



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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**Audit of technical cooperation project on information and communications technology (ICT) between the Economic Commission for Africa (ECA) and the Government of Finland**

**Overall results relating to the management of the technical cooperation project on ICT between ECA and Finland were initially assessed as partially satisfactory. Implementation of seven important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**20 July 2012**

**Assignment No. AN2011/710/03**

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# AUDIT REPORT

## Audit of technical cooperation project on the information and communications technology between the Economic Commission for Africa and the Government of Finland

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of technical cooperation project on information and communications technology (ICT) between the Economic Commission for Africa (ECA) and the Government of Finland.
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 project objectives are: (a) to improve capacities at the national and regional levels through formulation, coordination and implementation of information policies and strategies; and (b) to analyze, monitor and evaluate the impact of improved capacities in information policies and strategies on African development. A major activity of the project relates to supporting African Member States in developing national information and communications infrastructure (NICI) plans. The specific objectives defined in the project document were as follows:
  - (a) Support implementation of NICI plans in the following nine countries: Cameroon, Chad, the Democratic Republic of Congo, Niger, Nigeria, Rwanda, Sierra Leone, Swaziland and Togo;
  - (b) Formulate eight NICI plans at the national or sectoral levels in new countries;
  - (c) Continue the evaluation and monitoring of the ICT sector and its impact on the ICT society ("Scan-ICT" process) in the following five countries: Cameroon, Gambia, Ghana, Mauritius and Rwanda;
  - (d) Launch Scan-ICT process in six new countries; and
  - (e) Capacity building in NICI process, including for NICI stakeholders such as national statistics offices and parliamentarians.
4. The Information and Science and Technology Development (ISTD) Division implemented the project. The Partnership and Technical Cooperation (PATCO) Section monitored compliance with the agreement between ECA and the Government of Finland.
5. The project started in 2003. An evaluation of Finland-supported ECA activities, including the project, was conducted jointly by ITSD and the Government of Finland in July 2006 and recommended Finland's continuing support in the project's next phase. An external evaluation of the project was also undertaken by an independent consultant in July 2008. In December 2008, Finland and ECA signed an agreement for phase-II of the project to be implemented during 2008-2010. Finland contributed \$4,026,702. As of 30 June 2011, \$2,944,976 or 72 per cent of the funds had been expended.
6. Comments provided by ECA are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

7. The audit of the technical cooperation project on ICT between ECA and the Government of Finland was conducted to assess the adequacy and effectiveness of ECA's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the project**.

8. The key controls tested for the audit were: (a) performance monitoring; (b) project management; and (c) fund-raising strategy. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Performance monitoring** – controls that provide reasonable assurance that there are effective means of measuring the progress of the project, and that there are adequate controls to ensure timeliness of the provision and use of funds to produce defined outputs and to achieve expected outcomes.

(b) **Project management** – controls that provide reasonable assurance that the planning, organizing, securing and administration of resources of the project was aimed at achieving specific achievements as defined in the project documents.

(c) **Fund-raising strategy** – controls that provide reasonable assurance that the fund-raising strategy and donor funding acceptance policy adequately met the resource requirements of the project.

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

10. OIOS conducted this audit from August to November 2011. The audit covered the period from January 2008 to October 2011.

11. 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

12. ECA's governance, risk management and control processes that were examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of the technical cooperation project on ICT**. OIOS made seven recommendations to address the issues identified in the audit. Distribution of tasks among project implementation team members lacked clarity. Absence of detailed cost plans led to frequent budget revisions and difficulty in concluding whether the project funds were used for intended purposes. The project activities were not contributing to the outcomes envisaged in the project document. Additionally, the project lacked a fund-raising strategy to diversify its donor base, which was presently restricted to one donor.

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

**Table 1: Assessment of key controls**

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of the technical cooperation project on ICT</b>	(a) Performance monitoring	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Fund raising strategy	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### **A. Performance monitoring**

#### Distribution of project tasks needs clarification

14. The ISTD Division is responsible for implementing the project. The Division is organized into four sections: (a) ICT Policy and Development; (b) Science and Technology; (c) Geo-information Sciences; and (d) Library and Information Management Services. The Division’s staffing table consists of 13 Professionals, including three regional advisors, and 26 General Service staff. The three regional advisors have the dual role of advising governments on policy issues and supporting the project by reviewing the work of consultants. However, their roles were evident only in seven countries as ISTD regular staff managed the project activities in the remaining four countries. Furthermore, the allocation of tasks was not clear to the regional advisors and to the regular staff. Consequently, multiple staff were involved in project tasks related to one country resulting in duplication of efforts, and preventing ownership and accountability.

**(1) ECA should clarify the distribution of project tasks between regional advisors and Information and Science and Technology Development (ISTD) staff, and among ISTD staff to avoid duplication of efforts in managing the project.**

*ECA accepted recommendation 1 and stated that it has taken advantage of the ongoing 2012 programme planning exercise to further bring clarity to the functions of regional advisors and ISTD staff to ensure that there is no duplication of efforts. Recommendation 1 remains open pending submission of evidence by ECA that the programme plan clarifies the role of the regional advisors and ITSD staff satisfactorily.*

#### Lack of detailed project cost plans

15. According to the ECA project management manual, concerned substantive divisions should submit initial project budgets to the PATCO Section for approval upon receiving confirmation of funds availability. The submission should include the project document, results-based work plan and advices on receipt of donor funds. For the project, the ISTD Division prepared the draft budget but had not prepared the project results-based work plan. The draft budget was also not supported with itemized cost plans justifying allocations in different budget lines. Therefore, for the first year of its implementation in 2009, ISTD worked on a tentative work plan, while allocating lump sum amounts for each area of work.

16. The absence of an itemized cost plan resulted in ad hoc budgeting for the project leading to eight budget revisions since 2008. These revisions were mainly related to adjusting allocations between project budget lines. The project annual work plan for 2012, annexed to the proposal for extension of the project to its second phase, showed upward budget revisions without an increase in the level of activities. The provision for substantive activities increased from \$922,981 in 2010 to \$1,705,498 in 2012 and the cost of project personnel increased from \$239,886 to \$342,453 for the same period. There was no justification for the increase as the project coverage of target countries remained consistent over the years.

**(2) ECA should prepare detailed project cost plans and results-based work plans to properly justify allocation to different project activities and avoid frequent budget revisions, and to ensure accountability for the use of project funds as intended.**

*ECA accepted recommendation 2 and stated that that a detailed cost plan is an important tool in managing the project. A memorandum with cost plan format was sent in December 2011 to all programme managers to remind them of the need for a detailed cost plan in their submission to the PATCO Section. Recommendation 2 remains open pending receipt of the copy of the memorandum sent to the programme managers.*

ISTD programme implementation plan did not include information on the project

17. ISTD is responsible for subprogramme 4, which implemented the project. The total budget of the subprogramme for the 2010-2011 biennium was approximately \$8.9 million comprising \$5 million from the regular budget and \$3.9 million from extra-budgetary resources. The funding from the project amounted to \$2.69 million, or 30 per cent, of the sub-programme total budget. However, the activities and outputs of the project were not clearly identified in subprogramme 4's programme implementation plan (PIP) for the 2010-2011 biennium. The PIP is defined in terms of training courses, seminars and workshops, fellowship and grants and field projects, whereas the project activities covered developing NICI, Scan-ICT programmes and capacity building. As a result, there is no assurance that subprogramme 4 activities included in the PIP covered those contributed by the project.

**(3) ECA should ensure that key project activities are reflected in the programme implementation plan of subprogramme 4.**

*ECA accepted recommendation 3 and stated that this recommendation has been addressed in the 2012 ECA programme planning exercise conducted during 23-25 January 2012 whereby all key projects were reflected in the ISTD PIP for sub-programme 4. Recommendation 4 remains open pending submission of the 2012-13 programme implementation plan of ECA, incorporating the project objectives.*

## **B. Project management**

Changes in project objectives not documented

18. As shown in Table 2, the achievements of the project were low when compared with the outcomes as provided in the project document.

**Table 2: Project outcomes**

<b>Project outcomes</b>	<b>Target</b>	<b>Achievement</b>
Adoption of NICI	Support 9 Phase I countries and formulate	Of the nine Phase I countries, only Rwanda has adopted the 2 <sup>nd</sup> NICI plan.

	NICIs in 8 additional countries.	
Develop ICT Indicators	To continue Scan-ICT process in the five Phase - I countries and launch Scan-ICT process in six new countries.	None of the target countries have developed ICT indicator though some developments have taken place in Nigeria and Morocco where e-Government framework is being developed.
Capacity Building	The countries in the implementation stage and those undertaking the policy process during the second phase, as well as Scan-ICT countries, were to be considered.	Only three workshops, in Rwanda, Nigeria and Swaziland were, organized for the selected target countries.

19. According to ECA, the low achievement against expected outcomes was due to many of the target countries having developed NICI by themselves; poor governmental support in some countries; adoption by target countries of sectoral applications like e-Health, and e-Commerce; and ISTD's strategic decision to shift its focus from developing indicators to training statisticians in target countries. In the meantime, the project had also started to develop sectoral e-applications like e-Commerce, e-Governance and e-Health adopted by African nations. These changes from the stated project objectives and related outcomes were however not documented.

**(4) ECA should document changes from stated project objectives and related outcomes in appropriate revisions to project documents.**

*ECA accepted recommendation 4 and stated that the cooperation document would need revision to incorporate emerging trends in the policy development process. Recommendation 4 remains open pending submission of revised project document.*

Lack of compliance with ST/AI/1999/7 on hiring of consultants

20. The project allocated \$679,415 for consultants representing 19 per cent of the total project costs. As of June 2011, 75 per cent of this allocation or \$515,749 was expended. Between early 2009 and August 2011, 51 consultants were engaged for the project, and only 20 of these consultants were recruited to specifically work in the selected target countries. The remaining 31 consultants provided general consultancy services pertaining to the ISTD Division's programme of work. This is in contravention of ST/AI/1999/7, which requires consultant services to clearly relate to activities in the work programme, i.e., the project.

**(5) ECA should ensure that the consultants hired by the project do not perform regular tasks and that their outputs relate to project objectives.**

*ECA accepted recommendation 5 and stated that it will issue necessary directions to programme managers to ensure that consultants hired do not perform regular tasks. Recommendation 5 remains open pending submission of evidence that necessary directions have been issued to the programme managers, and followed.*

No final substantive and financial reports from grantees before full release of the grant

21. The project allocated \$940,105 as grants during the Phase II of the project for which ECA signed Memoranda of Understanding (MOUs) with 15 countries. The MOUs were prepared in a standard

template with the provision regarding release of grants varying between 70 per cent and 90 per cent on signing of the MOU and the balance to be released on completion of the project and submission of final substantive and financial statements. However, the provision for releasing the balance of the grant after completion of the project was only a formality as 100 per cent payment was released before receiving the financial statement or substantive report from the grantee. For instance, 100 per cent grant payments were released to Swaziland (\$11,800), Togo (\$25,000) and Sierra Leone (\$28,500) in Phase I of the project before receiving the final financial and substantive reports. However, the recipients of the project grants were submitting substantive and financial reports upon completion of the projects. It is important that project grants are released upon achievement of project progress milestones.

**(6) ECA should: (a) ensure that final grants are released only upon submission of final substantive and financial reports on completion of the project; (b) redesign the template for the Memorandum of Understanding to link the major milestones of the project with the stages of grant disbursements; and (c) ensure that Swaziland, Togo and Sierra Leone submit final substantive and financial reports for grants payments released to them.**

*ECA accepted recommendation 6 and stated that a memorandum will be sent out to all programme managers and the Finance Section to remind all concerned of the need to ensure that final grants should be disbursed only on submission of final substantive and financial reports on completion of projects. Recommendation 6 remains open pending submission of evidence that instructions have been issued to all programme managers and followed.*

### **C. Fund-raising strategy**

The project lacks a fund-raising strategy to diversify the donor base

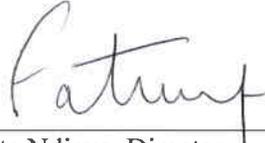
22. In order to expand the donor base for its projects, ECA adopts a pooled funding strategy that allows the entrance of donors into a joint financing arrangement. This arrangement extends much flexibility to ECA in the use of project funds. However, Finland is the sole donor for the project and preferred to be directly involved with the development of the ICT sector. Dependence on one donor could impact the future of the project. Therefore, ECA needs to actively invite participation of other donors in ISTD programmes and diversify resources from other divisions as ICT is a cross-cutting programme. For example, for the e-governance programme of the Governance and Public Administration Division, which worked successfully, ISTD obtained resources from the African Centre for Gender and Social Development Division and the Food Security and Sustainable Development Division.

**(7) ECA should establish a fund-raising strategy that actively invites participation of donors in the Information and Science and Technology Development Division to expand the donor base, and increase programmatic synergy with other divisions through an inter-divisional committee so that existing resources can be used more efficiently.**

*ECA accepted recommendation 7 and stated that a partnership and resource mobilization strategy as well as an ECA donor/partner profile has been developed to support the resource mobilization efforts. The ECA business plan is the key document for donor support to the ECA work programme allowing programmatic synergy among substantive divisions. Recommendation 7 remains open pending submission of the partnership and donor profile strategy document.*

#### IV. ACKNOWLEDGEMENT

23. OIOS wishes to express its appreciation to the Management and staff of ECA for the assistance and cooperation extended to the auditor during this assignment.



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Internal Audit Division, OIOS

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of technical cooperation project on Information and communications technology between the Economic Commission for Africa and the Government of Finland

Recom. no.	Recommendation	Critical/ <sup>1</sup> important <sup>2</sup>	C/ <sup>3</sup> O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	ECA should clarify the distribution of project tasks between regional advisors and Information and Science and Technology Development (ISTD) staff, and among ISTD staff to avoid duplication of efforts in managing the project.	Important	O	Submission of evidence by ECA that the programme plan clarifies the role of the regional advisors and ISTD staff satisfactorily	30 June 2012
2	ECA should prepare detailed project cost plans and results-based work plans to properly justify allocation to different project activities and avoid frequent budget revisions, and to ensure accountability for the use of project funds as intended.	Important	O	Receipt of the copy of the memorandum sent to the programme managers on the need for detailed cost planning, including the cost plan format	30 June 2012
3	ECA should ensure that key project activities are reflected in the programme implementation plan of subprogramme 4.	Important	O	Submission of the 2012-13 programme implementation plan of ECA, incorporating the project objectives	30 June 2012
4	ECA should document changes from stated project objectives and related outcomes in appropriate revisions to project documents.	Important	O	Submission of revised project document	30 September 2012
5	ECA should ensure that the consultants hired by the project do not perform regular tasks and that their outputs relate to project	Important	O	Submission of evidence that necessary directions have been issued to the programme managers, and followed	30 September 2012

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by ECA in response to recommendations.

Recom. no.	Recommendation	Critical/ important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
6	<p>objectives.</p> <p>ECA should: (a) ensure that final grants are released only upon submission of final substantive and financial reports on completion of the project; (b) redesign the template for the Memorandum of Understanding to link the major milestones of the project with the stages of grant disbursements; and (c) ensure that Swaziland, Togo and Sierra Leone submit final substantive and financial reports for grants payments released to them.</p>	Important	O	Submission of evidence that instructions have been issued to all programme managers and followed	30 June 2012
7	<p>ECA should establish a fund-raising strategy that actively invites participation of donors in the Information and Science and Technology Development Division to expand the donor base, and increase programmatic synergy with other divisions through an inter-divisional committee so that existing resources can be used more efficiently.</p>	Important	O	Submission of the partnership and donor profile strategy document	30 November 2012