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منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
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**Internal Oversight Service
Audit Section**

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**Audit of UNESCO Islamabad Office:
Contracting and Payments**

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Auditors:

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EXECUTIVE SUMMARY

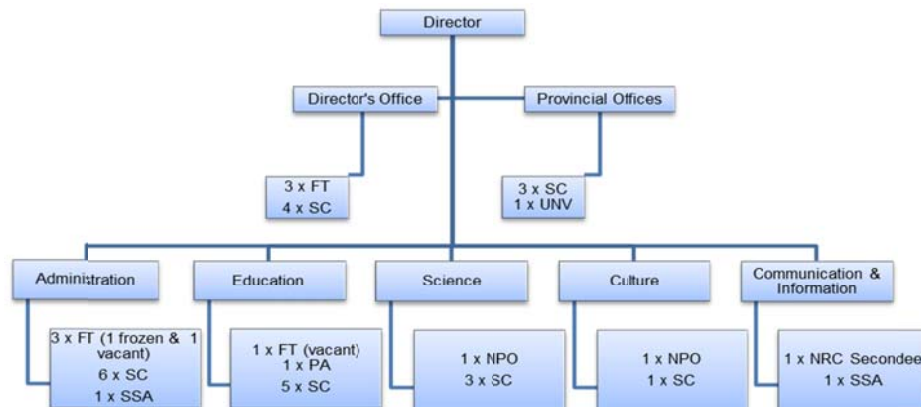
Key Results

IOS audited the contracts and payments of the UNESCO Islamabad Office for the period January 2012 to September 2013. The audit concluded that the Office maintains appropriate internal controls and has implemented good practices when (i) soliciting bids and proposals, (ii) selecting contractors and awarding contracts, (iii) receiving, inspecting and accepting the goods and services and (iv) ensuring appropriate authorizations and segregation of duties in making payments.

While overall controls are good in these areas, improvements are needed in the planning phase of contracts. There were patterns of cross-charging to incorrect budgets and instances where needs were overestimated leading to excess and idle goods in storage.

Background

1. UNESCO has been present in Pakistan since 1958, when the office was established as the Regional Centre for Reading Materials in South Asia. Since 1990 the Office has served as the UNESCO's National Office for Pakistan.
2. Pakistan is one of the eight pilot counties for the United Nations' Delivering as One (DaO) initiative. A One UN Fund was set up for receiving financial contributions; UNESCO since 2009 has received \$5.6 million for projects in the areas of Education, Culture and Science. DaO Phase I is scheduled for closure at the end of 2013. In 2012/2013, the Office had a Regular Programme budget of \$748,000 and extrabudgetary allocations of \$3,991,000. DaO projects represent approximately 38 percent of these funds. From January 2012 to September 2013 the office awarded 379 contracts totaling \$3,335,000.
3. The Office currently comprises 33 personnel. The Regular Programme finances ten posts, of which one is frozen and two are vacant. There is also one Project Appointment, an individual on secondment from Norwegian Refugee Council and a UN volunteer. In addition the Office engages 21 service contractors and two persons under special service agreements.
4. The Office Director, on interagency exchange, has been at post since March 2011. The Administrative Assistant has been serving as Administrative Officer since September 2013 when the previous incumbent was transferred to another duty station.



Legend: FT = Fixed Term, SC = Service Contractor, UNV = UN Volunteer, SSA = Special Service Agreement, PA = Project Appointment, NPO = National Professional Officer, NRC = Norwegian Refugee Council Secondee

Scope, Objective and Methodology

5. The objective of the audit was to ascertain the effectiveness of contracting and payment controls in the Islamabad Office. We performed the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*. This included undertaking a risk assessment in planning the engagement, examining the design and operation of the control processes in place and performing detailed testing of a sample of contracts and payments. The audit covered contracts and payments from January 2012 to September 2013.
6. The contract sample represented 13 percent of the total number and 33 percent of total monetary value of contracts awarded for the period under audit. The sample was objectively selected using a stratified approach with interval sampling.

Contract Type	No .of contracts issued	Contract Value \$	Sample	Sample Value \$
Contract for Services	108	876,967	15	324,773
Service Contract (SC)	79	759,300	10	203,643
Purchase Order	79	406,287	10	168,277
Implementing Partner Agreement (IPA)	36	926,590	5	298,469
Individual Consultant	36	200,510	5	53,376
Utility	17	19,117	2	5,030
Goods & Services	15	103,684	2	58,709
Financing Activity Contract (FAC)	5	34,864	1	6,882
Special Service Agreement (SSA)	3	7,636	Not sampled	0.00
Video & Film	1	511	Not sampled	0.00
Total	379	3,335,466	50	1,119,159

7. The payment sample comprised a judgmental selection of (i) one payment from FABS records per each of the 50 contracts examined in detail, (ii) 23 payments drawn from local bank records and (iii) the three payments made by Headquarters on behalf of the Office. These 76 sampled payments totaled \$ 409,665.
8. This audit was performed concurrently with IOS participation in a joint UN audit of DaO in Pakistan, which will be reported separately.

Achievements

9. Solicitation and selection of contractors/suppliers is in accordance with the applicable provisions of the Administrative Manual. Contracts in excess of \$5,000 are awarded using an open, transparent and competitive process, except for two instances which were supported by appropriate waivers.
10. The Office has implemented a number of good practices to promote value for money through competition and transparency:
 - It maintains a vendor roster used to invite bids and proposals and also publicizes on its website all solicitations, setting forth detailed specifications and closing dates.

- Vendors submit technical and financial proposals to locked bid boxes with dual-key and opening-panel controls.
 - The Project Officer responsible for soliciting proposals/bids establishes a review panel with the Office Director's approval of panel composition.
 - The review panel assesses technical proposals using a standard rating formula based on requirements set forth in the solicitation.
 - Financial proposals are evaluated with due consideration for value for money by comparing offers.
 - Project Officers and AO perform detailed budget review for Implementation Partner Agreements prior to the award and negotiate costs to ensure best value.
 - The review panel records all actions and comments on the standard UNESCO forms that are subsequently uploaded to the contract management tool, thereby providing transparency and documenting accountabilities.
11. Receipt and acceptance of deliverables, and invoice and payment posting, also follow applicable provisions of the Administrative Manual with clear segregation of duties both in FABS and on associated documents retained at the field office.
- Project Officer responsible for the contract signs the invoice/delivery note indicating acceptance of goods/services prior to creating the service entry sheet (SES) for initiating payment. Only staff creates the SES, which is in accordance with UNESCO's contracting guidance that temporary personnel are not to be delegated financial responsibilities.
 - The AO as certifying officer posts the invoice and payment in FABS, with Headquarters BFM providing backstopping when payments exceed certification thresholds delegated to the Office staff.
 - Two authorized bank signatories sign checks and bank transfer letters respecting their authorization limits. The Office Director serves as one of the signatories on all payments and, when an officer-in-charge is serving in her absence, the Director delegates this signatory role respecting the signatory authorities approved by BFM for the individual serving as OIC. When delegating this financial authority, the delegation is in writing and retained on file.
 - Project Officer performs contractor/supplier evaluations using UNESCO's contract management tool prior to the recommending final payment.

Challenges and Opportunities

12. With DaO projects closing at the end of 2013, the Office needs to reorganize personnel to reflect its changing programme portfolio.
13. The Office also needs to improve financial transparency and adherence to work plans:
- Allocation of costs among funding sources should be more systematic and better supported;
 - Procurement planning should be improved to reduce excessive stocks of project materials and facilitate timely implementation; and
 - Contract terms of reference should more consistently conform to good practices to ensure that appropriate value for money is achieved.

Control Self-Assessment

14. As part of the audit, IOS validated the financial control functional area of the self-assessment of internal controls performed in January 2013 by the Islamabad Office and certified by its Director. This area comprises nine questions and the audit covered eight of these. In our opinion, the self-assessment of globally controlled accurately reflects the status of the Office financial controls.

Table of recommendations

Recommendation 1: Islamabad Office to review the costs outlined in the report, adjust the allocation between budgets where required and instruct the Administrative Officer on specific accountabilities for verifying budget sources when certifying obligations.

Recommendation 2: Islamabad Office to:

- (a) oversee the establishment of a time-bound distribution plan for the Disaster Master games for use in project implementation and achievement of demonstrable results; and
- (b) instruct and enhance accountability of programme officers in ensuring project delivery within agreed timeframes.

Recommendation 3: Islamabad Office, in cooperation with the Bureau of Human Resources Management, to review the personnel and remuneration structure of the Office to respond to the programme priorities and objectives, updating job descriptions and terms of reference where required.

Recommendation 4: Islamabad Office AO to create a checklist for programme officers including guidance for establishing SMART Terms of Reference and intervene timely to ensure that terms of reference conform with good practices.