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SUMMARY REPORT OF THE OVERSIGHT ADVISORY COMMITTEE

SUMMARY

In accordance with its terms of reference, the Oversight Advisory Committee submits this summary report to the Director-General of its observations arising from its meetings in June and October 2015 as well as its most recent meeting held from 18 to 20 January 2016.

OVERSIGHT ADVISORY COMMITTEE: SUMMARY REPORT FEBRUARY 2016

Introduction

In the last quarter of 2009 the Oversight Advisory Committee (the Committee) was reconstituted as an initiative of the Director-General, with its terms of reference (TOR) approved by the Executive Board at its 183rd session and adopted by the General Conference at its 35th session (35 C/Resolution 101).

The Director-General proposed further revisions to the TOR in 2015, which were adopted by the 196th Executive Board session (196 EX/Decision 24) and adopted by the General Conference at its 38th session (38 C/Resolution 102). The main changes concerned better specifying and clarifying certain aspects of the Committee's responsibilities, for example in the area of evaluation and investigation, as well as the inclusion of a 5th member. These revised TOR are attached as Annex I.

The Committee met twice in face-to-face meetings in Paris, in February and June, and held a virtual meeting in October. A face-to-face meeting was held in January 2016. During the face-to-face meeting in June 2015, the Committee was pleased to have an informal meeting with representatives of Member States, and stands ready to do this in future, should the Member States so wish. The Committee met with the Director-General during all three face-to-face meetings to hear about her plans in the area of oversight and management and to provide feedback and recommendations for her consideration. These meetings are invaluable for the Committee to appreciate the direction in which the Director-General is leading UNESCO as well as to hear her concerns about areas where she would appreciate receiving advice from the Committee.

In addition to its meetings, the Committee reviewed the External Audit Report on Governance and provided advice to the Director-General on that part of the report that concerns the role of the Committee.

At the request of the Director-General the Committee provided confidential advice to her on an investigation case.

The Committee was pleased to have the opportunity to meet with the new Director of External Audit as well as the new Chair of the Executive Board during its January 2016 meeting. Both meetings were valuable in allowing the Committee to establish contact and discuss areas of potential future cooperation with both entities.

In accordance with its terms of reference, the Committee submits this summary report to the Director-General of its observations arising from its meetings in June and October 2015 as well as its most recent meeting held from 18 to 20 January 2016.

A. Programme management

While the Committee was encouraged to hear that the Programme Management Committee (PMC) is being revived, the Committee believes that this must be a sustained effort in order to strengthen oversight of programme management. Furthermore, the Committee believes that the inclusion of Internal Oversight Services (IOS) as a member of the PMC, with observer status, enhances the value of the PMC to senior management as well as allows IOS to take a proactive role in supporting effective management, and the internalization of lessons learned through evaluation. The Committee was briefed on the way in which the first Strategic Results Report (SRR) is being prepared and endorses the approach taken by the Bureau of Strategic Planning (BSP) to support programme managers in this work, while also providing an oversight and consolidation function. The Committee notes that preparation of the SRR is a complex and challenging exercise and looks forward to seeing the first such report.

The Committee was briefed on the Programme Implementation Report, and while it heard from some users that it is useful, the Committee reiterates its recommendation that the PMC, as a proxy for senior management exercising oversight on programme management, should meet regularly. This is necessary in order to manage programme matters on a dynamic basis so that decisions can be made in a timely manner to support more efficient programme delivery, particularly at a time of budget constraint.

Recommendation 1 (2016)

The Committee reiterates its recommendation, made in 2015, that the PMC be actively revived, and that it meet according to a regular schedule, so that it exercises oversight over programme management, reporting to the SMT and escalating issues to the Director-General as appropriate across UNESCO.

B. Evaluation and internal audit follow-up

The Committee notes that internal audit and evaluation recommendations continue to serve as an important part of constant improvement and learning to increase organizational efficiency and provide useful guidance to management on risk mitigation. Furthermore, while internal audit recommendations are mainly concerned with the integrity of internal control processes and thus reliability of information provided to stakeholders, they could also contribute to learning and the maintenance of UNESCO's credibility with donors at a time of tight resources. The Committee notes that while there has been an improvement in the review of implementation of audit and evaluation recommendations by the SMT, this has been heavily supported by IOS in working with the Sectors and offices. It is management's responsibility to implement recommendations and thus the Committee urges the Director-General to ensure that management institutes a process whereby Sectors and programmes carry out regular reviews of implementation of recommendations so that Sectors and programmes can report on their progress to SMT. This type of process helps to ensure that the independence of IOS is not compromised as well as assists the Director-General to hold managers to account for the quality and timeliness of implementation of recommendations. IOS's role is to verify the quality and effectiveness of implementation through well-established independent validation processes, and not to substitute for weak management.

As noted in 2015, delayed implementation of recommendations, both audit and evaluation can diminish the value UNESCO can realize from the investment in these oversight functions. Furthermore, it exposes UNESCO to the risk that if internal audit recommendations remain unimplemented for a long period, UNESCO may be exposed to unnecessary risk. In relation to evaluation recommendations, if there is no systematic monitoring of implementation, the value of the potential to improve programmes is significantly dissipated.

In January 2016 the Committee reviewed in detail the Internal Audit of UNESCO's Controls to Achieve Value for Money in Contracting. The Committee notes that for a variety of reasons, including non-compliance with established policy, only 51% of UNESCO's total procurement volume of around \$45 million was subject to any competitive price assessment, and thus procurement to the value of around \$22 million was not subject to any competitive bidding or equivalent price comparison process.

The Committee believes that IOS could have used this information to draw management's attention to the potential impact of the procurement policy and its implementation in relation to price comparison. If the 49% of procurement not subject to competitive bidding had been put out to bid, or otherwise thoroughly price-tested, and an average price reduction of 5% achieved, this would have translated into \$1.1 million of additional programme funds that could have been deployed to good advantage. The Committee notes that if IOS can systematically frame audit findings in the context of programmatic benefits, drawing out the cost savings that can be generated, this will enhance the value of their work. Furthermore, the Committee also notes that for

such recommendations to contribute their full value to UNESCO's operations, timely implementation is vital – and thus a robust process by which management monitors the status of implementation of recommendations will enhance this possibility.

Recommendation 2 (2016)

The Committee reiterates its recommendation made in 2015, namely that reporting on the status of implementation of Evaluation and Internal Audit recommendations be a quarterly standing item on the agenda of SMT, that management provide a report in a simple format as to the action to be taken, the responsible organizational entity, the timeline for that action and the status as at the date of reporting with a justification and root cause analysis for any slippage, and that SMT escalate any cases of particular concern to the Director-General for her action.

The Committee further recommends that:

- **the quarterly review of the status of implementation of Evaluation and Internal Audit recommendations be prioritized and focus in the first instance on all recommendations rated as having high significance and that have been unimplemented for more than 12 months.**
- **IOS use audit findings to showcase ways in which management can obtain better value for money and generate cost savings without budget reductions.**

C. Evaluation policy and reports

The Committee notes that the revised evaluation policy was approved by the Director-General and Executive Board (196 EX/Decision 24).

The policy gives due emphasis to decentralized evaluation and the Committee notes that together with a strong corporate evaluation function, this is a crucial element in ensuring the quality and reliability of the PIR and SRR reports that the Executive Board will receive. Sound decentralized monitoring and evaluation practices, applied consistently and with systematic quality assurance will support good quality reporting.

The Committee also notes that the policy includes a quality assurance element and supports IOS plans to undertake a peer review of the evaluation function within the next 12-15 months. In preparation for such a peer review, and in conformity with good evaluation practices, the Committee encourages IOS to undertake a focused internal self-assessment of the Evaluation Section in the form of a comprehensive SWOT analysis that would serve as an input in the peer review process.

The Committee has reviewed progress on the development of an evaluation strategy and guidelines to operationalize the evaluation policy and ensure its effective implementation and notes that very good progress has been made in this area. In particular, the Committee welcomes the inclusion of a clear results framework, risk analysis, estimates of resources needed, and strategic actions in support of decentralized evaluation. Regarding resource requirements, the Committee notes that additional funding still needs to be raised for an important component of strengthening the decentralized evaluation system and urges IOS to step up efforts to mobilize resources for rapid implementation

The Committee reviewed the evaluation work plan and was pleased to note the availability of extrabudgetary funds for certain evaluations. This has enabled the evaluation function to cover wider programmatic areas and to bring greater value to UNESCO. The Committee notes the high quality of the evaluation work. The Committee reviewed in detail the recently completed Evaluation of Field Reform in Africa, and made a number of suggestions regarding methodology, nature of

recommendations and follow-up mechanisms. Overall the Committee recommends that more specificity be given in recommendations so that their implementation and the effectiveness of lessons learned from evaluations can be further enhanced. The Committee notes that if recommendations are not sufficiently specific the implementation plans are not as effective as desirable.

While recognizing the challenges involved, the Committee notes that IOS approach includes using internationally recognized evaluation criteria, as may be appropriate, to further enhance the quality of IOS work and organizational performance.

Recommendation 3 (2016)

The Committee recommends that:

- the strategy and implementation guidelines be completed and as soon as possible, appropriately disseminated so that all offices buy-in to implementing the new policy;**
- the decentralized monitoring and evaluation functions be well supported through the evaluation strategy and guidelines as well as through timely resource mobilization and appropriate training where necessary.**
- IOS undertake a peer review within the next 12-15 months supported by a focused self-assessment as an input into the peer review process.**
- Evaluation recommendations be more precise, specific and actionable so that monitoring of the effectiveness of evaluations can be enhanced.**

D. Integrity, internal control and compliance

In 2015 the Committee noted that the External Auditor regards financial controls and compliance functions in UNESCO as effective. The overall framework is made up of several elements of work done by BFM and IOS. While the Committee had expressed a concern in early 2015 that there is a risk that this sound framework would be diminished if the budgetary situation were to result in a weakening of these activities, the Committee is not aware of any deterioration in this situation. However, the Committee notes that the risk of diminishing the effectiveness of the financial control and compliance functions still exists. In 2015 the Committee had noted that there was a risk of weakening the effect of these functions if it is not recognized that the activities are complementary, not substitutive, and generally form what is known as the Internal Control Framework. If one aspect, such as the compliance monitoring in BFM were to be abandoned in the belief that IOS would cover the need, this could result in an unintended consequence – the creation of greater opportunity for internal control breakdowns, error or fraud.

The Committee reviewed the internal audit plan, and noted that it had been prepared on a risk basis, mainly using the risk assessments carried out by IOS. While the Committee was pleased to hear that the budget for IOS has remained at the same level in nominal terms, the Committee notes that recent decisions on the management of the lapse factor on posts reduces the flexibility of IOS to contract specialist expertise for audits such as IT security where highly technical expertise is required.

The Committee understands that on the basis of the budgetary resources allocated for 2016, IOS expects to be able to provide a limited level of assurance. In 2015 certain audits were included in the plan, but “subject to availability of funds”. These are repeated in the 2016 plan and all concern IT security and related high-risk areas.

The Committee noted that this prioritization has been resource-driven and did not involve consultation with the Director-General. The Committee recommends that such consultation should take place as this will allow the Director-General to decide what level of assurance she wishes to have as well as to decide if she is willing to accept the risk inherent in postponing audits due to budgetary constraints. The full plan is designed to provide a reasonable level of assurance to the Director-General. Should she wish to benefit from this, additional resources for internal audit would be required.

The Committee also notes that the forthcoming external quality assurance review of the internal audit function, a requirement of compliance with the external standards for Internal Audit (the IIA Standards) to which UNESCO adheres, will review whether the process of prioritization takes into account input from the Director-General as well as whether she is willing to accept a limited level of assurance.

The Committee is thus of the very firm view that anything less than ring fencing the budget of IOS at the same level as for 2014-2015 will lead to a sub-optimal Internal Audit service that may not pass the threshold for compliance with the Standards of the IIA and may weaken UNESCO's overall control environment.

Regarding the responsibility that UNESCO has for category 1 institutes, the Committee agrees with IOS that it is important these are subject to regular internal audit activities. However, in view of the budgetary constraints faced by IOS, the audit coverage is currently low. The institutes do not have their own internal audit functions, and thus IOS is in a position to carry out this function as a service provider for a fee. This would avoid the need for additional resources to be provided to IOS to ensure adequate coverage of category 1 institutes.

As noted above, the Committee believes that the audit on value for money in contracting demonstrates a need for better compliance monitoring to detect instances of non-compliance early enough for remedial action to be taken. The Committee also recommends that the Director-General should review whether adequate resources are being dedicated to training all staff, on an ongoing basis, in basic policies and procedures. Consideration may also be given to ensuring that all corporate policies are appropriately disseminated and readily available to all staff in an easy to access format.

Recommendation 4 (2016)

The Committee recommends that:

- **the work plan of internal audit be reviewed and expressed as a risk based plan, including a calculation of the necessary resources required to deliver the plan, and that any difference between the fully costed plan and the resources allocated be clearly shown as a deficit;**
- **this revised plan be discussed with the Director-General to seek her views on:**
 - (a) the level of assurance she would like to receive from IOS;**
 - (b) the prioritization of the work plan if additional budgetary resources cannot be made available; and**
 - (c) determination by the Director-General whether she accepts the residual risk inherent in the prioritized, partially funded, fully costed work plan, and establishes that this inherent risk is mitigated by other assurance functions and activities.**
- **the Director-General ensure adequate funding is available to meet training needs in basic operational policies;**
- **the dissemination of corporate policies be reviewed to ensure that all policies**

are readily available to all staff in an easy to access format;

- **IOS, with the support of the Director-General, continue to explore the possibility of charging an internal audit fee to category 1 institutes so that IOS may provide a reasonable level of assurance to their governance entities as well as the Director-General for those that are fully consolidated in the UNESCO financial statements.**

E. Institutional integrity

In 2015 the Committee devoted its attention to a review of several areas that together make up a framework to guide UNESCO's institutional integrity. These include the Ethics function, Investigation function, HR management, Legal Services and BFM in its capacity as guardian of financial control functions. The Committee notes that UNESCO has an appropriate range of mechanisms to address institutional integrity, but that there are some areas for improvement that would further strengthen this important area of UNESCO's management.

The Ethics Office has developed a sound approach to training and briefing, but the level of take-up by staff, at all levels, has been too low. While a 51% attendance rate sounds good, this means that almost 50% of staff has not been trained in ethics awareness. The Committee also notes the importance of the "tone at the top", and while encouraged that SMT members are receiving training, notes that there is not a uniform compliance with all Ethics policies by all senior members of staff. In the view of the Committee the Director-General must hold all her direct reports to account for full compliance with all policies, and that if there is evidence of inadequate compliance she take appropriate action vis-à-vis the staff members concerned.

In respect of the Investigation function the Committee notes that the decision as to whether to carry out an investigation rests with the Director-General. Once an investigation has been completed, IOS presents a report to the Director-General in which the findings are summarized. On the basis of this the Director-General asks Human Resources to advise on any possible sanctions. On receipt of advice from Human Resources the Director-General decides what sanctions to impose. The Committee believes that this process is overly heavy in that the same case is presented to the Director-General several times for what are essentially process decisions. Furthermore, it is a generally accepted good practice that the decision as to whether to carry out an investigation is made by the head of the investigative function, in the case of UNESCO this is Director IOS.

Performance management is an integral part of supporting institutional integrity. In 2015 the Committee noted that in the Director-General did not carry out a systematic, formal performance evaluation of senior staff that report directly to her. The Committee emphasized the importance of the Director-General setting the "tone at the top" and leading by example to show that performance management is an important part of the ethical and compliance culture within UNESCO which will support the delivery of its mandated objectives. The Committee was thus pleased to hear that the Director-General has instituted a performance management system for all her direct reports and looks forward to hearing further on the implementation experience of this.

Recommendation 5 (2016)

The Committee recommends that in order to emphasize the importance of the "tone at the top" the Director-General:

- **require all staff that report to her to undergo mandatory ethics training;**
- **require all staff that report to her to comply fully with all Ethics policies and that any inadequate compliance be appropriately addressed;**
- **mandate Director IOS to decide on whether to carry out an investigation without prior reference to the Director-General;**

- **simplify the decision making process for investigations so that the final report, and recommended action on sanctions is presented once only, at the end of the full process, to the Director-General for decision.**

F. Clarity of expectations and consequences of misconduct

The Committee has continued to look at the way in which UNESCO approaches misconduct, largely in follow up to the Committee's observations and recommendation in 2015. In 2015 the Committee had noted that the way in which misconduct is handled could be a powerful element to strengthen and maintain the ethical framework of an organization, highlighting the absence of transparency on the consequences of misconduct leading to little clarity on expectations of such consequences. The Committee notes that this situation continues to prevail. The Committee therefore reiterates its observation that if staff knows the consequences of their actions they may decide not to transgress.

Recommendation 6 (2016)

The Committee recommends that the Director-General issue an annual communication to all staff in which she:

- **emphasizes the importance of institutional integrity;**
- **confirms the responsibility of all staff to comply with all polices and act with integrity and report any instances of unethical behaviour;**
- **provides anonymized examples of the types of proven unethical or fraudulent behaviour that staff has been found to commit and the consequences of their behaviour, such information to be anonymized.**

Recommendation 7 (2016)

The Committee recommends that the Director-General:

- **ensure adequate resources are devoted to compliance monitoring of all corporate policies and training all staff in corporate polices;**
- **ensure that all corporate policies are appropriately disseminated and readily available to all staff in an easy-to-use format.**

G. Risk management

The Committee was pleased to hear that, following a discussion between the Director-General and the Committee in June 2015, she had appointed a Risk Officer, albeit not reporting directly to her, but nevertheless at a senior level. Furthermore, the Committee notes that the Risk Committee has become active and is meeting regularly. The Committee has been briefed on the work being undertaken by the Risk Committee and notes that this is largely "bottom up" building on the risk management processes within programme management activity. The Committee recommends that the Risk Committee also implement "top down" approach that would complement the "bottom up" approach and enable the SMT and ultimately the Director-General to have an appreciation of, and decide how to mitigate enterprise level risks.

Recommendation 8 (2016)

The Committee recommends that the Risk Committee continue with its development of a comprehensive risk management framework and that regular, ideally quarterly, formal reports on enterprise level risks be made to the SMT.

H. Business continuity

In its June meeting the Committee requested a briefing on the Organization's business continuity management policy and procedures. At that time significant work had been done to address business continuity in the context of ICT. The Committee discussed the importance of a business continuity policy and procedure that would be comprehensive, covering all locations and functions of UNESCO. The events of November 2015 in Paris served to heighten attention on some other aspects of business continuity, such as staff safety and security about which the Committee was briefed in January 2016. However, the Committee notes that it does not appear that there is a single point of responsibility, at a senior level, for all aspects of a comprehensive business continuity plan and the related management, testing and regular review to update as circumstances change. While several aspects are being addressed, the Committee notes that unless there is an overall institutional policy to manage business continuity for all function and locations there is a risk that complacency will result in less than appropriately optimal solutions being in place. The Committee notes that there is much expertise available externally, within the United Nations system as well as from commercial organizations, on both policy development and procedures for regular, mandatory testing at intervals that are appropriate to the circumstances of each location where UNESCO operates. The Committee believes that Director-General should consider tapping into external expertise, as UNESCO should not need to invent policies that have been tried and tested elsewhere.

The Committee was briefed on the approach currently being taken to address cyber security in UNESCO. UNESCO works in several areas that are politically sensitive and is thus exposed to a risk that parties whose interests do not coincide with UNESCO's may seek to disrupt UNESCO operations through cyber-attacks. This risk should be addressed as part of the overall business continuity policy and plan. However, the Committee is concerned that on the basis of the current state of cyber security in UNESCO, a much more robust approach is needed. This would involve additional cost, and the Committee advises that this cost must be seen as an insurance to reduce the risk of loss of corporate data or paralysis of UNESCO via a cyber-attack.

Recommendation 9 (2016)

The Committee recommends that the Director-General:

- **assign responsibility for a comprehensive business continuity function to a senior official, reporting directly to her;**
- **develop a comprehensive business continuity plan, including a management framework that specifies regular review and testing of the plan;**
- **avail herself of external expertise in this area, as this function is not a core function of UNESCO, despite its crucial importance for the effective management of risk to which staff, contractors, intellectual and physical property may be exposed;**
- **develop a robust cyber security policy and implement it quickly.**

I. External Auditor governance review

The Committee reviewed the report of the External Auditor on the Governance of UNESCO, with specific reference to the recommendations that concern the establishment of an Audit Committee. The Committee notes that it was not constituted as an Audit Committee but rather to advise the Director-General on aspects of internal oversight and management practices that relate to both oversight and the integrity of the organization. The Committee notes that the External Auditor recommends the establishment of an Audit Committee that would be an organ of the Executive Board. Recognizing that this recommendation has merit, the Committee wishes to note that such a committee would be serving two masters if it were to continue to advise the Director-General as the Committee is presently mandated to do. In the view of the Committee UNESCO would lose the value of the more open and informal discussion that can take place under the present arrangements and notes that it is important not to confuse the remit of the Committee with that of an Audit Committee exercising oversight on behalf of the Executive Board.

The Committee also notes that the JIU is conducting a United Nations system-wide review of “audit committees” – i.e. independent committees that have oversight responsibilities, with a wide range of varying terms of reference and reporting structures. The Committee believes that this report will be an important and useful contributor to the deliberations that are necessary to determine the most appropriate solution for UNESCO.

J. OAC terms of reference

The Committee noted the revised TOR, and looks forward to the appointment of a fifth member.

Conclusion

The Committee wishes to thank the Director-General and the Deputy Director-General for their availability and to record that these meetings are an invaluable contribution to enabling the Committee to fulfil its mandate. IOS and other departments provided excellent quality pre-meeting materials and presentations. The Committee also wishes to recognize the valuable exchange of views held with representative of the member states in June 2015. The Committee wishes to express its thanks to all those who contributed to the meetings.

Signed

Mona Bishay
Saad Bounjoua
Jonathan Breul
Hilary Wild (Chairperson)

ANNEX I

REVISED TERMS OF REFERENCE FOR THE OVERSIGHT ADVISORY COMMITTEE

Article 1

The Oversight Advisory Committee, referred to as “the Committee”, is hereby established within the United Nations Education, Scientific and Cultural Organization, referred to as “the Organization” or “UNESCO.”

Article 2 – Purpose

1. The Committee shall operate in an advisory capacity to the Director-General of the Organization to assist him/her in fulfilling his/her oversight responsibilities, including internal audit, evaluation, investigation and with regard to the effectiveness of risk management, internal control, and other systems, policies and procedures as well as internal oversight- related matters with respect to the Organization’s operations.
2. The Committee shall function as a standing committee.
3. The Committee shall not encroach on the functions and responsibilities of any existing oversight entities of the Organization.

Article 3 – Responsibilities

The responsibilities of the Committee are:

Internal oversight

1. Advise on the role and effectiveness of the Internal Oversight Service (IOS) and its strategies, priorities and work plans and to make suggestions regarding risk management.
2. Review and discuss with management the internal control and risk management issues that may arise from Internal Oversight Service audits, evaluations and investigations.
3. Review and advice on the Internal Oversight Service charter, authority, operational independence and resources requirements to carry out effectively IOS responsibilities.
4. Provide, at the request of the Director-General, technical/specific expertise to the evaluation of candidate for the Director of IOS, heads of internal audit, evaluation and investigations, on a consultative basis. This may include participation of one OAC member in the respective evaluation panels.

More specifically:

Internal Audit

5. Advise on the assurance strategy, plans, quality assurance and related matters of the internal audit function including the implementation by management of IOS internal audit recommendations.

Evaluation

6. Advise on the adequacy of IOS Evaluation Office policies, strategies and work plans and on the implementation by management of evaluation recommendations;

Investigations

7. Advise on the adequacy of IOS investigative work and application of professional standards; advise on the implementation of investigations reports;

Management of risk

8. Review and discuss with management the Organization's policies and practices with respect to risk assessment, risk management and internal control systems.

9. Advise the Director-General on the quality and overall effectiveness of risk management policies and procedures.

Internal controls

10. Advise management on potential weaknesses in the internal control system of UNESCO.

11. Review and discuss with management the policies significantly impacting accounting and financial reporting issues, use of resources and the effectiveness of the Organization's internal controls.

12. Stay informed on the plans and reports of the External Auditor and the state of implementation of his/her recommendations.

Article 4 – Access

The Committee may request:

1. Through the Director-General, all information and/or documents necessary to perform its responsibilities.
2. To meet individually the Director-General, the Deputy Director-General, the Director of the Internal Oversight Service, the Chief Financial Officer, and other senior managers as well as any UNESCO staff member it wishes in private sessions.

Article 5 – Membership

1. The Committee shall be composed of five members, appointed by the Director-General.
2. The members, all of whom shall be external to and independent of the Organization, shall reflect the highest level of integrity and professionalism and shall serve in their private capacity. In performing their duties, they shall not seek or receive instructions from any Government. They should not have held a staff and/or consultancy position with the Organization's Secretariat for a consecutive five-year period prior to their appointment and shall not hold any position or engage in any activity that could impair their independence, in fact or in perception, from the Secretariat or from companies that maintain a business relationship with the Organization, while serving on the Committee.
3. The members of the Committee must have the skills, knowledge and experience to fulfil their responsibilities. In particular, they must have recent and relevant senior-level managerial, financial, audit, evaluation and/or other oversight-related experience and competencies, including:
 - (a) experience in preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by the Organization, including an understanding of relevant accepted accounting and auditing principles and international standards;

- (b) an understanding of and, if possible, relevant experience in the inspection, monitoring and evaluation and investigative processes;
- (c) an understanding of internal control and risk management policies and procedures;
- (d) a general understanding of the Organization and of the structure and functioning of the United Nations system;
- (e) at least one member should be a professionally qualified accountant, auditor or finance professional and at least one other should be an evaluation expert.

4. Each member shall serve for a period of two years, renewable once for the second and final term of up to two years after the initial term, on a phased basis so as to provide continuity. In the event of resignation, incapacity, death or any other circumstance in which the term of office of a Committee member is cut short, the Director-General shall appoint a replacement for the remainder of his or her term of office.

5. The appointed Committee members shall elect their own Chairperson from within their number to serve for the duration of his/her term of office. If the Chairperson is unable to attend a meeting, the members present shall elect an Acting Chairperson for that meeting from among themselves.

6. Former officials of the Organization shall not be eligible for appointment to the Committee for five years following their separation from service. The members of the Committee shall not be eligible for appointment to the Organization for five years following the expiry of their terms.

Article 6 – Meetings

1. The Committee shall meet at least once a year. The Director-General, Chairperson, any Committee member and/or the Director of the Internal Oversight Service may request additional meetings. It is expected that members will be present for meetings. Meetings may be conducted by videoconference.

2. Three members shall constitute a quorum. Members may not be represented by an alternate.

3. Provisional agendas are prepared by the Committee's secretariat in consultation with the Chairperson. The Chairperson will approve the provisional agenda of the meeting, which should be circulated together with the invitations at least 14 days prior to the date of the session. The supporting documents will be circulated to Committee members at least seven days prior to the date of the session.

4. The Committee shall function on the basis of consensus. When this is not possible, voting will be used and should the votes be equally divided, the Chairperson shall have the casting vote. Dissenting opinions may be attached to any report if those in dissent so desire.

5. The Director of the Office of the Director-General (ODG) and the Director of the Internal Oversight Service may attend Committee meetings. The Chief Financial Officer and other management representatives may attend the meetings or parts of the meeting as requested by the Committee or its Chairperson.

6. The Director of the Internal Oversight Service and the Chief Financial Officer shall have unrestricted and confidential access to the Chairperson of the Committee.

Article 7 – Recommendations and reporting

1. After each session, the Committee shall submit to the Director-General a report on its work and recommendations.

2. The Committee shall also submit to the Director-General an annual summary report on its activities, issues and results, including on its own effectiveness in discharging its duties, for transmittal to the Executive Board, with the Director-General's comments thereon.

3. The Chair of the Committee may be present in the session of the Executive Board or of the relevant subsidiary body for the presentation of the Committee's annual summary report.

Article 8 – Secretariat support

The secretariat service for the Committee shall be provided by the Internal Oversight Service.

Article 9 – Status of members

Members shall act in an independent, non-executive capacity with no managerial powers while fulfilling these terms of reference. As such, members shall not be held personally liable for decisions taken by the Committee acting as a whole.

Article 10 – Fees and costs

1. Members shall not receive remuneration for their services.

2. The members of the Committee shall receive a daily subsistence allowance and shall be reimbursed at standard Organization entitlement for travel expenses incurred to attend the sessions of the Committee.

Article 11 – Confidentiality of meetings and minutes

1. All members of the Committee shall sign a statement of confidentiality at the time of appointment.

2. The deliberations of the Committee and the minutes of its meetings are confidential unless otherwise decided. The documents and informational material circulated for consideration by the Committee shall be used solely for that purpose and treated as confidential.

Article 12 – Disclosure of conflicts of interest

Where an actual or potential conflict of interest arises during the conduct of a meeting, the interest will be declared and will cause the member(s) to be excused from the discussions and will abstain from voting on the matter.

ANNEX II

SUMMARY STATUS OF IMPLEMENTATION OF 2015 OAC RECOMMENDATIONS

Recommendation 1 (2015)

The Committee recommends that the PMC be revived and that membership include Director IOS as an observer, that it report regularly to the Senior Management Team (SMT) so that the SMT can take timely decisions on matters that require attention, and if appropriate, escalating such matters for the attention of the Director-General.

Status January 2016: The Committee notes the PMC has been revived under the chairmanship of the Deputy Director-General.

Recommendation 2 (2015)

The Committee recommends that reporting on the status of implementation of Evaluation and Internal Audit recommendations be a quarterly standing item on the agenda of SMT, that management provide a report in a simple format as to the action to be taken, the responsible organizational entity, the timeline for that action and the status as at the date of reporting with a justification and root cause analysis for any slippage, and that SMT escalate any cases of particular concern to the Director-General for her action.

Status January 2016: Progress has been made, but the review by SMT is still highly dependent on IOS providing support. Furthermore, such reviews do not take place at regular quarterly intervals.

Recommendation 3 (2015)

The Committee recommends that:

- The revised evaluation policy be approved by the Director-General and forwarded to the Executive Board for their approval
- The strategy and implementation guidelines be developed as soon as possible, appropriately disseminated so that all offices buy-in to implementing the new policy
- The decentralized monitoring and evaluation functions be well supported through the evaluation policy guidelines as well as appropriate training where necessary
- IOS undertake a peer review within the next 12-15 months

Status January 2016: The first item, approval of the revised evaluation policy is implemented. All other items are well under way.

Recommendation 4 (2015)

The Committee recommends that

- UNESCO maintains its sound internal control framework and that the budget of IOS be ring fenced, not reduced, so that IOS can provide a limited level of assurance to the Director-General.

- IOS explore the possibility of charging an internal audit fee to category 1 institutes so that IOS may provide a reasonable level of assurance to their governance entities as well as the Director-General for those that are fully consolidated in the UNESCO financial statements.

Status January 2016: Both elements of this recommendation are being addressed, in principle.

Recommendation 5 (2015)

The Committee recommends that the Director-General consider how to implement a performance management system with all her direct reports.

Status January 2016: The Committee understands this has been implemented and looks forward to a report on the implementation

Recommendation 6 (2015)

The Committee recommends

- Consideration be given to regular reporting of instances of misconduct, suitably anonymized, as well as disciplinary actions taken
 - That BFM and IOS further formalize their focus on anti-fraud risks and controls

Status January 2016: The first part of the Committee's recommendation is unimplemented. The second part is partially addressed.

Recommendation 7 (2015)

The Committee recommends that the Risk Committee be revived, that the risk framework be reviewed by the Risk Committee to ensure it is still relevant to UNESCO and that enterprise level risks be regularly reviewed by the SMT for prioritization of action and mitigation

Status January 2016: The Risk Committee has been revised and work is under way to bring enterprise level risks to the SMT on a regular basis.

Recommendation 8 (2015)

The Committee recommends that the revised terms of reference, including greater specification of responsibilities in relation to evaluation and investigations be submitted to the Director-General for her approval and subsequent transmission to the Executive Board.

Status January 2016: Implemented with some modifications, see Annex I for the revised terms of reference.