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

Организация
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منظمة الأمم المتحدة
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**Internal Oversight Service
Audit Section**

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Audit of UNESCO's Iraq Office in Amman

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Auditors:

Hir Purkait
Dawn Clemitson
Uldis Kremers

EXECUTIVE SUMMARY

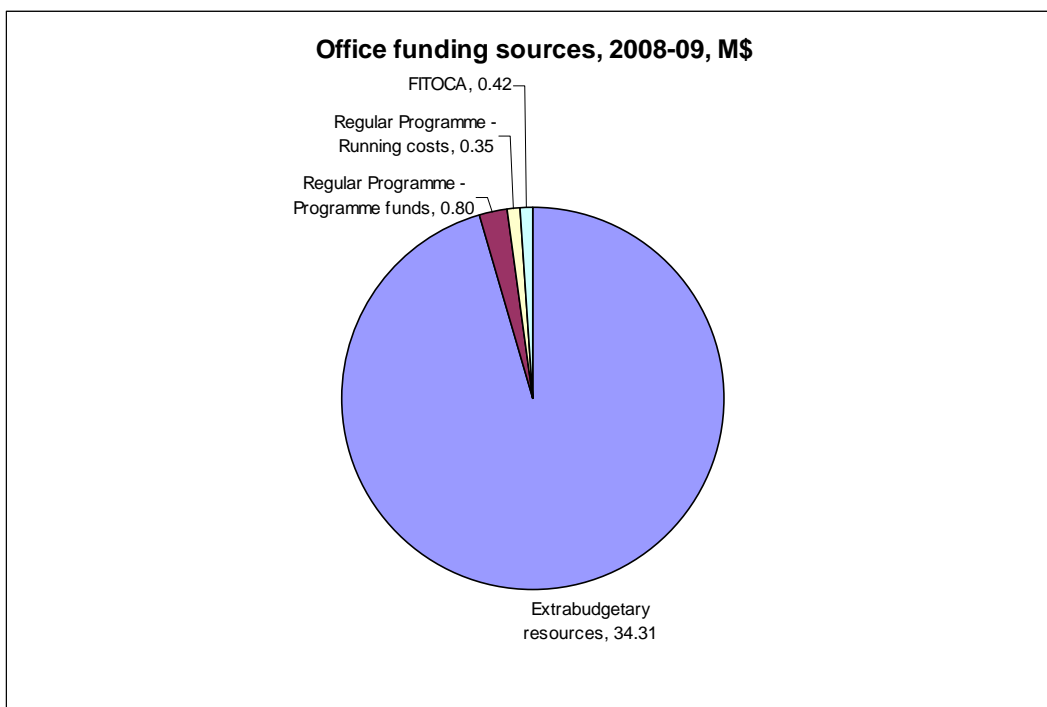
Key Results of the Audit

UNESCO's Iraq Office, operating from Amman, has been successful in raising projects under the UNDG Iraq Trust Fund (\$60 million), with UNESCO being the sixth largest agency in terms of funding received. In addition, the Office raised significant extrabudgetary resources from other sources. However, the implementation of several projects was delayed and there is a need for better programme monitoring and more programme capacity within Iraq.

During the last year, a number of agencies have relocated their Iraq representatives and other senior staff from Amman to Baghdad. UNESCO needs to assess the feasibility and implications of relocating to Iraq and plan accordingly.

The Office's overall control environment was satisfactory, though key challenges remain in contracting and financial control. As noted in other field office audits, the quality control by HQ programme sector needs to be strengthened in programming and reporting of extrabudgetary activities.

Background, Scope and Objective



1. The UNESCO Iraq Office was established, on a temporary basis in Amman, Jordan, in 2004. The Office is responsible for managing UNESCO projects and activities in Iraq, in cooperation with UN Country Team for Iraq and in line with the integrated programmatic approach adopted by the United Nations for its reconstruction and rehabilitation efforts in Iraq. Most of the UNESCO Iraq Office projects were of extrabudgetary nature and were mainly funded from the United Nations Development Group Iraq Trust Fund (UNDG ITF). During the biennium the Office had a Regular Programme budget for programme of \$0.8 million, Running Cost budget

of \$0.35 million, FITOCA budget of \$0.42 million and extrabudgetary resources of \$34.31 million. The financial summary is attached as an Annex to this report.

2. The UNDG ITF was established in 2004 as one of two trust funds of the International Reconstruction Fund Facility for Iraq (IRFFI). A total of 25 donors have signed a Letter of Agreement with the UNDP Multi-Donor Trust Fund (MDTF) Office, as Administrative Agent of the UNDG ITF. The UNDG ITF is the first MDTF to be administered by the United Nations, and to provide donors with a single channel for funding thereby reducing donors' transaction costs. It was also the first time that the UNDG organizations adopted common planning, funding, coordinated implementation and reporting arrangements through a thematic 'cluster' framework. UNESCO is deputy leader of the Sector Outcome Team (SOT) on Education. Most of the UNESCO activities in UNDG ITF are related to Education or Culture.

3. The Internal Oversight Service (IOS) audited UNESCO Iraq Office in November 2009 to provide assurance on the performance, risk management and controls of the Office. IOS assessed the effectiveness and efficiency of programme implementation, functioning of internal controls and compliance with UNESCO rules and regulations. The scope of the audit included activities undertaken in 2008-09. The Office was last audited by IOS in December 2006.

4. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The methodology was based on a risk assessment conducted during the planning phase of the audit and included substantive testing of a sample of projects, contracts, travel and financial transactions related to 2008-09. The auditors interviewed other UN agency representatives and discussed the issues with managers and staff in the UNESCO Iraq Office.

5. Achievements

1. A draft UNESCO country programming document outlining UNESCO's role and proposed areas of intervention has been prepared.
2. The Office has been very successful in raising projects under the UNDG ITF (\$60 million) and from other funding sources.
3. Donor funds were received through HQ bank accounts and expenditure charged to correct budget codes.
4. Selection of contractors was generally competitive.
5. The Office generally complied with most of the MOSS requirements.

6. Challenges and Opportunities

1. There is a need to prepare a strategic analysis of UNESCO operations in Iraq and assess the feasibility and implications of relocating to Iraq.
2. Programme monitoring needs to be strengthened.
3. Risk and capacity assessment of national implementation partners should be undertaken before engagement because some partners could not deliver.
4. Payment processing and monitoring of advances need to be strengthened.
5. Quality control by HQ programme sector should be established in programming and reporting of extrabudgetary activities.
6. All categories of staff needed to be periodically assessed for performance.
7. Monitoring of fund reservations needs to be improved.
8. Performance guarantees should be obtained under high value and/or technically complex contracts.

7. Table of recommendations

Key recommendations:

Recommendation 1: Conduct a strategic analysis of UNESCO operations in Iraq, assess feasibility of and prepare a plan including conditions or milestones for relocating to Iraq.

Recommendation 2: Strengthen monitoring activities through preparation of comprehensive monitoring plans, engagement of more professional programme staff in Iraq and appointing an M&E Officer.

Recommendation 3: Undertake a risk and capacity assessment of the national implementation partner before their engagement in UNESCO activities.

Recommendation 4: Obtain a detailed progress report from the contractor under the Samara project. The components relating to 'preliminary preventive works' and 'urgent preventive works' totalling \$1 million should be deducted from the contract amount unless clear evidence can be provided that the works carried out by contractor were separate from those already carried out by UNESCO.

Recommendation 5: Streamline internal procedures for payment processing and monitoring of advance payments. Specifically, the Finance Unit needs to:

- Recalculate the salary payments under the project 220IRQ4001 and obtain relevant justifications. Any excess amount paid to 'Stars Orbit' over the salaries actually disbursed should be recovered. The Office should also obtain confirmations for the meal payments from the recipients.
- Obtain proof of insurance cost from 'Star Orbit' in applicable cases.

Other recommendations:

Recommendation 6: Introduce clear procedures and accountabilities for assessing the performance of all personnel prior to extension of their contracts or agreements.

Recommendation 7: Monitor fund reservations at least on quarterly basis to assess outstanding legal obligations. Fund reservations without residual payment obligations should be promptly liquidated.

Recommendation 8: Obtain performance guarantees from contractors for all high value and/or technically complex contracts.