




**Office of Internal Oversight Services
Internal Audit Division**

AUD: AA – ECA (01 / 2007)

20 February 2007

TO: Mr. Abdoulie Janneh
Executive Secretary, Economic Commission for Africa

FROM: Christopher F. Bagot, Chief 
Nairobi Audit Section, Internal Audit Division
Office of Internal Oversight Services (OIOS)

SUBJECT: **The results of ECA risk Assessment in 2006 (AA 2006/710/02)**

1. I am pleased to submit the results of ECA Risk assessment, which was conducted between October and December 2006 in Addis Ababa, Ethiopia by Mr. Byung-Kun Min. The risk assessment results were shared with the Director, Division of Administration and those staff and management who participated in the process.
2. The main purpose of this risk assessment was to develop a risk profile of ECA to be used as basis for planning and prioritization of OIOS efforts at ECA and advise Executive Secretary, ECA on the major areas of risk which may have great impact on achievement of ECA's business objectives.
3. The summary of the risk assessment results are provided in the enclosed memo. More details on the risks identified and the OIOS assessment can be found in the **Risk Assessment Results Register** as attached to this memo. OIOS views the Register as a living document and would continue to update it regularly based on the developments in ECA.
4. I would like to take this opportunity to thank you and the staff and management of ECA for the assistance and cooperation extended to the auditor.

Enclosure: A memorandum on the results of ECA risk assessment

cc: Mr. Yousif Suliman, Director, Division of Administration, ECA (by e-mail)
Ms. Corazon Chavez, Officer in Charge – IAD Geneva and Nairobi, OIOS (by e-mail)
Ms. Josephine Ogira, Auditing Assistant, Nairobi Audit Section, IAD, OIOS (by e-mail)

Results of ECA risk Assessment (AA 2006/710/02)

I. Introduction

1. This memorandum provides the summary results of a Risk assessment of ECA, which was conducted between October and December 2006 in Addis Ababa, Ethiopia.
2. Established in 1958, ECA is one of five regional commissions under the administrative direction of United Nations (UN) Headquarters. As the regional arm of the UN in Africa, it is mandated to support the economic and social development of its 53 member States, foster regional integration, and promote international cooperation for Africa's development. It reports to the UN Economic and Social Council (ECOSOC).
3. The budget for ECA¹ is shown in Table 1, below.

Table 1: ECA budget figures - *in thousand of US dollars*

	Appropriation	Estimation
	2004 -2005	2006 -2007
Regular Budget	94,656	100,669
Extra-budgetary	27,566	22,972
Total	122,222	123,641

4. ECA comprises approximately 600 staff and with effect from 16 August 2006, ECA has been restructured as described below:

- Office of Executive Secretary;
- Office of Strategic Planning and Programme Management (OPM);
- Substantive Divisions:
 - a) Food security and sustainable development,
 - b) African centre for gender and social development,
 - c) Trade, finance and economic development,
 - d) Information Communication Technology (ICT) and science and technology,
 - e) African centre for statistics,
 - f) Governance and public administration,
 - g) NEPAD and regional integration,
 - h) Five Sub-Regional Offices (SRO),
- Division of Administration (DOA); and,
- Security section.

II. Objectives of Risk Assessment

5. The overall objectives of the assignment were to:
 - a) Develop a risk profile of ECA to be used as basis for planning and prioritization of OIOS efforts at ECA; and

¹ Source of Data – A/60/6 Budget section 17 – Economic and Social development in Africa

- b) Advise Executive Secretary, ECA on the areas of risk which may impact on achievement of ECA's objectives, including the adequacy of arrangements for internal control.
6. The risk assessment also aimed to assist OIOS in:
- a) Determining the required level of audit resources;
 - b) Ensuring audit resources are focused on higher risk areas; and,
 - c) Focusing on how well the organization is managing major risks rather than simply focusing on areas of suspected weaknesses.

III. Scope and Methodology for Risk Assessment

7. The risk assessment was based on interviews and surveys with the ECA management and considered the results of the ECA repositioning exercise². OIOS further reflected on past OIOS audits and inspections. With active participation by ECA management, OIOS identified the potential risks and assessed them in terms of likelihood of occurrence and extent of impact. The assessment, however, did not include detailed verification of risks in individual areas and / or test the effectiveness of internal controls mitigating these risks.

8. OIOS considered the ECA reform initiatives (both already implemented and planned), which served as critical part of risk mitigating controls.

IV. Overall assessment

9. OIOS was of the opinion that ECA belongs to the high risk category in terms of the overall United Nations operation based on the consideration of the followings:

- a) Criticality of its mandate for economic and social development with regard to the 2005 World Summit Outcome (A/RES/60/1);
- b) Largest budget among regional commissions - Biennial budget of approximately US\$100 million;
- c) Changes in leadership in 2005 and subsequent reform initiatives in 2006;
- d) The results of previous OIOS audits and inspections; and
- e) The results of current risk assessment

10. A more detailed overview of the risks identified and the OIOS assessment can be found in the attached **Risk Assessment Results Register**. In summary, the risk assessment identified and / or confirmed the followings as key risks and challenges facing ECA:

- a) Establishment of effective operation of external and internal governance mechanism;
- b) Establishment of more effective planning, monitoring and evaluation framework;

²ECA calls its reform efforts as "Repositioning exercise", which commenced in March 2006 and was led by a Task Force established by the Executive Secretary of ECA. The results of the exercise were presented in a report "Enhancing regional resources to meet Africa's development priorities" in October 2006. The exercise provided opportunity to revisit the relevance of ECA's mandate and sharpen its strategic direction towards achieving it.

- c) Ensuring the strengthening of SRO / IDEP / ACS (African Centre for Statistics);
- d) Successful integration of Division of Administration and enhancing its service delivery;
- e) Ensuring mobilization and effective management of XB resources;
- f) Establishment of corporate (internal and external) communication strategy;
- g) Ensuring effective operation of Conference management and publication section;
- h) Provision of safe and adequate office environment including office facilities; and,
- i) Enhance effectiveness of Library with regard to ECA knowledge management.

11. Furthermore, OIOS was of the opinion that current ECA risk assessment exercise helped mainstream the concept of risk management and internal control among the management of ECA and ECA should develop further the ideas discussed on an Enterprise Risk Management (ERM) and an Internal Control framework in accordance with COSO (The Committee of Sponsoring Organizations of the Treadway Commission) or INTOSAI (International Organization of Supreme Audit Institutions).

V. OIOS Assessment of Each Risk Category

A Strategic management and ECA reform

(a) Mandate

12. ECA identified risks relating to the need to keep the mandate under review to ensure that it remains relevant and is focussing on areas of competitive advantage. The reform effort ongoing at the time of the risk assessment seeks to address these risks.

(b) Governance

13. OIOS considered this area as High risk. The ECA reform exercise did not include a review of the external governance effectiveness other than those for SROs. Further, there was a need to carry a review to see how effective the various committees have been operating.

(c) Organizational structure

14. ECA reform process resulted in extensive organizational change – restructuring of substantive divisions including creation of an African Centre for Statistics, Strengthening of SROs and IDEP, Strengthening of Office of Policy and Programme Coordination (now OPM), Creation of a Division of Administration and establishing / revitalization of support management forums. OIOS is of the opinion that the effectiveness of the organizational change needed to be monitored and evaluated within a reasonable timeframe using predetermined performance criteria.

(d) ECA reform process

15. OIOS appreciated that ECA's repositioning exercise was a timely opportunity to revisit the relevance of ECA's mandate and sharpen its strategic direction towards

achieving it. OIOS considered it as a major risk mitigating activities covering most of the risk categories. In particular, the focus areas of the repositioning exercise – strategic focusing; restructuring of sub-programme clusters; SRO strengthening; harnessing partnership; and enhancing the support environment would continue to remain as major concerns for ECA management and staff and stakeholders alike.

16. The biggest risks are related to establishing an adequate system of communication and consultation to ensure that staff and management feel part of the process and change management is adequately handled. However, these risks do not seem to have been entirely handled as there were different opinions on the sufficiency of the extent of consultation or debate during the repositioning exercise and the status on staff buy-in of the reform agenda. In particular, there were calls for more interactive discussion and debate on various reform agenda, which is a key for staff buy in. Further, there was a call for clarification as to the monitoring and evaluation framework for reform process, which will facilitate the establishment of the culture of continuous improvement. OIOS is of the opinion that enhancing communication and dialogue is a key success factor for reform and change management.

B Programme and projects management

17. The assessment identified the need to strengthen planning capacity within ECA to ensure appropriate linkage among Divisions and SRO and appropriate resource allocation. Further, there is a need to improve the effectiveness of management oversight for programme progress and the evaluation arrangements. This area is considered high risk and to mitigate the risks identified, OIOS believes that the strengthened OPM should play a critical role in improving the effectiveness of programme planning, monitoring and evaluation. OIOS also believes that ECA should review the effectiveness of monitoring and evaluation arrangements which includes: IMDIS, Programme Implementation Plan quarterly oversight by Deputy Executive Secretary / Executive Secretary, evaluation plan and guideline, self-evaluation, and the role of monitoring and evaluation section.

C Financial management

18. An effective arrangement for mobilization and management of XB resources was identified as a key risk factor, as these would account for approximately one third of total ECA resources. While ECA reform initiatives are expected to improve ECA's capacity in XB management, these initiatives are at an early stage of implementation. This area will remain high risk until implementation is completed and an independent review of the arrangements has taken place.

19. Other areas of financial management were assessed as Moderate Risk. The results of the 2006 OIOS audit of ECA financial management remain valid, which determined that in general ECA financial management was being carried out in compliance with the United Nations Financial Regulations and Rules except for the needs for improvement in XB management.

D Human Resources Management

20. Concerns were raised in areas of recruitment, use of consultants, General Temporary Assistance Fund and E-PAS. ECA has undertaken risk mitigating measures in the form of a repositioning exercise, which will require independent review to validate that controls in this area are working effectively.

E Procurement

21. Whilst no specific risks were highlighted as part of the assessment, this remains a high risk area within the UN, which requires regular independent scrutiny to ensure that controls are working effectively. In particular, ECA is embarking on construction works for new office facilities valued at approximately \$8 million which represents a high risk to monitor.

F General Services

22. General Service emerged as low risk area overall, with the exception of travel management seen as high risk and in need of an independent review.

G Conference and Publication

23. This is assessed as a high risk area. There are concerns about publication management, delays in document translation and editing and the under-utilization of ECA United Nations Conference Centre remains a concern, first highlighted by OIOS in 1999.

24. As part of its risk mitigating strategy, ECA has put in place a new structure for conference management and publication. This needs to be supported by an independent review of Publication and Conference management Section focusing on utilization of UN Conference centre, Publication processing (including performance of printing shop and utilization of its facilities), performance review of translation and editing service.

H Information Communication Technology (ICT)management

25. OIOS assessed this area as moderate risk given that most of the recommendations of its Information Technology management audit in 2004 are still in the process of being implemented.

I Security, Safety and Health

26. OIOS assessed this area as moderate risk given that most of the recommendations of its 2005 and 2006 audits are still in the process of being implemented. In particular, OIOS is concerned about the adequacy of security planning and successful implementation of security infrastructure projects considering its highest impact to the operation of ECA.

J Knowledge Management (KM)

27. OIOS assessed this area as High risk. Whilst ECA has recognized the criticality of KM, efforts need to be undertaken to improve the effective operation of the KM committee, utilization of Library services to support the fulfilment of ECA mandate and in particular observed serious weaknesses in records management and archiving.

K Communications

28. This has been assessed as high risk yet in the absence of a corporate communication strategy, which was considered as critical starting point for enhancing the overall effectiveness of communication.

L Facilities management

29. This has been assessed as high risk, in the absence of any recent OIOS or internal reviews. OIOS collected various concerns during risk assessment related to the delays in the construction of new building and overall concerns on the adequacy of the existing building. OIOS believes an independent review is required of facilities management section focusing on building maintenance, new office construction and major construction contracts.

VI. Acknowledgement

30. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the officials and staff of ECA.



Corazón C. Chávez, Officer-in-Charge
Internal Audit Division – Geneva and Nairobi
Office of Internal Oversight Services

Attachment: ECA Risk Assessment Results Register 2006.