



United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Organización
de las Naciones Unidas
para la Educación,
la Ciencia y la Cultura

Организация
Объединенных Наций по
вопросам образования,
науки и культуры

منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
科学及文化组织

Internal Oversight Service Audit Section

IOS/AUD/2009/002

Original: English

Audit of the UNESCO Office in Mexico City

January 2009

Contributors:

Craig Nordby, Senior Auditor
Hiranand Purkait, Mission Leader
Omar Loukili, Auditor

EXECUTIVE SUMMARY

Key Results of the Audit

The Office needs to better engage the national counterparts in planning of regular programme activities and extra budgetary projects. This engagement should support the role of the National Commission consistent with guidelines (see 174 EX/34) and within the context of a formal agreement between the host government and UNESCO. If this is not possible, the continuation of the Office should be put in question.

The control environment of the Office was seriously deficient, with key approvals recorded through rubber signature stamps, an unauthorized electronic payment facility and evidence of altered records. No evidence was found of unauthorized transactions, but shortcuts were taken in the financial internal control process. Two staff members resigned subsequent to the audit.

Taken in aggregate, these conditions exposed UNESCO to substantial financial and reputational risks.

Background, Scope and Objective

The UNESCO Office in Mexico City is a national office principally focused on Education with additional activities in the Science, Culture and Social Science Sectors.

Internal Oversight Services (IOS) audited the Mexico City Office in September/October 2008 to assess its programme management, internal controls, reporting and compliance with UNESCO rules and regulations.

Achievements in Programme Management

Consistent with UNESCO-wide guidance, the Office's 2008-09 work plan concentrated on fewer Main Line of Actions (MLAs) and activities with relatively larger budgets. The Office achieved average implementation rate of 29 percent for the first eight months of the biennium which was in line with planned activities. The expenditure generally conformed to the approved work plan.

For the extra-budgetary projects reviewed, project documents were prepared based on principles of results-based planning. In managing these projects the Office ensured that all were subject of formal donor agreements and project documents, financial and performance reporting requirements were met and agreed budgets were generally conformed to.

Challenges and Opportunities in Programme Management

The Office needs to:

- Effectively engage national partners in order to align programme activities with national strategies.
- Ensure full cost recovery of backstopping costs in donor funded activity.

Achievements in Control and Compliance

The Office generally established and maintained key control procedures in the following areas:

Financial Management: Budget monitoring, bank reconciliation and suspense account clearance.

Contracts: Detailed, clear and time-bound terms of reference, completion of assessment, verification of deliverables.

Supplies Procurement: Use of purchase orders and documentation of receipt.

Travel: Preparation and approval of travel orders, accurate and supported payment of travel costs and submission of mission reports.

Challenges and Opportunities in Internal Control and Compliance

Improvements can be made as follows:

- Enter into basic and operational agreement with the host government
- Demonstrate an effective certification process for the vouchers
- Mitigate the risks of misuse of payment instruments
- Establish an effective advance monitoring mechanism for advances made to office personnel
- Achieve competitive selection of vendors with clear justification for their remuneration
- Ensure entitled class of air travel on official missions
- Procure travel tickets for official missions on competitive basis

Table of Recommendations

Recommendation 1 The Office should institute clear internal procedures for ensuring consultation with the national counterparts during the programme planning phase.

Recommendation 2 The Office, in consultation with BFC, should enter into dialogue with the host government for finalization of adequate host country agreement.

Recommendation 3 BB, in consultation with ERC/CFS, should consider prescribing a monetary ceiling for individual additional appropriation to the regular programme. Larger contributions should be treated as extrabudgetary funds and appropriate project support cost should be applied.

Recommendation 4 The Office should immediately return the OTP device for e-transfer to the bank and deactivate the e-transfer facility.

Recommendation 5 HRM should revisit the controls in place for recruitment process in field Offices. This may require closer scrutiny of the recruitment process and separate confirmation with the field managers.

Recommendation 6 The Office should establish a comprehensive monitoring system on recovery of advances and undertake periodical reconciliation.

Recommendation 7 The Office should ascertain the difference in the economy and the business class fares for the indicated missions and request recovery of the amount from the former Office director.

Recommendation 8 The Office should clearly indicate on cheques issued for payment that the payment is only for the beneficiary account, as required under the local banking regulations.

Recommendation 9 Formal procedure should be instituted whereby all contracts/agreements on behalf of the UNESCO Office are signed by the director or in his/her absence by an authorized Officer in charge.

Recommendation 10 The Office should institute procedures and reiterate requirements to undertake competitive selection of contractors and record the justification for the selection as well as fee level agreed, in the assessment form.

Recommendation 11 The Office should enhance control of mission/statutory travel tickets to ensure that they are procured on competitive basis. This should include consideration of entering into contractual agreements with UN approved travel agents.