of intellectual property rights of the software to the United Nations. This had put the copyright of the DMFAS software at risk. After OIOS raised the matter to UNOG's attention, UNOG PTS issued a contract amendment in June 2012, which retroactively

approved the work performed by the vendor and gave effect to the copyright clauses that were included in the original contract.

Action was taken to obtain performance bond

29. Ten per cent of the total award, or $97,704, for the development and maintenance of DMFAS software version 6.0 should have been obtained as performance bond from the vendor, in accordance with the United Nations Procurement Manual (UNPM). However, UNOG PTS did not hold any performance bond from the vendor. According to the amendment issued in June 2012, the vendor needed to furnish performance security bond in the amount of $69,488 to UNOG PTS by the end of July 2012. However, by the end of August 2012, the performance bond had not been obtained.

(3) UNOG should obtain a performance bond for applicable amount in relation to the work awarded to the vendor for the development and maintenance of the DMFAS software version 6.0.

UNOG accepted recommendation 3 and stated that it had issued a contract amendment in October 2012 specifying the applicable performance bond for the remaining works and obtained the bond in the amount of $36,394 in November 2012. Based on the action taken by UNOG, recommendation 3 has been closed.

Need to recover the undercharged amount for reserve on consultants' fees under technical cooperation trust funds and start charging one per cent of such fees in accordance with ST/AI/285

30. The DMFAS Programme activities, including 21 of its 26 staff and all consultants, were funded by technical cooperation trust funds. ST/AI/285 on Technical Cooperation Trust Funds provides that trust funds are subject to a charge of one per cent of net base salaries and of fees of consultants as a reserve for possible claims covered by Appendix D of the United Nations Staff Rules. A review of this requirement indicated that while one per cent of net base salaries of staff was reserved, such rate for consultants was 0.5 per cent. Calculation of this reserve was done automatically in IMIS and was managed by the UNOG Financial Resources Management Service (FRMS). UNOG FRMS confirmed that the IMIS Appendix D batch functionality was designed in such a manner that it had consistently charged 0.5 per cent for all consultants under technical cooperation trust funds in all duty stations for many years. However, neither UNOG FRMS nor the Office of Programme Planning, Budget and Accounts (OPPBA) of the Department of Management could provide any documentation indicating the policy change from one per cent to 0.5 per cent. To the contrary, a memorandum from the United Nations Headquarters Accounts Division to UNOG FRMS dated October 1993 indicated that 0.5 per cent was applicable only to technical cooperation field project funds financed by United Nations Development Programme (UNDP) and United Nations Population Fund (UNFPA) but confirmed that the provisions of ST/AI/285 were applicable for the technical cooperation trust funds. IMIS reports provided by UNOG FRMS showed that expenditures on international consultants' fees under technical cooperation trust funds managed by UNOG FRMS for all its clients were nearly $10.13 million in 2011; therefore, an amount of $101,300 or one per cent should have been charged to the trust funds for Appendix D reserve as per ST/AI/285. However, the actual amount charged was approximately $50,600 or 0.5 per cent, resulting in an equivalent amount unrecovered. Therefore, the amount undercharged by UNOG FRMS over a two-year period was estimated to be more than $100,000, which needed to be recovered and deposited in the Appendix D reserve. At the end of 2011, UNOG FRMS was managing 78 technical cooperation trust funds for its seven clients. A separate OIOS horizontal audit of the quality of reporting to donors on extra budgetary funds (AG/2012/510/01) is ongoing and addressing this issue with the appropriate office(s) in New York. In particular, the audit is seeking to clarify with the United Nations Controller's office the proper application of Appendix D by all departments and recover any understated amounts, where practical, or

revise ST/AI/285 to reflect the current practices. Therefore, no recommendation is being raised in the present report.

Action was taken to establish a special account for accrual of provisions for funding of separation entitlements for staff funded from extra-budgetary technical cooperation projects

31. Separation costs of staff funded from extra-budgetary technical cooperation projects in UNCTAD were charged to the budget of the last employing project. During the period from September 2011 to June 2012, two staff separated from the DMFAS Programme, costing the Programme over $114,000 in payment for accumulated annual leave, shipment and travel. Since 1997 (from when IMIS reports are available), the two staff had worked for an average of 27 different extra-budgetary projects each and one of them had also been employed on a United Nations regular budget-funded post. In the absence of a mechanism to charge all those projects for the separation expenses, this cost was charged to the Programme's current operating budget, which consists of donor contributions intended for continuation of the Programme activities. This puts high strain on the programme operation. In the long run, the case exposes the Organization to even higher risk as UNCTAD employed as many as 110 staff funded from extra-budgetary resources, out of which 89 (82 Professional and 7 General service) were funded through technical cooperation activities under all its programmes and projects and the funding situation may be difficult at times for some activities. While projects funded from extra-budgetary resources were normally subject to a charge of 13 per cent of project budget for programme support cost and one per cent of staff and consultant salaries/remuneration for a reserve for service incurred death, injury or illness, no reserve was maintained for separation liabilities.

32. ST/AI/286 on Programme Support Account provided that an operating reserve maintained at the level of 20 per cent of the estimated annual programme support income would be held in a separate account to, *inter alia*, liquidate legal obligations in cases of abrupt terminations of activities financed from extra-budgetary resources. UNCTAD sought a solution for accumulating provisions to cover separation costs of its staff financed by extra-budgetary resources under technical cooperation activities in 2009. However, the Deputy Controller at the time advised UNCTAD that the practice of charging separation entitlements to the final project for which a staff member has worked should be followed until a Secretariat-wide policy was adopted. While this audit was ongoing, UNCTAD approached UNOG FRMS attempting to find a local interim arrangement and was advised that UNOG and other offices away from headquarters had raised this issue with OPPBA and a joint proposal for accruals for separation entitlements were being prepared.

(4) UNCTAD should obtain authorization for establishing a special account for the accrual of provisions for funding the costs arising from separation of staff funded from extra-budgetary technical cooperation projects and discontinue charging project budgets for such costs as soon as the new special account is operational and has accumulated sufficient funds.

UNCTAD accepted recommendation 4 and stated that the issue had been discussed between OPPBA and the offices away from headquarters on a number of occasions recently, including in connection with the IPSAS implementation. This included a proposal made in November 2012 to charge a percentage of actual salary costs to accrue a global United Nations fund for benefits like education grant, after-service health insurance and separation entitlements, including for staff financed by extra-budgetary resources. As it had continued making all possible efforts, jointly with UNOG, to obtain the required authorization, and the outcome of these discussions was now out of its control, UNCTAD considered this recommendation to have been implemented. Based on the action taken by UNCTAD, recommendation 4 has been closed.

Action was taken to value and report in-kind contributions in accordance with applicable instructions

33. Instructions issued by the United Nations Controller and UNOG FRMS in 2006, 2008 and 2011 on the reporting of contributions in-kind in the financial statements required UNCTAD to value and report to UNOG FRMS in-kind contributions of materials and services over $5,000 received for the regular budget as well as for trust funds and technical cooperation activities. The DMFAS Programme had two sub-regional offices: one in Bamako, Mali and another in Buenos Aires, Argentina. While UNCTAD spent over $20,000 annually for office space and other associated costs for the Bamako office, there was no cost for the similar sized office in Buenos Aires as it was a contribution in-kind by the Ministry of Economic and Public Finance of Argentina. However, this contribution had not been valued and, as a result, it was not disclosed in UNCTAD's financial statements. The Programme further received in-kind contributions from beneficiary countries for the implementation of specific country projects, which should also be valued and reported in accordance with the instructions.

(5) UNCTAD should value and report in-kind contributions received for the DMFAS Programme in accordance with relevant United Nations instructions.

UNCTAD accepted recommendation 5 and stated that in-kind contributions to the DMFAS Programme for 2012, including for the office space in Argentina, had been incorporated into the UNCTAD report to UNOG in accordance with Administrative and Financial Instruction No. 169 of 27 November 2012. With regard to possible in-kind contributions from beneficiary countries for the implementation of specific country projects, UNCTAD had reviewed the relevant United Nations instructions and concluded that it had no cases that would meet the scope of the officially promulgated requirements. Based on the action taken by UNCTAD, recommendation 5 has been closed.

IV. ACKNOWLEDGEMENT

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

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ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of UNCTAD Technical Cooperation Project
"Strengthening the Debt Management Capacity of Developing Countries"

Recom. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	UNCTAD should strengthen procedures to follow up with beneficiary institutions of the DMFAS Programme collection of fees under the signed maintenance agreements.	Important	C	Action completed	Implemented
2	UNCTAD should seek to collect and reconcile the unpaid maintenance fees amounting to over $200,000 from the beneficiary institutions of the DMFAS Programme.	Important	C	Action completed	Implemented
3	UNOG should obtain a performance bond for applicable amount in relation to the work awarded to the vendor for the development and maintenance of the DMFAS software version 6.0.	Important	C	Action completed	Implemented
4	UNCTAD should obtain authorization for establishing a special account for the accrual of provisions for funding the costs arising from separation of staff funded from extra-budgetary technical cooperation projects and discontinue charging project budgets for such costs as soon as the new special account is operational and has accumulated sufficient funds.	Important	C	Action completed	Implemented
5	UNCTAD should value and report in-kind contributions received for the DMFAS Programme in accordance with relevant United Nations instructions.	Important	C	Action completed	Implemented

[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.
[3] C = closed, O = open
[4] Date provided by UNCTAD in response to recommendations