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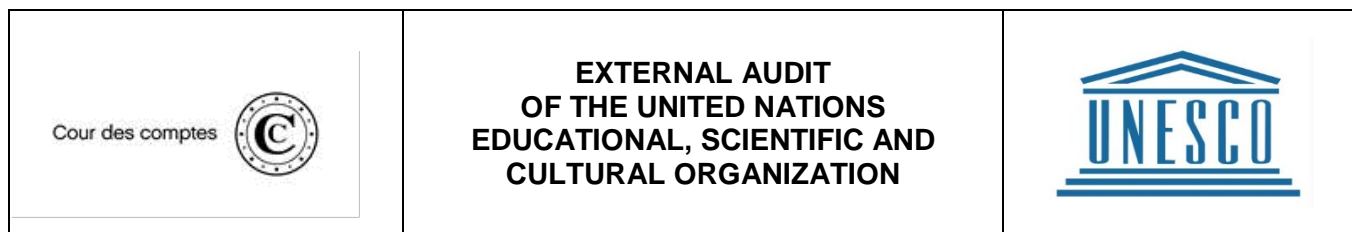
Item 15 of the provisional agenda

## NEW AUDITS BY THE EXTERNAL AUDITOR

### AUDIT REPORT ON THE UNESCO OFFICE IN HANOI

#### SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits his audit report on the UNESCO Office for Viet Nam in Hanoi. The short form of this report and the comments by the Director-General are contained in document 199 EX/15 Part I.



**AUDIT REPORT ON THE UNESCO OFFICE  
FOR VIET NAM IN HANOI**

***Cour des comptes* reference: UNESCO-2015-16**

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## I. OBJECTIVES AND SCOPE OF THE AUDIT

1. A team of two auditors visited the Office in Hanoi from 17 to 28 August 2015. The audit was chiefly concerned with the management and activities of the Office during the 2014-2015 biennium. In some cases, operations carried out in 2013 were also considered.
2. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI), established by the International Organisation of Supreme Audit Institutions (INTOSAI), and in application of the texts in force, in particular Article 12 of UNESCO's Financial Regulations and the Annex thereto on the Additional Terms of Reference Governing the Audit.
3. Each finding or recommendation has been discussed with the Office managers. The exit meeting was held at the Office with the Office Director on 27 August 2015. The Director commented on the draft recommendations. Her comments and written reply to the audit findings have been fully taken into account in the External Auditor's final statement.
4. The comments and clarifications provided by the Office in Hanoi, the Bureau of Financial Management (BFM) and the [Bureau of Strategic Planning \(BSP\)](#) were received on 13 October 2015 and incorporated, where appropriate, into this final version of the report.

## II. CONTEXT

5. The Office in Hanoi was established by UNESCO in 1999. In 2015, it was one of the 21 national offices of the Organization, which has seven national offices in the Asia and the Pacific region. It receives support from the Office in Bangkok, which is both a cluster office and the Asia-Pacific Regional Bureau for Education, and the Office in Jakarta, which is the Asia-Pacific Regional Bureau for Science.
6. The Office carries out activities and projects in almost all the Organization's sectors (communication and information, culture, education, sciences). For the 2014-2015 biennium, the Office had a regular programme (RP) budget appropriation of \$427,042<sup>1</sup> and an extrabudgetary appropriation of \$1,339,335 (EXB, additional contributions included). At the time of the audit, across all categories, the Office had 35 members of staff, including three staff members with international status and one national officer (National Officer D).
7. Before now, this Office had never undergone an external audit. However, it was audited by the Internal Oversight Service<sup>2</sup> in October 2008 and the eight recommendations set out in the resultant report have all been implemented.

## III. LIST OF RECOMMENDATIONS

**Recommendation No. 1.** The External Auditor recommends verifying the medium-term need for a permanent presence of the Organization in Viet Nam in the form of a national office.

**Recommendation No. 2.** The External Auditor recommends that, if necessary, in accordance with the requirements of the Human Resources Manual, the Director-General issue a decision to extend the term of the current Director of the Office.

**Recommendation No. 3.** The External Auditor recommends that the Office encourage, as best practice, the holding of formal meetings between management and staff.

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<sup>1</sup> United States dollars.

<sup>2</sup> IOS

**Recommendation No. 4.** The External Auditor recommends that the Office promote the best practice of monthly reporting by staff members, with the reports being cleared by the supervisor and incorporated into the annual report.

**Recommendation No. 5.** The External Auditor recommends that the Office reconsider the benefits of moving into the shared United Nations building in 2016, once the general guidelines for the action and presence in Viet Nam of United Nations system agencies and particularly of UNESCO for the coming years have been specified.

**Recommendation No. 6.** The External Auditor recommends that the Office draft and propose to Headquarters a communication and marketing strategy for the Office, particularly aimed at new donors (national and international companies).

**Recommendation No. 7.** The External Auditor recommends that the P-4 post assigned to the Office be transferred to a more appropriate entity.

**Recommendation No. 8.** The External Auditor recommends keeping track of hours of overtime worked by the Office staff in a special register, and where the driver is concerned, limiting the number of hours of overtime he works each month.

**Recommendation No. 9.** The External Auditor recommends updating the register of consultants and assessing the potential for cooperation in this area with other United Nations system agencies present in Hanoi.

**Recommendation No. 10.** The External Auditor recommends putting in place written guidelines for the local handling of intersectoral projects by the Office so as to set out the respective responsibilities of the intersectoral team, the programme officers and the administrative team.

#### **IV. AUDIT FINDINGS**

##### **1. SCOPE OF ACTION OF THE OFFICE**

###### **1.1 Geographical framework of intervention of the Office**

8. Established in 1999, the National Office in Hanoi is one of UNESCO's 21 national offices, seven of which are in the Asia and the Pacific region. It receives support from the Bangkok Regional Bureau for Education<sup>3</sup> and from the Jakarta Regional Bureau for Science, although in practice relations with the Office in Jakarta are relatively limited.

9. According to the Administrative Manual (1.7 UNESCO Field Offices), "National offices or single-country offices implement a national programme, which results from consultations within that country. [...] The national offices assist in devising the programme of the cluster office. National offices are time-bound and reflect precisely defined local needs: E-9 countries,<sup>4</sup> countries in transition or countries experiencing conflict or other special situations."

10. Despite intensive UNESCO activity in this country, Viet Nam does not appear to correspond to any of the situations mentioned. Since 2011, its status has been changed to that of a middle-income country and it has exceeded the Millennium Development Goals in the areas of poverty reduction, education and gender.<sup>5</sup>

11. Only a small proportion of the Office's activities are dedicated to the implementation of regional programmes placed under the supervision of regional bureaux.

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<sup>3</sup> The Bangkok Office is also the cluster office for six countries in the Mekong Basin.

<sup>4</sup> The nine most highly-populated countries of the South.

<sup>5</sup> <http://www.worldbank.org/en/country/vietnam/overview>.

12. Under these conditions and in the context of the strategies adopted by the United Nations agencies present in Viet Nam, it could be useful to question the need for a permanent UNESCO presence in Viet Nam. A plan to evolve towards a real cluster office for the ASEAN<sup>6</sup> countries could be one possible development route in this respect.

**Recommendation No. 1.** The External Auditor recommends verifying the medium-term need for a permanent presence of the Organization in Viet Nam in the form of a national office.

## 1.2 Strategic framework for the Office

13. The Office relies on three main guiding documents:

- The common United Nations plan in Viet Nam (One Plan) for 2012-2016,<sup>7</sup> which frames the activities of all the United Nations agencies present in the country according to three focus areas (inclusive, equitable and sustainable growth; access to essential services and social protection, and governance and participation) and details numerous desired outcomes. A new strategic plan for 2017 to 2021 is in the process of being drawn up *in the context of the new United Nations Sustainable Development Goals and is due to be validated in the course of 2016.*
- The 2013-2016 UNESCO Country Programming Document (UCPD), which was prepared in 2013 in accordance with the general guidelines established by the directives of April 2007 and the United Nations One Plan. This document is in line with the Vietnamese Government's policy of building a knowledge society, adopted in 2010, and defines the work of the Office in four of the Organization's five sectors.<sup>8</sup> However, it was based on a funding forecast estimated at \$10.5 million for the 2013-2016 period, an amount that proved to be unobtainable. A new UCPD is currently being drafted, and is due to be validated in the course of 2016.
- The agreement with the Vietnamese Government for the 2010-2015 period, signed in October 2010, which identifies 48 objectives broken down according to the Organization's five sectors of activity, to which is added the relationship with the National Commission. Implementation of this agreement is monitored in detail each year, with the latest version due to be finalized in October 2015. Preparation of a new memorandum of understanding<sup>9</sup> has begun and should be completed by the end of 2015, that is, before the outcome of the 2017-2021 United Nations strategic planning for Viet Nam.

14. The documents are properly articulated with each other. According to the current UCPD, the objectives of the MoU are aligned with nine expected results of the One Plan. In the view of the Office Director, it is the MoU that constitutes the key document, as the UCPD is relatively formal in nature and the One Plan serves as a guidance document that contains a significant, although unforeseeable, discrepancy between the aims, the envisaged funding and what could actually be financed.

15. Changes to these three documents are then expected over the coming months, given their imminent expiry. Impetus should be given during the work on the new One Plan, which is due to start in the coming weeks and continue into 2016. It is important for the revision of these

<sup>6</sup> The Association of Southeast Asian Nations.

<sup>7</sup> Viet Nam was identified in 2007 as one of the eight pilot countries of the Delivering as One approach. This approach, shared by the 18 United Nations agencies present in Viet Nam, is structured around five pillars: one plan, one coordinator, one budget, one shared location and harmonized financial, administrative and budgetary procedures. In Viet Nam, an additional pillar described as One Voice is added for centralized communication.

<sup>8</sup> The Social and Human Sciences Sector is not directly concerned by the Office's activities.

<sup>9</sup> MoU.

documents to take place in a logical order, even though the Director considers that preparation of the United Nations' integrated plan does not preclude work being undertaken simultaneously by the Organization, given that the procedures and participants are different.

### **1.3 Coordination with the national partners**

16. UNESCO's activities in Viet Nam are framed by the bilateral agreement concluded with the Vietnamese Government in September 1999 for the establishment of a UNESCO office in Hanoi. This agreement, which has not been amended since then, establishes fairly standard general provisions for UNESCO's work in the country and its cooperation with the national authorities, and specifies the rights and obligations of the Organization and its staff in the country. In particular, the Organization enjoys diplomatic immunities and privileges, especially in the areas of tax (entitlement to purchase petrol free of tax) and customs duty.

17. The Organization's activities are correctly covered by the MoU entered into by the Vietnamese Government and UNESCO in October 2010 for the period 2010-2015. This agreement is the third of its kind since the Office in Hanoi was established.

18. The Office's activity is only specified contractually with one ministry; in January 2013, the Ministry of Education and Training concluded a specific agreement with the Organization that gives rise to the establishment of a co-signed annual workplan.

19. In practice, the Director maintains very close and positive relations with the Office's institutional partners, particularly the heads of the Viet Nam National Commission for UNESCO and the main ministries concerned.

- The Office is required under various guidelines (in particular the Guidelines for Interface and Cooperation between UNESCO Field Offices and National Commissions for UNESCO, in document 174 EX/34 of April 2006) to maintain close relations with the UNESCO National Commission in the country. The partnership established with this Commission, which is under the authority of the Vietnamese Ministry of Foreign Affairs and is chaired by a deputy minister, plays a central role. The Commission is the Office's primary, though not sole, point of contact. Its Secretary-General, a former permanent representative to UNESCO, is highly satisfied with the quality of the relationship with the Office.
- Moreover, as a partner on certain projects, the Vietnamese National Commission has received \$2,967 since 2013, for services rendered.

### **1.4. Consistency of action with United Nations agencies**

#### **1.4.1 Integration into interagency governance**

20. The United Nations country team is a platform for interagency coordination. Viet Nam is one of the pilot countries of the Delivering as One project which began in 2006 and aims to improve coordination between United Nations system agencies. Its objectives include sharing premises (Green One UN House or GOUNH), an integrated action plan (One Plan) and shared financing (One Fund).

21. The Office's participation in country team meetings, as reported in the minutes, is irregular (the Director attended four meetings out of 10 in 2015, with a representative being sent to two other meetings). The United Nations representative in the country considers that UNESCO contributes actively and supports the United Nations system integrated approach in Viet Nam.

22. The Operations Management Team (OMT) is the body that coordinates United Nations system agencies in terms of administrative coordination and the common services shared by the

agencies present.<sup>10</sup> The UNESCO Office contributes 6% of the OMT's funding, calculated in proportion to the number of staff members employed in relation to all the participating organizations. Consequently, the Office's costs in this respect are high, at \$5,400 in 2013 and \$5,000 in 2014.

23. The Office's involvement in OMT meetings is irregular (6/10 in 2013, 2/4 in 2014, 0/1 in 2015) and has decreased since autumn 2013. This can be explained by the fact that these meetings have regularly dealt with the shared premises project (GOUNH) and the distribution of the setting-up costs and then the costs of the common services for this project. UNESCO's reduced participation has, therefore, been the result of the Organization's decision not to move to the shared premises.

#### **1.4.2 Contribution from interagency programming and funding**

24. The activities of the agencies are coordinated through joint programming groups and particularly the One Plan for 2012-2016. This initiative gives rise to a annual joint programming exercise (Delivering as One). Eight thematic groups coordinate the work of the agencies present in Viet Nam. UNESCO leads the working group on education and actively participates in the climate change group. The Office also participates in other thematic groups and working groups (on gender, governance, human immunodeficiency virus (HIV), social protection, human rights and results-based management). The Office proposes projects, that must involve collaboration with other bodies, to achieve the expected results of the 2012-2016 programme. These projects are included in the programming, without any guarantee of funding, which is validated by all the working groups concerned.

25. The coordination process also relies on a joint funding tool (One Plan Fund), which comes into play after the programming by the joint programming groups and has its own decision-making procedure. The estimated funding needed for the One Plan Fund for the 2012-2016 period was \$135.4 million, yet only \$32.7 million of funds were available at the end of 2014, less than a third of the expected requirement. The Office has received \$0.7 million via this channel since 2012. Limited funds were raised in 2012-2013, though fundraising was more effective in 2014-2015. Meanwhile, the outlook for 2016 is more modest due to the withdrawal of several donors as a result of both the end of a stage of the One UN process and Viet Nam's change of status to a middle-income country.

26. In preparation for the next One Plan, the United Nations country team<sup>11</sup> is currently drawing up a new joint strategic plan for 2017-2021, which will be based on an analysis of the implementation of the One Plan for 2012-2016 and a new joint analysis of needs, which is expected in autumn 2015 (the previous one dates back to 2010).

## **2. MANAGEMENT OF THE OFFICE**

### **2.1 Management under the responsibility of the Director of the Office**

27. Since her appointment in 2009, the Office has been managed by a category P-5 officer, who was previously Director of the UNESCO's National Office in Peru. Her contract with the Organization has just been extended to September 2017. At the time of the audit, the Director had held the post for nearly six years, which is slightly longer than the term provided for by the Organization for Viet Nam, namely, five years for a category B country.

28. According to Part 2 of the Human Resources Manual (5.11 Geographical mobility F. Implementation), holding a post for longer than five years requires a decision of the Director-General, taken via the Director of Human Resources Management (DIR/HRM), which must be explicitly reasoned and may not exceed an additional duration of two years.

<sup>10</sup> UN Day, UN Care, UNDSS, Greening, One UN Intranet, Salary survey, etc.

<sup>11</sup> UNCT.



29. This decision has not been requested by the current Director of the Office, although she has affirmed her commitment to remain in her current position until the introduction of a new plan with the national authorities.

30. With this in mind, it would be advisable to check that the rules are being properly applied by the heads of all the Organization's field offices.

**Recommendation No. 2.** The External Auditor recommends that, if necessary, in accordance with the requirements of the Human Resources Manual, the Director-General issue a decision to extend the term of the current Director of the Office.

31. The job description of the Director, dated September 2009, specifies her terms of reference. It was signed by her and her supervisor (Director of the Bureau of Field Coordination (BFC)). The skill requirements are fulfilled, with the exception of French language skills, which are supposed to be "good" according to the job description but are not met in this case.

32. Since the reform in early 2014 that led to the dissolution of BFC, whose Director was previously the direct supervisor of the Office's director, the supervisor of the Director of the Office is the Director of Bureau of Strategic Planning (BSP).

33. In accordance with the Administrative Manual, for each biennium, directors are supposed to be given assignments under a performance agreement "defining biennial key expected results in all aspects of their functions with corresponding performance indicators". The last formal evaluation of the Director of the Office was carried out in December 2013 by the Director of BFC for the previous biennium. The next evaluation is expected via *Perfoweb* at the end of this year.

## 2.2 Management of the Office

34. The Director of the Office, who does not have a deputy under an international contract, handles the day-to-day management of the activities of the Office herself. She is involved in both the administrative activities that she supervises and in managing programmes, some of which she runs herself as project manager.

35. The general running of the Office can be considered to be of exceptional quality, compared with certain practices observed in other field offices. The organization of documentation is impeccable and, apart from minor exceptions, all necessary supporting documents are available and correctly filed. The annual activity reports and self-assessments are clear, detailed and produced in a timely manner.

36. Coordination of the Office is largely informal and is based on ongoing exchanges about particular subjects. Contrary to practices observed at other field offices, there is no formal management team and there are no management meetings for which minutes are drawn up. The Director herself leads the team responsible for administration as well as the team responsible for intersectoral projects. Coordination between the latter team and the teams responsible for sectoral projects is also informal, as no formal coordination meetings are held.

37. Until January 2015, the Office did not keep records of formal meetings with its staff. Since January 2015, three meetings have taken place (January, April and August 2015). They were mainly dedicated to presenting the progress of certain projects. Considering the size to which the Office has now grown, these regular meetings could be beneficial for everyone concerned.

**Recommendation No. 3.** The External Auditor recommends that the Office encourage, as best practice, the holding of formal meetings between management and staff.

38. A few years ago, the Director introduced, on her initiative, a practice of monthly reporting, in the form of one-page summaries written by the staff and stored in their personal files. This very positive initiative is implemented by all staff members. It could be even more beneficial were this information specifically cleared by each staff member's supervisor and used for their annual appraisal and for preparation of the Office's annual report.

**Recommendation No. 4.** The External Auditor recommends that the Office promote the best practice of monthly reporting by staff members, with the reports being cleared by the supervisor and incorporated into the annual report.

### 2.3 Delegations of authority

39. Delegations of responsibility are duly recorded in the centralized application governing the authorization of certain staff members to incur expenses and certify expenditure commitments. Apart from one exception, they comply with the instructions set out in the note issued by the Bureau of Financial Management (BFM) on this subject.

40. Banking powers are correctly applied and updated and are checked annually by BFM. The responsibility thresholds assigned to the different powers are established and automatic mechanisms prevent them from being directly bypassed.

## 3. OFFICE RESOURCES

### 3.1 Moving the Office to UN House

41. Interagency cooperation includes a shared premises project (Green One UN House), which is supported by the Vietnamese Government. In letters dated 24 February 2009 and 27 April 2012, UNESCO twice indicated that it did not wish to join this project, although the Director-General considered, in a memo dated 18 May 2012, that this possibility should be reconsidered in the future. Led by the United Nations Development Programme<sup>12</sup> on behalf of the United Nations agencies, it encountered various difficulties. The building in question has now been built and is operational. It was inaugurated during the visit of the United Nations Secretary-General to Hanoi and, since June 2015, houses 13 of the 18 United Nations organizations represented in Viet Nam. To date, five United Nations agencies (UNESCO, ILO,<sup>13</sup> UNODC,<sup>14</sup> UNHCR<sup>15</sup> and IFAD<sup>16</sup>) have not moved to the shared premises. The reason stated by the Organization is financial, given the uncertainty of the cost linked to its participation and the possible higher costs compared with the Office's current premises.

42. The agreement concluded between UNDP (acting on behalf of the United Nations system coordinator) and the Government of Viet Nam regarding the shared premises contains a clause on indexing rent to market prices for organizations that do not move to the shared building and do not have an agreement according them premises free of charge. In the case of UNESCO, which pays less than \$10/m<sup>2</sup> in rent<sup>17</sup> while maximum rent in Hanoi can be up to \$38/m<sup>2</sup>, this clause could lead to a substantial increase in the cost of maintaining separate premises from 2016 onwards, although it is not possible to precisely assess this risk. At the end of 2013, excluding free rent, UNESCO's rental costs per staff member, per year, were the lowest in the United Nations system (\$1,700 compared with an average of \$2,600). In the hypothesis of a rent revaluation at the start of 2016, the Office's rent could then increase to a maximum of \$100,000 in the event of a major

<sup>12</sup> UNDP.

<sup>13</sup> International Labour Organization.

<sup>14</sup> United Nations Office on Drugs and Crime.

<sup>15</sup> Office of the United Nations High Commissioner for Refugees.

<sup>16</sup> International Fund for Agricultural Development.

<sup>17</sup> A monthly rental cost of \$4,050 for approximately 425 m<sup>2</sup>.

revaluation. This risk could be limited in the next lease for 2016-2017, which is due to be signed in November 2017.

43. According to UNDP, the cost of an agency moving into the shared building may be broken down into a contribution to the refurbishment of the building and annual costs for the common services provided. The recurring cost, which is proportional to the organization's share in occupancy of the premises based on the number of workstations used, was \$4,300 per station in 2015 and includes numerous ancillary services (security, telecommunications, etc.). It depends on the occupancy rate of the building, which no organization can control. Based on an estimate of 20 to 25 workstations, justified by the reduction in the workforce that would be possible due to the existence of support services on the shared premises, the operating costs for UNESCO were it to move to the shared building would be between \$80,000 and \$125,000 (according to the scenario adopted), with free rent guaranteed for ten years under the agreement with the Vietnamese Government.

44. UNESCO's current overhead cost for services strictly identical to those provided by the shared premises may be valued at \$125,000 (\$49,000 rent, \$35,000 support staff and \$41,000 utilities), which equates to \$4,200/staff member at the end of 2014. According to a valuation based on 2013 costs, this cost was around the average of the costs paid by the different United Nations system organizations (\$4,300) and lower than the costs incurred by the organizations that paid rent (\$5,200). Therefore, under the high estimate applied above, the operating costs at the shared site would be comparable.

45. However, moving to the shared premises could generate productivity gains for UNESCO, linked to more efficient use of common services (administration, communication) and savings on staff. These savings would need to be assessed in greater detail but could be in the region of \$40,000, equivalent to four current positions in the Office (two administrative assistants, one communication officer and one intersectoral support officer).

46. Finally, were UNESCO to move to the shared premises, it would have to pay charges associated with the move (IT equipment, furniture), as well as a share of the building refurbishment costs, which increased from \$11 million to almost \$19 million. Although initially estimated at \$400,000, this share would, if appropriate, be openly negotiated. For our analysis, two scenarios can be considered: a high estimate with a share of \$800,000, the cost of which is spread over ten years, and a low estimate with a share of zero.

**Table 1: Overview of the advantages and disadvantages  
of moving to the shared premises  
(in thousands of United States dollars)**

	Low estimate/High estimate
<b>Remaining at the current premises</b>	
Costs of the Office's current premises (\$125K)	-
Risk of the Office's rent being reviewed	0 / + 100
<b>Moving to UN House</b>	
UNESCO operating costs at UN House	- 45 / 0
Share of the refurbishment costs (over 10 years)	0 / + 80
Possible productivity gains at UN House	- 40 / 0

Source: External Auditor.

47. Thus, the uncertainty regarding the optimum solution for UNESCO is due to two factors: the clause on increasing external rents, and the amount of UNESCO's share of the refurbishment costs. In both cases, the Organization could take steps to mitigate these risks. With regard to the rent, it could request the Vietnamese Government for an exemption, as was previously granted to UNIDO,<sup>18</sup> UNDP and UN Women, even though its existing MoU with the Vietnamese Government does not contain any provisions on this point. Concerning its share of the refurbishment costs, the Organization also has significant bargaining power despite the increase in the actual cost of the refurbishment.

48. This uncertainty is compounded by Viet Nam's change of status to a middle-income country. This reclassification has led to the departure of donors that focus on the least developed countries or have changed their priorities for bilateral relations, emphasizing private investment opportunities and, consequently, leading to the definition of a new strategy for the United Nations agencies, which is currently under way. In practice, this will translate into fluctuating occupancy rates in the shared premises, whose functioning is designed precisely to provide great flexibility, a characteristic that UNESCO could benefit from in its own management.

49. While other factors concerning the identity, mode of operation and cohesion of the Office may legitimately be put forward, the financial considerations presented above should prompt a fresh analysis of whether or not it would be advisable for the Office to move to the shared United Nations building.

**Recommendation No. 5.** The External Auditor recommends that the Office reconsider the benefits of moving into the shared United Nations building in 2016, once the general guidelines for the action and presence in Viet Nam of United Nations system agencies and particularly of UNESCO for the coming years have been specified.

## 3.2 Overall management

### 3.2.1 Budgets

#### 3.2.1.1 Resources of the Office

50. The total financial resources budgeted for the Hanoi Office, covering all staff categories, stood at \$1.8 million for the 2014-2015 biennium, 46% lower than for the 2012-2013 biennium. Although further resources could still be expected by the end of the year, the change reflects the difficulty of finding sources of funding for the Office's activities in a context of general financial tightening and despite a sizeable investment in human resources.

**Table 2: Budget of the Office in Hanoi  
(in thousands of United States dollars)**

	36 C/5 2012-1013		37 C/5 2014-2015		Δ budget
	Budget	Expenditure	Budget	Expenditure*	36-37 C/5
<b>Total resources (including international salaries)</b>	<b>3,293</b>	<b>2,246</b>	<b>1,766</b>	<b>1,995</b>	<b>-46%</b>
(i) Regular budget	660	660	427	381	-35%
– Relative share	20%	29%	24%	19%	
– International salaries (f.i.)	749	749	976	986	+30%
(ii) One Plan Fund (OPF)	568	167	311	552	-45%

<sup>18</sup> United Nations Industrial Development Organization.

– Relative share OPF/Total	17%	7%	18%	28%	
iii) Extrabudgetary resources	1,978	1,332	943	1,021	-52%
– Relative share extrabudgetary resources	60%	59%	53%	51%	
(iv) Additional appropriations	87	87	84	40	-3%
(v) Regional bureaux contributions	-	-	1	1	ε (n.p.)

Note: \* On the date of the audit; f.i.: for information, salaries paid by Headquarters based on the standard costs applied by HRM; the amount of expenditure for a biennium depends on the actual availability of resources.

Source: Office in Hanoi.

51. The regular budget provides the Office's recurrent resources and accounted for 25% of its total resources between 2012 and 2015. Between the current and previous biennia, the resources allocated to the Office in Hanoi through this channel fell by 35%, from \$660,000 to \$427,000, reflecting the general financial difficulties facing the Organization.

52. Added to these regular funds is the cost borne by the Headquarters for the permanent staff assigned to the Office. This indirect resource increased, representing the equivalent of \$749,000 during the previous biennium and \$976,000 for the current biennium, particularly as a result of the addition to the Office team of a category P-4 staff member in 2014, in the Natural Sciences Sector.

53. The United Nations system joint fund constitutes an important resource for the Office. Resources standing at \$311,000 were budgeted for the current biennium from this source, accounting for more than 17% of the total resources budgeted. However, this amount has decreased considerably compared with the previous biennium and remains below the aims set out in the United Nations system national programme (One Plan); added to which, the funds were received late by the Office. In the opinion of the Office, the funding prospects will be limited in 2016, the last year of funding under the current One Plan. The financing for 2017 and subsequent years will depend on the negotiations under way around the new strategic One Plan.

54. Thus, extrabudgetary resources account for the largest part of the Office's funding (58% of budgeted resources and 53% of resources consumed). To ensure the continuity of its activity, therefore, the Office needs \$1 million or more of this type of funding per year, which makes it necessary for the Office to propose and obtain projects for significant amounts that are in line with the donors' action strategies. The drop observed between the two biennia (-52%) in this area is explained by end of the project financed by Samsung Global on education for sustainable development, which was co-initiated with the Headquarters; this has only been offset by a new project of comparable size on gender equality and girls' education.

**Table 3: Comparative advantages of the Office in Hanoi**

<b>Opportunities</b>	<b>Challenges</b>
Adapting UNESCO's fields of action to the needs of a middle-income country	Project intervention cost
Intersectoral approach	Relations with civil society
Quality of relations with the national authorities	Restriction on seeking new donors in the country
Quality of the Organization's direct and indirect expertise	Sectoral weaknesses (natural sciences, social and human sciences)
Visibility of the Organization in the country	-

Source: External Auditor.

55. Lastly, additional resources and contributions from the regional bureaux represent very marginal resources for the Office.

56. Thus, despite the efforts of the Office staff, the financial resources obtained both nationally via the United Nations system (One Plan Fund) and from the Organization (EXB) were insufficient for the Office to fully achieve the aims stated in the official programming (One Plan). In view of this situation, the Office is placing some hope on two new routes: firstly, a partnership with the National Commission for UNESCO to canvass potential donors and, secondly, seeking possible funding from ASEAN for regional projects. According to the Office, the financing of the current service contracts is covered until the end of 2016 and partly in 2017, depending on the project durations, by projects for which funding has already been secured.

57. To bolster these initiatives, the Office might formalize a communication and marketing strategy, as provided for in the terms of reference of the communication officer, as well as the Office reporting; this process was commenced while the audit was being carried out. Indeed, the Organization has a strong reputation in Viet Nam thanks to the importance given by the national authorities to heritage as a source of income (tourism) and a factor of identity.

**Recommendation No. 6.** The External Auditor recommends that the Office draft and propose to Headquarters a communication and marketing strategy for the Office, particularly aimed at new donors (national and international companies).

### 3.2.1.2 Office expenditure

58. Office expenditure falls into four main categories: operating costs (administration and security), education sector, culture sector and intersectoral activities. The activities of the natural sciences, social and human sciences, and communication and information sectors only account for marginal funding in the current and previous biennia.

**Table 4: Budget and expenditure by sector  
(in thousands of United States dollars)**

	36 C/5 2012-1013		37 C/5 2014-2015		Δ budget
	Budget	Expenditure	Budget	Expenditure	36-37 C/5
<b>Overall expenditure</b>	<b>3,293</b>	<b>2,246</b>	<b>1,766</b>	<b>1,995</b>	<b>-46%</b>
Operating costs	264	264	277	248	5%
– Relative share	8%	12%	16%	12%	
Education	415	247	384	392	-8%
– Relative share	13%	11%	22%	20%	
Culture	1,259	924	712	692	-43%
– Relative share	38%	41%	40%	35%	
Natural sciences	52	52	45	37	n.s.
Communication and information	21	21	30	29	n.s.
Social and human sciences	0	0	0	0	n.s.
Intersectoral	1,283	738	318	595	-75%
– Relative share	39%	33%	18%	30%	

Source: Office in Hanoi.

59. Despite an overall reduction in resources between the two budgetary periods, there was a slight increase (+5%) in the Office's operating expenses (administration and security, plus a marginal share for the work on preparing the United Nations One Plan). The appropriation to the work of the education sector, primarily financed from the regular budget, has remained largely unchanged despite an 8% decrease. By contrast, the culture sector and intersectoral activities funding has fallen significantly (-43% and -75%, respectively) between the two biennia due to the completion of two major projects (Samsung project and Preservation of the Cultural Heritage Complex of Thang Long).

### **3.2.2 Financial management**

60. The practices observed show that the Director of the Office "ensures that [...] appropriate internal financial controls are in place and valid", in line with the Financial Regulations.

61. The Office affirms that no situation of fraud or suspected fraud has been identified during the period. It has two bank accounts, one in dollars and the other in the local currency; it also has a cash fund. The Office has two chequebooks, one in dollars and the other in the local currency. Payments by cheque are very infrequent (replenishing the cash fund, payment of contracts when a bank transfer is not possible, advances linked to missions abroad). The Office has not had any suspense accounts at any time since its creation.

#### **3.2.2.1 Cash fund management**

62. The cash fund was verified and its balance was found to be consistent with the accounting records (tested on 18 August, balance of VND 465,000<sup>19</sup>). Expenditure incurred by this means complies with the purpose and amount limit of \$50 per payment. The signatures appearing on the sample of expenses examined comply with the operating rules.

63. The average monthly expenditure is VND 9.4 million, which is equivalent to approximately \$440.<sup>20</sup> The purpose of the expenses is very variable, including fuel expenditure for the Office car, various minor repairs and taxi expenses. Some recurring expenses are also paid for out of the cash fund, such as water rates and a mobile telephone contract.

64. Based on the overall availability of the budgets, expenses are charged to one of two budget lines corresponding to expenses payable from the cash fund (operating costs).

#### **3.2.2.2 Management of bank accounts**

65. The existence of two bank accounts (opened with ANZ Bank), the list of signatories authorized to commit funds and the authorization thresholds comply with the regulatory requirements. The bank accounts are correctly maintained (regular bank statements and reconciliations).

66. At the start of each month, the account in the local currency is credited by BFM with an amount equal to the average monthly outgoings (VND 1.2 billion since January 2014). When larger amounts are needed, a reasoned request for funds is sent to BFM. In return, BFM credits the dollar account and the Office then transfers the necessary amount from the dollar account to the account in the national currency.

67. The local payment rules are clearly established and are in keeping with the general provisions of the Organization. A local "pre-approval" procedure has been set up at the Office to clarify exchanges between the project teams and the administrative team. This procedure is used systematically and has proven to be effective.

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<sup>19</sup> The Đồng is the currency of Viet Nam.

<sup>20</sup> In this report, the average exchange rate of USD 1 to VND 21,500 has been used.

68. The sample of payments examined (19 payments for large sums made in the absence of the Director of the Office or to Office staff members) shows that the rules are properly observed, with only minor exceptions. Two payments for amounts above the threshold authorized for the administrative assistant were fractioned in order to get around the automatic blocks (TTD1401024 of 22 January 2014 for VND 366 million and TTD1506016 of 24 June 2015 for VND 435 million). However, this remains an isolated practice and the Office has been informed of this error by the auditors.

### 3.2.3 Staff management

#### 3.2.3.1 Suitability of human resources

69. The staffing of the Office at the date of the audit numbered 35 persons, which marks a substantial rise (+35%) from January 2013 to the present time, mainly due to the increase in service contracts<sup>21</sup> and the arrival of interns.

70. It is currently made up of three international staff members and one national staff member (one P-5, one P-4, one P-3 and one NO-D)<sup>22</sup> and four local staff members (one L-7, two L-4 and one L-3), making eight persons paid out of the regular budget (RB). The rest of the team is made up of 23 persons paid out of projects (SC) and four persons with another status, namely two volunteers (UNV and Basque volunteer) and two interns.

71. The staff paid from the regular budget (RP) has increased by three units during the current biennium: the P-4 (post 4VNSC0001RP) arrived in April 2014 and the two L-4 (posts 4VNBSP0650RP and 4VNBFM0702RP) were added in December 2014 and March 2015 respectively. One L-5 post has been vacant since August 2014 and offset by the recruitment of a temporary contractor (SC). It has not been filled since that date, as Headquarters has proposed converting it to L-4 and negotiations are still ongoing.

72. Over two thirds of the staff (69%) are temporary personnel assigned to projects. This category has increased by 50% from the start of 2013 to the present time, most of the change being due to the assignment of staff members to intersectoral projects. The number of staff devoted to support functions (administration and secretariats) has risen slightly since 2013 but as a share of total staffing it has fallen (29% instead of 35%).

73. Staff turnover is high: 21 staff have been recruited since January 2013 and 18 staff (not counting volunteers or interns) have left since that date, giving a turnover of around one in three staff members per year.

**Table 5: Changes in the staffing of the Office in Hanoi (in numbers of staff)**

Categories	01/01/2013	01/01/2014	01/01/2015	17/08/2015
<b>(a) Status</b>				
– Permanent (FT)	6	7	8	8
– Temporary (SC and SSA)	20	21	20	23
– Other	-	-	2	4
<b>(b) Function</b>				
– Management	1	1	1	1
– Administration/Support	9	9	9	10
– Projects	16	19	20	24
. EDU	3	4	3	4
. CLT	6	5	5	5

<sup>21</sup> SC.

<sup>22</sup> The Director and the persons responsible for the Natural Sciences, Education and Culture Sectors respectively.



. SC	1	-	1	1
. SHS	-	-	1	1
. CI	1	1	1	1
. Intersectoral	5	8	9	12
<b>Total</b>	<b>26</b>	<b>28</b>	<b>30</b>	<b>35</b>

Source: Office in Hanoi.

74. Overall, the staffing level appears to be in line with the volume of activity, subject to one reservation. One programme coordinator for natural sciences (P-4), seconded from Headquarters when the sectors were decentralized, has been assigned to the Office in Hanoi since April 2014. The volume of projects managed in this sector does not appear to correspond with that grade level, and a transfer of the post could be considered, for example to the specialized Regional Bureau in Jakarta. Prompt coordination with Headquarters (BSP, SC/EO) is needed in order to transfer the P-4 post to a duty station more appropriate to the needs of the Organization.

**Recommendation No. 7.** The External Auditor recommends that the P-4 post assigned to the Office be transferred to a more appropriate entity.

### 3.2.3.2 Salary costs of the Office

75. The local payroll of the Office accounts for almost 20% of its direct expenses. When the salaries of staff members paid by Headquarters are included, total payroll costs represent 47.9% of the entire budget the Organization allocates to its activities in Viet Nam.

**Table 6: Staff costs of the Office in Hanoi  
(in United States dollars)**

	2013	2014	2015*
<b>(1) Salary costs (regular budget)</b>			
	101,421	34,286	59,631
% of total expenditure	18.6	17.4	29.8
<b>(2) Salary costs (extraordinary budget)</b>			
	115,682	267,959	184,592
% of total expenditure	11.7	19.2	18.3
<b>(3) Total salary costs</b>			
	217,103	302,245	244,223
% of total expenditure	14.1	19.0	19.8

Note: \* as at 19 August 2015.

Source: Office in Hanoi.

76. Remuneration paid to staff members appears to be in proportion with local standards and with the practice in other international organizations represented.

### 3.2.3.3 Maintenance of files

77. The personnel files were entirely updated by the Office at the time of the audit. They are very well kept and contain all the necessary information (civil status, CVs, banking details, post description, the recruitment process followed, successive contracts, evaluations and monthly activity reports). The only documents missing from some of those files (two-yearly performance

evaluations and, in the case of one staff member, monthly reporting) do in fact exist and have been submitted.

#### 3.2.3.4 Management of local contracts

78. The contracts entered into locally, which are for the most part service contracts,<sup>23</sup> comply with the requirements as to form and procedure (authorization is obtained from Headquarters).

79. Almost all of those contracts were the subject of public advertisement prior to recruitment by a variety of means (advertisements in the press or on the United Nations website for Viet Nam, or both). Some of them attracted dozens of applicants. The preselected applicants were given tests and interviewed by a three-person panel, sometimes from outside the Office. The only exception that was found to this best practice was the recruitment in 2010 of the programme coordinator for communication and information, and the note on her recruitment explains the reasons for that procedure.

#### 3.2.3.5 Management of overtime

80. The Office pays overtime only to its driver. In 2014, the amount of overtime paid was \$2,981.59, all of it to that employee. He puts in overtime, mainly in the service of the Director, that varies between 40 and over 43 hours per month, in addition to the 40 hours per week provided in his contract. He therefore regularly exceeds the 40-hour maximum ceiling authorized by the Human Resources Manual.<sup>24</sup>

81. Overtime worked by the other staff members is compensated for by time off. Apparently this practice is limited. Strictly regulated by the Human Resources Manual,<sup>25</sup> it is recorded by the Office only in the form of a list of comings and goings kept by the receptionist.

**Recommendation No. 8.** The External Auditor recommends keeping track of hours of overtime worked by the Office staff in a special register, and where the driver is concerned, limiting the number of hours of overtime he works each month.

#### 3.2.3.6 Management of leave and missions

82. All leave requests, which staff members enter themselves using the TULIP software, are approved by the Director. The Office recently (in spring 2015) set up a leave plan that runs to the end of the year. The annual level of 30 days' leave, irrespective of the status of the employee, is complied with.

83. Mission planning is handled on an annual basis. Missions are tracked using the Duo software, authorized by the staff member's supervisor and validated by the administrative assistant. The Office funded 147 missions at a cost of \$77,940 in 2014 against 136 missions at a cost of \$70,972 in 2013. In the first half of 2015, 57 missions were carried out at a cost of \$35,288. Travel by the Director represented between 24% and 32% of the total budget for the period. The mission files are complete (mission orders, invoices, etc.) and the spending is in conformity with standards and with the purpose of the missions.

<sup>23</sup> The Office no longer uses the type of contracts known as special service agreements (SSA) or appointment of limited duration (ALD), which were phased out several years ago. Local contracts are also used for interns and volunteers.

<sup>24</sup> Paragraph 109: "Supervisors shall not require any individual staff to work more than 40 hours of overtime per calendar month".

<sup>25</sup> Paragraph 111: "Any overtime worked by GS staff shall normally be compensated as compensatory time off at the rate of 1.5 times the period of time worked, to be taken before the end of the third calendar month".

### 3.2.4 Procurement management

#### 3.2.4.1 Monitoring of the Office's contracts

84. The staff know and understand the procurement procedures. A local system for pre-approval of contracts has been put in place and is systematically complied with. The Administrative Assistant recently attended a regional training session on procurement (Jakarta, January 2015).

85. During the period under review, the Office did not award any contracts valued at over \$50,000, the threshold above which a local selection committee would have had to be set up. As things stand, there is then no need for such a committee.

86. The files on the Office's suppliers are properly maintained, irrespective of the type of contract (contracts for services, activity financing contracts, implementation partner agreements or non-standard contracts) as shown by the sample of 13 vendors examined out of the 78 recorded in 2015. The distinctions between the different types of contracts are observed, in accordance with the Administrative Manual.

87. The contract for the security guards responsible for the surveillance of the Office is based on a written agreement with the Vietnamese Ministry of Foreign Affairs dating from 1995, which did not set out specific pricing terms and conditions. These are reviewed annually by the Office of the Diplomatic Corps of that Ministry, which is responsible for providing the personnel (three guards at an annual cost of \$19,000, with a regular annual increase of 5%). The annual cost of this contract appears favourable compared to the costs of other providers of the same kind of services, as shown by the consultations the Office held with two companies in September 2014. With the imminent withdrawal of the service by the Ministry, the Office is expected to recruit the staff members concerned directly on service contracts (SC).

88. The contract files are also well maintained, as can be seen from the sample analysis of 12 of the 47 contracts awarded in 2015. The reasons for using a particular type of contract are set out. The selection procedures are explicit and comply with the rules. The procedures for payment are complied with.

89. The use of consultants is properly managed. Each time one is selected (four out of 14 individual contracts signed in 2015 were tested), at least three profiles drawn from the register held locally by the Office are examined and proper reasons are given for the choice. The contract process (drafting, signature, monitoring and payment) is also in compliance with the applicable rules. The register contains almost 1,500 references, the oldest of which dates back at least to 2010, and covers all subjects in such a way that duplication is possible. The input consists of unsolicited submissions sent to the Office or its staff, CVs sent in by programme officers to the person in charge of the register, and online applications in response to advertisements by the Office on the United Nations website for Viet Nam. In the latter case, there is no screening mechanism and the profile is directly added to the register. This register is not coordinated with other registers held locally by United Nations system agencies in Viet Nam, and the Director explained this by the lack of express consent of the consultants concerned. It is only partially updated, with incomplete profiles being supplemented little by little, while older ones are not discarded. During the audit, the Office began the process of cleaning up the register.

**Recommendation No. 9.** The External Auditor recommends updating the register of consultants and assessing the potential for cooperation in this area with other United Nations system agencies present in Hanoi.

90. There were 15 activity financing contracts between 2013 and 2015, involving 11 different actors, all of whom satisfy the condition of being not-for-profit. Their content complies with the rules

in the Administrative Manual (Item 7.3). All those contracts are entirely funded by UNESCO and are not co-financed by the beneficiaries.

91. The Office has paid or committed \$2.2 million under contracts since January 2013 (excluding the costs of the premises). This includes contracts for services, implementation agreements, the financing of activities under contract, contracts for goods and minor works, and individual consultant contracts.

92. These commitments can be broken down into four types of beneficiary: individual consultants, commercial suppliers, Vietnamese public bodies and organizations not related to the government. Suppliers account for 18% of the commitments, one third of which is for office rent. Consultants account for 23%, which illustrates the level of expertise called upon. Transfers to organizations not related to the government, including some international and national NGOs, were thus only marginal (5%).

**Table 7: Payments by UNESCO to suppliers since 2013  
(in United States dollars)**

<b>Beneficiary</b>	<b>Amount</b>	<b>Proportion</b>
Suppliers	386,368	18%
Consultants	504,007	23%
Vietnamese public bodies	1,184,171	54%
Non-governmental organizations	116,867	5%
<b>Total cost of contracts</b>	<b>2,191,412</b>	<b>100%</b>

Source: Office in Hanoi

93. Transfers to official Vietnamese partners thus represent the majority (54%) of the Office's contractual commitments. This proportion illustrates the operating method of the Office, which is analysed below in the section on projects.

**Table 8: Payments by UNESCO to official partners since 2013  
(in United States dollars)**

<b>Public bodies</b>	<b>Amount</b>	<b>Proportion</b>
MOET (Ministry of Education)	602,687	51%
MOCST (Ministry of Culture)	139,338	12%
Other ministries (Information, Environment, Agriculture)	51,966	4%
UNESCO National Commission and MAB Committee	31,361	3%
Local authorities (Provinces, towns, people's committees)	241,629	20%
Other autonomous public institutions (Voice of Viet Nam, Hanoi National University of Education, etc.)	117,190	10%
<b>Total</b>	<b>1,184,171</b>	<b>100%</b>

Source: Office in Hanoi

94. The Ministry of Education and its various departments (directorates, research centres, etc.) are the main beneficiaries of UNESCO's efforts. They received \$603,000, most of it for actors operating at the national level, which is over half of the funds.

95. Local authorities (provinces and towns) came next, with \$242,000 of contracted expenditure. The volume of these contracts illustrates the importance of the pilot projects the Office is implementing.

### 3.2.4.2 Spending on miscellaneous items

96. The logbook of the Office's only car is consistent with the number of kilometres recorded. Spending on petrol is consistent with the kilometres recorded. Average fuel consumption per kilometre is 16 litres per 100 km.

97. Costs associated with the building where the Office is housed are correctly documented. The rental agreements are complete. The total cost of occupation of the premises is almost \$87,000 per year, including rental, security, insurance and running costs.

**Table 9: Operating costs of the Office in Hanoi  
(in đồng and United States dollars)**

	VND	USD	Source
Rent	1,024,488,000	<b>48,600</b>	Expenditure 2014
Electricity	<b>119,000,000</b>		Budget 2015 Q26
Running water	<b>4,500,000</b>		Budget 2015 Q26
Insurance	35,475,000	<b>1,650</b>	Purchases Q27
Refuse	<b>5,000,000</b>		Budget 2015 Q26
Telephone	<b>84,000,000</b>		Budget 2015 Q26
Internet	<b>176,000,000</b>		Budget 2015 Q26
Security (guards at the entrance)	419,626,680	<b>19,518</b>	Expenditure 2014 Q 17
<b>Total</b>	<b>1,868,019,680</b>	86,884	
Exchange rate used (1 USD= 21,500 VND), original data in bold			

Source: Office in Hanoi

### 3.2.5 Asset management

98. The Office does not have any particular rules for the management of its assets, but applies the Organization's general guidelines (10.1). One local practice is to fill in record cards for hardware items that can be loaned (laptops, cameras, etc.). These are properly used in most cases, but sometimes there is no signature verifying their return.

99. The checks carried out on the office equipment inventory were fully satisfactory from the start. Only one of the mobile phones in professional use did not have the required identification, and this was immediately corrected. Two factual errors of identification were found out of 103 assets listed and 25 checked: wrong labels on one laptop (HAN-10-IT-Laptop-15 registered as HAN-10-IT-Laptop-16) and one camera (the listing HAN-14-E-camera-16 was used twice, once for HAN-14-E-camera-21).

100. Changes in computer hardware are correctly planned and followed up. The plan shows the actions to be taken with regard to hardware (procurement, upgrade, improvements).

101. Decisions to dispose of items are noted in conformity with the rules. Where these assets might be of interest to Vietnamese partners, the National Commission gives a formal opinion on whether it is possible to make a donation to a Vietnamese third party. This has only happened once, in the case of the Office car, which no longer met the Organization's functional requirements and was transferred to a school.

### 3.2.6 Management of office security

102. The Minimum Operating Security Standard (MOSS) laid down by the United Nations Department of Safety and Security (UNDSS) and revised recently (19 December 2014) is in force at the United Nations bodies present in Hanoi. The Office complies for the most part with the standards in that document.

103. All staff members in the Office were reminded by the Director in April 2015, and again by UNDSS in August 2015, of the need to update the security certificates (Basic and Advanced security in the field assessments) that were no longer valid after three years. At the time of the audit, all those certificates were up to date.

104. A physical audit of the security of the Office premises was carried out in August 2015. Though this is a yearly requirement, it had not been carried out in 2014. That audit concluded that the security of the premises was in conformity with requirements but it made seven recommendations to be implemented by January 2016 at the latest, including the drawing up of an evacuation plan in case of fire, the repair of the external bell, continuous wearing of badges by staff members, maintenance of an up-to-date register of people entering and leaving, and adaptations to the automatic opening of the external gates. Some of those recommendations had already been implemented by the time of the audit.

105. The Office's premises and assets are properly insured with a local insurance company against any damage.

## 4. MANAGEMENT OF PROJECTS BY THE OFFICE

### 4.2 Overview of the Office's project portfolio

106. The Office undertakes activity projects (or contributes to designing projects undertaken by partners) and submits requests for funding. Since 2013, it has designed 29 projects and contributed to 16 projects developed by its partners.

**Table 10: Overview of Office in Hanoi projects  
(in United States dollars)**

<b>UNESCO Projects</b>	<b>ED</b>	<b>CLT</b>	<b>SCI</b>	<b>SHS</b>	<b>CI</b>	<b>Inter-sectoral</b>	<b>Total</b>	<b>Budget</b>
<i>Successful</i>	4	4	1			2	11	2,196,845
<i>Ongoing</i>		2	1			1	4	5,260,000
<i>Unsuccessful</i>	2	4	2	2	1	3	14	16,751,326
<i>Total</i>	6	10	4	2	1	6	29	24,208,171

Source: Office in Hanoi

107. Eleven of the projects initiated, shown in the current project table, obtained funding, accounting for 38% of projects launched, but only 9% of the corresponding budget. The projects that have gone ahead are divided into two categories. On the one hand are small exploratory projects, which obtained financing mainly from the United Nations system (five out of seven projects below \$100,000 were funded in this way, with one more in the application process). On the other hand, major activity projects have been submitted but have only rarely been granted funding: seven of the nine projects with a budget of \$1 million or more were rejected, one of them is in the application process and only the project on gender equality and girls' education has received funding of \$1 million via Headquarters from the Malala Fund. This same distinction appears in the projects currently in the application process, with one project of \$5 million and three of \$100,000 or less.

108. An examination of the project files on the SISTER system does not prompt any particular comments. The sample files studied were correctly maintained (35 C/5, 36 C/5 and 37 C/5). The capacity to use available funds did not present any problems either. The files were correctly maintained and show the ability to push the projects forward within the time frame laid down.

#### 4.2 Management of projects by the Office

109. Five people in the Office share responsibility for project supervision, including the Director, who is herself directly responsible for heading six projects (four of which are intersectoral). The programme coordinator for natural sciences is in charge of the only project in that sector, with an allocation of \$25,000. The programme coordinator for the Communication and Information Sector manages only two current projects, with a total value of less than \$30,000, but is also involved in a number of intersectoral projects.

110. The Office's project management activity is therefore focused on two sectors, education (ED) and culture (CLT), but in 2012-2013 it began to work in the Communication and Information Sector (CI). It has also relaunched its activities in the Natural Sciences Sector (SC), so far with mixed results. The two latter sectors however account for only a very small share of the Office's project portfolio (0.5% for SC and 0.5% for CI).

111. At the same time, the Office has been developing a portfolio of intersectoral projects, most of them under the direct supervision of the Director. At the time of the audit, the four projects in this category (two of which had recently come to an end) represented \$1,521,214, which is 23.8% of the total allocation.

112. Such an intersectoral approach offers undisputed advantages that could make it best practice for the Organization's other national offices: a consistent and authentic image to present to national partners and funders, cross-fertilization of the various forms of expertise within the Organization, and the spreading of management costs such as service contracts over several projects. That said, it also has disadvantages, but in the light of the practices observed on projects with major sectoral content such as the Samsung-UNESCO project on education for sustainable development, these could be kept in check. The setting up of a specific team reporting directly to the Director of the Office could, in the view of some sector managers, have the effect of disempowering them. To avoid that, it might be useful to draw up specific internal guidelines for the handling of such projects within the Office.

**Recommendation No. 10.** The External Auditor recommends putting in place written guidelines for the local handling of intersectoral projects by the Office so as to set out the respective responsibilities of the intersectoral team, the programme officers and the administrative team.

113. The total number of projects managed by the Office since the start of 2013 is 35, of which 22 had ended by the date of the audit. Of that total, 15 projects were funded with modest amounts from the regular budget (RP), and 20 from a specific budget (EXB).

114. The total value of projects managed by the Office since January 2013 amounted to \$6,417,418.77 with expenditure of \$5,651,304.21, with an average rate of completion of 88.4%. At the date of the audit, the value of ongoing projects was only \$2,151,201.32 with expenditure of \$1,387,983.67 (65.3%).

**Table 11: Table of expenditure on projects (in United States dollars)**

Project title	Budget code	Period	Allocation	Expenditure	Rate of expenditure at 18 August 2015	Status	Source
<i>Strengthening media to build a culture of resilience and a population sensible to climate change</i>	6511304005 HAN	Jan. 2013-Dec. 2013	6,820.38	6,820.38	100.00%	closed	RP
<i>Strengthening gender equality in the media for women's empowerment and participation</i>	7250121441 HAN	Jan. 2014-Dec. 2015	14,310.00	14,251.87	99.59%	open	RP
<i>Increase universal access to information and knowledge through promotion of digital multilingualism</i>	7250211481 HAN	Jan. 2015-Dec. 2015	15,680.00	15,569.25	99.29%	open	RP
<i>Biosphere Reserves for Environmental and Economic Security (BREES), Red River Delta Biosphere Reserve</i>	555RAS2007	Dec. 2012-Dec. 2013	52,000.00	52,000.00	100.00%	closed	EXB
<i>Cu Lao Cham-Hoi An Biosphere Reserve and WH site contributions to Viet Nam's Low Carbon Development and Green Growth Strategies</i>	7220512341 HAN	Aug. 2015-Nov. 2015	25,000.00	0.00	0.00%	open	RP
<i>Support to final push of EFA and a vision for post-2015 education development towards building a sustainable and inclusive learning society in Viet Nam</i>	7210334011 HAN	Jan. 2014-Dec. 2015	50,000.00	48,841.37	97.68%	open	RP
<i>Support to enhance national capacities in evidence- and results-based planning and management to ensure the education policies and strategies are relevant, inclusive, and learner-friendly to address the diverse learning needs of all, especially of the vulnerable and disadvantaged</i>	6111104023 HAN	Jan. 2012-Dec. 2013	72,358.14	72,358.14	100.00%	closed	RP
<i>Youth participatory exhibition on HIV/AIDS and sexuality for a healthy lifestyle</i>	247VIE1000 HAN	Jan. 2012-Dec. 2013	69,499.61	69,498.49	100.00%	closed	EXB
<i>Education Sector Analysis in support of Education Development Strategic Plan mid-term review</i>	727VIE1000 HAN	Jan. 2015-Aug. 2016	233,650.00	132,240.35	56.60%	open	EXB
<i>Education for All Global Monitoring Report</i>	459GLO1000.8.1	Jan. 2014-Dec. 2014	1,170.00	1,170.00	100.00%	closed	EXB
<i>Supporting Viet Nam to Build an Inclusive, Creative and Sustainable Learning Society Enhance Education Sector Performance through Education Joint Sector Review (JSR)</i>	223VIE1008 HAN 223VIE1008.1 HAN	Nov. 2012-Dec. 2016	263,427.00	251,236.72	95.37%	open	EXB
<i>Enhance Education Sector Performance through Education Joint Sector Review (JSR)</i>	223VIE1008.1	Nov. 2012-Dec. 2016					
<i>Asia Pacific Programme for HIV and Health Education</i>	257RAS1011; 519GLO1000.2.2	Jan. 2014-Dec. 2015	88,020.00	43,350.02	49.25%	open	EXB
<i>Reorienting Quality Teacher Education towards EFA and ESD</i>	585RAS1005	Feb. 2014-Sep. 2014	10,890.00	10,890.00	100.00%	closed	EXB
<i>Samsung-UNESCO Education for Sustainable Development Project in Viet Nam</i>	570VIE1000 HAN	Jan. 2013-Dec. 2014	1,000,003.00	999,813.04	99.98%	closed	EXB
<i>Gender Equality and Girls' Education in Viet Nam: Empowering girls and women for a more equal society</i>	499GLO1000.2.7	May 2015-Dec. 2017	318,181.32	50,725.90	15.94%	open	EXB



<i>Strengthening intersectoral capacity in Viet Nam for a comprehensive Natural Disaster Preparedness and Response, and responding to climate change through community action plan</i>	6626201004 HAN	Jan. 2012- Dec. 2013	283,033.04	283,033.04	100.00%	closed	RP
<i>Use of ICTs to Empower Research and Education Networks in Natural Sciences in the Asia-Pacific region (beginning in August 2015)</i>	7220213031 JAK	Jan. 2015- Dec. 2015	20,000.00	17,801.00	89.01%	open	RP
<i>Capacity building Action Plan for World Heritage Sites in Viet Nam (Action Plan for WH Sites)</i>	7240113081 HAN	Jan. 2014- Dec. 2015	25,000.00	16,678.94	66.72%	open	RP
<i>Capacity building Action Plan for World Heritage Sites in Viet Nam (Action Plan for WH Sites)</i>	7240113082 HAN	Jan. 2014- Dec. 2015	42,641.00	0.00	0.00%	open	RP
<i>Supporting the Mainstreaming of Culturally Appropriate Programming in UN programmes in Viet Nam (Culturally Appropriate Programming)</i>	6631103024 HAN	Jan. 2012- Dec. 2013	10,000.00	10,000.00	100.00%	closed	RP
<i>Promoting the role of culture in Viet Nam's Sustainable Development</i>	6643002027 HAN	Jan. 2012- Dec. 2013	6,000.00	6,000.00	100.00%	closed	RP
<i>Capacity building to integrate intangible cultural heritage education into schools' curricula</i>	6413304017 HAN	Jan. 2012- Dec. 2013	20,001.35	20,001.35	100.00%	closed	RP
<i>Sustainable Tourism in Central Viet Nam Implemented in conjunction with 223VIE4003 HAN</i>	221VIE4000 HAN	Jan. 2014- Dec. 2015	203,400.00	131,165.01	64.49%	open	EXB
<i>Development of Sustainable Tourism in Emerging Destinations in Viet Nam - Implemented in conjunction with 221VIE4000 (Tourism in Emerging Destinations)</i>	223VIE4003 HAN	Dec. 2013- Dec. 2015	48,000.00	42,845.25	89.26%	open	EXB
<i>Strengthening the socio-cultural aspects of government's development programs (Tam Nong Project)</i>	223VIE4004 HAN	Dec. 2013- Dec. 2016	496,176.00	342,402.74	69.01%	open	EXB
<i>Capacity building for community-based exhibitions: promoting cultural expressions of socially marginalized groups in Viet Nam (LGBT Exhibition)</i>	7240223142 HAN	Jan. 2014- Dec. 2015	28,782.00	27,046.59	93.97%	open	RP
<i>Sustainable Tourism Development in My Son World Heritage Site (My Son III)</i>	534VIE4003 HAN	Dec. 2011- Apr 2014	277,120.01	277,120.01	100.00%	closed	EXB
<i>Preservation of the Cultural Heritage Complex of Thang Long – Ha Noi (Thang Long)</i>	536VIE4001 HAN	Jan. 2010- Oct. 2014	1,124,721.00	1,123,965.83	99.93%	closed	EXB
<i>Supporting World Heritage Education in Viet Nam (WH Education/Panasonic)</i>	7240113781 HAN	June 2014- Dec. 2014	12,880.00	12,774.66	99.18%	open	RP
<i>Creative industries development for the diversity of cultural expressions - Strengthening the sustainability of creative industry in Viet Nam (Creative Industries)</i>	526RAS4006.2.4 CID	Sep. 2011- Mar. 2014	99,999.90	98,049.26	98.05%	closed	EXB
<i>Assistance to World Heritage Site Museums for a better Interpretation of Living Heritage Sites in Cambodia, Laos and Viet Nam (Interpretation in Heritage Sites)</i>	536RAS4004 MCO	Mar. 2011- Aug. 2015	241,054.00	241,054.00	100.00%	open	EXB

<i>Promoting Intangible Cultural Heritage for Educators to Reinforce Education for Sustainable Development in the Asia-Pacific Region (ICH for Educators)</i>	585RAS1004 BGK	Dec. 2012- Jun. 2015	81,000.00	81,000.00	100.00%	closed	EXB
<i>Promoting Sustainable Tourism in World Heritage Sites in Central Viet Nam (Sustainable Tourism/Asiana)</i>	6411204020 HAN	Jan. 2012- Dec. 2013	76,977.00	76,977.00	100.00%	closed	RP
<i>Integrated culture and tourism strategy for sustainable development in Quang Nam (Culture and Tourism Strategy)</i>	223VIE4001HAN	Jun. 2009- May 2013	635,000.01	635,000.00	100.00%	closed	EXB
<i>Intersectoral project on customary rights (Customary Rights)</i>	223VIE2000HAN	Jun. 2009- May 2013	413,654.01	413,654.00	100.00%	closed	EXB
<i>Enhance civic participation through Media</i>	6512304005 HAN	Jan. 2012- Dec. 2013	7,000.00	7,000.00	100.00%	closed	RP
<i>Harnessing Information and Communication</i>	6521104008 HAN	Jan. 2012- Dec. 2013	6,970.00	6,970.00	100.00%	closed	RP
<i>UNCT-LMDG Policy M&amp;E Initiative in Viet Nam</i>	6643002010 HAN	Jan. 2012- Dec. 2013	2,000.00	2,000.00	100.00%	closed	RP
<i>Youth participation in Sexuality exhibit</i>	6111104043 HAN	Jan. 2012- Dec. 2013	10,000.00	10,000.00	100.00%	closed	RP
<i>The role of Biosphere Reserves in preservation</i>	7220512341 HAN	Aug. 2015- Dec. 2015	25,000.00	18,894.90	75.58%	open	RP
<b>Total</b>			<b>6,392,418.77</b>	<b>5,651,304.21</b>			

Source: Office in Hanoi.

115. The projects led by the Office are relatively modest in size. Only two of them, both closed, involved an amount in excess of \$1 million (536VIE4001: Preservation of the cultural heritage complex of Thang Long Ha Noi, for \$1,1124,721 and 570VIE1000: Samsung-UNESCO Education for Sustainable Development Project in Viet Nam, for \$1,000,003).

116. None of the projects still ongoing is individually valued at more than \$500,000, with the rate of completion varying between 15.9% and 100%. Only two new projects were begun in 2015: 727VIE1000: Education Sector Analysis in Support of Education Development Strategic Plan, for \$233,650, which followed on from Project 223VIE1008: Enhance Education Sector Performance through Education Joint Sector Review (JSR), and 499GLO1000: Gender Equality and Girls' Education in Hanoi, for \$318,181 (the amount received at the time of the audit out of a commitment of \$1).

### 4.3 Management of project files

117. All the files on the Office's projects since 2013 involving funding were analysed. They are carefully maintained and contain the key elements: project document, partnership agreements, contracts awarded, annual work plan, list of payments made, six-monthly SISTER reports, annual financial reports and any internal evaluations.

118. As laid down in the instructions, the Office imputes Headquarters management charges (programme support costs (PSC)), which are levied directly on the projects (budget line 80), applying a rate of 7% for joint United Nations projects (other UNESCO proprietary funds (OPF)) and 13% for Funds-in-Trust projects. For the portfolio of projects ongoing at the time of the audit, those charges amounted to \$515,998. The Office also imputes to projects financed from a specific budget (EXB) some of its permanent operating expenses under budget lines 40 and 50, amounting to \$185,246 for the ongoing project portfolio. The rate applied is less than 5%. If these two levies are added,<sup>26</sup> the rate of management charges applied to an extrabudgetary project can be up to

<sup>26</sup> For the portfolio of 18 ongoing projects (with allocated funds of \$6,363,791), these direct project management costs came to \$701,245, or 11% of the funding allocated to the projects.

15% of the amount allocated, which might discourage certain donors even though transparency is best practice.

119. Eleven projects were closed during the period, with all the allocated funds used up. No delays in closure were found.

120. None of the projects closed since 2013 has been the subject of a specific after-the-fact external evaluation; the participation of a member of the Bangkok Regional Bureau in a brief analysis of Project 570VIE1000 HAN, the Samsung-UNESCO project on education for sustainable development, does not count as such. However, at the time of the audit, the Internal Oversight Service was carrying out a thematic audit on cultural development, and had chosen Viet Nam as one of the case studies. Some Culture Sector projects relevant to the subject of the audit were examined as part of that exercise.

#### 4.4 Project implementation methods

121. Expenditures associated with the 18 main projects (expenditure of over \$50,000 per project) implemented during the period 2013-2015 were \$5.3 million.

**Table 12: Content of expenditures on the 18 main projects  
(in thousands of United States dollars)**

	<b>Expenditure</b>	<b>%</b>
10 travel costs	191	4%
11 consultancy	670	13%
UNESCO staff	916	17%
20 transfers	2,902	55%
30 meetings organized by UNESCO	75	1%
40 supplies and equipment	68	1%
50 communication, fluids	66	1%
80 PSC	409	8%
<b>Total expenditure</b>	<b>5,301</b>	<b>100%</b>

Source: Office in Hanoi.

122. Support costs (supplies and equipment), communication and Headquarters management charges together accounted for only 10% of expenditures on the projects.

123. The nature of the projects explains the apportionment of the remaining expenditures. It means that the Office first of all funds transfers (55%) to its partners, official national institutions for the most part, which implement the projects and are the beneficiaries of the expected outcomes. Thus, the main beneficiary partner of transfers of funds from the Office is the Ministry of Education (MOET), as can be seen from the analysis of the contracts awarded (*see above*).

124. Projects of this nature also involve funding the work of large teams of experts, both internal (17% of costs) and external (consultants 13%), and of travel costs (4%) for awareness-raising training workshops. The Director's position is to favour the recruitment of internal resources (SC) that have multiple capacities and are relatively stable, rather than hiring consultants on an occasional basis.

#### 4.5 Outcomes

125. All the projects being carried out mention the expected outcomes, outputs and results. Based on the documents, the outputs appear to have been achieved, sometimes at the cost of some delay.

126. During the audit, an attempt at self-assessment was made of the nature of the services provided. The outputs of the projects were broken down into six main categories:

- (1) Policy support: policies, policy recommendations, national assessments, sector plans or national frameworks/strategies/action plans; also including institutional plans (management, communication, preparedness)
- (2) Transfer of knowledge tools: Manuals, guidelines, booklets, training materials, toolkits, methodologies
- (3) Capacity-building: training sessions, providing equipment and materials
- (4) Knowledge creation: research studies, surveys, consultations, needs assessments
- (5) Technical support and reform: technical assistance (this category also includes heritage promotion and tourism products or services, and restoring or strengthening heritage sites)
- (6) Awareness raising and advocacy: events, exhibitions, media outputs, public outreach.

127. The table resulting from the self-assessment the Office was invited to carry out shows the key proportion that are intangible services, and confirms that most of the projects contribute to all the stated categories.

**Table No. 13: Hanoi Projects portfolio according to their categories of deliveries**

<b>Sector</b>	<b>Name of project</b>	<b>Total spent</b>	<b>Policy</b>	<b>Transfer</b>	<b>Capacity</b>	<b>Knowledge</b>	<b>Technical</b>	<b>Awareness</b>
SC	<i>Biosphere Reserves for Environmental and Economic Security (BREES), Red River Delta Biosphere Reserve</i>	52,000.00		x	X			x
ED	<i>Support to enhance national capacities in evidence- and results-based planning and management to ensure the education policies and strategies are relevant, inclusive, and learner-friendly to address the diverse learning needs of all, especially of the vulnerable and disadvantaged</i>	72,358.14	X	X	X		X	X
ED	<i>Youth participatory exhibition on HIV/AIDS and sexuality for a healthy lifestyle</i>	69,498.49		X	X	X	X	X
ED	<i>Education Sector Analysis in support of Education Development Strategic Plan mid-term review</i>	132,240.35	X	X	X	X	X	
ED	<i>“Supporting Viet Nam to Build an Inclusive, Creative and Sustainable Learning Society Enhance Education Sector Performance through Education Joint Sector Review (JSR)”</i>	251,236.72	X	X	X	X	X	
Inter-sectoral	<i>Samsung-UNESCO Education for Sustainable Development Project in Viet Nam</i>	999,813.04	X	X	X	X	X	X
Inter-sectoral	<i>Gender Equality and Girls’ Education in Viet Nam: Empowering girls and women for a more equal society</i>	50,725.90	X	X	X	X	X	X
Inter-sectoral	<i>Strengthening intersectoral capacity in Viet Nam for a comprehensive Natural Disaster Preparedness and Response, and responding to climate change through community action plan</i>	283,033.04	X	X	X	X	X	X
CLT	<i>Sustainable Tourism in Central Viet Nam Implemented in conjunction with 223VIE4003 HAN</i>	131,165.01	X	X	X	X	X	X

CLT	<i>Strengthening the socio-cultural aspects of government's development programs (Tam Nong Project)</i>	342,402.74	X	X	X	X	X	X
CLT	<i>Sustainable Tourism Development in My Son World Heritage Site (My Son III)</i>	277,120.01	X	X	X	X	X	X
CLT	<i>Preservation of the Cultural Heritage Complex of Thang Long – Ha Noi (Thang Long)</i>	1,123,965.83	X	X	X	X	X	X
CLT	<i>Creative industries development for the diversity of cultural expressions - Strengthening the sustainability of creative industry in Vietnam (Creative Industries)</i>	98,049.26	X	X	X	X	X	X
CLT	<i>Assistance to World Heritage Site Museums for a better Interpretation of Living Heritage Sites in Cambodia, Laos and Viet Nam (Interpretation in Heritage Sites)</i>	241,054.00	X	X	X	X	X	X
CLT	<i>Promoting Intangible Cultural Heritage for Educators to Reinforce Education for Sustainable Development in the Asia-Pacific Region (ICH for Educators)</i>	81,000.00	X	X	X	X	X	X
CLT	<i>Promoting Sustainable Tourism in World Heritage Sites in Central Viet Nam (Sustainable Tourism/Asiana)</i>	76,977.00	X	X	X	X	X	X
CLT	<i>Integrated culture and tourism strategy for sustainable development in Quang Nam (Culture and Tourism Strategy)</i>	635,000.00	X	X	X	X	X	X
CLT	<i>Intersectoral project on customary rights (Customary Rights)</i>	413,654.00	X	X	X	X	X	X

Source: Office in Hanoi.

## **V. ACKNOWLEDGMENTS**

128. The External Auditor expresses his grateful thanks to the management and staff of the Office in Hanoi for their openness and constant attentiveness and for the quality of the information provided to the auditors in the course of their work.

*End of audit findings.*