Reference: AUD-7-2:2 (0**955**/04)

Date: 8 December 2004

To: Mr. Hak-Su Kim, Under-Secretary-General
           Executive Secretary, Economic and Social Commission
            for Asia and the Pacific

From: Patricia Azarias, Director
           Internal Audit Division I, OIOS

Subject: **OIOS Audit of Economic and Social Commission for Asia and the Pacific -
           No. AN2004/740/01: Final Report**

1.   I am pleased to present our final report on the subject audit, which was conducted from 4 to 25 October 2004. The report has incorporated the comments of the Programme Management Division (PMD) and the Administrative Services Division (ASD) on the audit notes issued by the auditors at the end of their visit to ESCAP.

2.   I am pleased to inform you that based on the information contained in the responses to the audit notes, we have closed recommendations AN2004/740/01/8 and 17. The table below summarizes those recommendations that remain open in IAD's database following our review of the comments, together with actions required by ESCAP in order for us to close the recommendations. These recommendations will be reported as part of OIOS' Semi-Annual Report to the Secretary-General on the implementation status of recommendations.

Recommendation Numbers	**Action Required by ESCAP**
AN2004/740/01/01, 02, 03, 04, 05, 06, 07, 09, 10, 11, 12, 13, 14, 15, 16.	Implementation of the recommendations within the timeframes indicated in the report and provision of the evidence of their implementation to OIOS.

3.   Should you have any comments on the report findings and recommendations or on the conduct of the audit, we would appreciate receiving them by 6 January 2005.

4.   OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form at your earliest convenience.

5.   I would like to again take this opportunity to thank you and your staff for the assistance and co-operation extended to the audit team on this assignment.

Copy to:
     Ms. C. Bertini
     UN Board of Auditors
     Programme Officer, OIOS

United Nations
OFFICE OF INTERNAL OVERSIGHT SERVICES
Internal Audit Division I

Audit Report

TABLE OF CONTENTS

AUDIT OF THE ECONOMIC AND SOCIAL COMMISSION FOR ASIA
AND THE PACIFIC
(AN 2004/740/01)

Executive Summary

In October 2004, Internal Audit Division I, OIOS, conducted an audit of the Economic and Social Commission for Asia and the Pacific (ESCAP). The auditors reviewed the areas of implementation of programme of work; management of technical cooperation projects; human resources management, including consultancies; procurement; and security and safety.

In the reviewed areas, major internal controls were established and exercised. However, there was a need to strengthen them. In the area of programme of work, the accuracy of information on programme implementation and resource utilization should be independently verified. The evaluation of subprogrammes should be properly planned. The controls over the utilization of extra-budgetary funds could be streamlined so that there would be no undue delay in resource utilization. The procedures of charging ESCAP's direct costs to technical cooperation projects should be clarified and agreed with donors to ensure their consistent application and accurate recording.

There was a need to address the disproportionately high number of support staff, especially in the substantive units of ESCAP. The role of the Human Resource Management Section (HRMS) should be further strengthened to ensure that recruitment decisions are properly documented. Consultancy agreements should be properly formulated to allow evaluation of the consultants' outputs. Consultants' qualifications should match the assignment requirements. Procedures for payment of rental subsidy should be made verifiable.

The Procurement and Travel Section (PTS) and other units of ESCAP should be encouraged to prepare procurement plans. The use of blanket contracts could be expanded. PTS should be assisted in accessing wider procurement sources. More attention should be paid to document procurement decisions, especially in cases where exceptions to procurement instructions are made.

Programme Management Division and Administrative Services Division accepted the recommendations made by the auditors, as communicated to them during the audit, and undertook to implement them.

3

I. INTRODUCTION

1.   In October 2004, Internal Audit Division I, OIOS, conducted an audit of the Economic and Social Commission for Asia and the Pacific (ESCAP or the Commission). The audit was conducted in accordance with the general and specific standards for the professional practice of internal auditing in United Nations Organizations.

II. AUDIT OBJECTIVES

2.   The objectives of the audit were to assess: (a) the effectiveness and efficiency in the implementation of the work program and technical cooperation projects; (b) internal controls over the use of resources and (c) safeguarding the assets of the Organization.

III. AUDIT SCOPE AND METHODOLOGY

3.   Based on a preliminary risk assessment, the auditors determined the following areas where more focused examinations were warranted:

      (a)   Implementation of ESCAP's programme of work;
      (b)   Management of technical cooperation projects;
      (c)   Human resources management, including consultancies;
      (d)   Procurement; and
      (e)   Security and safety.

4.   In the selected areas, the auditors reviewed the existing internal controls and, on a sample basis, tested their effectiveness. The tests covered the biennium 2002-2003 and the first six months of 2004. The auditors reviewed pertinent documentation and interviewed ESCAP personnel concerned. The audit findings had been discussed with management in the course of the audit and at the exit conference. They have also been communicated in the form of audit notes to the chiefs of Programme Management Division and Administrative Services Divisions who provided their timely and thorough responses on the issues raised by the auditors. The essence of these responses is shown in the present report in *italics*.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

5.   In general, the auditors found that, in the reviewed areas, major internal controls were established and exercised. However, there was a need to improve and fine tune them. The accuracy of information on programme implementation and resource utilization could be improved through a more formalized procedure. The Commission's evaluation function could benefit from proper planning. The controls over the utilization of extra budgetary funds could be streamlined so that there would be no undue delay in their utilization. The procedures of charging ESCAP's direct costs to technical cooperation (TC) projects could be clarified and agreed with donors to ensure their consistent application.

6.   There was a need to address the disproportionately high number of support staff, especially in

the substantive units of the Commission. In the area of programme support, further efforts should be made to strengthen the roles of the Human Resource Management Section (HRMS) and the Procurement and Travel Section (PTS) in ensuring that pertinent instructions are complied with.

A. Management of the programme of work

Accuracy of information on program performance

7.   Information contained in the Integrated Monitoring and Documentation Information System (IMDIS), which serves as a basis for reporting on the Organization's programme implementation to the General Assembly, indicated that as of 1 October 2004, ESCAP programmed 1,151 outputs to be produced during biennium 2004-2005. Approximately 340 outputs had been implemented, 709 of the programmed outputs had not started or had not yet been recorded in IMDIS, 94 outputs were in progress, 2 had been reformulated and 6 terminated. Outputs were in seven categories including "Other substantive activities", the largest category, which accounted for approximately 43 per cent of all programmed outputs. The outputs are produced in the ESCAP's seven substantive divisions and in the Office of the Executive Secretary. In ESCAP, the Program Management Division (PMD) is responsible for *inter alia* verifying the accuracy of information entered in IMDIS.

8.   The auditors reviewed ten outputs relating to "Other Substantive activities" that had been reported in IMDIS as "implemented" during the quarter ended 30 June 2004 by three divisions: Poverty and Development Division (PDD), Trade and Investment Division (TID) and Emerging Social Issues Division. The review revealed that most of the reported outputs were properly authorized and produced. However, PMD needs to improve its verification system by formalizing current practices. There was evidence of PMD's verification of submissions made by the substantive divisions through a variety of informal queries and notations on the submissions. Also, PMD advised that it provided feedback on the changes made in the reported data to the substantive divisions through telephone and e-mail communications. However, there was no record of PMD's observations or formal feedback in the documentation files. This information is essential to establish responsibility for the accuracy of reporting on programme implementation.

9.   Regarding the reliability of information in IMDIS, from the ten sampled outputs, one output had been reported completed when, in fact, it was not. The following three outputs had been reported as implemented: (a) Inventory of selected anti-trafficking projects and initiatives in the ESCAP Region (PB 111370, 7.2.902), (b) the 8th session of the RCM Thematic Working Group on Disability Related Concerns (PB111372, 7-2-A01), and (c) the RCM Thematic working Group on Women's Empowerment and Gender Equality (PB111374, 7-2-A03). However, the evidences of their implementation were Word Documents that appeared to be in draft form. The evidence of outputs should be clearly defined in consultation with substantive divisions in order to ensure the accuracy of reporting.

Recommendations 1 and 2

PMD should formalize its verification of outputs and related inputs.
The verification process can be improved by using checklists

containing specific criteria for verification (AN2004/740/01/01).

> In order to ensure the accuracy of reporting, PMD should, in consultation with the substantive divisions, define what is considered acceptable evidence of outputs (AN2004/740/01/02).

10.   PMD accepted these recommendations indicating that it *will develop a checklist for verification and feedback purposes. Initial meetings with substantive division monitoring focal points have already been held to obtain input for appropriate criteria. PMD would consult with substantive divisions to further define evidence required for verifying delivery of outputs. This will be in conjunction with development of the checklist.* We will consider these recommendations as implemented when we receive a copy of the relevant communication between PMD and the substantive divisions on this subject. The timeframe for the implementation was agreed as the end of January 2005.

11.   There was no system to capture work months of staff time used to produce the reported outputs. This system is essential for proper management of available resources and indispensable for planning purposes.

Recommendation 3

> PMD, in consultation with the substantive divisions, should develop a system that ensures accurate reporting of staff time (AN2004/740/01/03).

12.   PMD accepted this recommendation and advised that *it will take steps to address the issue of accurate reporting of work months at the appropriate level, taking into consideration the existing decentralized authority to divisions, within the broader context of results based management.* We will consider this recommendation as implemented when we receive a documentation showing the introduction of the system. The timeframe for the implementation was agreed as the end of June 2005.

Evaluation of subprogrammes

13.   ESCAP has seven subprogrammes, namely: (a) poverty and development, (b) statistics, (c) trade and investment, (d) transportation and tourism, (e) environment and sustainable development, (f) information, communications and space technology, and (g) social development, including emerging social issues. These subprogrammes should be evaluated on a regular, periodic basis in accordance with an evaluation plan as required by the United Nations Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8 dated 19 April 2000).

14.   PMD informed that it had performed the required self-evaluation of activities of all subprogrammes as evidenced by the 2002-2003 Program Evaluation Report. However, there was no

formal plan for self-evaluations as required. ESCAP conducted ad-hoc in-depth evaluations of specific areas or topics within subprogrammes. However, activities performed during these ad hoc evaluations were not verifiable.

15.   PMD was in the process of setting up "comprehensive monitoring and evaluation systems". At the time of the audit, these systems were not at a stage that warranted their review. In our view, the establishment of these systems should be expedited to ensure conformity with the Regulations and Rules on evaluation. In this connection, it is essential for PMD to consult with subprogramme managers and to ensure a formal introduction of the evaluation system.

> **Recommendation 4**
>
> PMD should expedite the completion of a comprehensive monitoring and evaluation system that conforms to the relevant United Nations Regulations and Rules and is properly supported by all stakeholders (AN2004/740/01/04).

16.   PMD accepted this recommendation indicating that it *had initiated activities aimed at preparing evaluation work plans*. This recommendation will be considered as implemented when we receive the documentation showing the introduction of the evaluation plan. The timeframe for the implementation was agreed as the end of June 2005.

B. Management of extra-budgetary activities

Allocation of contributions to technical cooperation projects

17.   As of the time of the audit, a total of 148 technical cooperation (TC) projects were on-going with approximately $14.7 million budgets. Timely use of extra-budgetary (XB) resources is an indicator of effective project management which can help to boost XB revenue. In general, ESCAP submitted project documents to donors in a timely manner. However, once the required project documents were submitted, it took considerable time before ESCAP received the required approval from donors. Between December 2003 and April 2004, ESCAP submitted 21 new project profiles totaling around US$ 5.5 million to its traditional donors, whom the auditors selected for the review. As of the date of the audit, ESCAP had received the required project approval from only one donor for a total of 8 projects (total amount of about US$ 1.27 million). PMD explained that regarding the remaining 13 project profiles substantial progress had been made in obtaining approval except in the case of one donor. Protracted negotiations on a method of project costing had delayed the approval by that major donor who accounted for more than half of the submitted project profiles.

18.   In the beginning of 2004, ESCAP informed its donors that, in accordance with the United Nations procedures, expenditure which can be identified as related to the projects (including costs of the Commission's staff) should be charged directly to these projects. This was a change from the previous practice of nearly 20 years. The notifications went to the donors after their contributions had been received but before the required approval of specific projects to be funded by these

contributions. The new method of costing, in our view, should not jeopardize the timely approval and implementation of projects. This issue should have been addressed separately from operational matters of utilization of the contributions previously received under different conditions. PMD informed the auditors that all donors but one had already accepted that support staff costs directly related to projects should be charged to these projects.

19. *PMD concurred that policy issues should be agreed with all donors in advance of allocation of funds. ESCAP had been instructed by the Controller's Office not to accept extra-budgetary contributions to which donors attach conditions that are at odds with the United Nations regulations and rules. Therefore, it did not agree that policy issues should be addressed separately from routine operational matters such as consultation with donors on allocation of funds.* It appeared that ESCAP had already accepted the contributions and that it was only requesting the donors' approval to allocate to specific projects the funds that were already at its disposal, as required by existing agreements with those donors. Therefore, in our opinion, the policy issues should not hamper timely approval and implementation of projects.

> **Recommendation 5**
>
> In order to facilitate the approval and timely implementation of projects, ESCAP should obtain the agreement of donors on the changed policy before the acceptance of contributions (AN2004/740/01/05).

20. The implementation of this recommendation was ongoing and was expected to be completed by 28 March 2005.

Direct charges to projects

21. As mentioned in paragraph 18, in the beginning of 2004, ESCAP began charging technical cooperation projects for the cost of support staff directly involved in the implementation of those projects. In the past, these costs had been funded from programme support revenue in accordance with the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188 of 1 March 1982) and the administrative instructions on technical co-operation trust funds and programme support cost (ST/AI/285 of 1 March 1982 and ST/AI/286 of 3 March 1982). Approximately 57 per cent of support revenue was used to fund what was believed to be support costs (mainly general service staff posts) incurred by substantive offices. There were no clear methodology or detailed guidelines for calculating such charges before they are applied to individual projects. This methodology is required since the support staff in the substantive divisions may work simultaneously on several outputs and projects funded from both regular budget and XB resources. The system should ensure that support staff time is accurately accounted for and charged to the outputs and concerned projects.

Recommendation 6

In order to properly reflect project-related costs, ESCAP, with assistance of the Controller's Office, should develop and introduce a system of recording staff time spent on different outputs and projects (AN2004/740/01/06).

22.   PMD agreed that *revised and more detailed guidelines are required. In this regard, ESCAP indicated that it was involved in consultation with United Nations Headquarters to ensure that the guidelines are consistent with other United Nations offices.* This recommendation will remain open in the OIOS' database pending the development and introduction of the system of recording and distribution of staff time to different outputs and projects. The implementation timeframe was agreed as the end of March 2005.

Adequacy of policies and procedures on project formulation

23.   Various instructions and guidelines issued by the Executive Secretary of ESCAP and PMD indicated that the following bodies were involved in the project formulation and approval process:

   a) substantive units,
   b) Theme Groups,
   c) PMD,
   d) Project Acceptance Committee (PAC), and
   e) Quality Assurance Teams (QATs).

24.   The auditors found that there was no clear delineation in some functions of the above-mentioned bodies. This indicating that there may be duplication of efforts in project formulation and approval. Theme Groups had been established to *inter alia* develop and submit, in collaboration with concerned substantive units, project profiles to the PAC. While the audit was in progress, PMD created QATs to carry out "independent technical review of projects formulated by the theme groups and make recommendations for consideration by the PAC". The creation of QATs, in the auditors' opinion, amounted to conflicting or confusing control, since the membership of the Theme Groups included managers of the same substantive divisions which contributed their more junior staff to the QATs.

25.   The lack of clarity in the procedures apparently contributed to non-compliance with some key controls. Although not required, PMD appraised three projects (project numbers 1752, 1757, and 1756) of the four sampled projects funded by traditional donors. There was no evidence of the involvement, as required, of the theme groups in the development, formulation and approval of the four sampled projects (project numbers 1752, 1757 and 1756). There was no proper evidence of PMD's review of the three out of six sampled projects (project numbers 1759, 1787, and 1755).

26.   ESCAP applies different procedures in project planning, formulation, and approval depending on the source of funding for the project – by traditional and non-traditional donors. This

approach creates the impression that some contributions are not as important as others. Indeed, project expenditures from traditional sources are generally higher than those from non-traditional. For example, in 2003 and as of 30 September 2004, more than 64 per cent of funds allocated to projects were from traditional sources. Moreover, traditional donors tended to fund packages of projects and their relationship with ESCAP was more sustained. However, the expenditures of individual projects funded from traditional sources were not always higher than those of individual projects funded from non-traditional sources. Therefore, both categories of projects presented equal risks of errors or irregularities in their formulation.

27. PMD explained that *in the context of ESCAP's revitalization and reform process, it has taken a number of measures over the last two years towards results-based management and to improve the quality of its technical cooperation projects. In the process, some of the instructions may have created the impression of overlapping efforts, but the functions of the bodies involved were well defined and understood by staff.* In our opinion, a single management instruction on project formulation and appraisal with clear roles and responsibilities of each body, including a flow chart, would reduce the possibility of confusion.

28. PMD also agreed *that different procedures existed for appraisal of projects intended for traditional and other donors/partners, but the quality of appraisal and control of errors and irregularities was not very different. A significant increase in non-traditional donor funding has been recorded as a result of higher quality proposals which are screened through this process. Because funding from traditional donors is not linked to any particular project, this presented a competitive situation in-house.*

Recommendation 7

PMD should clarify the procedures on the formulation and approval of technical cooperation projects which should be promulgated by the Executive Secretary of the Commission (AN2004/740/01/07).

29. PMD accepted this recommendation indicating that it *will issue consolidated management instruction on project formulation and appraisal.* The recommendation will remain open in the OIOS' database pending issuance of the consolidated instruction. The implementation timeframe was agreed as the end of January 2005.

C. Management of human resources and staff entitlements

Staffing composition

30. ESCAP's authorized posts for 2004-2005 (as of October 2004) are shown below:

	Executive direction and management	Programme of work	Programme Support	Total
Professional posts				
RB	13	113	53	179
XB	1	-	2	3
Total:	14	113	55	182
General service				
RB	21	86	208	315
XB	3	25	12	40
Total:	24	111	220	355
Total:	38	224	275	537

31.   As noted during the previous audit in 2001, ESCAP's ratio of general service to professional posts appears to be high. The dynamics of the last years showed an improvement but were affected by an increase in the number of local level posts of security officers (30 additional posts) in 2003. It was also noted that in the area of support services, e.g. facilities management with the high ratio of general service posts to professional posts, opportunities for the reduction of general service posts may be limited due to the nature of the performed functions.

32.   However, certain opportunities for reduction of the general service posts seem to be in the substantive divisions. In some of them, the number of administrative and secretarial staff was found to be too high in comparison to professional personnel. For instance, in the Investment and Enterprise Development Section of the Trade and Investment Division, there were three secretaries and a vacant GS post for four professional officers. In the Transport Infrastructure Section of the Transport and Tourism Division, there were three secretaries for five professional officers. There were four secretaries, an administrative assistant and a library clerk for four professional officers in the Environment Section of the Environment and Sustainable Development Division.

33.   Administrative Services Division (ASD) was developing a comprehensive strategy to address the disproportionately high number of support staff. The strategy would encompass various aspects of the issue, including early retirement, redeployment, reclassification and outsourcing. Once the strategy is approved by the executive management, there should be a timetable for its implementation and achievement of its specific targets. It should also include re-training opportunities for staff.

Recommendation 8

ESCAP should finalize its strategy to address the disproportion between the number of general service and professional posts, and support it with a plan of implementation (AN2004/740/01/08).

34.   *ASD welcomed this recommendation and described a concrete plan to address it and, where possible, go beyond it. ESCAP has already started a Functional Analysis exercise. The Executive*

Secretary of ESCAP has decided to embark on a number of initiatives. These initiatives have a single objective to establish a functional framework that would accurately reflect the needs of ESCAP, aim at strengthening efficiency and cost effectiveness, and provide for healthy work environment. The initial scoping review of the Functional Analysis will be completed before the end of 2004. The actual analysis is expected to be completed by the last quarter of 2005. The implementation which would start immediately after that is expected to take 1-2 years. Based on this information, the recommendation will be closed in the OIOS database but the results of the exercise will be reviewed during our subsequent audit of ESCAP.

Recruitment

35.   In general, ESCAP followed the guidelines on recruitment of candidates for professional posts.   The Human Resources Management Section of the Administrative Services Division (HRMS/ASD) usually initiated timely recruitment action for envisaged vacancies. However, the auditors' review of six recruitment cases indicated one instance of discrepancy between the job requirements and qualifications of a selected candidate and incomplete documentation to support some of the selection decisions.   There was a significant delay (one year from the vacancy announcement till the final placement) in the placement of the Director (L-6) of the Asian and Pacific Centre for Transfer of Technology (APTTC) because the host government questioned the selection on procedural and substantive grounds.

> **Recommendations 9 and 10**
>
> In order to safeguard integrity and transparency of the recruitment process, HRMS/ASD should:
>
> (ii) provide guidance to management on the importance to follow proper procedures in the selection of candidates (AN2004/740/01/09); and
>
> (ii) ensure that all steps in the selection process are properly documented (AN2004/740/01/10).

36.   *HRMS/ASD explained the specific circumstances of the cases where the discrepancies had been found, and welcomed the recommendations.* The recommendations will remain open in the OIOS' database pending receipt of the documentation showing that managers involved in the recruitment process are apprised of the necessity to comply with all recruitment procedures and to document critical steps involved. The timeframe for their implementation was agreed as mid-2005.

Consultancies

37.   According to the reports submitted to the General Assembly, in 2002-2003, ESCAP engaged consultancy services of 495 individual consultants for the duration of 34,052 days and the total fees of $3 million. The auditors' review of 20 consultants' files showed that, in general, HRMS exercised certain controls over management of consultancies. All contracts were based on duly

certified requests of the concerned divisions and the contracts were signed by an officer of HRMS/ASD before the commencement of the services. There were performance evaluations before the final payments to consultants and the fees were within the rates established by OHRM. HRMS/ASD performed verifications of consultants' academic and professional credentials. Consultants were requested to provide medical clearances before assuming their duties. However, the review identified a number of weaknesses in consultancy management.

38.   In some cases, individual contractor agreements should have been used instead of consultancies, which extended for several years.   In one case, the consultant's fee was raised based on good performance and "cooperation" without any change of the outputs. Sometimes, the required qualifications did not match the nature of the assignments or were not specific enough. In some cases, consultants, although capable to carry out the assignments, did not have the required qualifications. In some cases, alternative candidates presented to show that there was a genuine selection process, did not have the required qualifications. Sometimes, payment of consultants' fees was not connected to the delivery of their outputs. The formulation of the outputs was not always specific enough to monitor their delivery.

39.   In most cases, the proposals of the substantive divisions in the form of Supplementary Data for a Consultant /Individual Contractor Contract (P.104A) contained more than one candidate. However, the selection was usually made based on familiarity of a consultant with the subject based on his/her prior experience and engagement with ESCAP. This approach, having certain advantages, would however impair ESCAP's ability to identify new sources of expertise. In some cases, the proposals were limited to a single candidate with an indication that he/she was a government nominee. In our opinion, this limitation would encroach on the universal nature of ESCAP activities and its independence in the selection process.

40.   A workable consultants' roster would facilitate the selection process by providing the substantive divisions with more candidates in a required field of expertise. A consultants' roster was maintained in HRMS/ASD but none of the reviewed consultants appeared in that roster. Also, the roster did not contain information on the previous assignments by the consultants and evaluation of their work.

Recommendations 11 and 12

HRMS/ASD should:

(i) provide guidance to the substantive divisions and improve its controls over contractual arrangements, including qualifications required for consultancies and appropriate evaluation of the consultants' work (AN2004/740/01/11); and

(ii) develop and maintain, in collaboration with the substantive divisions, a workable consultants' roster (AN2004/740/01/12).

41.   *HRMS/ASD provided thorough explanations of the shortcomings highlighted by the review and undertook to improve its controls in this area.   ASD welcomed the recommendations.* Recommendation 11 will remain open in the OIOS' database pending receipt of documentation showing that programme managers have been provided with necessary guidance on the use of consultants. The time frame for its implementation was agreed as mid-2005. Recommendation 12 will remain open in the OIOS' database pending confirmation of the creation of a workable roster of consultants. The implementation timeframe was agreed as end-2005.

Rental subsidy

42.   In the area of staff entitlements, the auditors reviewed the application of the rental subsidy provisions. A Circular Memorandum No. 22/2003 was issued by ESCAP on 18 July 2003 to clarify the application of the rental subsidy scheme for all staff eligible to this subsidy in Thailand. This memorandum confirmed reasonable maximum rent levels linked to a number of bedrooms depending on the family size of the recipients (used by ESCAP since March 2001).   The memorandum also confirmed the provision of the ST/AI/2000/16 that rental subsidy is payable only in respect of the rental of premises. Provision of furniture and electrical appliances was to be considered in the calculation of rental subsidy. However, the memorandum did not establish a method of calculating the part of rent which related to furniture and appliances or to other services, which, in case of serviced apartments, could include utilities, laundry, cleaning, etc. Also, there was no procedure to verify a number of bedrooms rented, especially in cases where that number was not indicated in the lease agreements.

Recommendation 13

In order to properly implement the existing instruction, HRMS/ASD should establish appropriate deductions from rents which include provision of furniture, appliances, utilities and services. Staff members applying for rental subsidies should be requested to provide their rental contracts showing a number of bedrooms and other amenities and services included in the rent (AN2004/740/01/13).

43.   *ASD welcomed this recommendation and advised that the circular memorandum will be amended, as appropriate, after a new survey, to be conducted shortly, would determine market conditions and distinction in maximum rent levels for "furnished" and "unfurnished" premises.* This recommendation will remain open in the OIOS' database pending a receipt of the amended arrangements for rental subsidy payments. The implementation timeframe was agreed as mid-2005.

D. Procurement

Procurement planning and blanket contracts

44.   Considering a high volume of procurement of a large variety of goods and services, advance procurement planning could be helpful in early identification of procurement sources on a wider

basis. This would be especially useful for construction projects where acquisition procedures are more elaborate. The Procurement and Transportation Unit of ASD (PTU/ASD) made attempts to solicit the needs of other ESCAP's units but the response was not very helpful. Advanced procurement planning should be based on replacement schedules for equipment and office furniture and on major renovation projects.

45. Blanket contacts are a useful tool to facilitate procurement process for the acquisition of goods and services of large volumes and repetitive nature. PTU/ASD has established several blanket contracts for procurement of stationary, paper, printer toners and travel services. In view of large volume of publishing at ESCAP, it would seem that printing could be another opportunity for a blanket contract. There were several separate contracts for the purchase of desktop PCs which could be consolidated.

Recommendations 14 and 15

PTU/ASD should:

(i) sensitize the requisitioners on the advantages of procurement planning and prepare annual procurement plans based on the needs for goods and services (AN2004/740/01/14); and

(ii) assess, in consultation with other concerned divisions, the advantages of blanket contract for printing of ESCAP's publications and other acquisitions (AN2004/740/01/15).

46. *ASD noted these recommendations and advised that, to the extent practical, it would endeavor to solicit the various ESCAP divisions' annual procurement plans on a timely basis. PTU/ASD will review the feasibility of introducing blanket contracts for publications and other acquisitions.* These recommendations will be closed in the OIOS' database after receipt of the results of the planning effort and review. The timeframe for the implementation of recommendation 14 was agreed as the end of January 2005. The timeframe for the implementation of recommendation 15 was agreed as the end of March 2005.

Vendor roster and vendor registration

47. Properly maintained vendor rosters are helpful for selection of suppliers on a wider basis and obtaining goods and services on better terms. The rosters can be also useful for maintaining a record of vendor performance. PTU/ASD maintained a list of vendors which was of little use for these purposes. Actually, entries in the roster were made after purchase orders (POs) were issued to the vendors. The vendor list did not specify the nature of goods or services and could not be searched. PTU/ASD did not have access to the vendor roster maintained by Procurement Division in New York nor did it have access to the UN Global Marketplace (UNGM). It appeared that PTU/ASD needed support, in terms of ICT and training, to develop its own vendor roster or to gain access to other available vendor databases.

48.   PTU/ASD maintained a page on ESCAP website which contained useful information on goods and services needed by the Commission; on recently awarded contracts; FAQs; a vendor registration page and a page to invite expression of interest to supply goods and services. The page on expression of interest should be more frequently updated, since, as of 22 October 2004, it contained 11 invitations, all with expired closing dates. The vendor files at PTU were not systematic and did not contain clear registration records.

Recommendation 16

Administrative Services Division should assess the needs of PTU and provide it with necessary support in accessing a meaningful vendor roster and creating a vendor registration system (AN2004/740/01/16).

49.   *ASD took note of this recommendation and commented that the Inter-Agency Procurement Working Group intends to introduce regional versions of the UN Global Marketplace. ASD intends to pursue accessibility to this regional version as applicable for Thailand. This recommendation will stay open in the OIOS' database pending the results of this effort. The timeframe for the implementation was agreed as the end of 2005 but it will depend on cooperation with other United Nations agencies in Thailand.*

Insufficient documentation in the procurement files

50.   The auditors' review of 14 procurement files revealed that, in some cases, the documentation was not sufficient to support the decisions not to award a contract to the lowest bidder, to split procurement or not to solicit proposals. Not all original bids or proposals were retained in the procurement files. Complete documentation of the procurement decisions is important for maintaining integrity and transparency of the procurement process.

Recommendation 17

PTU/ASD should ensure that all pertinent documentation is properly filed in the procurement files (AN2004/740/01/17).

51.   *ASD advised that it would endeavor to place complete information, with all pertinent documentation, on record. In view of this assurance, this recommendation is considered implemented and will be closed in the OIOS' database. This issue will be followed up during our future audits of ESCAP.*

E. Security and safety

52.   The auditors reviewed the records of fire safety inspections and fire alarm tests as well as security arrangements. The procedures seemed to be adequate. The auditors were concerned with a malfunction of the vehicle entry gate to ESCAP's premises but they were assured that corrective

steps were being taken. We are not issuing a recommendation to address this issue but would like to be unformed of a satisfactory completion of the action.

V. ACKNOWLEDGEMENT

53.   We wish to express our appreciation for the assistance and cooperation extended to the auditors by management and staff of ESCAP.

Patricia Azarias
Director
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