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Organización  
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Организация  
Объединенных Наций по  
вопросам образования,  
науки и культуры

منظمة الأمم المتحدة  
للتربية والعلم والثقافة

联合国教育、  
科学及文化组织

## Internal Oversight Service Audit Section

IOS/AUD/2015/06

Original: English

## Audit of the Natural Sciences Sector

July 2015

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## EXECUTIVE SUMMARY

### Key Results

This audit examined the activities of the Natural Sciences Sector to provide assurance that the Sector plans, implements and reports on its programmes and projects in accordance with UNESCO's guidelines and policies, sectorial priorities, as well as the guidelines mandated by the various related governing bodies.<sup>1</sup>

The financial and administrative controls in the Sector were generally in place and effective. However, the Sector faces challenges relating to programme prioritization, accountability for programme delivery, decentralization to field offices, engagement with institutes and RP staff cost recovery for the management of extrabudgetary projects.

The programme priorities in the Sector, as set by the Board, became diluted with the increased allocation from the Regular Programme budget to lower priority Expected Results. There is a need for greater focus on higher priority Expected Results, as defined by the Executive Board, in the programme planning and resource allocation process.

Programme delivery can be improved with the formation of accountable delivery teams within the Sector for the specific Expected Results. While the Sector has made progress in enhancing decentralization of activities to field offices, the roll out of the new field structure in Africa has led to the loss of the leadership and coordination role which was performed earlier by the Nairobi office.

Management of Category I and II Institutes continue to pose challenges. A review of the statutes, governance mechanisms and financial and administrative arrangements across the two Natural Sciences Sector Category I Institutes, along the lines of the review conducted by the Education Sector in 2013, can help rationalise the roles, authorities and processes in these institutes. Also, the current portfolio of 49 Category II Institutes needs revisiting as a large number of these agreements have expired and the activities of many institutes are not aligned with the sectoral priorities.

The rate of RP staff cost recovery remains very low and, at the current rate, the Sector is unlikely to meet the target of two percent (of RP staff cost) cost recovery by 199<sup>th</sup> session, as set by the Executive Board. Further, better use of Project Appointments funded by extrabudgetary projects can significantly add to the programme staff capacity in the Sector.

The high rate of waivers in the award of contracts remains a concern and more needs to be done to ensure competitive selection of contractors. Specific issues relating to travel management, human resource management and sharing of passwords also need to be addressed.

### Background

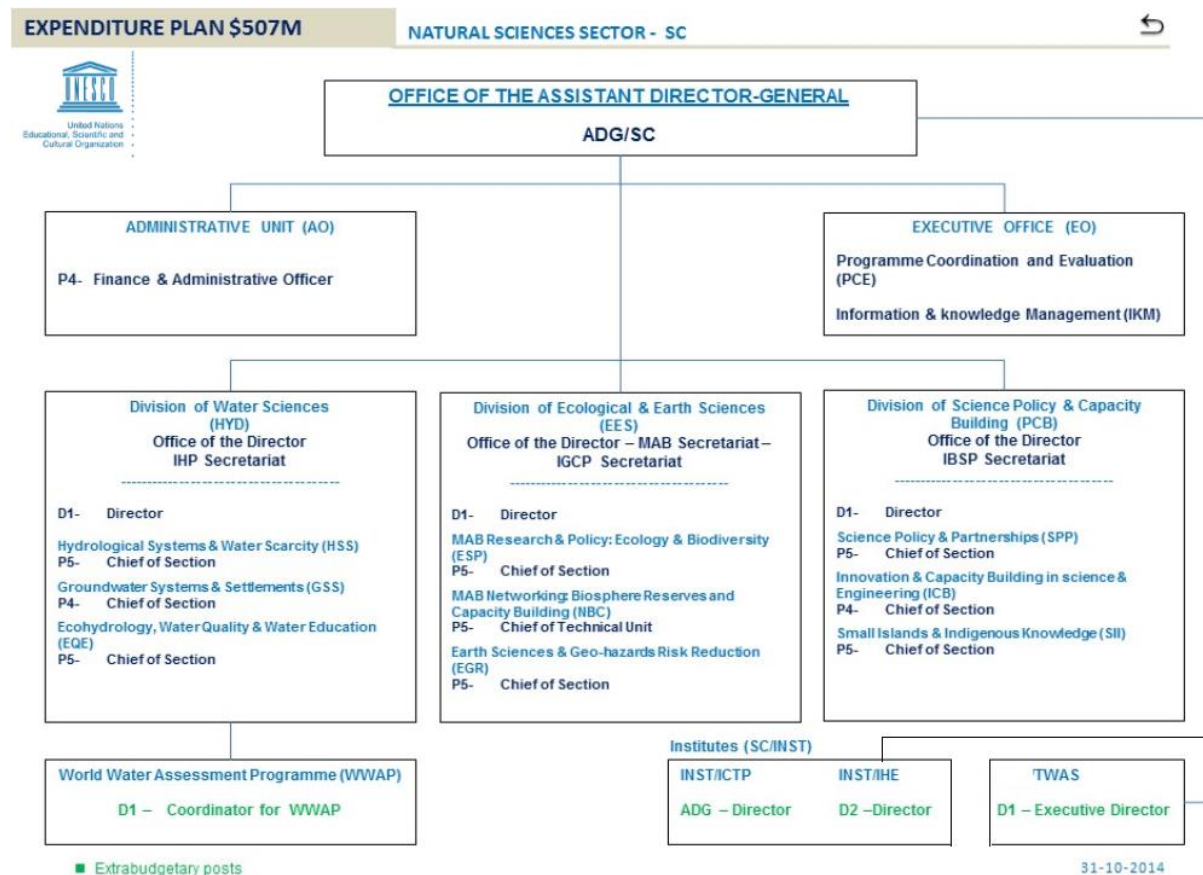
1. The Natural Sciences is one of UNESCO's Major Programmes with a core mandate to advance and promote science in the interests of peace, sustainable development and human security and well-being. This mandate is carried out in collaboration with UNESCO member states and a variety of partners. The Natural Sciences Sector (SC)<sup>2</sup> is the second largest programme sector in UNESCO, with a regular programme budget (as per the \$507 million expenditure plan in 37C/5) of \$ 9.5 million and a staff cost of \$26.6 million (excluding IOC). In addition, the Sector implemented extrabudgetary projects of approximately \$30.6 million during 2014.

2. The sector is composed of the Executive Office, Administrative Unit and three programme divisions. In addition, the International Oceanographic Commission, which has a separate ADG

<sup>1</sup> While the Major Programme of Natural Sciences includes the International Oceanographic Committee (IOC), given the separate structure, leadership and target audience, the scope of this audit did not include IOC.

<sup>2</sup> Including field office staff but excluding institutes.

and administrative and programme structure, forms part of the Major Programme-Natural Sciences. The SC has a total of three established **D** posts, 78 **P/N** established posts and 34 established **G** posts. The sector also has eleven **Project Appointments** posts. The organization structure of the Sector as of October 2014 is as follows:



3. The field network until recently was spread over five regional bureaux for Natural Sciences, two Category I Institutes and 49 Category II Institutes/Centres specialized in the fields of water, renewable energy, science policy, biotechnology, engineering, geosciences, the basic sciences and remote sensing.

4. The Category 1 science institutes include the UNESCO-IHE Institute for Water Education, in Delft in the Netherlands and the Abdus Salam International Centre for Theoretical Physics (ICTP) in Trieste in Italy. In addition, the sector also oversees the work of The World Academy of Sciences (TWAS) located at Trieste, Italy, as part of UNESCO's responsibility for administering TWAS funds and personnel. Although operating with significant autonomy, the programmes of these institutes are an integral part of the UNESCO SC programme. These institutes build scientific capacity in Member States, essentially in developing countries.

### Programme priorities of the Sector- Main Lines of Action (MLAs) and Expected Results (ERs)

5. The programme activities of the Sector are implemented along five Main Lines of Action (MLAs) and eight Expected Results (ERs) in 2013, the Executive Board of UNESCO carried out an exercise wherein programme priorities were assigned to different Expected Results. The ERs were assigned High/Medium/Low priority, thereby meaning 80-100% funding, 40-80 % funding and 0-40 % funding respectively, under the reduced expenditure plan. The details of the priority and budgets by ER are outlined in Annex I.

## Scope, Objective and Methodology

6. The audit examined the activities of the Sector to provide assurance that the Sector plans, monitors and reports on its programmes and projects in accordance with UNESCO's guidelines and policies, sectorial priorities, as well as the guidelines mandated by the various related governing bodies. More specifically, the audit sought to ascertain whether:

- programme plans were well designed, and in accordance with the priorities set by the various intergovernmental bodies;
- extrabudgetary resources were effectively mobilised in line with sectorial strategies;
- programme implementation was effectively monitored and the results are accurately reported in SISTER and to donors;
- the programme was effectively evaluated and lessons learned applied;
- human resources were managed in accordance with budget and procedures to optimise programme delivery;
- contracting and expenditure were managed in compliance with procedures and achieve appropriate value for money.

The auditors examined the design and execution of the processes in place and tested a sample of transactions relating to each process for the year 2014. While the Major Programme-Natural Sciences includes the International Oceanographic Committee (IOC), given the separate structure, leadership and target audience, the scope of this audit did not include IOC. However, a separate audit of IOC as a follow up to this audit will be planned.

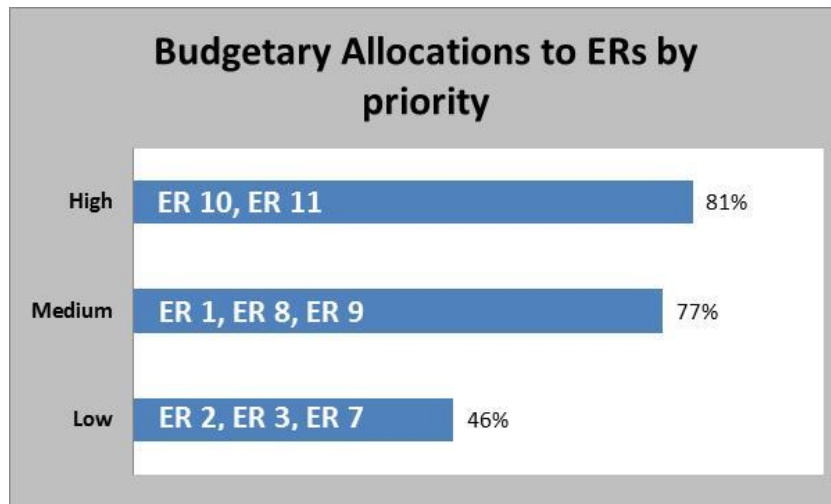
7. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* and covered activities undertaken from January 2013 to October 2014. Methodology was based on a risk assessment conducted during the planning phase of the audit and substantive testing of a sample of projects and programme activities, contracts, travel and financial transactions. In doing this, the auditors examined relevant programme and **transactional documentation and interviewed personnel of the Sector.**

## Achievements

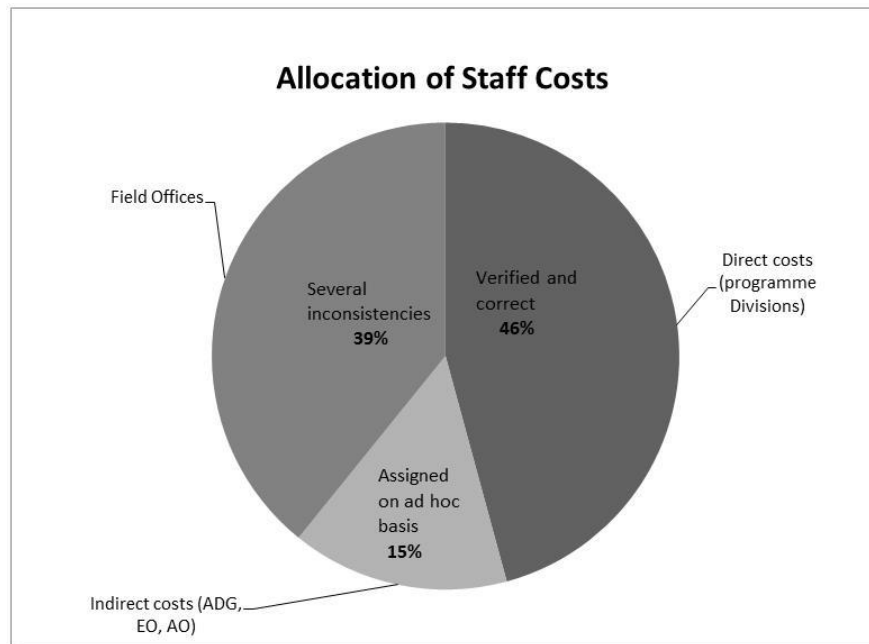
8. Resource mobilization is on track and the targets set in 37 C/5 are likely to be met.
9. Resource mobilization responsibilities are included in the job description and biennial performance assessment of programme staff (P-3 and above). This is an important step towards setting accountable resource mobilization targets.
10. Activities with detailed workplans are entered in SISTER and implementation reports (six monthly updates) are updated in SISTER and consolidated in the EX4 report.
11. Overall implementation of RP and extrabudgetary activities in 2014 is in line with the target.
12. Evaluations of flagship programmes of the Sector (e.g., IHP, MAB etc.) are completed as per the requirements of individual programmes.
13. Correct types of contracts used when procuring goods and services and engaging external specialists.

## Challenges and Opportunities

14. The Sector needs to better focus on higher priority Expected Results, as defined by the Executive Board. In the current budgetary allocation (37C/5), there is very little difference in the proportion of budgets assigned to the Expected Results having high priority vs those with the medium priority and in four of the eight Expected Results, the allocation is out of the Board mandated range.



15. Staff budgets allocation for Expected Results should be on a rational and consistent basis. While the staff budgets attributed to Expected Results could be verified for staff in HQ programme divisions, there were several inconsistencies in attributing field staff costs to the corresponding Expected Result.



16. The programme structure at the Expected Results level is not aligned with the organizational structure (programme section) and the delivery teams for each Expected Result are not defined. While the staff responsible for individual activities is identified, the responsibility for achieving Expected Results is not clearly defined.

17. Leadership and coordination roles need to be redefined in the new Africa field structure as the role and SC staff strength in the Nairobi office has significantly changed. The new Africa field structure has scattered the expertise over multiple sub-regional offices and this has created additional complexities regarding the reporting lines.

18. The cost recovery of RP staff costs from the extrabudgetary projects is inadequate as even the projects initiated in 2014 have made budget provisions of less than one per cent of the total project budget towards the internal RP staff costs. At the current rate, the new target set by the Executive Board (two per cent of regular programme staff cost by the 199th session of the Board) is unlikely to be met.

19. Project Appointments in extrabudgetary projects have not been effectively used as only eight projects appointments have been made in the Sector. If SC achieves the same rate of project appointments per million dollar of extrabudgetary projects as achieved by, for example, Education Sector, it would have nearly 50 project appointments financed by the extrabudgetary projects, which would reduce pressure on RP staff budget.

20. The governance mechanisms, financial and administrative arrangements in SC Category I Institutes (IHE and ICTP) have not been aligned with the overall UNESCO policy on Category I Institutes, and the delegation and accountability of financial and administrative authority needs clarification.

21. The current network of 49 Category II Institutes is unwieldy and not well aligned to the current priorities of the Sector.

22. Job descriptions for programme specialists/assistants have not been updated for a significant proportion of staff. Further, the ratio of G staff to P staff in the Sector was the highest across all programme sectors, partly on account of a large number of G staff in the EO/AO unit. This needs to be addressed in the ongoing EO/AO reform.

23. While the evaluations of flagship programmes of the Sector (e.g., IHP, MAB) are driven by the governing bodies of these programmes and have been completed for the previous cycles, evaluation of high value extrabudgetary projects were not always carried out, as required under the practical guide to extrabudgetary projects.

24. While the policy on contracting was generally adhered to, there was extensive use of waivers in the contract award process, which is against the principle of competitive selection and hence fails to provide adequate assurance on value for money received under these contracts.

25. Some improvements in financial and administrative controls are required (e.g., greater scrutiny of the financial reports in the Implementation Partnership Agreements, immediately stopping the practice of sharing of passwords).

26. Staff mission durations appeared excessive in some instances, particularly in absence of sufficiently detailed mission report on activities performed by the staff during these missions.

### Assessment of Controls

27. As part of the audit, IOS validated the most recent self-assessments of internal controls (SIC) performed by the Sector and certified by the ADG. The purpose of this validation is to reinforce the self-assessment methodologies and resultant assurance as this process continues to evolve. We concluded that the self-assessment accurately presented the status of the Office's controls in four of the six functional areas. Implementation of the recommendations contained in this report will improve controls where needed.

Functional Area	Self-Assessment (2013)	Self-Assessment (2014)	IOS assessment
<b>Programme Management</b>	Globally Under Control	Globally Under Control	Needs improvement (Recommendations 1, 2, 3, 4, 5, 6, 7,11)
<b>Financial Control</b>	Globally Under Control	Globally Under Control	Globally Under Control (Recommendation 13)
<b>Supply of Goods, Works &amp; Services</b>	Globally Under Control	Globally Under Control	Needs improvement (Recommendations 8, 12)
<b>Human Resource Management</b>	Globally Under Control	Needs improvement	Needs improvement (Recommendations 9, 10, 14)
<b>Travel Management</b>	Globally Under Control	Globally Under Control	Globally Under Control (Recommendations 15)

Functional Area	Self-Assessment (2013)	Self-Assessment (2014)	IOS assessment
General Administration	Globally Under Control	Globally Under Control	Globally Under Control

### Table of recommendations

**Recommendation 1:** SC to increase focus on those Expected Results which are assigned higher priority by the Executive Board, when preparing the budgetary allocations for 38 C/5.

**Recommendation 2:** SC to review and reconfigure its current organizational structure with a view to establish accountable managers and delivery teams for each Expected Result, in order to achieve better management of results.

**Recommendation 3:** SC/AO, in collaboration with BFM, to organise a workshop for the programme managers to explain the principles of the cost recovery policy and resolve issues or bottlenecks if any relating to the application of the policy.

**Recommendation 4:** SC to assess its portfolio of extrabudgetary projects and set a target of project appointments (e.g. number of project appointments per million dollars) in the extrabudgetary projects. The achievement of the target should be a performance indicator and be actively monitored.

**Recommendation 5:** SC to assess, in consultation with BSP, Africa Department and other programme Sectors, the impact of the new field structure in Africa on the leadership and coordination role performed by the Nairobi Office, after the IOS evaluation of Africa field structure is finalized.

**Recommendation 6(a):** SC to conduct a review, in collaboration with the relevant HQ Sectors/Services, of its Category I Institutes along the lines of the review conducted by the Education Sector in 2013 and if necessary, propose changes in the Statutes of the Institutes to improve the Governance mechanism as well as operational and financial controls. The exercise should include review of donor agreements, fellowships, contracts, human resource processes and information systems.

**Recommendation 6(b):** CFO, in consultation with HRM, to establish a clear functional reporting line of the Senior Finance and Administration officer at each Category I Institute to the CFO where not already in place.

**Recommendation 7:** SC to rationalise its network of Category II Institutes after a review of those Category II Institutes where an agreement is not in place or where the sectorial strategies are not aligned. Institutes which do not respond or do not align their operations with UNESCO strategies should be considered for discontinuation. Further, SC in consultation with BSP and BFM to institute mechanism for recovery of costs relating to Category II Institutes, from the Member States concerned.

**Recommendation 8:** SC to organise a training session for all programme managers to reemphasise the policies relating to the selection of contractors.

**Recommendation 9:** SC to review, in consultation with BSP and BFM, the structure of the administrative unit with a view to rationalize the ratio of G to P posts.

**Recommendation 10:** SC to undertake, in consultation with HRM, a review of the staff job descriptions and explore feasibility of using generic job descriptions for programme specialists or general service staff. Further, all supervisors should be reminded that performance assessment of all staff under their supervision is a mandatory requirement and should be completed without fail.

**Recommendation 11:** SC to prepare a checklist of items that should be included while preparing project outline/document of extrabudgetary projects. Such a check list should include budget provision for evaluation in line with the new 2015 evaluation policy, sustainability/exit strategy as well as other items such as provision for full cost recovery. The Sector AO while certifying the project outline/document should ensure that all items of the check list are included.

**Recommendation 12:** SC/AO to ensure that audited/certified financial statements are presented for all implementation partners IPA, before releasing the final payment.

**Recommendation 13:** SC to reiterate to its entire staff the mandatory requirement to respect IT Security Policy and Guidelines, in particular those relating to Access Codes and Password Policy, noting that future instances may lead to disciplinary measures against the involved personnel as provided in the policy.

**Recommendation 14:** SC, in consultation with BSP, to develop and apply a consistent and transparent approach in allocating staff budgets to the Expected Results, in particular for the field staff, while preparing the detailed budget for 38 C/5. If required, consult BSP for normative guidance regarding allocation of staff costs across the ERs.

**Recommendation 15:** SC to require all supervisors to closely scrutinize the purpose and duration of the mission, before approving staff missions. On completion of mission, the staff should provide detailed account of the activities undertaken; results achieved and follow up actions required in the mission report.