



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Procurement of services by the United Nations Economic Commission for Africa

Weak internal controls for the management of consultancy services and service contracts exposed ECA to increased risks of waste and inefficiency

17 December 2009

Assignment No. AN2009/710/01

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr Abdoulie Janneh, Executive Secretary
A: United Nations Economic Commission for Africa

DATE: 17 December 2009

REFERENCE: IAD: 09- 03188

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

Fatoumata

SUBJECT: **Assignment No. AN2009/710/01 - Audit of the procurement of services by the United Nations**
OBJET: **Economic Commission for Africa**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 1-3, 10 and 12 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendations 11 and 13. It was not clear from your response whether or not you accepted recommendations 5, 6 and 9. In OIOS' opinion, recommendations 5, 6, 9, 11 and 13 seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risks (i.e., recommendations 1, 2, 5, 6, 9 and 11), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Angela Kane, Under-Secretary-General for Management
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Special Assistant to the USG, OIOS
Mr. William Petersen, Chief, New York Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of the procurement of services by the United Nations Economic Commission for Africa

OIOS conducted an audit of the procurement of services by the United Nations Economic Commission for Africa (ECA). The overall objective of the audit was to assess the adequacy of ECA's management of and controls over the engagement of consultants and procurement of services. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, OIOS found that inadequate controls and non-compliance with United Nations rules and administrative instructions exposed ECA to increased risks of waste and inefficiency in its use of external services. For example, the decentralization of certification functions resulted in the same person both requesting the services and certifying payments under the consultancy and institutional contracts. Furthermore, delegations of authority for procurement and payment approval were not formalized.

ECA contract managers paid insufficient attention to contractor performance. There was little evidence of systematic or strategic monitoring of the performance of consultants across ECA as a whole, or within the divisions.

United Nations administrative instructions relating to the engagement of consultants were generally not followed. OIOS found examples where consultancy arrangements were incorrectly used for the performance of staff functions, assignments commenced before valid contracts were in place, terms of reference for consultancy assignments were poorly developed, and the contribution of assignment outputs to the programme of work was unclear. In seven consultancies undertaken pursuant to a World Bank project grant, ECA engaged consultants on the project after the grant had closed and contrary to the terms of the grant and the advice of the World Bank. Similar examples of non-compliance with United Nations instructions were also found in the use of institutional contractors, with firms being engaged before a valid contract was in place and consultancy work being performed outside of the formal terms of the contract. OIOS also found an example where an institutional consultancy was used to avoid United Nations instructions that would have limited the further engagement of an individual consultant to ECA.

The failure to pay sufficient attention to the management and administration of the two procurement contracts examined by OIOS meant that there were significant periods when no written contract was in place, and that amendments to the procurement contracts were not submitted for review by the Headquarters Committee on Contracts, as required by the United Nations Procurement Manual.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the procurement of services by the United Nations Economic Commission for Africa (ECA). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. ECA was established by the Economic and Social Council (ECOSOC) in 1958 as one of the United Nations' five regional commissions. ECA's mandate is to promote the economic and social development of its Member States, foster intra-regional integration, and promote international cooperation for Africa's development.

3. ECA is organized into eight programmatic divisions and offices, as well as five sub-regional offices and a division for administration and support. In 2008–2009, ECA had a total of 644 approved staff posts and a budget of approximately \$190 million (with approximately two-thirds funded from the regular budget and the remaining third from extra-budgetary sources).

4. ECA uses external providers for a wide variety of services, such as cleaning and maintenance of its premises, the disposal of waste, catering and communications. In addition, ECA relies on individual experts for specialized expertise and advice in relation to specific projects or activities linked to the ECA programme of work.

5. The number of consultants and individual contractors engaged by ECA increased by almost four hundred per cent from 2004 to 2008 (see Table 1). ECA's expenditures on consultants, individual contractors and institutional contractors have increased as a percentage of its total expenditures from 1.4 per cent in 2004 to 3.4 per cent in 2008. In 2009, ECA estimated that it would procure goods and services valued at around \$8.8 million (about \$1 million for services, with the remaining amount being for consumables and other goods and property).

Table 1: ECA expenditures on consultants, individual contractors and institutional contractors compared with total expenditures (2004–2008)

Year	Consultants		Individual contractors		Institutional contractors		Total		ECA budget		Expend. / Total Budget (%)
	No.	Amount (\$'000s)	No.	Amount (\$'000s)	No.	Amount (\$'000s)	No.	Amount (\$'000s)	RB (\$'000s)	XB (\$'000s)	
2004	124	689	20	82	–	–	144	771	45 591	10 265	1.4
2005	117	656	14	191	–	–	131	847	45 591	10 265	1.5
2006	212	2 039	127	717	15	226	344	2 982	52 848	25 242	3.8
2007	273	2 999	197	976	49	1 437	519	5 412	52 848	25 242	6.9
2008	217	1 792	444	1 008	16	447	677	3 247	58 848	36 332	3.4

Source: Compiled by OIOS based on data provided by ECA and contained in reports of the Secretary-General. (Note: data on institutional contractors was not available prior to 2006.)

6. Pursuant to United Nations administrative instruction ST/AI/2004/1 and subject to certain limits, the Executive Secretary of ECA has been delegated

authority to conduct procurement in accordance with the United Nations Financial Regulations and Rules (FRRs) and the procedures set out in the United Nations Procurement Manual (PM). ECA has also been provided with the authority for preparing and processing contracts for consultants and individual contractors. The ECA Human Resources Services Section (HRSS) is responsible for overseeing the engagement of consultants and individual contractors within ECA, while the General Services Section (GSS) is responsible for procurement, including the engagement of institutional contractors.

7. Comments received from both ECA and the Department of Management to a draft of this report have been incorporated in *italics*. ECA did not specifically indicate in its response whether it accepted or rejected the report's recommendations. However, based on the comments received from ECA, OIOS has inferred acceptance or rejection for those recommendations where ECA's comments make such an inference possible. OIOS also met with ECA officials to discuss ECA's initial comments. Subsequent to this meeting, ECA provided further written comments and these have also been reflected in this report. Where no comments were received for particular recommendations, this has also been indicated in the report.

II. AUDIT OBJECTIVES

8. The major objectives of the audit were to assess the:
- (a) Adequacy of ECA's management of and controls over the engagement and procurement of services including consultants, individual and institutional contractors; and
 - (b) Compliance by ECA with established United Nations regulations and rules for the engagement and procurement of services.

III. AUDIT SCOPE AND METHODOLOGY

9. Fieldwork for the audit was conducted at ECA in Addis Ababa over three weeks during May and June 2009 and involved the examination of 58 of the 904 consultancies entered by ECA during the period 1 January 2006 through 30 April 2009. Of these, OIOS conducted a detailed review of 34 consultancies (undertaken by 31 individuals). OIOS also examined five institutional consultancies and two cases involving the procurement of services. The audit included interviews with relevant personnel responsible for the engagement of consultants and for procurement, as well as with the heads of each ECA division and sub-regional office. OIOS also conducted a survey of staff on consultancy practices within ECA and used a questionnaire to gather information about the operation of ECA controls over the engagement of consultants.

10. Finally, OIOS reviewed ECA and United Nations policies and procedures relevant to the engagement of consultants and the procurement of services, and had discussions with representatives from both the Procurement Division and the Office of Programme Planning, Budget and Accounts in New

York on matters relating to the delegation of procurement authority and procurement policies and instructions.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management and control environment

Payment controls compromised

11. Financial Rule 105.5 requires that certifying officers be designated with the responsibility for managing the utilization of resources in accordance with the purposes for which those resources were approved. The authority to designate certifying officers has been delegated, pursuant to Financial Rule 101.1, by the Under-Secretary-General for Management to the United Nations Controller (through ST/AI/2004/1). The Controller has further delegated this authority to appoint certifying officers to the Head of the Office for Strategic Planning and Programme Management (OPM) within ECA. The Head of OPM has appointed 36 staff members within ECA as certifying officers (two certifying officers for each ECA programme division, with additional staff appointed within the Division of Administration).

12. ST/AI/327 on institutional contractors requires that any request for payment to a contractor be initiated by the office requesting the services and submitted through the certifying officer, using a proforma template (Form F.183). When the request is for a lump-sum or final payment under the contract, the requesting office must also submit an evaluation report with the request for payment. Paragraph 13 of ST/AI/327 requires that, before transmitting the request for payment to the Finance Section, the certifying officer must be satisfied that the evaluation conducted by the requesting office of the services rendered would warrant payment under the terms of the contract. Similarly, ST/AI/1999/7 on consultants and individual contractors requires that payment of consultancy fees shall normally take place upon certification of satisfactory completion of the work.

13. Nine of the 39 consultancy and institutional contracts examined by OIOS did not follow the requisite certification procedures, with the same person (the head of the division) performing both the requesting and certifying functions for payments under the contract.

14. Financial Rule 105.6 provides that approving officers must not approve entry into the accounts of expenditures unless they have verified that the contract is in order and that the payment has been certified by a duly designated certifying officer. In those cases where the same person performs both the requesting and certifying functions ECA is exposed to a risk that payments may be made for services not satisfactorily delivered or that may not represent value for money.

Recommendation 1

(1) The Head of the ECA Office for Strategic Planning and Programme Management should ensure that there is segregation between requesting and certifying functions, with the same staff member not being responsible for both initiating requests for payment under a contract and also for certifying such requests.

15. *ECA management accepted recommendation 1 noting that it will ensure that functions are segregated so that the requesting and certifying functions are not performed by the same person.* Based on ECA management's response, recommendation 1 has been closed.

Delegation of procurement authority not formalized

16. On 13 December 2006, the then Acting Under-Secretary-General for Management authorized the Executive Secretary of ECA to approve and enter into procurement contracts with a value of up to \$200,000. The authority was granted personally to the Executive Secretary, who was to be held fully accountable and responsible for the exercise of the authority. It was intended that as soon as an officer-in-charge or director for the Division of Administration had been appointed, ECA was to notify the Acting Under-Secretary-General so that a new procurement authority could be granted to the appointed person.

17. Although an officer-in-charge for the Division of Administration has subsequently been appointed, no new procurement authority for that staff member (or any other ECA staff member performing procurement functions) was ever sought or granted. Instead, the Executive Secretary delegated procurement authority vested in him to two officers-in-charge of GSS (responsible for procurement within ECA), although he did not have the authority to do this. Therefore, procurement and institutional contracts were being executed by the GSS Officer-in-Charge, even though the staff member was not formally authorized to enter into such contracts.

18. Similarly, OIOS identified two institutional consultancy contracts (one signed on 14 April 2009 for \$10,000 and another signed on 15 March 2009 also for \$10,000) that had been signed on behalf of the United Nations by the Director of the Sub Regional Office for Southern Africa, even though the Director possessed no delegated authority to sign these contracts.

Recommendation 2

(2) The Executive Secretary of ECA should urgently seek the delegation of procurement authority from the Assistant Secretary-General for Management, Office of Central Support Services to the officers-in-charge of the Division of Administration and the General Services Section.

19. *Both ECA and the Department of Management accepted recommendation 2 and stated that procurement authority was granted on 19 October 2009 to the newly appointed Director of the ECA Division of Administration. Based on the action taken, recommendation 2 has been closed.*

Approving officers not formally appointed

20. Financial Rule 105.6 requires that approving officers be designated with responsibility for approving the entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of undertaking after verifying that they are in order and have been certified by a duly designated certifying officer. Approving officers are also responsible for approving the payments once they have ensured that they are properly due, that the necessary services, supplies or equipment have been received in accordance with the agreement and, if the cost exceeds \$2,500, in accordance with the purpose for which the relevant financial obligation was established. The former Officer-in-Charge of the ECA Division of Administration was granted a personal delegation from the Controller in 2004 to appoint approving officers in ECA. However, ECA has not sought delegations from the Controller for subsequent officers-in-charge of the Division of Administration, even though the officers-in-charge have appointed approving officers.

Recommendation 3

(3) ECA should urgently seek a delegation of authority from the Controller to appoint approving officers, and re-appoint the approving officers after this delegation has been granted.

21. *Both ECA and the Department of Management accepted recommendation 3 informing OIOS that a delegation of authority from the Controller has been granted to the newly appointed Director of the Division of Management. Based on the action taken, recommendation 3 has been closed.*

Contractor performance management

22. ST/AI/1999/7 requires that the performance of all consultants be evaluated using the proforma template (P.106/A) issued by the Department of Management. ST/AI/1999/7 also requires that the evaluation measure the quality of work performed and take into account the goals established in the terms of reference, as well as compliance with contracted delivery dates. The performance evaluation must be targeted and detailed with respect to the quality of performance and results.

23. Section 15 of the Procurement Manual (PM) outlines the respective roles and responsibilities between the ECA divisional contract managers and GSS procurement staff over contract management and contract administration. Section 15.3 of the PM assigns joint responsibility between the contract manager and the relevant procurement office (GSS in the case of institutional contracts) for ensuring that evaluation of contractor performance is conducted in accordance

with the provisions of the PM. A proforma template is used by ECA in reporting the evaluation of contractor performance.

24. Of the consultant performance evaluations examined by OIOS, very few provided the targeted and detailed assessment required by ST/AI/1999/7. Most of the forms were completed by simply ticking the relevant boxes, not providing any further written description or explanation of the evaluation or the consultant's performance. OIOS notes that the template form P.106/A does not allow sufficient space for a targeted and detailed reporting of performance. In four of the institutional contracts examined, the performance evaluations were incomplete or did not provide sufficient information as to the quality of services provided by the contractor. Likewise, in the case of the procurement contracts examined, the required performance assessments were not conducted or completed in a timely manner. In general, and across all contract types examined, performance reports were often prepared late, and seemingly only prepared in response to directions from HRSS or GSS to conduct the assessment before payment or the processing of contract renewals. Based on OIOS' suggestion, the Department of Management agreed to consider revising the proforma template for performance evaluations of consultants to ensure that the templates allow the documentation of a detailed record of the evaluation of the contractor's performance.

25. Regular performance evaluation is a useful tool to manage contractor performance, but good performance reporting can help decision-making on future work and awards, providing a means of informing judgement of contractor's suitability for future ECA contracts. Performance evaluations also document the contractual relationship, especially the fulfilment of contractual obligations by the contractor, thereby providing protection from contractual disputes. Inadequate documentation and reporting of performance could also disadvantage incumbent contractors, especially if (as was the case with one of the contracts) the files record numerous instances of underperformance without recording whether this performance was satisfactorily rectified.

Recommendation 4

(4) ECA should ensure that targeted and detailed evaluations of consultant performance are conducted, measuring the quality of work performed against the goals established in the terms of reference, as well as compliance with contracted delivery dates.

26. *ECA management accepted recommendation 4 noting that the redesign of the proforma template for performance evaluation will also assist in complying with this requirement.* Recommendation 4 remains open pending receipt of evidence from ECA that steps have been taken to ensure that contract managers conduct targeted and detailed evaluations of consultants' performance.

B. Engagement of consultants

27. OIOS reviewed 58 consultancy contract case files and conducted a detailed examination of 34 consultancies (by 31 individuals), focusing on high

value consultancies, repeat consultancies, and consultancies from two ECA divisions that frequently engaged consultants.

Geographic diversity and gender balance

28. ST/AI/1999/7 requires that every effort be made to select consultants from the widest possible geographical base. From 1 January 2006 to 30 April 2009, ECA awarded a total of 904 consultancies to 542 individuals from 67 nations. ECA engaged consultants from 45 of the 53 ECA member states, with 13 of the 15 nationalities awarded the most consultancy engagements coming from within the African region. Although this represented a suitable geographical diversity overall, OIOS noted that 41 per cent of consultancies were awarded to Ethiopian nationals.

29. ST/AI/1999/7 also requires that due regard be paid in the selection process to the need to achieve gender balance, without prejudice to the requirement of a wide geographical distribution. OIOS noted that only 22 per cent of consultancies were awarded to women in the period under review. The average value of consultancies awarded to women was 11 per cent higher, however, than the average value awarded to men.

Limited analysis and planning concerning the use of consultants

30. Good strategic management requires informed analysis and planning for the deployment of resources within an organization to implement its programme of work in a manner that efficiently and effectively contributes to the achievement of its goals and objectives. ECA undertakes some planning on its expected use of consultants, for example, through the preparation of an annual ECA Programme Implementation Plan (PIP) that outlines the monthly consultancy requirements for particular projects in each division. However, the PIP only deals with the use of consultants funded from regular budget sources, with no analysis of expected requirements for consultants from extra-budgetary resources (which account for more than half of ECA's expenditures on consultants).

31. OIOS' analysis of consultant data shows that 542 individuals were awarded a total of 904 consultancy contracts by ECA in the years 2006–2009. Each consultant was awarded an average of 1.7 consultancies with an average duration of 68 days, and 142 of the consultants were awarded an average of 3.6 consultancies, each averaging 85 days. Five programmatic divisions within ECA were responsible for 37 per cent of all consultant engagements and for more than half of the total amount spent on consultants.

32. OIOS found little evidence of strategic analysis or reporting to ECA's senior management on the use of consultants, or on their performance. Such an analysis could better inform ECA's strategic workforce planning by identifying the gaps in skills, expertise and capacity required by ECA to implement its programme of work that may need to be filled through the engagement of outside expertise. In OIOS' view, the ECA Advisory Committee on Administrative and Budgetary Matters (ACABM) may provide an appropriate forum for enhanced

senior management attention to, and strategic planning for, consultant use within ECA.

Recommendation 5

(5) The ECA Advisory Committee on Administrative and Budgetary Matters and the Office of Strategic Planning and Programme Management should develop mechanisms for planning and monitoring of the use of consultants across ECA to help ensure geographical diversity and gender balance.

33. *ECA management offered no comments on recommendation 5.* Recommendation 5 is therefore reiterated and remains open pending receipt of evidence from ECA that steps have been taken to develop mechanisms for planning and monitoring of the use of consultants across ECA.

Unclear contribution of consultancy outputs to the programme of work

34. Consultants may be hired only when a number of conditions, outlined in ST/AI/1999/7 are met. Among these, is the requirement that ‘the services to be performed clearly relate to activities in the work programme of the department or office concerned and/or to a specific legislative or programming decision’.

35. In five of the cases examined¹, OIOS was unable to clearly relate the expected outputs of the consultancy assignment to the programme of work of the division engaging the consultant or of ECA as a whole. In some circumstances this was because the consultancy contract and the terms of reference for the engagement did not describe the work in sufficient detail. However, in other cases, even when the services to be performed were clearly described, it was difficult to relate the services to activities in the work programme. For example, a consultancy was commissioned (at a cost of \$50,000) by the African Centre for Gender and Social Development under the Treatment Acceleration Project to ‘write a report providing detailed contextualized aspects of TAP from 2003–2008’ and ‘to strengthen UNECA’s relationships with TAP countries’. It was not clear to OIOS how the report would contribute to TAP or to ECA’s programme of work. The aspects of the engagement that aimed to ‘strengthen UNECA’s relationships with TAP countries’ would seem to be a task better suited for performance by ECA staff, rather than a consultant. The consultant’s report, initially scheduled for completion in April 2009, has yet to be completed.

36. In another case, a consultant was partly engaged to develop and implement a media strategy for the ECA HIV/AIDS learning group. However, although other external partners were proposed by ECA to participate in the learning group (such as the African Development Bank, the World Health Organization and the World Bank), the group remained an internally-driven ECA forum with no approved terms of reference. ECA had not documented how the development and implementation of a media strategy for this informal group would contribute to the goals of the project grant through which the consultancy

¹ IMIS contract numbers 6044, 7254, 7267, 7313, and 7314.

was funded. Further, it was evident from the ECA records that the consultant expressed difficulties with delivering the contracted activities in the absence of formal and agreed terms of reference and a mandate for the working group.

37. One consultancy, involving the establishment of an African Women's Rights Observatory, was initially funded by the United Nations Development Programme, with a later consultancy on the Observatory funded through the ECA regular budget in 2007. However, the establishment of the Observatory was not originally included within ECA's programmed outputs, and the work under the Observatory was not reported in the programme performance report for that period. It is, therefore, not clear how the consultancy contributed to ECA's programme of work in the biennium the consultancy was engaged and funded by ECA regular budget.

38. In the majority of the other consultancies examined, the contribution of the work performed under the consultancy to the programme of work was unclear, and in some cases, of questionable value. Many of these assignments were characterized by uneven quality, late delivery, little apparent use of consultancy outputs, and under-utilisation of the services available under the consultancy. For example, between 2005 and 2009, six consultants were engaged (at a total cost of \$80,000) to assist with the writing of an African Women's Report (the inaugural African Women's Report had been published in 1999). However, despite having been included as a programmed output in ECA's biennium programme budget from 2000–2009 and notwithstanding the engagement of the consultants to work on the report, the programmed African Women's Report had not been published.

39. Another engagement required the consultant to produce six issues of an internal news magazine (named IMPACT) on ECA's ongoing work on HIV/AIDS. The terms of reference for the assignment stated that 'the objective of IMPACT is to put into focus ECA's ongoing work on the HIV/AIDS agenda and what has been completed so far, especially with regards to its partnerships with the World Bank and the World Health Organization in initiatives such as the Treatment Acceleration Programme', and that 'principal users consist of professionals and administrators in the HIV/AIDS field, as well as researchers and the mass media'. However, the magazine issues are not published on ECA's website and had only limited distribution within the ECA HIV/AIDS learning group. Nor has the magazine been printed and distributed in paper copy. It is not clear, therefore, how the engagement had met its objectives, especially since the publication was not distributed to the intended primary users.

40. The expected duties of this consultant also included 'overseeing the overall production process' of the magazine, including 'layout and graphic design services, printing and distribution'. However, printing of the publication did not occur and therefore, these additional services under the consultancy were not utilised by ECA (even though full payment of \$24,000 for the consultancy was made by ECA).

41. Another consultancy (from 31 December 2008 to 30 March 2009) involved the development of an HIV/AIDS knowledge-sharing platform. However, the platform had not yet been completed or implemented at the time of

the audit and is currently hosted on the personal website of the ECA contract manager, rather than on the official ECA system. The personal website uses the ECA and United Nations logos and contains United Nations material.

42. It was noted during interviews that the heads of divisions and sub-regional offices were responsible for ensuring the link between the consultancy engagement and the programme of work. However, there was no formal mechanism or control in place within ECA to verify that a proper linkage exists. Although the Office of Strategic Planning and Programme Management (OPM) plays an important role in overseeing programme management and in certifying expenditures within ECA, it played no formal role in approving or advising on proposed consultancy engagements, and had delegated its certification functions to division heads. The risk of inefficient and ineffective use of consultancy resources was further amplified by the fact that division heads were both making and certifying requests for payments under consultancy contracts within their divisions (see paragraphs 11–14).

43. Although the requesting programme managers have a responsibility for ensuring a clear linkage between the proposed consultancy and the programme of work, OIOS considers that the relevant certifying officers, in failing to confirm that the services performed clearly related to activities in the work programme of the division, did not adequately discharge their responsibilities as certifying officers for managing the utilization of resources in accordance with the purposes for which those resources were approved and with the principles of efficiency and effectiveness. (This was partly due to the fact that the programme area managing the consultancy and requesting payment was also performing certification of consultancy services and payment requests.) Nor did OPM (responsible for the appointment of certifying officers) or the Controller's office adequately monitor the exercise of the authority delegated to certifying officers.

Recommendation 6

(6) ECA should emphasize to programme officers their responsibility for the efficient and effective management of consultancy resources entrusted to them, including the responsibility for ensuring that there is a clear link between proposed consultancies and the programme of work.

44. *ECA management did not indicate whether or not it accepted recommendation 6, but commented that it is an established practice in ECA to establish a clear link between consultancies and the programme of work, and that the examples given to justify this recommendation are unfair since ECA has been doing major work in the area of HIV/AIDS and Gender. ECA advised that its work on HIV/AIDS underpinned the report of the Secretary-General's Commission on HIV/AIDS and that similarly, the African Women's Rights Observatory falls into ECA's programmatic work in gender and was endorsed by the African Development Forum VI.* Recommendation 6 is reiterated and remains open pending receipt of documentation from ECA of the steps taken to increase the awareness of programme officers of their responsibility for the efficient and effective management of consultancy resources entrusted to them.

Terms of reference for consultancy assignments need to be improved

45. ST/AI/1999/7 requires that heads of departments and offices ensure that detailed terms of reference describing the work to be performed are prepared well in advance of the engagement of a consultant. The proposed work assignment of the consultant outlined in the terms of reference must be clear and specific, cover all the functions to be performed and include: (a) objectives and targets; (b) tangible and measurable outputs of the work assignment; (c) realistic delivery dates and details as to how the work must be delivered; and (d) performance indicators for evaluation of results.

46. However, in 24 out of 34 consultancies examined, the terms of reference for the assignments were not well-developed, with unclear descriptions of work assignments and outputs, delivery dates omitted, and performance indicators absent or poorly developed. For example, in five cases, the work assignment in the contract or the terms of reference described only the duties to be performed by the consultant, rather than tangible and measurable deliverables. Some such duties described included: 'assist the division', 'undertake a regional scan of institutions and networks', 'liaise closely with partners', 'undertake resource mobilization', and 'perform other duties as directed'. Examples were also found where the terms of reference lacked realistic delivery dates and where the consultancy had been extended a number of times. Very few examples were found where performance indicators had been developed and included within the terms of reference for an evaluation of results.

47. Early attention to developing good terms of reference for consultancy assignments enables managers to better identify and define their unit's needs from the consultancy assignment, while also ensuring a common understanding between the manager and the consultant of the expected deliverables and outcomes of the assignment. It also enables a more informed initial assessment of the extent to which a proposed consultancy would contribute to ECA's and the division's programme of work.

Recommendation 7

(7) ECA should ensure that terms of reference for consultancy contracts are clear and specific and detail all the functions to be performed, including: (a) objectives and targets; (b) tangible and measurable outputs of the work assignment; (c) realistic delivery dates and; and (d) performance indicators for evaluation of results.

48. *ECA management accepted recommendation 7 stating that it will ensure compliance.* Recommendation 7 remains open pending receipt of documentation from ECA on the steps taken to ensure that clear and specific terms of reference are prepared for each consultancy and detail all the functions to be performed.

Inadequate documentation for selection of consultants

49. ST/AI/1999/7 on consultants and individual contractors requires that departments and offices consider several qualified candidates for each

assignment. On an exceptional basis, a consultant may be engaged even though he or she is the only candidate considered, provided a reasoned and documented justification for such exception is recorded prior to the selection. In 14 out of 34 consultancies reviewed by OIOS, ECA engaged consultants without competitive selection and with insufficient justification for the exceptions to competitive selection. For example, a reason commonly provided was that competitive selection should not be required because of 'the consultant's good performance and commitment to the work and to the organization in a prior engagement'. Such reasons are not sufficient to invoke the exception to competitive selection, which is permissible only in case of 'an unforeseen or extraordinary event'.

50. There was often very little information recorded as to how particular individuals were identified for consideration, or regarding the basis for the selection decision. Even when competitive selection did occur, the required proforma P.104/A (which records important supplementary data and information about the selection processes) was not completed and filed, although ST/AI/295 and 296 require that all documents and correspondence with respect to the consultancy shall be kept on file, and ST/AI/1999/7 requires that consultants be selected on the basis of a reasoned and documented process. The lack of a centralized roster also added to difficulties in ensuring transparency in the process of identifying suitable candidates. ECA is presently testing an electronic roster and consultancy processing system to be implemented later this year. Apart from contravening ST/AI/1999/7, engaging consultants without competitive selection could impede the attainment of best value for money in consultancy assignments, and could expose ECA to a risk of waste and abuse.

Recommendation 8

(8) ECA should ensure that at least three qualified candidates are considered when awarding consultancy assignments and that complete documentation of the competitive selection process is maintained in the official file.

51. *ECA management accepted recommendation 8 noting that this is the usual practice.* OIOS wishes to point out that in 14 out of 34 consultancies examined, ECA engaged consultants without competitive selection and with insufficient justification for the exceptions. Recommendation 8 remains open pending receipt of documentation from ECA on the steps taken to ensure that at least three qualified candidates are considered when awarding consultancies, and that complete documentation of the competitive selection process is maintained in the official file.

Engagement of consultants after project closure

52. Pursuant to a Development Grant Agreement between the World Bank and ECA in 2004, ECA partnered with the International Development Association (part of the World Bank) to implement a component of the World Bank's Treatment Acceleration Project (TAP). The overall objective of the project was to 'assist the Participating Countries to scale-up and implement comprehensive treatment programs for persons living with HIV/AIDS by providing a range of quality services that are effective, affordable and equitable'.

ECA was entrusted with \$2 million to support cross country learning among participating countries, to serve as the secretariat for a Regional Advisory Panel (RAP), and to support the RAP in reviewing TAP reports.

53. In September 2008, responding to a request from ECA to extend the closing date of the project, the World Bank advised ECA that it had decided not to extend the closing date of the grant beyond 30 September 2008. The World Bank also informed ECA that it reiterated its earlier advice that ECA would, until 31 January 2009, be able to submit claims for eligible expenses incurred for activities that were substantially completed by the 30 September 2008 closing date.

54. However, using grant funds, ECA engaged seven consultants² (at a total cost of more than \$150,000) after the project closing date. According to the terms of the grant agreement, ECA should not have claimed expenditures for these consultancies since, not having commenced until after the project closing date (30 September 2008), they did not meet the requirement that such activities be substantially completed by the closing date. In addition, five of the seven consultants hired after the project closing date were engaged for activities that were not included within the scope of the project, and, therefore, not eligible for grant support. In one case involving the development of HIV/AIDS spatial targeting tools, ECA engaged a consultant using the grant funds despite having been specifically advised by the World Bank that the tools did not fall within the scope of the project.

Recommendation 9

(9) ECA, in consultation with the World Bank, should determine the circumstances under which grant funds were used for consultants engaged after the project closing date and ascertain whether the World Bank should be reimbursed for any ineligible expenditures.

55. *ECA management did not indicate whether or not it accepted recommendation 9, but stated that the activities were already included in the work programme and PIP of the relevant Division and the World Bank accepted that the Commission needed additional time to accomplish tasks that had already been started and had extended the disbursement grace period to 31 January 2009. ECA management also noted that the recommendation prejudices whether or not the World Bank would accept that the expenditures were incurred for the correct purposes and that correspondence with the World Bank indicates that the utilization of the funds was in conformity with its requirements. ECA also noted that further consultations will take place with the World Bank on this matter.*

56. OIOS notes, however, that the World Bank's advice to ECA was that it had decided not to extend the closing date of the grant beyond 30 September 2008, and that expenses could only be claimed during the grace period for those 'eligible expenses incurred for activities that were substantially completed by the 30 September 2008 closing date'. OIOS further notes that ECA used grant funds

² IMIS contract numbers 7254, 7267, 7308, 7313, 7314, 7315 and 7317.

to engage seven consultants (at a total cost of more than \$150,000) after the project closing date. Recommendation 9 is therefore reiterated and remains open pending receipt of evidence from ECA that it has been determined that the grant funds used for consultants engaged after the project closing date, were in fact, eligible expenditures under the Development Grant Agreement.

C. Institutional and corporate contractors

57. A total of 77 institutional contracts for professional expertise were executed by ECA from 1 January 2006 to 30 April 2009. OIOS examined five institutional contracts (or 6.5 per cent of the total), selecting those of higher value or with multiple extensions or engagements.

Work performed outside of the dates reflected in the contract

58. Engagement of institutional contractors is conducted pursuant to the United Nations rules relating to procurement, as well as the relevant administrative instructions. The authority delegated to ECA to conduct procurement is subject to the provisions of the FRRs and compliance with the procedures described in detail in the PM.

59. Section 13.7.2 of the PM and the provisions of administrative instruction ST/AI/327 on institutional or corporate contractors require that all such contractors be engaged under contract, in accordance with the policies and procedures outlined in the FRRs and the PM. Section 13.7.8 further provides that 'no corporate contractor shall commence work on an assignment until a valid contract, duly signed and dated by the contractor and countersigned and dated by the authorized representative of the United Nations, has been established'. Similarly, Financial Rule 105.18 requires that written procurement contracts be used to formalize all procurement actions (which include engagements of institutional contractors) over a threshold amount (currently \$2500). Rule 105.18 also requires that the contract specify, among other things, the period covered by the contract.

60. In each of the five contracts examined³, OIOS identified instances where work commenced before a valid contract was in place or where work was performed outside of the formal terms reflected in the contract. In three cases, the contract did not reflect the actual period within which the work was to be performed. In one case, although the term of the contract was specified to run from 21 November 2006 until 17 January 2007, the contract was not executed until 19 March 2007, and much of the work actually took place from March to May 2007. In two cases, the contracts were not signed by ECA (and thus were not formally executed) until a number of days after work had commenced under the contract. Not only was this inconsistent with the United Nations rules, but it also exposed ECA to heightened contractual risks if a dispute were to arise with the contractor.

³ IMIS contract numbers 123, 126, 141, 196 and 199.

Recommendation 10

(10) ECA should ensure that institutional contractors perform their work within the period reflected in the contract.

61. *ECA management accepted recommendation 10 and stated that it will institute stronger adherence so as to avoid similar cases.* Based on ECA management's response, recommendation 10 has been closed.

Irregular use of an institutional consultancy

62. ST/AI/1999/7 on consultants and individual contractors limits the time that a consultant may be engaged to a maximum of 24 months in any 36-month period. Time limits also apply to the engagement of individual contractors, although no such limits apply to the engagement of institutional contractors. An individual that had been engaged by ECA as a consultant for a total of 20 months over a two-year period, was subsequently engaged for an additional nine months under an institutional consultancy arrangement⁴ with a consultancy firm of which he was the founder and managing director.

63. There is limited guidance in the UN rules to assist in determining when an individual consultancy arrangement could be replaced with an institutional contractor arrangement. ST/SGB/177 provides that consultants may 'under certain circumstances' be engaged through an institutional contract, but does not further explain these circumstances. ST/AI/327 on institutional and corporate contracts also provides no specific guidance as to these circumstances, although paragraph 8(c) notes that if an institutional contractor consists of only one or two individuals, then the appropriate personnel service must also approve the engagement pursuant to ST/AI/296. This provision envisages preventing the use of institutional contractor arrangements as a means of circumventing the individual consultancy rules.

64. OIOS' review indicated that the engagement of the individual under the institutional arrangement was to avoid the time limits in ST/AI/1999/7 so that the individual could continue to be engaged by ECA 'during the break period'. The request to GSS by OPM to engage the individual's consultancy firm was made with very little time allowed for the processing of the request (the request originally envisaged the contract commencing the following day), and sought exemption from the usual rules requiring such engagements to be subject to competitive selection. The justification provided by OPM to forego a competitive selection did not appear to provide convincing reasons under the procurement rules to permit dispensing with competitive selection in this case. Notwithstanding these deficiencies, GSS approved the request 'under protest'.

65. Section 9.5.3 of the PM provides that 'if a contract is awarded under an exception allowed by UN Financial Rule 105.16, the Procurement Officer shall place a written record in the case file of the facts on which the award was based, including copies of statements from other parties requesting the exception'.

⁴ IMIS contract number 196.

Although the file notes do contain statements justifying the exception to competitive selection, there is no record of the facts upon which the award was based, and the reason for the granting of the exception. (Reasons were later added to the file, but only in relation to the review by LCC of a subsequent request to extend the contract beyond the delegated procurement authority of GSS.)

66. Section 9.2(2) of the PM also notes 'the Procurement Officer shall identify any issues that do not conform to the UN FRRs or other procedures on the procurement of goods or services by the United Nations. Such issues shall be brought to the attention of the Requisitioner, who should consult the Procurement Officer and then must correct the requisition accordingly'. Typical issues identified as not strictly conforming to the FRR are 'unjustified or unpersuasive requests for exemptions from effective competition or other procedures' (s 9.2(3)(b)) and 'unrealistically short delivery times such as forwarding requisition when the need is imminent instead of when the need was established' (s 9.2(3)(c)(i)).

67. Finally, the PM notes 'if the Vendor is selected based on Sole Source, the Procurement Officer shall conduct discussions in order to obtain the best terms and conditions for the Organization'. OIOS observed that the work undertaken by the institutional contractor seems to have been performed primarily by the individual previously engaged under the individual consultancy contract. The rate at which the institution was paid for the work performed was \$15,000 per month. This is some two thirds higher than the monthly rate of \$9,000 previously paid to the individual when engaged to perform similar work under the immediately previous individual consultancy arrangement. The additional payments made over the nine months of the contract because of the higher rate paid under the institutional contract, and thus the financial loss to the Organization, totalled \$54,000.

68. The failure to submit the contract to open competition meant that ECA could not ascertain whether it received best value for the services provided. Paragraph 8(e)(v) of ST/AI/327 notes that both the requisitioner and GSS are responsible for approving the remuneration and ensuring it is the minimum amount necessary to secure the services. It should also be noted that holders of procurement authority are personally accountable and responsible for their performance under the delegation of authority, and are required to exercise their duties and responsibilities with the utmost care, competency, efficiency, fairness and integrity. Holders of procurement authority must ensure that all applicable FRRs, procurement policies, procedures, practices, issuances and instructions are adhered to strictly.

Recommendation 11

(11) ECA should investigate and determine accountability for the use of the institutional contract arrangement as a means of avoiding the time limits in ST/AI/1999/7 at an increased cost to the United Nations.

69. *ECA management requested that recommendation 11 be withdrawn, noting that there is limited guidance on the matter in United Nations rules and that this particular case meets the requirement in ST/AI/1999/7 that an individual consultancy arrangement could be replaced with an institutional contractor arrangement under certain circumstances. ECA also noted that the audit report takes no account of the nature of the activity involved which was a specific knowledge management project initiated as part of ECA's repositioning.* OIOS notes, however, that there is evidence that indicates the institutional consultancy arrangement was used to engage the individual in a manner that circumvented the time limits for consultancy engagements outlined in ST/AI/1999/7. The use of an institutional arrangement, at a monthly rate two-thirds higher than the monthly rate previously paid by ECA for these services under the consultancy arrangement, resulted in total additional payments of \$54,000 over nine months. The justification provided for the use of the institutional arrangement (as well as the decision to then forego competitive selection) did not appear to provide convincing reasons under the procurement rules to permit dispensing with competitive selection in this case. This is further evidenced by the approval of the request by the relevant procurement section 'under protest'. Recommendation 11 is therefore reiterated and remains open pending receipt of evidence from ECA that it has investigated the circumstances of this case and has sought advice from relevant United Nations offices, including the Office of Legal Affairs, the Office of Human Resources Management, and the Procurement Division on whether there was any breach of United Nations regulations and rules, and, if so, whether any further action should be taken.

D. Procurement of services

70. ECA currently maintains 11 contracts for services such as cleaning, waste disposal, gardening, maintenance, pest control, travel, and catering and kitchen services. OIOS examined the procurement of two ECA contracts⁵ for services: one for electromechanical services and one for cleaning services (valued at approximately \$570 000 and \$200 000, respectively, over the three years both contracts were expected to run).

Significant periods of service without a written contract

71. The procurement of services by ECA is conducted pursuant to the United Nations regulations and rules relating to procurement. The authority delegated to ECA to conduct procurement is also subject to the provisions of and compliance with the procedures described in detail in the PM. A number of procurement rules deal with the requirements for proper documentation, of particular importance being Financial Rule 105.18, which requires that all procurement contracts be formalized in writing.

72. ECA used a standard form of contract for services in both the procurement exercises examined by OIOS. In each case, the contract remained in effect for an initial term of one year (commencing on the date the contract was signed by both parties). However, the contract provided that ECA might, at its sole option, extend the term of the contract for a maximum of two additional

⁵ IMIS contract numbers 070/2006 and 071/2006.

periods of up to one year each. This option to extend was exercisable by ECA giving the contractor at least thirty days written notice, prior to the expiration of the then current contract term. The contract provided that the total term of the contract should not exceed three years. The contract also required that all amendments be made in writing.

73. On three occasions (twice for the electromechanical contract and once for the cleaning contract), ECA failed to provide the contractors with the requisite written notice communicating its intent to extend the contract. The initial term of the cleaning contract was from 1 July 2006 to 30 June 2007. However, it was not until 3 August 2007, more than a month after the contract term ended, that a written amendment extending the contract to 30 June 2008 was in place. Similarly, it was not until 18 August 2008 that an amendment was signed extending the second period of the contract, more than one and a half months after the second period had ended. In the case of the cleaning contract, it was not until 25 March 2008, almost eight months after the initial contract term had ended on 31 July 2007, that the first extension of the contract was executed.

74. In addition, in February 2008, ECA agreed to increase the monthly amount payable under the electromechanical contract by 20 per cent. However, a formal amendment to the contract reflecting this price increase was never executed, even though the contractor was paid at this increased price for work performed from January to June 2008. Pursuant to Section 1.1.1(8) of the PM, all those involved in the procurement process must achieve best value for money and properly document the procurement process. There was insufficient ongoing monitoring of the contract duration and of milestones by the ECA Facilities Management Section (the contract manager), which meant that important contractual steps were not completed in a timely fashion and that there were periods where there was no written contract in place. There was also a failure by GSS to adequately exercise its control responsibilities over the procurement process.

75. ECA's failure to provide sufficient notice of its intent to extend the contract terms, coupled with the failure to ensure that extensions were in place before the expiration of the contract term, not only contravened the Rule 105.18 of the FRRs, but also exposed ECA and the Organization to significant risk should any disputes have arisen during the period not covered by a written contract.

Recommendation 12

(12) ECA should ensure that contract extensions are executed in a timely manner and in conformity with United Nations regulations and rules.

76. *ECA management accepted recommendation 12 noting that it will improve monitoring to avoid such cases in the future.* Based on ECA management's response, recommendation 12 has been closed.

Significant amendments to procurement contracts were not submitted for review by the Headquarters Committee on Contracts

(i) Amendments to contract price

77. The authority delegated to ECA to conduct procurement is subject to the FRRs and the procedures described in the PM. Section 12.1.2 of the PM requires that ECA refer procurement contracts that would involve commitments of greater value than the delegated threshold (presently set at \$75,000) to the Local Committee on Contracts (LCC) for advice before a contract is entered. Contracts for greater than \$200,000 must be referred to the Director of Procurement Division at Headquarters, and to the Headquarters Committee on Contracts (HCC) if the contract exceeds \$500,000. The PM requires that any proposed amendment to a contract reviewed by the LCC or HCC that would increase the total contract amount by more than 20 per cent also be submitted for LCC or HCC review. In addition, any amendments that would 'significantly affect' the original contractual terms, as well as those not previously reviewed that now exceed the LCC or HCC threshold, must be submitted for review regardless of whether or not the amendment increases the contract amount by more than 20 per cent.

78. However, ECA failed to submit proposed amendments to the electromechanical contract that increased the price payable by, first 20 per cent, then in a later amendment, 40 per cent (approximately, an additional \$65,000 per year), for review by the HCC. In determining that the proposed increase need not have been submitted for review by the HCC, GSS noted that the total increase in price would only result in an increase of 10 per cent in the total payments made over the three years of the potential contract duration (since the proposed price increase would only apply to the final 18 months of the contract) and, therefore, did not require review. However, this is not consistent with the provisions of the PM that require any change that would significantly affect the original contractual terms be submitted for review by the HCC, even if not increasing the contractual amount by more than 20 per cent. A change to the contract price is a significant change to the contract terms, and in this case such a change in the absence of review by the HCC was beyond the procurement authority delegated to ECA.

79. Further, in calculating the increase in total cost that would result from the change in price, GSS failed to take into account the additional amounts that were already being paid for overtime performed under the contract (overtime payments were around 10 per cent of the monthly price). Taken together with the overtime payments, the total additional payments resulting from the price change would have likely exceeded the approved total contract amount by around 20 per cent, and thus would have required HCC review.

(ii) Amendments to scope of work

80. Sections 12.1.1(2)(b) and 12.1.2(1)(b) of the PM require review by the HCC and the LCC, respectively, for "any proposed amendment, modification or renewal of a contractual instrument previously reviewed by the [HCC or LCC], where the amendment, modification or renewal, either increases the contractual amount more than twenty per cent". The term 'contractual amount' is not defined

by the PM, although the Headquarters Procurement Division advised OIOS that it applied this provision to the maximum amount approved by the HCC for the contract over the entire potential contract duration, (known as the 'not-to-exceed' or NTE amount). An amendment was made by ECA to the scope of work performed under the cleaning contract that resulted in an increase in the monthly amount payable to the contractor of 39 per cent. This meant that an additional 277,858 Ethiopian Birr (or approximately \$25,000) would be payable over the remaining 14 months of the relationship, increasing the total amount payable under the contract over the entire potential three-year period by 15 per cent. ECA concluded that the proposed amendment to increase the scope of work, being less than 20 per cent, would not require review by the HCC. OIOS considers that, since the increased scope would result in the monthly amount paid by ECA to the contractor increasing by 39 per cent, the proposed change in scope should have, therefore, been submitted for review by the HCC. In addition, ECA did not also take into account the additional overtime payments that were already also being made under the contract. When these payments are taken into account, the proposed increase in scope of work would have increased the total amount payable under the contract by more than 20 per cent. Therefore, ECA should have, pursuant to the PM and its delegation of authority, submitted the proposed amendment for review by the HCC.

(iii) Extension of contracts beyond the maximum three-year term

81. The cleaning contract and the electromechanical contract expired on 31 July 2009 and 30 June 2009, respectively. ECA indicated that it needed to extend both contracts beyond these dates, since it had not completed the procurement process required for both contracts before they expired. In the case of the electromechanical contract, this was due to the fact that it was not until 30 April 2009 that FMS formally requested GSS to undertake procurement for a new contract to be put in place at the expiration of the present contract on 30 June 2009.

82. However, each contract contains a provision that limits the total term of the contract to three years. The contracts also limit the total number of periods that ECA can extend the contract to two (that is, the initial first year, plus two additional periods of up to one year each). In both cases, ECA had already twice exercised its option to extend the contract. This means that it is likely that ECA will need to modify the existing contractual instrument in order that it can be used to extend the two contracts beyond the current expiration dates. The Headquarters Procurement Division (PD) advised OIOS that if the request for extension is based on the original terms of the contract and is within the amount previously approved by LCC or HCC, then the Director of PD is authorized to approve an extension of the contract by up to eight months, provided that the extension is: (a) to enable the completion of the solicitation process; or (b) for immediate operational reasons. However, if the extension would increase the total amount payable by greater than 20 per cent, then the proposed extension must be submitted to the HCC for review. For both the electromechanical and cleaning services contracts, the extension of each contract (when coupled with existing amendments that have already increased the amounts paid under the contracts, as well as the overtime payments made), would likely mean that the total amounts paid under the contracts as a result of the extension would be

greater than 20 per cent, and so the proposed extensions would require both LCC and HCC review.

83. Inadequate attention to the time required for extension and renewal, means that there is little time for ECA to ensure that the appropriate HCC review is conducted for the requests to extend both contracts. Poor contract management and an insufficient understanding of the contractual framework that governed the relationship between ECA and the contractors meant that key contractual provisions were not complied with, the delegation of procurement authority provided to ECA was exceeded, and provisions of the procurement rules were contravened.

84. OIOS notes that ECA appointed a Director of Administration in September 2009 and is awaiting a delegation of procurement authority from the Assistant Secretary-General for Central Support Services, to the new Director of Administration.

Recommendation 13

(13) ECA should determine accountability for the failure to ensure that significant amendments to the contracts for electromechanical and cleaning services were submitted for review by the LCC and HCC, as required by United Nations procurement procedures, and take the necessary steps to remedy such failures.

85. *OIOS has inferred that ECA did not accept recommendation 13. ECA commented that if it was the intention of the PM to review changes in contract price of less than 20 per cent of the total contract amount, then a 20 per cent review threshold would not be stipulated in the PM.* However, OIOS observes that the PM makes a distinction between two different types of amendments to procurement contracts that might necessitate review by either the LCC or HCC. The first type of amendment is one that significantly affects the original contractual terms. A change to the contract price is one such significant amendment. Where the contract has been previously reviewed by the LCC or HCC, then such an amendment to contract price is required to be submitted, pursuant to Sections 12.1.1(2)(c) and 12.1.2(1)(c) of the PM, for further review by the LCC or HCC, regardless of whether or not the amendment increases the contractual amount by more than 20 per cent. The second type of change that necessitates review is any proposed amendment, modification or renewal of a contractual instrument previously reviewed by the LCC or HCC, where the amendment, modification or renewal, increases the contractual amount by more than 20 per cent (Sections 12.1.1(2)(b) and 12.1.2(1)(b) of the PM). These provisions require that such amendments (for example, those that increase the scope of work to be performed under the contract), are also submitted for review when, although not involving changes to significant contract terms such as price, they nevertheless result in increases to the amount payable under the contract by more than 20 per cent. Recommendation 13 is reiterated and remains open pending receipt of documentation from ECA that it has sought advice from the Procurement Division and, if necessary, the Office of Legal Affairs on whether the significant amendments to the contracts for electromechanical and cleaning

services were required to be submitted for LCC's and HCC's review and has taken appropriate action based on that advice.

86. *The Department of Management stated that senior management of PD visited ECA in April 2009 to conduct a management review of the procurement operations and that several recommendations were made regarding Delegation of Authority. A senior staff member of PD conducted a follow-up review in October 2009. The Department of Management further advised that the Executive Secretary of ECA requested that the Assistant Secretary-General for Management, Office of Central Support Services transfer the Delegation of Authority from the Executive Secretary to the newly-appointed ECA Director of the Division of Administration, and that this request has since been granted.*

V. ACKNOWLEDGEMENT

87. We wish to express our appreciation to the Management and staff of ECA and the Department of Management for the assistance and cooperation extended to the auditors during this assignment.

ANNEX 1

RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS

Assignment No. AN2009/710/01 – Audit of the procurement of services by the United Nations Economic Commission for Africa

Rec. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The Head of the ECA Office for Strategic Planning and Programme Management should ensure that there is segregation between requesting and certifying functions, with the same staff member not being responsible for both initiating requests for payment under a contract and also for certifying such requests.	Operational	High	C	Action completed.	Implemented
2	The Executive Secretary of ECA should urgently seek the delegation of procurement authority from the Assistant Secretary-General for Management, Office of Central Support Services to the officers-in-charge of the Division of Administration and the General Services Section.	Compliance	High	C	Action completed.	Implemented
3	ECA should urgently seek a delegation of authority from the Controller to appoint approving officers, and re-appoint the approving officers after this delegation has been granted.	Compliance	Medium	C	Action completed.	Implemented
4	ECA should ensure that targeted and detailed evaluations of consultant performance are conducted, measuring the quality of work performed against the goals established in the terms of reference, as well as compliance with contracted delivery dates.	Compliance	Medium	O	Submission to OIOS of evidence from ECA that steps have been taken to ensure that contract managers conduct targeted and detailed evaluations of consultant performance.	Not provided

Rec. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
5	The ECA Advisory Committee on Administrative and Budgetary Matters and the Office of Strategic Planning and Programme Management should develop mechanisms for planning and monitoring of the use of consultants across ECA.	Strategy	High	0	Submission of documentation to OIOS indicating the steps taken by ECA to develop mechanisms for planning and monitoring of the use of consultants across ECA.	Not provided
6	ECA should emphasize to programme officers their responsibility for the efficient and effective management of consultancy resources entrusted to them, including the responsibility for ensuring that there is a clear link between proposed consultancies and the programme of work.	Operational	High	0	Submission of documentation to OIOS showing the steps taken by ECA to increase the awareness of programme officers of their responsibility for the efficient and effective management of consultancy resources .	Not provided
7	ECA should ensure that terms of reference for consultancy contracts are clear and specific and detail all the functions to be performed, including: (a) objectives and targets; (b) tangible and measurable outputs of the work assignment; (c) realistic delivery dates and; and (d) performance indicators for evaluation of results.	Compliance	Medium	0	Submission of documentation to OIOS indicating the steps taken by ECA to ensure that terms of reference are prepared for each consultancy contract that are clear and specific and detail all the functions to be performed.	Not provided
8	ECA should ensure that at least three qualified candidates are considered when awarding consultancy assignments and that complete documentation of the competitive selection process is maintained in the official file.	Compliance	Medium	0	Submission of documentation to OIOS showing the steps taken by ECA to ensure that at least three qualified candidates are considered when awarding consultancy assignments and that complete documentation of the competitive selection process is maintained in the official file.	Not provided
9	ECA, in consultation with the World Bank, should determine the circumstances under which grant funds were used for consultants engaged after the project closing date and ascertain whether the World Bank should be reimbursed for any ineligible expenditures.	Compliance	High	0	Submission to OIOS of evidence from ECA that the grant funds used for consultants engaged after the project closing date were eligible expenditures under the Development Grant Agreement.	Not provided

Rec. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
10	ECA should ensure that institutional contractors perform their work within the period reflected in the contract.	Compliance	Medium	C	Action completed.	Implemented
11	ECA should investigate and determine accountability for the use of the institutional contract arrangement as a means of avoiding the time limits in ST/AI/1999/7 at an increased cost to the United Nations.	Compliance	High	O	Submission to OIOS of evidence from ECA that it has investigated the use of the institutional contract arrangement as a means of avoiding the time limits in ST/AI/1999/7, and determined whether those responsible staff members should be held accountable.	Not provided
12	ECA should ensure that contract extensions are executed in a timely manner and in conformity with United Nations regulations and rules.	Compliance	Medium	C	Action completed	Implemented
13	ECA should determine accountability for the failure to ensure that significant amendments to the contracts for electromechanical and cleaning services were submitted for review by the LCC and HCC, as required by United Nations procurement procedures, and take the necessary steps to remedy such failures.	Compliance	Medium	O	Submission of documentation to OIOS that ECA has sought advice from the Procurement Division on whether the significant amendments to the contracts for electromechanical and cleaning services were required to be submitted for LCC's and HCC's review and has taken appropriate action based on that advice.	Not provided

1. C = closed, O = open

2. Dates for implementation were not provided by ECA and the Department of Management in response to recommendations.