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**REPORT BY THE DIRECTOR-GENERAL ON THE PROGRESS MADE
IN THE IMPLEMENTATION OF THE RECOMMENDATIONS
OF THE EXTERNAL AUDITOR ON AUDITS ALREADY UNDERTAKEN**

(as at 31 December 2009)

PART I

SUMMARY

In accordance with Financial Regulation 12.10 and 182 EX/Decision 39, the Director-General submits an updated report on the progress achieved in the implementation of the recommendations of the External Auditor contained in his detailed report on the accounts of UNESCO for the financial period 2006-2007, and in his reports on the audits carried out in the 2006-2007 and 2008-2009 biennia. The document indicates, opposite each recommendation, the specific measures already identified for follow-up and/or the commitments made by the Director-General for their implementation.

Action expected of the Executive Board: proposed decision in paragraph 32.

I. INTRODUCTION

1. This report and the accompanying information document (184 EX/INF.8) cover the measures taken by the Secretariat in response to the recommendations made by the External Auditor since 2006. It follows up the report submitted at the 181st session of the Executive Board (181 EX/34) and does not include the recommendations considered “applied” by the External Auditor. Document 184 EX/INF.6. supplements the information contained in document 184 EX/8 Part I, including that concerning the follow-up action taken on the recommendations made in the External Auditor’s reports listed below. These reports were examined by the Executive Board at its 181st and 182nd sessions.

- Report by the External Auditor on the management of the UNESCO Office in Beijing (181 EX/35);
- Report by the External Auditor on the renovation of the UNESCO Fontenoy site (181 EX/42);
- Report by the External Auditor on temporary contracts awarded by the Organization (182 EX/46);
- Report by the External Auditor on the management of the UNESCO Office in Nairobi (182 EX/47);
- Report by the External Auditor on the evaluation and promotion of the staff (182 EX/48).

2. In document 184 EX/INF.8, each recommendation is shown with the initial number of the recommendation as it appears in the External Auditor’s report concerning the 2006-2007 financial period (180 EX/33 (Part II)) and in the reports of audits undertaken in the 2006-2007 and 2008-2009 biennia.

3. In document 184 EX/34, the External Auditor has made a brief assessment of the measures taken. These assessments can be as follows:

- recommendation implemented, when the measures taken respond in full to the recommendation. These recommendations have been withdrawn from this report;
- recommendation partially implemented, when the measures taken do not fully cover the scope of the recommendation;
- recommendation being implemented, when all the measures envisaged have not yet been taken;
- recommendation not implemented, when no measure has been taken, or when the measures taken do not correspond to the recommendation.

As a reminder, these assessments are listed in the third column of the summary table contained in document 184 EX/INF.6. The last column of the summary table provides the most recent assessments of the External Auditor regarding measures taken in 2009 by the Secretariat. These measures are summarized in the fourth column of the summary table.

4. In response to 182 EX/Decision 39, the fifth column of the summary table indicates the time frame for the implementation of the recommendations of the External Auditor and, as appropriate, any difficulties that may be encountered in their implementation.

5. The following table shows the progress made as at 31 December 2009 of the 99 recommendations of the External Auditor, by body responsible for their implementation. It is to be noted that out of the fifty recommendations being implemented, thirty will be implemented in the first half of 2010.

<i>Responsible body</i>	<i>Recommendation implemented</i>	<i>Recommendation being implemented</i>	<i>Recommendation not implemented</i>	<i>Total</i>
<i>BOC</i>	6	5		11
<i>HRM</i>	7	21		28
<i>UBO</i>	9	3	1	13
<i>BPI</i>	5	10		15
<i>ADM/PRO</i>	4			4
<i>ADM/HQD</i>	6			6
<i>BSP</i>	3	1		4
<i>BEJ</i>	6	1		7
<i>NAI</i>	1	9	1	11
<i>Total</i>	47	50	2	99

II. Comments by the External Auditor

6. After consideration of the explanations and documents provided by the Secretariat and meetings with those responsible for the issues addressed – some 20 Organization officials whose cooperation was much appreciated – the External Auditor expressed an opinion on the implementation of each recommendation contained in the detailed report annexed herewith (184 EX/INF.8). In this report, he wishes to draw the attention of the Executive Board to a number of recommendations:

- (a) Independence of the Administrative Officers (AOs) (Recommendation No. 1);
- (b) System of disciplinary measures for senior supervisory staff (Recommendation No. 3);
- (c) Transfer of rights regarding publications (Recommendation No. 24);
- (d) Rotation policy indicators (Recommendation No. 39);
- (e) Conditions for the use of extrabudgetary funds (Recommendation No. 56);
- (f) Management of temporary contracts (Recommendations Nos. 62, 66 and 67);
- (g) Measurement of the impact of projects funded by UNESCO (Recommendation No. 75);
- (h) Individual performance appraisal (Recommendations Nos. 81, 82, 84 and 85);
- (i) Role of the steering committee for major works (Recommendation No. 91).

(a) Independence of the Administrative Officers (AOs) (Recommendation No.1)

7. To assess the implementation of the part of the recommendation which concerned the strengthening of the independence of the administrative officers,¹ the External Auditor met the administrative officers of the five programme sectors, two serving administrative officers, two Heads of Executive Office (EO), the Chief of the Recruitment and Classification Section (HRM/RCS), and a post classification specialist.

8. The Blue Note of 7 August 2007 on strengthening internal control stated that “*henceforth, all Administrative Officers (AOs) at Headquarters, Field Offices and UNESCO Category I Institutes shall have a functional reporting line to the Comptroller on matters concerning internal financial control*”. The internal control policy framework in the new Administrative Manual stresses that the administrative officers are in direct liaison with the Comptroller for internal control.² A generic job description was drafted in 2009 for the administrative officers of the central services and category I institutes, and adapted for the administrative officers of field offices. In accordance with the decision of the College of Assistant Directors-General (ADGs), it states that the administrative officer is directly under the orders of the Assistant Director-General of the sector or of the Director of the service or office, but that day-to-day supervision “*may be delegated to another senior manager, such as the head of Executive Office*”, and that “*on matters of financial control in their functions of Certifying Officers for obligations, he/she shall be functionally linked to the Comptroller*”. Even so, not all the job descriptions of administrative officers have been adjusted to take up the model provisions. The administrative officer of a programme sector has not signed the new proposed job description. Another administrative officer has referred the matter to the Appeals Board, deeming that the job description is not in conformity with the Blue Note of August 2007.

9. The drawing up of the generic job description was preceded by a classification of the posts of the administrative officers, requested in 2008 of a consultant who carried out 15 desk audits of posts in the central services (outside the Education Sector), applying the classification standards of the International Civil Service Commission (ICSC), and who drafted a consolidated report. According to the consultant, “*it was not possible to identify and evaluate the four factors³ at the P-5 level*”, in the absence of “*substantially innovative approaches related to budget, finance and human resources liable to be originated from an Administrative Officer*”.⁴ He therefore recommended the confirmation of the existing grades (from P-2 to P-4) and proposed three reclassifications. A grid was devised which matches the grades P-2, P-3 and P-4 with tranches of the regular budget, extrabudgetary resources and the number of staff members in the sector, directorate or the office.⁵ Fifteen of the 17 administrative officers in the central services are classified, as decided, at grades P-2 (two persons), P-3 (eight persons) and P-4 (five persons). The last two are at grade P-5, one in a personal capacity on a post which thus remains at P-4 level, the other on a P-5 post (Education Sector, see below).

10. Three observations may be made. First, the position of administrative officers remains ambiguous. In some sectors, they are directly under the authority of the Assistant Director-General (Natural Sciences Sector). It is paradoxical that elsewhere they should be placed under the supervision of the Head of the Executive Office when their duty to monitor the compliance of commitments with the Organization’s regulations may lead them to take a critical view of the management activities of these senior officials. It is similarly paradoxical that the Heads of Executive Offices may be called upon to participate, as first-level reviewers, in the performance

¹ The other part of the recommendation, pertaining to the role of Comptroller, was implemented when the Director-General set up the Bureau of the Comptroller (BOC) in August 2007 (DG/Note/07/31), as noted in the External Auditor’s report of 2008 (179 EX/31, Part II).

² “A direct reporting line to this function” (2009 Manual, Item 3.4, paragraph 4.8).

³ N.B.: The revised Master Standard for classification of Professional staff, taken up by ICSC, is based on four independent factors (nature of the work, enabling environment, partnerships and results).

⁴ *Report on the review and classification of the job descriptions of administrative officers at UNESCO Headquarters*, 17 October 2008.

⁵ Note of the Director of the Bureau of Human Resources Management to the Director-General of 12 November 2009.

appraisal of administrative officers (Communication and Information, Culture, Education Sectors). In fact, some Assistant Directors-General delegate the responsibility of supervising the administrative officer (Social and Human Sciences Sector).⁶

11. Second, it seems necessary to clarify the terms of the “*functional reporting line*” of administrative officers to the Comptroller. The administrative officers we met emphasized that they liaise on a daily basis with the Bureau of the Comptroller, from which they receive support and advice. A “retreat” held in early 2010 brought together staff from the Bureau of the Comptroller and administrative officers. Conversely, the “Forum for Administrative Officers and the Comptroller” has not been held again since the second forum, held in 2008, even though such meetings may contribute to exchanging best practices, strengthening the authority of administrative officers, harmonizing their methods and developing a common financial and accounting governance policy for the Organization.

12. The Note by the Director-General on strengthening internal control provided in 2007 that “*the Comptroller will have direct input on the recruitment and performance appraisals of AOs*”. The Comptroller is, however, not always sufficiently involved in the recruitment process of administrative officers (Sector for Administration in 2009). The participation of the Comptroller in appraisal is unofficial and varies according to the sector. The External Auditor thus reiterates his view expressed in 2008: “*A functional partial reporting line to the Comptroller ought to entail dual appraisal in all fields and general comments drafted jointly by both supervisors*”.⁷

13. Third, it seems necessary to redefine the role within the Organization of administrative officers – the actual post title of which has changed.⁸ The post classification process conducted in a professional manner in 2008 did not address the inherent contradictions. In this regard, the following general observation may be noted: “*The overall level of responsibility and independence of action are limited by the supervision received from the immediate supervisor and from the Comptroller, by the existence of the financial rules and by the staff rules and regulations and all the administrative issuances for which no deviation is allowed. This situation limits the degree of initiative, independence and creativity of the job at the P-4 level*”. It would seem premature to conclude that there is a lack of initiative stemming from those rules, which undoubtedly exist. Indeed, with regard to the post of Finance Officer for the Education Sector, which the Director-General had established as a P-5 post,⁹ the Bureau of Human Resources Management, in November 2008, stated that emphasis was being placed on “*more strategic thinking, openness to change and an innovative approach*” rather than on the model of “*a traditional AO post dealing with day-to-day operations*”.¹⁰

14. Reflection on the administrative officer’s duties should also include an evaluation of the mechanism instated in the Education Sector, which distinguishes duties relating to financial management from those relating to human resources management, both classified at grade P-5.¹¹

⁶ In the post description proposed in December 2009, the phrase “such as the Head of the Executive Office” was deleted.

⁷ Report 179 EX/3, Part II, paragraph 5.

⁸ “Finance and Administrative Officer”.

⁹ Note by the Director-General dated 4 March 2008 (DG/Note/08/08). The recruitment procedures for this post were examined in the previous report (181 EX/34, Part II, para. 6).

¹⁰ Recruitment recommendation memo dated 27 November 2008 (HRM/RCS/R/08/592), already referred to in report 181 EX/34, Part II (paragraph 6).

¹¹ One of the recommendations contained in the 2006 Navigant Consulting report concerned the immediate establishment of a post of human resources manager in the sector in order to professionalize Headquarters and field human resources management (*Education Sector Reform Retreat, Implementing Recommendations, Essential Staffing, 19/20 June 2006*).

Recommendation No. 1 (new): Provision should be made for the Comptroller to participate formally in the performance appraisal of administrative officers in order to strengthen their necessary independence, a key factor of internal financial control in the Organization.

Recommendation No. 2 (new): Thought should be given to the content of the duties of administrative officers (or finance officers) and to the training required to extend their contribution to the Organization's overall performance in executing its programmes.

(b) System of disciplinary measures for senior supervisory staff (Recommendation No.3)

15. The External Auditor had noted in his report last year the Secretariat's statement that "*Item 3005.6 of the Manual could be redrafted to refer expressly to the case of Assistant Directors-General and Directors of Bureaux*".¹² The corresponding paragraph in the new Human Resources Manual does not, however, contain any provision to that effect (Chapter 11.3, A-1).

16. Conversely, the appointment in April 2009 of an Ethics Adviser reporting directly to the Director-General seems to be a positive step forward.¹³ The Organization has now in turn taken action recommended since 2005 within the United Nations system.¹⁴ The Ethics Office has been mandated, in particular, to establish a hotline for the reporting of unethical behaviour and to manage an anti-retaliation policy.¹⁵

(c) Transfers of rights regarding publications (Recommendation No. 24)

17. In order to resolve a situation in which UNESCO was exposed to transferring rights that it did not hold, the Bureau of Public Information (BPI) has appended to the new publication guidelines (April 2009) instructions on how to fill in the author's contract form and has drafted a catalogue of available rights in the Organization's publications. After a phase in which BPI conducted a systematic examination of authors' contracts, the validation of such contracts was delegated in 2010 to publication officers so designated in the sectors.

18. The thorny issue of reconciliation of the past still remains. The Bureau stated that it was endeavouring to renegotiate some major contracts, for example those relating to the *History of Humanity* collection, and that electronic dissemination rights through the online posting of work were being renegotiated in particular.

19. The External Auditor will conduct future audits on action taken by the sectors with particular regard to the implementation of the publication guidelines.

(d) Rotation policy indicators (Recommendation No. 39)

20. A great effort has been made to put the recommendations on the rotation policy into practice, comprising the drafting of new texts, the appointment of a coordinator for the geographical mobility programme, the holding of information meetings and the development of a website. However, the transparency and credibility of the new policy thrusts depend on the existence of verifiable results.

21. An overall indicator, such as the number of personnel actions mentioned by the Secretariat and set at 120 for the 2010-2011 biennium,¹⁶ is meaningless unless it is detailed by sector in geographical mobility plans drawn up in a concerted manner, which would make it possible to manage the professional careers of the Organization's staff, while taking duly into account the constraints of some assignments. The first meeting was held in the Education Sector. Other

¹² Report 181 EX/34 Part II, paragraph 8.

¹³ Appointment of Limited Duration ALD-924, grade P-5.

¹⁴ Resolutions 60/1 and 60/254 adopted by the United Nations General Assembly (November 2005) and decisions ST/SGB/2005/21 and 22.

¹⁵ DG/Note/09/56 dated 9 October 2009; Human Resources Manual, Chapter 2, Section 2.7 (paragraph 4).

¹⁶ Compared with 45 per year at the time of the survey (2007).

meetings will be necessary before a shared management table regarding the rotation policy can be established.

(e) Conditions for the use of extrabudgetary funds (Recommendation No. 56)

22. The recommendation concerned covering the implementation costs of projects funded from extrabudgetary resources. The Secretariat refers to the cost-recovery policy formulated in the 12 September 2008 Administrative Circular and supported by the Bureau of the Budget.¹⁷

23. The policy implies in particular that the Organization is in a position to calculate the full costs of projects that it implements using extrabudgetary resources. The External Auditor has read with great interest comments by the Internal Oversight Service (IOS) on the extrabudgetary resources management framework.¹⁸ He considers that the recommendation to the Beijing Office has been implemented, but proposes to pay particular attention to this matter, crucial to the Organization's financial future, in forthcoming audits of projects funded from extrabudgetary funds.

(f) Management of temporary contracts (Recommendations Nos. 62, 66 and 67)

24. The External Auditor had requested UNESCO, inasmuch as provisions already existed, to pay greater attention to competitive bidding before entering into temporary contracts (Recommendation No. 62). The Executive Board had stressed the importance of such bids to the delivery of a finished product rather than to the time contribution of a competent person. The new form for the selection and evaluation of individual contractors requires contracting officers to prove that competitive bidding has effectively been performed.¹⁹ An effective sanction would be the inclusion of competitive bidding in the SAP software in order to block contracts that have not been preceded by consideration of at least three applicants.

25. Recommendations Nos. 66 and 67 concerned the establishment and periodical updating of a single database on temporary contracts. The Secretariat replied that the development of the base had been scheduled for STEPS Phase 2,²⁰ subject to funding being secured therefore in the budget for the 2010-2011 biennium. The External Auditor notes that this crucial recommendation is still only in the process of being implemented.

(g) Measurement of the impact of projects funded by UNESCO (Recommendation No. 75)

26. It had been noted during the audit of the Nairobi Office that programme officers had not been requested to measure project impacts after a certain span of time. The Secretariat had pointed out that the Internal Oversight Service was in charge of conducting systematic and strategic evaluations and that, to do so, it relied increasingly on self assessment and communication with the programme sectors. IOS has accordingly conducted self-assessment training for the Office.

27. The Nairobi Cluster Office will henceforth be required to formulate and apply an evaluation schedule for projects that it has implemented so that it can be ascertained after one or two years whether the changes that it proposed to encourage have indeed been made and still have the desired effects. The recommendation is therefore yet to be implemented.

(h) Individual performance appraisal (Recommendations Nos. 81, 82, 84 and 85)

28. The External Auditor restated his recommendations to the Assistant Directors-General and directors when they were requested to initiate the first performance appraisal phase for 2010-2011,

¹⁷ Guidelines on the cost-recovery policy and budgetary aspects of extrabudgetary projects, October 2008, which refers to the work of the High-Level Committee on Management (HCLM), which comprises United Nations agencies.

¹⁸ IOS, Audit Section, *Audit of UNESCO's Extrabudgetary Framework* (IOS/AUD/2010/02), February 2010.

¹⁹ Form 431A appended to the Administrative Manual.

²⁰ *System to Enhance Personnel Services*, a computer system designed to improve personnel services.

which consisted in setting (by the end of March 2010), with the persons concerned, the objectives assigned to each in the work plans before validation and entry into the PERFOWEB application.²¹ Training courses have been held for supervisors. The challenge here is to mobilize senior supervisory staff and convince them of the “*crucial importance*”²² of evaluating the performance of the Organization’s staff.

29. Step increments²³ are now subject to obtaining a satisfactory evaluation. The link should soon be automated. The corollary of this “blocking” process is that a training or skills improvement plan should be drawn up for persons whose performance has not been considered satisfactory. There is still room for progress on this point.

(i) Role of the steering committee for major works (Recommendation No. 91)

30. The audit of the renovation work done on Buildings I, III and IV at the Fontenoy site has revealed ambiguity in the position of the steering committee that was established for that major project.²⁴ The External Auditor has recommended that a genuine contracting authority supervisory role be granted to the committee, which merely played an advisory role in the Fontenoy renovation operation.²⁵ He has noted the Secretariat’s commitment to implementing the recommendation for the performance of work on a comparable scale.

31. He stresses that one important issue that must be settled in order to form such a committee and decide on its institutional position is the need for coordination between the Organization’s sectors and services, all effectively affected by projects on such a scale.

Proposed decision

32. In the light of the above report, the Executive Board may wish to consider the following draft decision:

The Executive Board,

1. Recalling 182 EX/Decision 39,
2. Having examined documents 184 EX/8 Part I and 184 EX/INF.8,
3. Notes the progress achieved in implementing the External Auditor’s recommendations, and requests the Director-General to take the necessary steps to implement the recommendations that require the adoption of additional measures.

²¹ Note HRM/DIR/09/253, issued by the Director of Human Resources Management on 10 December 2009.

²² According to the Director-General, quoted in HRM/TCD/2009/0440, dated 4 November 2009, on the last phase of the 2008-2009 performance cycle.

²³ Designated in the Secretariat’s appended table by the acronym WIGI (within-grade salary increment).

²⁴ Document 159 EX/23 (para. 11) and the decision taken on 28 July 2000 (DG/Note/00/17).

²⁵ See report 184 EX/8 Part II on the final phase of the renovation work (para. 28).



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EXTERNAL AUDITOR'S REPORTS

PART II

**AUDIT REPORT ON THE FINAL PHASE OF THE RENOVATION WORKS
OF THE FONTENOY SITE AT UNESCO HEADQUARTERS**

SUMMARY

In accordance with 181 EX/Decision 42, the External Auditor submits his audit report on the final phase of the renovation works of the UNESCO Fontenoy site.



Office of the External Auditor of the
United Nations Educational, Scientific
and Cultural Organization



Audit Report
on the
final phase of the renovation works
at the UNESCO Fontenoy Site

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1. FRAMEWORK AND PERIMETER OF THE AUDIT

1. UNESCO Headquarters, established since 3 November 1958 on the Place de Fontenoy in Paris, comprises four buildings¹ and a total surface area of 75,100 m², in addition to the two buildings on the Miollis-Bonvin site (60,500 m²). The audit focused on Phase 2 of the renovation,² made necessary by the deterioration of the premises. In 1999, its cost was estimated at €79.874 million. In 2003, France underwrote a loan for that amount to UNESCO, and undertook to pay the interest thereon. The General Conference, at its 32nd session, authorized the Director-General to contract the loan and “to order the start of the work scheduled under Phase 2 of the Belmont Plan”³. This phase started in April 2004.

2. In April 2008, the Executive Board (179th session) invited the External Auditor “to establish the reasons for the cost overruns on the renovations done on the Fontenoy site, and to confirm that all the contracts were awarded within the existing procedures”. This was because, after an initial cost overrun of €2 million had been identified in 2007, “administrative, technical and organizational constraints” led to additional costs estimated at €2.2 million.⁴

3. In April 2009, the External Auditor presented conclusions⁵ which coincided with the findings reported by the Internal Oversight Service in 2008 on the renovation work.⁶ The Executive Board invited him “to present to it at its 184th session, upon the completion of the renovation project, a comprehensive report thereon, and to submit his conclusions on all the matters and concerns already raised, as presented in document 181 EX/42”.⁷ At the same time, the Board requested the Director-General to take all the necessary measures to “complete the project within the approved budget allocations”. The Director-General reported thereon at the 182nd session.⁸

4. The renovation work was officially completed at the end of September 2009. The new audit, reported on in this document, was carried out over the first two weeks of December 2009. In relation to the previous audit, it examined the execution of the work outstanding (mainly Building IV) and the way in which the operation was concluded.

5. Although most of the work has been completed and the premises have been delivered, not all of the questions linked to the end of the work had been settled by the date of the audit. This is not unusual for an operation of this scale. The audit looked at administrative, legal and financial matters. It did not stretch to the technical justification and expediency of the work.

2. SUMMARY OF THE MAIN FINDINGS OF THE FIRST AUDIT

6. The previous audit had endeavoured to identify the main reasons for the cost overruns. They may be summarized as follows: UNESCO, the Contracting Authority or client (*maître*

¹ Building I is the Y-shaped building constructed by architects Marcel Breuer, Pier Luigi Nervi and Bernard Zehrfuss; Building II houses the conference rooms; Building III houses the World Heritage Centre; Building IV is the sunken extension around six patios in the north-west part of the site.

² Phase I (2001-2004) included bringing the buildings into line with safety standards, the replacement of sunbreakers and the most damaged waterproofing, and the air-conditioning of rooms VI, VII and VIII.

³ 32nd session of the General Conference, 32 C/Resolution 74 adopted after consideration of documents 32 C/40 and 32 C/INF.8.

⁴ Documents 179 EX/34 and 179 EX/FA/EG.

⁵ Report in document 181 EX/42.

⁶ Document IOS/2008/03.

⁷ 181 EX/Decision 42.

⁸ Report in document 182 EX/5, Part VII.

d'ouvrage),⁹ did not have the in-house resources needed to steer the operation; it therefore used an outside Assistant to the Contracting Authority (ACA) which ran the operation without sufficient guidance. As a result, UNESCO had no control over the inevitable compromises that had to be made between the definition of needs and the available budget.

7. To be specific, the definition of needs derived from an expert report, drafted in 1999 by Joseph Belmont, honorary inspector-general of construction, and updated in January 2000. This preparatory document, referred to inaccurately as the Belmont Plan, was not of an operational nature. The definition of needs was thus imprecise, and a reliable provisional cost for the operation could not be derived from it.

8. Financial monitoring of the operation was not rigorous: UNESCO's management system was not designed to manage financial commitments spread over several years. Furthermore, the Steering Committee had neither the information, nor the will, nor the actual authority to steer the operation.

9. These structural defects became apparent and worsened suddenly after the death of the principal representative of the Assistant to the Contracting Authority. He was only replaced after much delay and in the midst of confusion, which led to delays and cost overruns on the project, and more work for the UNESCO team which was already understaffed.

10. Even so, the cost overruns noted by the audit at that stage in the operation remained within reasonable limits as compared to similar operations in France.

3. COMPLETION OF THE WORK

3.1 Execution of the work

11. The execution of the contracts signed by UNESCO in 2008 and 2009 was examined.

12. After the company which had been awarded lots 5 and 6 (partitions and false ceilings) defaulted, having been liquidated by court order, a contract was signed in June 2008 for the finishings of the partitions and false ceilings on the first and second floors of the red wing (€91,182 exclusive of tax).¹⁰ The contract had been approved by the Contracts Committee; estimates had been requested from a shortlist of companies (three companies) vetted by the project manager, who was the Assistant to the Contracting Authority (ACA).

13. It emerges from the report analysing the bids drawn up by the ACA that the price proposed in June 2008 by the company that was selected (with the lowest bid) was €72.45 per square metre of fixed metal ceiling, whereas the price agreed upon in December 2004 with the company that defaulted had been €89. The price was thus lower by €16.55, or 18.6 %, even though there had been a steep rise in the price of steel during that period. It should be noted that in 2005 the first company, to which €2.54 million exclusive of tax was paid, had been the least expensive of the six companies that had submitted bids deemed to be admissible.

14. The proposal submitted by the Headquarters Division to the Contracts Committee stated that the draft contract included a schedule. However, no duration was specified in the contract (article VII).

⁹ The client is required to ascertain the feasibility of the operation envisaged, define its programme, to decide on the financial allocation and to conclude the contracts for study and execution of the works.

¹⁰ Contract No. 519.345.8 of 11 June 2008.

Recommendation No. 1: contracts should set a firm contractual deadline for the execution of the work.

15. The largest contract (No. 519.347) concerned the work to renovate Building IV. It was concluded for a firm amount of €7,213 million after an open, international call for bids in June 2008. Three valid bids were received. The company that was selected was the lowest bidder.

16. The work was paid for in the amount of €4.4 million, that is 61%, from the budget for the renovation.¹¹ The remainder was charged to other budgets, including the Special Account 668HQD9001. In this respect, it should be noted that payment for the work from two different accounts, as required by UNESCO's budget structure, did not facilitate budgetary oversight of the operation.

17. Additional work for an amount of €557,662, or 7.73% of the amount of the contract, was entrusted to the company by rider and also charged to budget line 668HQD9001. The Headquarters Division stated that that work was only related to the renovation in the amount of €396,000 and thus remained within the authorized ceiling for overruns.¹²

18. The Contracts Committee had to examine, on two occasions, at a few days interval, on 27 August and 1 September 2009, the draft contract (No. 519.349) for the refurbishment of green areas (€96,598). The option – finally selected – of roll-out turf (additional cost of €35,695) could not be funded – and thus could not be submitted to the Committee – until a special budget line had been opened¹³ by decision of the Director-General, as it concerned embellishment work.

19. In the contract (No. 519.343) signed for the work on false ceilings and partitions (€723,877), the clauses on the duration and schedule were drafted clearly and precisely. On the other hand, the legal architecture is pointlessly complex and does not make it easy to understand the obligations of the two parties. In order to identify these obligations it is necessary to consult the contract itself, the general terms and conditions which are cited, the schedule of specific administrative clauses, which takes up some of the items in the contract itself, and the schedule of general administrative clauses for private works, which is cited in the schedule of specific administrative clauses but not in the contract, and which might include different provisions. The contract doubtless stipulates the order of validity in which contradictory documents should be considered. It is true though that this superposition of texts means that a careful analysis is needed in order to obtain the answer to a straightforward question, for example as to the deadline for the release of reserves, which is 60 days in the schedule of general administrative clauses for private works, but 30 days in the schedule of specific administrative clauses.

3.2 Management of the project

20. The first audit emphasized that “care will be needed to see that the quality of the final stage of the work (renovation of Building IV) has not been lowered to contain the budget increase”.¹⁴

¹¹ Budget line 185 REN0000 HQP, situation as at 7 December 2009 established by the Sector for Administration (ADM/AO).

¹² See recommendation No. 8 of the previous audit report.

¹³ Line 4956100010 HQD.

¹⁴ Document 181 EX/42, paragraph 112.

21. In order to make savings that would enable the amount of the provisional budget of €84.68 million exclusive of tax to be respected, the contracting authority, on the advice of the Assistant to the Contracting Authority, decided in 2008 not to confirm the conditional stages of all the lots concerning the finishings for Building IV¹⁵ and to issue a new call for tenders. This led to the selection of the Colas company for a total amount of €7.213 million exclusive of tax. A “saving of €300,000 exclusive of tax” was thus made in relation to the earlier contract,¹⁶ due to developments in market conditions that were favourable to the contracting authority in 2008, a year of crisis in the public works sector. The overall savings stood at €570,000 (see para. 75).

22. Testing for asbestos was commissioned in 2007 (€285,000). The general premises contained only a small amount that was “passive”.¹⁷ Its removal did not lead to any noteworthy complications in the conduct of the project.

23. In order to assist it in the phase of acceptance of the work, the Headquarters Division acquired the services of a consultant. This was a wise choice, as host country legislation provides that the companies providing services are responsible for the good condition of the works until reception, but on formal acceptance responsibility transfers to the contracting authority. The Headquarters Division also ensured that it had legal assistance¹⁸ to deal with any disputes that might arise.

3.3 Compliance with the delivery schedule for Building IV

24. Phase 2 of the restoration and improvement works on UNESCO’s Fontenoy Headquarters, Phase 1 of which had begun in August 2001, stretched from 2004 to September 2009, in the following stages: 2004-2005: ordering and installation of the prefabricated building in the piazza, completion of the various stages of works in the yellow wing of Building I; 2006: renovation of the blue wing and the 7th floor restaurant; 2007: renovation of the red wing and Building III; 2008-2009: renovation of Building IV.

25. Renovation work on the Organization’s Headquarters was originally due to end in December 2008. A delay of eight months had accumulated over the previous phases.¹⁹ Part of this was made up.²⁰ The goal was to have finished by the end of September 2009, before the 35th session of the General Conference. That goal was achieved: the renovated premises were inaugurated on 25 September 2009.

26. The renovation work was not entirely finished by that date.²¹ The timetable objective, however, which had been reviewed in the Programme for the biennium,²² can be considered for practical purposes as having been met.

3.4 The role of the Steering Committee for the Headquarters Renovation Plan

27. To organize the renovation work, the Director-General proposed to the Executive Board at its 159th session (May 2000) that a “Steering Committee” be set up to act as the

¹⁵ Lots 1, 3 and 7 (stone facades and tiling), 4 (external woodwork), 5 and 6 (partitions and false ceilings), 8 (soft flooring) and 9 (painting) [see annex II 34 C/43, II for listing of lots].

¹⁶ Progress report by the ACA of 29 August 2008.

¹⁷ The asbestos detected was in the flagstones glued to the floor. They represented no risk to the staff before their removal. In the technical areas, the last test did not find any trace of asbestos.

¹⁸ Expenditure charged to the Organization’s ordinary operating budget.

¹⁹ Report of the project manager (ACA) dated 30 April 2009.

²⁰ Fire safety tests were able to be conducted in Building IV in July 2009.

²¹ Minutes of the meeting on 9 October 2009 of the Steering Committee for the Headquarters Renovation Plan.

²² Document 34 C/5, paragraph 15604: “Belmont Renovation Plan concluded during the first half of 2009”.

contracting authority.²³ He created the committee by a decision of 28 July 2000, which gave it a purely advisory function.²⁴ Nonetheless, it was necessary to consult the committee to “supervise and pay for the work and accept the final product” and “approve any changes in programmes and plans of expenditure”.

28. The Steering Committee met 29 times during the renovation of the Headquarters of the Organization (about three times a year), a frequency that proved inadequate to enable it to perform its function of monitoring such a complex operation. Furthermore, it met only twice in 2007, in January and October, at a time when the shortcomings of the Assistant to the Contracting Authority (Coteba) were having a significant impact on the progress of work on the site. The explanations received, essentially that it was awaiting the report of the Internal Oversight Service (IOS),²⁵ do not seem to offer sufficient justification for the failure to convene a body the effectiveness of which depends largely on its holding frequent and regular meetings.²⁶

29. After the examination by the Executive Board of the report by the External Auditor on the renovation,²⁷ the Director-General took fresh measures in May 2009 “for the successful completion of the last phase of this important project”. “In order to improve the efficiency of the decision-making process and to respond to the Board’s decision”,²⁸ he placed the renovation project and the conservation plan under his own direct responsibility, and asked the Comptroller to chair the advisory Steering Committee from then on.²⁹

30. During the final year of the work, the committee met seven times,³⁰ at irregular intervals. It held its last meeting on 9 October 2009, even though the renovation work was not completely finished (especially the financial aspects). The ending of the committee’s work therefore appears to have been premature.

31. The members of the Steering Committee included individuals who were directly responsible for carrying out the Headquarters renovation work. The majority of its members also served on the Contracts Committee. Good practice would indicate that these functions and responsibilities should be kept separate.

Recommendation No. 2: Ensure that two bodies required to advise on the same project do not have substantially the same composition.

32. In practice, the members of the Steering Committee received sufficient documents to enable them to prepare for their meetings, and in a reasonably timely manner. However, the committee’s minutes reveal that the technical and financial aspects of the issues arising out of the progress of the work were dealt with in too summary a fashion, and above all after the event, especially where invitations to tender were concerned, which undermined its utility as a consultative body.

²³ “A Steering Committee will constitute the ‘Contracting authority’, supervise the restoration and improvement project (Belmont Plan) and assure the house-wide coordination of all aspects of its implementation, including the social aspects” (159 EX/23, para. 11).

²⁴ DG/Note/00/17 – See Recommendation No. 2 of the previous report by the External Auditor.

²⁵ Document IOS/2008/03 of February 2008.

²⁶ See the previous report by the External Auditor (181 EX/42, paras. 37-59.)

²⁷ 181 EX/Decision 42.

²⁸ 181 EX/Decision 42 of the Executive Board, cited above.

²⁹ Decision of the Director-General of 4 May 2009 (DG/Note/09/22).

³⁰ On 30 September 2008 and 6 February, 23 March, 6 May, 13 June, 23 July and 9 October 2009.

3.5 Relations with the architectural and engineering contractor

33. The architectural and engineering contract³¹ for the renovation work was awarded jointly in 2004 to the T3E/BETOM group of companies.³² T3E is shown in the coordination reports as “Architectural and engineering contractor – Technical lots” and BETOM (assisted by ID’Art) as the “Architectural and engineering contractor – Architectural lots”.

34. The contract price for the architectural and engineering work, recorded by the Contracts Committee on 8 April 2004, was €4.1 million exclusive of tax. That contract was supplemented by three riders. The first, entered into in 2006 for an amount of €153,800, was for the drawing up of a detailed plan of the buildings in the different zones. The second rider, signed in 2007 for €52,741, was for conservation work, not the renovation. The third rider, for €56,400, signed in 2008, was for assistance to the Contracting Authority throughout the long process of hiring a replacement for Coteba.

35. Starting in 2008, shortcomings were found on the part of the architectural and engineering contractor. Typical of these were the failure to provide contractual documents that were vital to the advancement of the project, and failure to perform its basic duties including presence on site, the scheduling, overseeing and coordination function that is essential where work is being carried out in separate lots, and attendance at the periodic meetings.

36. The scheduling, overseeing and coordination reports in fact reveal the involvement of a company called “Belledonne Coordination”, which drew up these reports for much of the period 2008-2009. When ID’Art took over,³³ the reports continued to refer to “T3E-Belledonne” as the “architectural and engineering contractor”, specifying that Belledonne drafted the “information on the technical lots”. When asked about the contractual relationship between UNESCO and this “architectural and engineering contractor”, the Headquarters Division replied that “T3E had verbally presented Belledonne as a subcontractor” but had never provided the relevant administrative documents.

Recommendation No. 3: Ensure that only entities whose status vis-à-vis UNESCO is perfectly clear are given a role in monitoring a project, especially in a function as key as scheduling, steering and coordination.

37. Meetings were arranged with the architectural and engineering contractor on the initiative of the Director of the Headquarters Division. On 20 March 2009, the manager of T3E informed the Organization that he was handing back his badge. This had the appearance of a resignation but its meaning was not altogether clear. Besides that, it was contrary to the undertaking given by the architectural and engineering contractor to perform its contract “in person” (Article 2). After consulting a specialist lawyer, the Headquarters Division took the view that to terminate the architectural and engineering contract at that stage of the work would create more problems than it solved. It was decided to complete the works with the joint group of T3E/BETOM as the architectural and engineering contractor.

38. T3E is claiming €3.8 million in fees, €3.3 million of which is for work the company states it performed in the years prior to 2009. Its delays and failings expose it to penalties of

³¹ The “architectural and engineering contractor” is the individual or legal entity who or which, chosen for their technical competence, is entrusted by the client with drawing up the project, directing and verifying the execution of the works, and proposing their acceptance and payment.

³² T3E was already the architectural and engineering contractor for Phase 1.

³³ Starting from Report No. 35 of 15 April 2009.

€4.6 million according to figures compiled by the Headquarters Division in liaison with the ACA.

39. This deterioration in relations with the architectural and engineering contractor has had an adverse impact on the progress of the renovation work.

3.6 Relations with the Assistant to the Contracting Authority

40. To assist it with the execution of the renovation work, UNESCO had signed a contract for assistance to the Contracting Authority (ACA) with Coteba, a private firm. Signed on 1 December 2000, the contract was terminated in August 2007 by a memorandum of understanding which set the final amount of fees to be paid to Coteba for Phase 2 of the “Belmont Plan” at €828,627 (instead of the €1,022,938 initially anticipated), including revisions and the Miollis-Bonvin contract. Issued in June 2007 to replace the ACA, an invitation to tender resulted in the selection of the MB&Co company, with which the Organization signed a contract in February 2008 for €360,000.³⁴

41. The quality of the relationship between the Organization and the ACA may be gauged by the manner in which the latter reported to the Organization on work progress. Every two months, MB&Co submitted work monitoring reports. However, these reports do not contain all of the sections stipulated in the contract.³⁵ Of varying volume, frequently repeating word for word certain passages from previous reports, they are sometimes muddled or insufficiently detailed.

42. For example, in its December 2008 report, the ACA states that “the architectural and engineering contractor filed a request for a rider concerning all of the service changes since the beginning of its assignment up until March 2008”, that “the project director analysed this request (approximately €1.6 million tax excluded)”, that he reduced it “to approximately €0.4 million tax excluded, in accordance with the special administrative clauses of the architectural and engineering contractor contract” and that “the architectural and engineering contractor did not reply to this counter proposal”. Not containing any further details, this report appears somewhat laconic compared to the financial stakes mentioned.

43. The total cost of the assistance to the Contracting Authority can be estimated as follows: Coteba received €828,627 in fees, and MB&Co will receive €360,000, to which a request for an upward revision of its fees by €33,000 must be added. Account must also be taken of the sum of €26,077³⁶ allocated, by means of a rider, to the architectural and engineering contractor, T3E, to enable it to perform specific functions of assistance to the Contracting Authority during the procedure for replacing the ACA. In all, the cost of assistance to the Contracting Authority can be evaluated at €1,247,704, i.e. 22% more than originally planned. To that sum may be added the cost of the project delays due to the absence of an ACA between September 2007 and February 2008, which the first audit estimated at approximately €600,000.

3.7 Staggered relocation operations

44. Due to the renovation works, staggered relocation operations had to be conducted between Buildings I, III and IV, and the temporary offices.

³⁴ The previous audit report (181 EX/42) analyses the early termination of the Coteba contract (paras. 37-59).

³⁵ Article 6.2: updated provisional assessment and timetable for the operation, provisional schedule of future expenditure, situation report on progress and any significant events that occurred or are likely to occur, proposals for any decisions to be made.

³⁶ The architectural and engineering contractor should have been paid €56,400 but submitted only one report.

45. An invitation to tender had been issued in 2004 for a firm stage of work and four conditional stages. The firm stage was settled (€1.39 million). However, the first two conditional stages were not confirmed and UNESCO issued a new invitation to tender in March 2008 for the last two conditional stages. The 2004 contract holders did not submit a bid. After studying a technical and financial analysis of the bids received, drafted by the Assistant to the Contracting Authority, the Contracts Committee approved the proposal to select the best bid. The analysis emphasized that the average cost of a relocation was 5.9% lower than that of the 2004 contract. The contract was signed in April 2008.³⁷

46. The file examined at the Headquarters Division is poorly organized concerning the execution of the contract in 2008: tables, the origin of which could not be found, undated documents, difficulty in matching movers consignment notes with invoices. However, the file for 2009 operations is complete and well organized: summary tables enable invoices, all of which are included in the file, to be paired with operations. It should be added that the team in charge of following the renovation work was reinforced in 2009.

47. The sum settled on the renovation budget³⁸ amounted to €633,063. Services totalling €31,732 were accounted for under other budget lines. Most of them had no connection with the “Belmont Plan”: reading room, security service, USLS. The Division of Conferences, Languages and Documents (CLD)³⁹ posed a particular problem: “From the beginning of the Belmont Plan, additional moves have been covered up to certain limits, but now the ceiling has been reached”, it was noted in July 2009 when the moving company discovered in the CLD Division, 193 work stations instead of 141 as provided for in the budget, the difference being accounted for by supernumeraries, interns and consultant.⁴⁰ The additional expenditure of €20,475 was covered by the budget of the Headquarters Division, which requested a contribution of €12,000 from the CLD Division.

3.8 Disassembly and disposal of the temporary offices

48. In 2004, UNESCO purchased temporary offices (344 office modules). They were installed between Buildings I and II⁴¹ to accommodate staff whose offices were successively affected by the renovation operations.

49. Based on the ACA breakdown, the first audit determined a cost of roughly €800/m² (6,043 m² of surface area)⁴² for expenditure directly related to the temporary offices.⁴³ Actual expenditure was €5.28 million (exclusive of tax),⁴⁴ i.e. €874 /m².⁴⁵

50. In June 2009, UNESCO negotiated with the firm which had sold it the temporary offices and installed them in 2004 (€4.24 million).⁴⁶ On this occasion, the Organization requested the

³⁷ Contract No. 519.341.8 dated 24 April 2008.

³⁸ Line 185 REN0000.

³⁹ Under the Sector for Administration.

⁴⁰ 78 supernumeraries instead of 32 as provided for in the budget and 6 interns or consultants. See the comments providing information on this workforce in the report on temporary contracts contained in document 182 EX/46.

⁴¹ Around four of the six patios bringing light to the offices of Building IV.

⁴² Document 181 EX/42, paragraph 108, which quotes, by way of comparison, a cost of €675/m² for the installation in 2006 of temporary buildings of the same make at the École Militaire, located close to UNESCO.

⁴³ Not including the architectural and engineer contractor costs and specific measures related to the installation on the UNESCO site (strengthening of vertical supports, protection of works of art located on the site, repair of the motifs of the façade of the temporary buildings at the request of the official French architects' body – Architectes des Bâtiments de France).

⁴⁴ Contract 519.301 and 519.309; part of contracts 519.306, 519.307 and 519.308.

⁴⁵ €890/m² if the restoration work on the piazza green spaces is included.

⁴⁶ And which conducted other works (€12.1 million) for lot No. 1 and for the renovation of the ground floor.

firm to disassemble, remove and transport them.⁴⁷ The cost of the contract contained three elements: the purchase of the property as is for €517,400; its disassembly, removal and transportation for €507,400 and the supply and installation of the missing railings around the patios for an estimated €62,183. The firm had installed a “first part” of these railings as a subcontractor of a firm involved in the main work site in 2005, something of which the Headquarters Division was unaware.⁴⁸

51. The contract was signed following an invitation to tender,⁴⁹ which garnered three bids. The Contracts Committee gave its approval in the light of a report analysing the bids which was drafted by the Assistant to the Contracting Authority. The Assistant recalled, in particular, that the initial expenditure plan for the operation included a sum of €387,700⁵⁰ to be paid by UNESCO for the repurchase and the disassembly of the prefabricated buildings, compared to the profit of €72,183 generated by the competitive bidding.

52. The firm selected, which had the advantage of knowing the work site, proposed the lowest bid. However, there was only a difference of €22,183 between its bid (+€10,000) and the next bid (-€12,183), with the railings included.

53. In 2003, there had been an intention to compare the price of leasing property outside of UNESCO with that of purchasing temporary offices, but the procedure had fallen through. Five years later, the possibility of maintaining the temporary building in place in view of using it for another purpose⁵¹ was discussed. “After analysing the advantages and disadvantages of such an option, it was finally decided by ADG/ADM, the Deputy Director-General of UNESCO and the Director-General himself, to disassemble it as scheduled, before the 35th session of the General Conference. Maintaining it certainly would have had some minor advantages, but there would have been major and very costly disadvantages for the Organization.”⁵²

4. ACCEPTANCE OF WORK AND FINAL ACCOUNTS

4.1 Acceptance of work⁵³

54. The available reports and documents drawn up by UNESCO services and the Assistant to the Contracting Authority record the completion of the renovation operations: conformity of security systems with the most recent norms of the host country; modernization of offices and related installations and equipment (electrical infrastructure, heating, ventilation and air conditioning installations, enhancement of sound insulation, replacement of the plumbing system to eliminate water wastage and improve sanitary hygiene); enhancement of public spaces; complete renovation of the ground floor of the Ségur wing of Building I.

55. As at December 2009, all of the Headquarters renovation work had not yet been accepted: lots 11 (air conditioning), 13 (electricity) and 16 (fire safety), i.e. three of the 16 renovation lots were still to be accepted.

⁴⁷ Sales contract for UNESCO property dated 17 June 2009.

⁴⁸ See observation No. 37 on the intervention of “subcontractors” in the operation whose status was unclear.

⁴⁹ In fact, there were two invitations to tender, because the “discovery in the services after the opening of the envelopes” of a further bid made a second invitation to tender obligatory.

⁵⁰ Residual value re-estimated at €250,000 in August 2007.

⁵¹ New relocation operations in the event of work on the Miollis-Bonvin site, UNESCO kindergarten (the kindergarten located on rue Miollis does not comply with French norms), renovation of areas for the Commissions and Committees of the 35th session of the General Conference.

⁵² Steering Committee for the Headquarters renovation plan, meeting of 6 February 2009.

⁵³ The architectural and engineering contractor and the firms have a contractual obligation of performance and counselling. They are responsible for ensuring compliance of works with trade practice and existing regulations. They must also ensure the durability of the works constructed.

56. From a technical point of view, with regard to the acceptance operations performed, the Headquarters Division, which enlisted the services of a specialized consultant, notes only minor reservations to be settled. It should be noted that the representative of the architectural and engineering contractor (T3E) never took part in these operations; only one of its collaborators was present, who was not empowered to commit the firm.

57. The acceptance report submitted for lot No. 1C, the only lot for which the final general breakdown had been approved as at the date of the audit (see para. 61), was signed only by the ACA (MB&Co) and the representative of the Headquarters Division, and not by the firm, even though it was present. It is the signature of the representative of the Headquarters Division (with the UNESCO stamp) which appears in the section reserved for the contract holder. It was explained to the auditors that firms certainly do stamp the reports, but that the document in the file submitted was not the correct one, which demonstrates careless maintenance of files to say the least.

58. From a legal point of view, it should be noted that the acceptance report for the finishings lots of Building IV was signed by the ACA – and not by the Contracting Authority – although this task was not part of its assistance assignments set out in the contract.⁵⁴

Recommendation No. 4: Ensure that acceptance reports are duly signed by the Contracting Authority.

4.2. Establishment of the final general accounts to close the contracts

59. The final general accounts are being fine-tuned. Only two lots still pose problems according to the ACA (air conditioning and heavy currents). Generally, work completion is progressing favourably.

60. It should be recalled that the penalties for delays provided for by the general terms and conditions were far higher than what is commonly practised in France, and that the completion of work took place against an unfavourable backdrop for the building and public works industry, which kept firms' focus on UNESCO's renovation works. Such a context will not necessarily present itself for work to be accomplished in the future. In particular, additional work conducted without service orders approved by the Contracting Authority, such as was observed, should be avoided.

Recommendation No. 5: Ensure that service orders with a financial impact are duly submitted for signature to the Contracting Authority.

61. At the time of audit, only one final general breakdown (a formality needed to close contracts) had been accepted: lot No. 1C (site installation – Building III).⁵⁵ The documents needed for the final settlement of the 29 other contracts had not yet been drawn up or accepted, although 18 contracts worth a total of €13,040,853 had been totally liquidated.

62. A review of the most recent statements received by UNESCO services for contracts concluded in 2007, 2008 and 2009 showed that long periods had passed since the works had been completed: statements of 30 September 2008 (lots Nos. 5 and 6), October 2008

⁵⁴ Contract No. 519.313, article 4.

⁵⁵ Contract No. 519.339 concluded in 2007.

(multi-lot contract No. 519.344), July 2009 (contract No. 519.347 Building IV). According to Headquarters Division, this is proof of failings of the architectural and engineering team in monitoring the statements of companies. At the end of December 2009, the Division announced that final breakdowns had been drawn up.

4.3 Archiving of file documents

63. The audit mission noted that an archiving plan has been produced.⁵⁶ However, the contract files studied showed that this plan has not yet been implemented systematically. The Headquarters Division has stated that the first part of the archiving operations has already been funded, and that the second part (which is scheduled for the closing of the final general accounts) will be financed as part of the regular budget.

64. The dematerialization of documents has now become part of administrative practice, including for public contracts and archiving relating thereto.⁵⁷

Recommendation No. 6: Arrange for contracts to include provisions for the dematerialization of documents.

4.4 Claims

65. According to information available as of December 2009, there are four cases that may have a budgetary impact on the overall cost of Headquarters renovation.

66. The Organization received a claim from T3E, its architectural and engineering contractor (see paras. 37-39). Discussions were under way in December 2009 for two lots. On the other hand, two companies are incurring contractual delay penalties⁵⁸ for significant amounts.

67. In France, the law obliges private contracting authorities to take out liability insurance, which enables any repairs to be started in the event of damage during the periods of guarantee, without having to wait for the liability of companies to be established by the courts. This insurance had been taken out for Phase 1 of the works. In practice, its use has caused such problems that it did not seem the natural choice for Phase 2.

68. The position of UNESCO does not require any comment. For future works, however, the issue should be revisited on the basis of the context at that time. In particular, the usefulness of taking out Erection All Risks (EAR) insurance (to cover the building work and the periods of guarantee) could be considered.

5. GENERAL FINANCIAL UPDATE ON EXPENDITURE

5.1 Budgetary monitoring of the renovation operation

69. The audit mission noted how difficult it was to steer the operation financially: the accounting system does not allow for the management of multiyear commitments (an issue already raised in the previous audit report); the operation is vaguely defined, both in terms of

⁵⁶ See recommendation No. 9 from the previous audit report.

⁵⁷ Examples: French code of public contracts since 2001; March 2004 Directive of the European Parliament and Council of the European Union.

⁵⁸ Article 46 of the general conditions.

the subject (certain works may come under the operation or else be included in conservation work) and its budgetary management (several budget lines); the various participants (Administrative Officer of the Sector for Administration, Headquarters Division, Assistant to the Contracting Authority) each have their own monitoring tool.

Recommendation No. 7: Introduce a common management tool that meets the needs of the various participants.⁵⁹

70. In practice, any question on budgetary monitoring involves a real inquiry before a reliable reply is forthcoming, for instance to distinguish between scheduled conservation work and work not scheduled in the operation.

5.2 Budget of the renovation operation

71. The budget for the renovation of the UNESCO Headquarters has not remained within the initially approved framework, as pointed out in the previous audit report.

72. The initial project cost had been estimated at €79.874 million and financed by a loan from France (185REN000).

73. Additional expenditure to the tune of €4.5 million (668HQD9001) was then committed, which 34 C/Resolution 85 decided to finance by charging €2.6 million to the unspent balance from the 2004-2005 biennium and charging €1.9 million to the recovery of support costs for activities undertaken by the Organization on behalf of UNDP.

74. As stated in the first audit report, the overrun of the initial budget was due to the exceptional increase in construction costs, but also to the technical amendments made to the execution programmes of almost all the project lots, often when implementation was already under way. This is true of the works executed in 2008 and 2009. The contract concluded in 2008 for the renovation of Building IV for the sum of €7,123,000, which has increased by €557,662 across all budgets, is a case in point.⁶⁰

75. The decision not to confirm the conditional stages linked to the initial contracts in 2008 has made it possible to reissue a call for tenders in a favourable economic environment, and this has resulted in the emergence of new lower bidders. According to the Assistant to the Contracting Authority (MB&Co), this procedure has facilitated a saving of €570,000 and has reduced the supplementary budget of the renovation operation from €2.2 million to €1.9 million.⁶¹

76. The following table summarizes the overall budget situation as at 23 November 2009:

⁵⁹ See Recommendation No. 3 from the previous audit report.

⁶⁰ See Recommendation No. 10 of the previous audit report relating to the share of the budget set aside for contingencies.

⁶¹ Financial monitoring meeting of 30 September 2008.

Main categories of expenditure	Adjusted amounts signed* (€)	Amounts committed in SAP (€)
Contracts	80 023 875.00	79 787 491.08
Price revisions 2006-2007-2008	1 693 416.57	1 693 416.57
Temporary assistance/Consultants/Overtime	675 685.90	675 685.90
Supplies/Miscellaneous/Contingencies	305 946.00	305 946.00
TOTAL	82 698 923.47	82 462 539.55
Budget breakdown		
	Budget code	Amount approved
Loan from France	185REN0000	79 874 979.00
Additional budget – Unspent funds 33 C/5	668HQD9001	2 600 000.00
Additional budget – UNDP support costs	668HQD9001	1 900 000.00
		84 374 979.00
* Considering unconfirmed conditional stages and work not executed.		

Source: Sector for Administration (ADM/AO).

77. The €84,374,979 budget allocated to the renovation operation should be entirely committed. At the time of audit, over 97% of the fees of the various service providers and companies involved in the operation had been settled. The amounts as yet unpaid had either not been invoiced or were related to works that were the subject of reservations or corresponded to performance bonds.

78. It should be pointed out that other works, relating to conservation, have been executed by means of riders to the contracts concluded in the framework of the “Belmont Plan”. These account for €2,434,598,⁶² with €1,814,860 being charged to the conservation budget (which may have been to the detriment of the maintenance of the Miollis-Bonvin buildings), and €619,738 being charged to the Headquarters Utilization Fund (HQF budget).

79. Owing to the lack of a cost accounting system, it is difficult to say whether these works are directly linked to the renovation operation of the Headquarters at Fontenoy.

6. REMARKS ON THE CONSERVATION OF THE ENTIRE FONTENOY SITE

6.1 Buildings conservation at the Headquarters Fontenoy site

80. The aim of Phase 2 of the works was the restoration of the buildings and improvement of the working conditions of their users.

81. In terms of the first objective, it was necessary to completely replace some fixtures and fittings at the UNESCO Headquarters Fontenoy site. The inadequate funds allocated for building conservation over many years had been emphasized in document 165 EX/34 and

⁶² Source: statement produced on 7 December 2009 by the Sector for Administration (ADM/AO).

highlighted by the Executive Board on many occasions. In 2003, when the General Conference authorized the Director-General to order the start of the work scheduled under Phase 2, it reiterated “its invitation to the Director-General to increase the budget earmarked for the upkeep and maintenance of Headquarters”.⁶³

82. In parallel to the renovation works, a maintenance strategy was drawn up and implemented at the end of 2005. The strategy is based on a reorganization of the management of external contracts and better use of internal resources: arrangements have been made to reduce the number of outsourced contracts from 34 to 9, thus reducing the costs involved; workshop activities have been reoriented towards preventive maintenance and the optimization of repair activities. Water savings of around 30% have already been registered for the renovated site.

83. To coincide with the renovation work, a long-term preventive maintenance and conservation plan was adopted to protect the investments made. A full study was carried out which provided technical data on the maintenance and conservation of materials and equipment installed during the renovation. The study outlines a multiyear plan worth €45.7 million under the “Belmont Plan” for the Fontenoy site. The plan covers 15 years, in view of the nature of the equipment, the year of launch and their presumed lifespan. The previously cited decision of the Director-General of 4 May 2009 also placed both the renovation project and the conservation plan under his direct supervision.

84. The theoretical cost per biennium comes to €3.4 million (\$3.9 million) for the Fontenoy site. Without any renovation to the Fontenoy site, the cost would have been much higher. It is nonetheless close to the budget that document 34 C/5 provides for the maintenance and conservation of all Headquarters sites (\$4.5 million).

6.2 Architectural heritage conservation

85. The current UNESCO Headquarters was originally designed as a prestigious building. The greatest architects of that era collaborated on it. Equally prestigious works of art were installed in the open spaces. The building has been restored but the site has not become a centre of attraction in the area’s urban landscape.

86. The “Belmont Report” had foreseen this problem: it had therefore planned for a subsequent phase involving the construction of an open conference centre in the Place de Fontenoy that would have contributed to the atmosphere of the neighbourhood and the prestige of the building. However, the idea of a Phase 3 was never taken up.

87. In conclusion, the operation carried out is of a mainly utilitarian nature aimed at protecting a certain heritage.

6.3 Staff satisfaction

88. With regard to the second objective, which was to improve the working conditions of users of the buildings, in November 2007 a satisfaction survey was carried out by the Internal Oversight Service, as part of the above-mentioned audit on the renovation operation.⁶⁴ A sample of 100 people working in the renovated premises of Building I was asked several questions by email (resulting in 30 replies). The Internal Oversight Service noted that the replies revealed mixed levels of satisfaction. When asked to provide an overall assessment of the renovated premises of Building I, 75% of people working in the yellow wing and 83% of those working in the blue wing reported being “very satisfied” or “satisfied”.⁶⁵ Given how

⁶³ 32 C/Resolution 74, paragraph 9.

⁶⁴ Document IOS/2007/15 (paras. 107-108).

⁶⁵ When the satisfaction survey was carried out, work had finished on the yellow and blue wings of Building I, was still under way in the red wing of Building I and Building III, and had not yet begun in Building IV.

much had been spent, the proportion of dissatisfied people might have been expected to be smaller.

89. The Internal Oversight Service concluded that the satisfaction of users could have been higher if their needs had been assessed before the layout and fittings for the new premises were chosen. The External Auditor cannot but agree with this comment.

6.4 Closing remarks

90. The aim of this audit was to check the progress of the renovation operation on UNESCO premises. Although the operation is not completely finished, only a small number of uncertainties remain. Conclusions can therefore be drawn on how the entire operation has unfolded.

91. The previous audit led to comments being made about the reasons behind the cost overruns observed. In the light of these comments, the completion of work involved major risks. The risks did not materialize. This, however, is partly due to improved economic conditions, which might not be repeated for other operations.

92. Nevertheless, the completion of work did give rise to other difficulties. Budget lines assigned to conservation and maintenance were used to meet additional requirements and to carry out work outside of or on the margins of the operation, making use of the presence of companies on the site. This utilization, which was partly improvised, made the financial monitoring of the operation more difficult.

93. On a technical level, the operation appears to have produced good results. This is less certain, on the other hand, if an attempt is made to verify that the work carried out will result in savings for the conservation and operating budgets and will avoid other onerous renovations in the future. In the "Belmont Plan", maintenance and conservation were to be included in the studies carried out for its implementation. This was not done, even if certain preventive measures have been taken.

94. In future, if UNESCO wishes to carry out renovation work without exceeding the budgets provided for and without taking unnecessary risks, it should be more rigorous in defining its requirements and in its financial and legal management of operations. From the time of the initial studies, the Organization should also pay greater attention to the integration of operations throughout the entire site and to the arrangements for the conservation and maintenance of renovated premises.

95. Lastly, using an Assistant to the Contracting Authority may provide substantial assistance in relation to the technical aspects of the operation. However, this cannot replace the involvement of the management bodies of UNESCO in the main choices to be made (especially where these have a financial impact).

Director-General's comments:

The Director-General thanks the External Auditor for his audit report on the final phase of the renovation work at UNESCO Headquarters (Fontenoy site). She notes with satisfaction that the potential risk of cost overrun as mentioned in document 181 EX/42 did not materialize. The Director-General welcomes the recommendations made in the report and will endeavour to implement them.



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EXTERNAL AUDITOR'S REPORTS

PART III

**AUDIT REPORT ON THE
UNESCO WORLD HERITAGE CENTRE (WHC)**

SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits the audit report on the UNESCO World Heritage Centre (WHC).



**Office of the External Auditor of the
United Nations Educational, Scientific
and Cultural Organization**



Audit Report
on the
UNESCO World Heritage Centre

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1. FRAMEWORK AND PERIMETER OF THE AUDIT

1. This audit was included by the External Auditor in his 2009 programme and carried out in December 2009. It covers the organization of the Centre, its financial and human resources, its financial situation and the execution of its missions to implement the World Heritage Convention from 2007 to 2009. The audit included interviews with several Ambassadors, Permanent Delegates to UNESCO from countries on all five continents which are members of the World Heritage Committee or have been in recent years. It will be complemented by the evaluation requested by the General Assembly of States Parties to the Convention from the External Auditor for its 18th session on “the implementation of the Global Strategy from its inception in 1994 to 2011 and the Partnership for Conservation Initiative (PACT)”.¹

2. WORLD HERITAGE CENTRE MISSIONS

2.1. Status and functions of the Centre

2. Article 14, paragraph I, of the *Convention for the Protection of the World Cultural and Natural Heritage*, adopted by the General Conference on 16 November 1972, states that the World Heritage Committee shall be “assisted by a Secretariat appointed by the Director-General of UNESCO”. For 20 years, this secretariat was provided jointly by the Culture Sector and the Natural Sciences Sector.

3. It was only in 1992 that the Centre was established within the UNESCO Secretariat. The Director-General stated at that time that “*the main purpose of the Centre will be to carry out, rapidly and efficiently, activities related to the implementation of the Convention*”, and that its operations would be “*closely coordinated*” with culture and natural sciences activities.²

4. The Director of the Centre is the Secretary to the General Assembly of States Parties to the 1972 Convention and to the World Heritage Committee. The Director and the Centre’s staff together form the secretariat of the Assembly and of the Committee.³

5. In 1995, a new decision by the Director-General confirmed that: “*the Centre is placed under (his) direct authority and coordinates all UNESCO activities with regard to World Heritage*”. As recommended by the Executive Board, “a certain operational flexibility in financial and administrative terms” was granted in 1995 to the World Heritage Centre, an integral part of UNESCO as an administrative unit of the Organization.⁴ In January 2000, the Director-General modified the arrangements: in “*the interest of rationalization and efficiency*”, the Director-General decided to attach the Centre to the Culture Sector, “*it being understood that its specificity will be preserved*”.

6. As part of the reorganization of the Culture Sector, the Director-General redefined the structure of the World Heritage Centre in January 2008, “*in order to ensure greater overall efficiency and consistency with the strategic priorities defined by the intergovernmental World Heritage Committee*” and to give effect to the decisions taken by the Committee on the recommendations of the 2007 management audit (see below). The structure of the Centre had to be “*more transparent and functional, establishing clear lines of reporting*”. The “*delegation of increased authority*” had to be accompanied by the reinforcement of internal and external controls.⁵

¹ Resolution 17 GA 9, paragraph 16, adopted by the General Assembly at its 17th session (October 2009).

² Decision in DG/Note/92/13 of 30 April 1992.

³ Rule 15.2 of the Rules of Procedure of the General Assembly and Rule 43.1 of those of the Committee; Letter DG/4.1/16/03, 21 October 2003 from the Director-General to Committee members.

⁴ Executive Board, 147th session (October-November 1995), recommendation in 147 EX/Dec. 5.1, III, para. 9 (a), endorsed by the General Conference at its 28th session, 28 C/Res. 3.10.

⁵ Director-General Note of 7 January 2008 (DG/Note/08/01).

7. One fifth of all world heritage property is natural sites. The January 2008 decision therefore established a Steering Committee composed of the Assistant Directors-General for Culture and Natural Sciences, the Director of the Centre and the Director of the Division of Ecological and Earth Sciences.

8. Two observations may be made: the Centre's visibility and authority were asserted during the period in which it enjoyed significant internal autonomy and was directly under the responsibility of the Director-General of UNESCO. This being so, its attachment to the Culture Sector is viable as long as a steering committee can ensure consistency with the activities of the Natural Sciences Sector.

2.2. Overall trends in the missions and resources allocated to the Centre

9. The management audit carried out in 2007 by Deloitte at the request of the World Heritage Committee⁶ highlighted the fact that the World Heritage Centre was one of the Organization's most visible programmes. A comparison of the Centre's workload versus its financial and human resources can be made using the table below:

Table No. 1 – Development of the World Heritage List, budget and Centre staffing (1998-2009)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of sites on the World Heritage List	581	629	690	721	730	754	788	812	830	851	878	890
WHC budget	\$15,523,291		\$19,926,600		\$24,872,400		\$24,867,000		\$30,471,500		\$38,152,600	
Regular budget	\$4,541,700		\$4,926,600		\$5,872,400		\$7,575,900		\$10,089,500		\$13,766,800	
World Heritage Fund	\$10,981,591		\$12,369,199		\$9,907,745		\$8,417,215		\$8,368,596		\$8,962,969	
Extrabudgetary resources	Not available		\$2,630,801		\$9,092,255		\$8,873,885		\$12,013,404		\$15,422,831	
Staff – number of posts	28		33		43		60		69		61	
Established posts (regular budget and FITOCA)	22		28		33		40		38		40	
Temporary staff, ALD and experts	6		5		10		20		31		21	

Source: UNESCO World Heritage Centre

The figures above are the approved budget funds for main line of action IV.1 "Protecting and conserving immovable cultural and natural properties, in particular through the effective implementation of the World Heritage Convention" of Major Programme IV – Culture (34 C/5 Approved, Annex I).

Average staffing per biennium, not including consultants and supernumeraries.

⁶ Decision 30 COM 12 (30th session, Vilnius, 2006), Final report on the management audit of the World Heritage Centre (WHC-07/31.COM/19A.Rev). See below.

10. Although the number of sites on the list has increased by half in ten years, available resources (*budgetary and staffing resources*⁷) have more than doubled. Extrabudgetary funds, non-existent ten years ago, now represent some two-fifths of available funding. Similarly, the number of temporary or external staff who are not remunerated from UNESCO's regular budget has increased rapidly and now represents a third of the total. The number of sites on the World Heritage List is not the only parameter to consider, however, when evaluating how the resources and missions of the Centre have evolved. Nomination and monitoring procedures, for example, have been diversified and made more rigorous, even though they have become somewhat more complex as a result (see *below*).

11. The transformation of how both budgetary and human resources are structured is not coincidental. Obtaining more resources and seeking new partnerships involves a significant workload. Above all, though, extrabudgetary resources are by nature unpredictable, as the recent decrease in funding from the United Nations Foundation shows. Likewise, using outside staff has certain drawbacks: training is needed in procedures and work methods; staff must be integrated into the team, and there is high turnover.

Recommendation No. 1: Maintain a reasonable balance between the permanent financial and human resources and the external/temporary ones, which have allowed the Centre to expand its activities in the last ten years.

2.3. World Heritage Centre programme documents and monitoring

12. For the 2008-2009 biennium (34 C/5), the General Conference adopted 34 C/Resolution 39 for Major Programme IV – Culture, which included main line of action IV.1 “*Protecting and conserving immovable cultural and natural properties, in particular through the effective implementation of the World Heritage Convention*”. Expected in particular was a “*more representative, credible and balanced World Heritage List, with particular reference to the Africa, Caribbean and Pacific regions*”, the strengthening of “*national capacities for the conservation and management of heritage properties, [...] in particular in post-conflict and post-disaster countries*”.

13. These expected results were linked to performance indicators and benchmarks. They were not always uniform and not all of the Centre's actual activities were included. The introduction of a more operational management tool could provide effective support in running the Centre.

2.4. Cooperation with other institutions

14. The very nature of the World Heritage Centre's missions means that it cooperates with United Nations special agencies (Food and Agriculture Organization of the United Nations, World Tourism Organization, programmes (United Nations Environment Programme, United Nations Development Programme), and various system bodies (MONUC, UNFIP, ISDR, CBD, UNITAR⁸). The Centre also works in a limited capacity with the World Bank. Upon analysis, these forms of cooperation give the impression that efforts are scattered and reactions are ad hoc. The Centre runs the risk of allocating too many resources and too much of its staff's time to cooperation.

15. It would then be advisable to reorganize existing forms of cooperation more coherently according to the main action themes defined by the Committee by establishing a multiparty agreement uniting UNESCO, via the Centre, and the United Nations institutions and bodies which contribute to these various themes.

⁷ The decrease in the number of officials between 2006-2007 and 2008-2009 is for the most part an “illusion”, as some temporary posts were reclassified as consulting positions, which do not appear in the table.

⁸ United Nations Organization Mission in the Democratic Republic of the Congo, United Nations Fund for International Partnerships, International Strategy for Disaster Reduction, Convention on Biological Diversity, United Nations Institute for Training and Research.

Recommendation No. 2: Consolidate and streamline cooperation with other United Nations institutions and programmes around a small number of themes.

2.5. Previous audits and evaluations

16. The following audits have been carried out since 1997:

TYPE	AUDITOR	DATE	OBSERVATIONS
Management audit and financial audit	Auditor General of Canada	1997	Joint work between the External Auditor and an <i>ad hoc</i> advisory body composed of nine countries
Survey-based financial audit	Internal Oversight Service (IOS)	2004	Unliquidated obligations (ULO)
Financial audit	IOS	2005	Follow-up on recommendations from 1997 audit
Study for the implementation of results-based management (RBM)	Sté Baastel	2006	External audit: preparation of results-based management (<i>see below</i>)
Evaluation of international assistance	Ms Taboroff	2005/2006	External audit: analytical study and recommendations
Management audit	Deloitte	2007	Full external audit following on from that of 1997
Compliance audit	IOS	2007	Aksum project (<i>see below</i>)
Inquiry into WHC workload	IOS	2008	Evaluation following on recommendations of Deloitte report

17. The Deloitte report (2007) made reference to “a context of recurring internal and external evaluation”. The mission assigned to Deloitte was global in character and initiated at the request of the Committee,⁹ as was the case for the 1997 evaluation of the administrative management of the World Heritage Convention.¹⁰ It should be noted that the Committee and the General Assembly of States Parties have attached great importance to the follow-up to these evaluations.¹¹

Recommendation No. 3: Carry out audits on the organization, activities and finances of the Centre according to an established timetable.

⁹ Decision 30 COM 6 (and 12): “The World Heritage Committee (...) requests a management audit of the World Heritage Centre in order to facilitate the development of a strategic plan for reinforcing the implementation of the Convention.” (30th session, Vilnius, 2006).

¹⁰ 20th session of the World Heritage Committee (Mérida, 1996).

¹¹ Report of the External Auditor for the 21st session (Kyoto, 1998, WHC-98/CONF. 203/INF.16), IOS Report WHC-05/29. COM/INF.15 (29th session, Durban, 2005), Resolution 16 GA 5 (16th General Assembly, 2007), WHC-08/32. COM/17 Report and Decision 32 COM 17 (32nd session, 2008), Resolution 17 GA 7 (2009).

3. ORGANIZATION OF THE WORLD HERITAGE CENTRE

3.1. Human resources management

18. The Director-General's decision of 7 January 2008 (cited above) entailed the reconfiguration of the units and roles of staff. The World Heritage Committee was expected to take a decision in 2008 on the possibility of adding seven staff members to the teams to assist in implementing structural changes at the World Heritage Centre. However, consensus was not reached on how the posts were to be financed.

19. Postponement of the recruitment of a deputy director for management, stipulated in the Director-General's Note of January 2008 is even more surprising. Despite the strategic importance of recruiting a D1 profile for the Centre and "urging" by the Committee,¹² two years on, an applicant had not yet been selected.

20. An initial selection was made in 2008¹³: a pre-selection committee chose 33 candidates from among 380.¹⁴ The Assistant Director-General for Culture (ADG/CLT) then added five additional candidates. The evaluation committee submitted 12 names to the Director-General, who selected four¹⁵ for an interview with the committee and with himself. Eventually, the Director-General, in April 2009, decided to re-open the recruitment process. This was done in June 2009: 522 candidates applied, a new selection committee was established and the four candidates who had reached the final phase of the earlier recruitment procedure were asked to apply again. At the date of this audit, the process was not scheduled to be completed before March 2010.

21. In the procedure followed in 2008, the inclusion of five additional candidates after pre-selection was said to have been done "*following a careful review of all the candidatures*",¹⁶ which would seem to be corroborated by the presence of two of these candidates among the four names on the final list. The addition nevertheless renders the procedure less than ideally transparent.

Recommendation No. 4: Ensure transparency in the recruitment process

22. The imbalance between permanent¹⁷ and temporary posts¹⁸ has led to high staff turnover: 59% (2006-2007) and 35% (2008-2009). In the last four years, 78 people, most of them on temporary posts, have left the Centre.

23. These staff movements, including retirement, and consequent replacements are not sufficiently anticipated by the Centre's managers. A forward-looking management approach to human resources is no doubt urgently needed, in order to stabilize a staff base offering all needed skills.

24. This approach should also include continuous education for staff. Some ad hoc training sessions are organized in-house, primarily on the use of information technology and the FABS software package and on UNESCO procedures. These sessions are not part of an annual or biennial training plan, however. At the date of this audit, \$13,703 was earmarked for training for the 2008-2009 biennium. Notably, no training is planned for new staff. Furthermore, training given by

¹² Decision 32 COM 17 (32nd session, Quebec City, 2008).

¹³ Vacancy notice for the post "WHC-003, D1", published on 23 April 2008.

¹⁴ July 2008: 26 external candidates, 3 internal candidates, 4 United Nations candidates.

¹⁵ One internal candidate, 2 external candidates, 1 United Nations candidate.

¹⁶ Note from ADG/CLT to the Director-General, 17 April 2009.

¹⁷ Thirty-seven established posts on the regular budget in 2008-2009 (22 "Professionals" and 15 "General Service" staff), plus FITOCA (Funds-in-Trust Overhead Costs Account) posts.

¹⁸ Numbering 6.5 on the regular budget (including 3.5 "Professionals") and 34.5 on extrabudgetary resources (including 18.5 Appointments of Limited Duration – ALD).

UNESCO central services is not open to all Centre staff members; access is determined by contract type, which is not relevant to the organization of work at the Centre.

Recommendation No. 5: Engage in reflection so as to develop a clear, long-term and shared vision (WHC – ADG/CLT – HRM – BB – IOS) of the human resources and core skills needed to implement the world heritage safeguarding strategy as well as the funding sources to mobilize.

25. Overall, the number of Centre staff (*not including supernumeraries and consultants*) nearly doubled between 2000-2001 (33 people) and 2008-2009 (61 people); the total number of staff at the Centre increased from 37 to 82. It should be noted that after some staff members (five people) were transferred to the Centre in 2006 from the Tangible Heritage Section in the Culture Sector, all left in the space of a year (*transferred or retired*). The Centre also employs specialists seconded by States Parties, which cover the related salary costs.

26. It has been observed that French nationals (17 out of 61 positions, or 28%), and more generally individuals from Europe and North America (38 positions, 62% of all staff) are strongly represented among the WHC staff. A marked presence of host-country nationals in General Service posts is probably to be expected. The fact that 17.6% of all professional posts are held by French nationals¹⁹ can be considered high given the universal nature of the Centre's mandate and the composition of the World Heritage List. The General Assembly of States Parties called for "*improvements in personnel requirements, taking into account geographical representation*".²⁰

Recommendation No. 6: Seek more balanced distribution of the staff in the "Professional" category

3.2. Results-based management

27. The World Heritage Centre (WHC) was chosen in 2004 as a pilot unit of the Organization to integrate RBM²¹ into its activities and staff work plans. The United Nations Foundation granted the Centre funding (\$100,000) in November 2004 for a study on the integration of RBM into its operations.

28. The methods of implementation of the study warrant attention. The Canadian company Baastel was selected, without any call for tenders, to conduct the study (\$85,000). Two contracts with the same purpose were signed, in October 2005 and March 2006.²² At the request of the financial services,²³ the absence of competitive bidding²⁴ was justified – at least for the first contract – by the Director of WHC, who drew attention to the low cost of the contract, the contractor's excellent knowledge of UNESCO and the "*high quality service provided to BSP/RBM and IOC*".²⁵ The report submitted to UNESCO, dated May 2006, was prepared by two persons. While the first author belonged to the advisory group, the second author was still in charge of the RBM unit of the Bureau of Strategic Planning in late 2005. Competitive bidding would have been desirable. The Centre explained that "*Baastel was selected by BSP/RBM and not by WHC*". As to

¹⁹ Eight out of 45.5 "P" (22 established posts, 3.5 temporary posts, 4.5 FITOCA and 15.5 ALD). Only established posts are subject to geographical distribution requirements.

²⁰ Resolution 17 GA 7 (17th session, October 2009).

²¹ Results-based management (RBM).

²² Fee contracts of 7 October 2005 (\$24,000) and 10 March 2006 (\$61,200).

²³ Division of the Comptroller of the Sector for Administration (now BOC/FPC).

²⁴ Administrative Manual, Item 10.2, paragraph 5.5.

²⁵ Letter WHC/DIR/2005/14 of 31 May 2005. NB: BSP = Bureau of Strategic Planning; IOC = UNESCO Intergovernmental Oceanographic Commission.

the Bureau of Strategic Planning (BSP), it explained that “*neither the Director of BSP at the time nor any other member of BSP was involved in the selection of Baastel for WHC, nor did they see or endorse the report*”.

29. The report was submitted to the World Heritage Committee (30th session, Vilnius, July 2006). The Committee did not retain its proposals.

Recommendation No. 7: Ensure that the World Heritage Centre introduces a results-based management approach in its programming documents (C/4 and C/5) fully consistent with the methodology used by the Organization.

3.3. Linkages between the World Heritage Centre and the World Heritage Committee

30. The “*Intergovernmental Committee for the Protection of the Cultural and Natural Heritage of Outstanding Universal Value, called the World Heritage Committee*”²⁶ is composed of 21 members and meets at least once a year.²⁷ The World Heritage Centre has served as its secretariat since 1992.

31. The annual sessions of the Committee have very full agendas and involve long working days.²⁸ More than 800 kilos of documents are sent to participants for review and comment. More than 250 decisions are taken, on average, at each session.

32. At its 33rd session (Seville, June 2009), the Committee thus considered reports on the 31 sites on the List of World Heritage in Danger and 147 reports on the state of conservation of other properties on the World Heritage List. Several solutions were discussed with a view to reducing its workload, including the reactivation of specialized sub-commissions to prepare the work of the Committee or holding two sessions a year – an option for which the Committee requested a feasibility study.²⁹ It would be appropriate to focus reform of the Committee’s working methods on the planning of regular audits of the Centre, as recommended above.

4. THE FINANCIAL SITUATION OF THE WORLD HERITAGE CENTRE

4.1. The various categories of resources of the Centre

33. The World Heritage Centre has three types of resources: the regular budget (or programme), the World Heritage Fund, managed in the form of a Special Account with specific financial regulations, and extrabudgetary funds. Each of these resources is governed by particular management rules.

34. The regular programme (UNESCO’s overall budget) provides most of the operating and staffing resources of the World Heritage Centre, some \$12 million each biennium.

35. The World Heritage Fund is a specific instrument established by the 1972 Convention to assist States Parties in identifying, preserving and promoting world heritage sites. It is funded through compulsory and voluntary contributions by States Parties. Compulsory contributions are equivalent to 1% of their annual contributions to UNESCO.³⁰ The Fund is also financed through voluntary contributions, partnerships, proceeds from sales and publications, and donations from

²⁶ Article 8, paragraph 1, of the World Heritage Convention of 16 November 1972.

²⁷ Cost of organizing meetings, \$221,712 in 2007 (31st session, Christchurch), \$220,380 in 2008 (32nd session, Quebec City), \$227,670 in 2009 (33rd session, Seville).

²⁸ Ten days at the 32nd session in Quebec City (July 2008), eight days at the 33rd session in Seville (June 2009).

²⁹ Decision 33 COM 14A.2 (33rd session, 2009).

³⁰ The return to UNESCO of the United States of America (which had not withdrawn from the Convention) paradoxically led to a reduction in the resources of the Fund to the extent that the return of the Organization’s main contributing country reduced somewhat the compulsory contributions of the other States Parties.

individuals. The Fund's income is relatively stable and the collection rate has been appropriate in recent years, notwithstanding the late receipt in 2008 of part of the contributions expected in 2007.

Table No. 2: Progression in contributions to the Fund and their collection rate

	USD Current	2004	2005	2006	2007	2008
Compulsory contributions						
<i>voted</i>		1,836,912	1,837,614	1,836,851	1,836,407	1,891,201
<i>received</i>		1,876,557	1,836,139	1,809,079	1,701,578	2,056,245
Voluntary contributions						
<i>expected</i>		1,295,696	1,295,696	1,217,426	2,434,851	1,251,369
<i>received</i>		1,276,876	1,246,541	1,243,066	1,227,523	1,261,966
Total received		3,153,433	3,082,680	3,052,145	2,929,101	3,318,211
Compulsory contributions received/voted		102%	100%	98%	93%	109%
Voluntary contributions received/expected		99%	96%	102%	50%	101%

Source: Bureau of the Budget

36. Fund expenditure amounts to some \$7.5 million each biennium. Expenses incurred but not liquidated at the end of the biennium may be carried forward to subsequent financial periods. The Fund mainly finances services provided by advisory bodies and international assistance to States Parties (see below).

37. The level of the operational reserve of the Fund (some \$4 million at the end of 2008) seems high. One reason for this is that expenditure may be made only within the limits of funds available,³¹ but a significant part of the payments to advisory bodies are made at the beginning of the year, before the funds have all been made available. The high level of the reserve may thus be justified although it does not suggest optimum management of the funds.

38. Online donations are paid into a bank account opened specially by the Bureau of the Comptroller (BOC) and managed by it in the same way as the Organization's other bank accounts. At the end of each month, the donations paid into this account are credited to the World Heritage Fund. The online donations received in this account for the world heritage amounted to €8,729 in 2009.

39. Extrabudgetary funds, which exceeded \$20 million in the 2008-2009 biennium, now represent the Centre's main resource. In addition to directly funding the Centre's staff costs, they contribute to funding UNESCO staff expenditure and Headquarters costs, through the deduction of support costs (13% of the total amount). The World Heritage Centre managed 169 extrabudgetary projects during the 2008-2009 biennium, of which 72 were still ongoing in late November 2009.

40. In just over ten years, the World Heritage Fund, which was at the heart of the mechanism, has become a minority stakeholder, accounting for 18% of the Centre's total funding in 2008-2009 against 51% in 1996-1997. This trend represents an achievement for the World Heritage Centre, which has successfully raised 10 times more extrabudgetary funding than 10 years ago. It also constitutes its major weakness. The use of extrabudgetary funds is most often subject to specific requests from donors (*geographical or sectoral allocation*), with the risk that priorities may sometimes be imposed on the Centre on top of the Committee's strategic objectives. Furthermore, this uncertain funding situation may jeopardize the sustainability of the activities undertaken by the Centre.

³¹ Article 4.2 of the Financial Regulations for the World Heritage Fund.

Table No. 3: Progression in the various sources of funding of the World Heritage Centre

	1996-1997		2008-2009	
	USD (current)	%	USD (current)	%
Regular budget	3,500,000	31%	11,890,321	28%
World Heritage Fund	5,800,000	51%	7,677,041	18%
Extrabudgetary*	2,000,000	18%	22,694,294	54%
Total	11,300,000	100%	42,261,656	100%

*Potential expenditure over the biennium

Source: Budget Implementation Report 2008-2009 (WHC-09/33.COM/16A) submitted to the World Heritage Committee (33rd session, June 2009). It should be noted that these data differ from those contained in the C/5 document (see below).

41. The Centre is responsible for collecting part of the income, which is not standard practice at UNESCO. Since 1993, the Bureau of the Comptroller has entrusted the Centre with collection of States Parties' contributions to the World Heritage Fund. This process³² is under the responsibility of the Administrative Officer of WHC, in cooperation with the Treasury Section (BOC/TRS). It is also the Centre that acknowledges receipt of funds from partnerships with the private sector that are not funds-in-trust.

Recommendation No. 8: Centralize all calls for funds in the Bureau of the Comptroller.

4.2. The absence of reliable, summary official financial information

42. Monitoring of implementation of the work programme is divided into three components, according to the type of funding considered: the Bureau of the Budget for the regular programme, the Bureau of the Comptroller for the World Heritage Fund, and the Bureau of the Budget and the Sector for External Relations and Cooperation (ERC) for extrabudgetary funds.

43. In addition, the budgetary nomenclature is not consistent. The regular programme is organized into lines of action and activities, but its monitoring may be carried out retrospectively by main type of expenditure (*staff, contracts, equipment and maintenance, training, support costs*). The monitoring of the World Heritage Fund is carried out, at the request of the Committee, by main line of action, although this operational system is not fully observed since significant items of expenditure are not broken down by activity (*advisory bodies, staff and overhead costs*). As to the monitoring of extrabudgetary funds by item of expenditure, this is carried out by the Centre's project managers, who have the implementation status of the funds in spreadsheet form, in accordance with the breakdown provided for in the financial annexes to contracts with donors.

44. Although the monitoring arrangements differ, the results-based management approach, endorsed by donors, is conducive to the harmonization of monitoring and reporting, regardless of the source of funding. Moreover, as confirmed by the Bureau of the Comptroller, UNESCO's budgetary and financial accounting tool (FABS)³³ enables the monitoring of the implementation of projects by activity, as defined in the project contract documents. "It is sufficient, on creating the budget code in FABS, to establish budget sub-codes (WBS elements) in the PS module",³⁴ which is the FABS project management module.

³² Preparation and dispatch of letters calling for contributions, acknowledgements of receipt, follow-up of arrears.

³³ Finance and Budget System.

³⁴ WBS – Work Breakdown Structure, PS – Project System.

Recommendation No. 9: Provide better information, combined if necessary with training, for project managers in project management under FABS.

45. The World Heritage Committee requires a financial overview of all the sources of funding used by the World Heritage Centre. However, the only summary tables available are prepared for information purposes by and under the responsibility of the Administrative Officer of the Centre, and without any shared methodology or validation process with the other units concerned (BB, BOC and ERC).

46. With regard to extrabudgetary resources, the most relevant amount in taking a consolidated approach to the Centre's resources is the amount available for the two years of the biennium. In the summary tables, the breakdown of expenditure for each extrabudgetary project among the various lines of the Fund nomenclature has not been validated by the project managers. In addition, the accounting and budgetary software does not enable monitoring of the activity of the many external service providers by type of expenditure, so that 90% of expenditure on extrabudgetary funds may thus appear on a single line.

47. A comparison of Tables No. 1 and No. 3 for the 2008-2009 biennium reveals significant differences. In order to determine its budget (Table No. 1), the World Heritage Centre refers to the appropriations under main line of action IV.1, "Protecting and conserving immovable cultural properties and natural properties, in particular through the effective implementation of the World Heritage Convention", as set out in document 34 C/5 under Major Programme IV – Culture.³⁵ The actual heading of the main line of action shows, however, that it includes Sector activities beyond the scope of WHC. Furthermore, the summary at the end of the introduction to document 34 C/5 includes a line entitled "of which WHC" under the Culture Sector, which shows smaller amounts: \$12,254,100 for the regular budget (instead of \$13,766,800) and \$9,398,000 for extrabudgetary resources (instead of \$15,422,831).³⁶ The Centre explained that the appropriations under main line of action IV.1 included the contribution of other services of the Culture Sector and field offices to world heritage conservation activities.³⁷ Nevertheless, in a document submitted to the Committee in June 2009 (33rd session), the World Heritage Centre provided different figures (see Table No. 3) for the regular budget, in view of a difference in scope,³⁸ as well as for the World Heritage Fund and, in particular, for extrabudgetary resources, which included, for instance, resources identified since the beginning of the biennium (\$22.69 million against \$9.4 million or \$15.42 million). The Centre replied that it was an "*informal document for information purposes only, not certified by BOC*". It is urgent to establish a reliable reporting mechanism (see below).

48. Expenditure is not consolidated by type (*staff, contracts, equipment and maintenance, training, support costs*) among the three funding sources. It is also impossible to establish a link between the use of extrabudgetary funds and the main lines of action defined by the World Heritage Committee.

49. In order to have a double breakdown of expenditure, by type and by main line of action, and to consolidate information on all funding sources, it would be necessary to adopt a nomenclature of expenditure common to the three sources and to seek validation of its relevance by the various

³⁵ 34 C/5 (in English) and Annex I, "Budget summary by main line of action of regular and extrabudgetary resources".

³⁶ In Annex I of document 34 C/5, these resources are combined with those of the World Heritage Fund to produce the total "extrabudgetary resources" (\$24,385,000).

³⁷ Amounting to \$1.56 million for the regular budget and \$6.02 million for extrabudgetary resources.

³⁸ The resources allocated to the implementation of the Convention for the Protection of Cultural Property in the Event of Armed Conflict (Hague Convention) of 14 May 1954 had been included in document 34 C/5 in the line regarding WHC, since the Centre was responsible for managing the 1954 Convention (decision in DG/Note/07/02 of 25 January 2007). However, this responsibility was transferred in 2008 to the Division of Cultural Objects and Intangible Heritage (Note by the Director-General dated 7 January 2008).

services concerned at UNESCO and by the World Heritage Committee. Work is under way with the Organization's central services with a view to establishing a reporting framework. The Centre would create budget sub-codes for each extrabudgetary project in order to link these projects to an activity approved by the Committee. *"In addition, it is planned that the Centre should clarify its proposals to manage unliquidated obligations carried forward from 2009 to 2010".*³⁹

Recommendation No. 10: Establish, in cooperation with the Bureau of the Budget and the Bureau of the Comptroller, consolidated financial information on the three funding sources, in accordance with a framework provided by the Committee and using a nomenclature (*by function and by type*) compatible with the Organization's financial and budgetary system. With regard to extrabudgetary funds, prepare a multi-year management chart that shows, year after year, new obligations, funds collected and the amount of outstanding funds. Provide this information each year to the Committee.

4.3. Traceability of the use of the funds

50. There is considerable cross-subsidization between extrabudgetary funds and the regular programme. Staff members of the Centre with posts funded directly by the operational budgets of extrabudgetary projects⁴⁰ thus contribute to ongoing activities usually financed by the regular programme, particularly with regard to the secretariat of the Convention. Conversely, management fees are systematically deducted from the extrabudgetary funds in exchange for the structural costs incurred by UNESCO for their implementation (see above). Everybody working with the Centre should be invited to provide information on their work time allocation by line of action and by project. This would make it possible to calculate the overall cost of implementing each project, thereby providing a clear basis for considering the fungibility of unused funds. This approach could also be extended, in the long term, to the main lines of action.

Recommendation No. 11: Make the necessary arrangements to make it possible to calculate, in consultation with the Bureau of the Budget, if necessary, carrying out a small-scale trial, the overall cost of implementation of projects, with a view to integrating all the direct and indirect costs of a project.

4.4. Overseeing the financial resources of the Centre

51. The External Auditor draws attention to three points. First, 51% of the resources of the World Heritage Fund go to the advisory bodies (see below), which are contractually bound to provide detailed financial statements. The Centre does not make sufficient use of these statements, even though their aggregation would provide for a breakdown of its payments by main category of expenditure.

52. Second, the existence of numerous extrabudgetary projects to be monitored, the average size of which is below €500,000,⁴¹ and which must be reported on,⁴² entails high transaction costs: fund-raising in accordance with different schedules, reports to be established in accordance with different timelines and formats. The Centre should endeavour to propose a standard framework for reports to donors.

³⁹ Statement made in February 2010 by the Bureau of the Budget.

⁴⁰ These include 15.5 Appointments of Limited Duration, temporary posts, supernumerary assistance and consultants.

⁴¹ An average of €416,881 for the 2008-2009 biennium: \$120,732 for non-localized projects, \$540,558 for projects in Africa, \$139,747 in the Arab States, \$567,823 in Asia and the Pacific, \$145,000 in Europe and North America, and \$1,814,389 in Latin America and the Caribbean.

⁴² One hundred and sixty-nine extrabudgetary projects managed in the 2008-2009 biennium.

53. Third, the development of private partnerships should be accompanied by the definition of balanced commitments for each party. The partnerships are aimed at raising awareness of the objectives of the Convention and mobilizing funds. Some partnership agreements, however, require the World Heritage Centre to provide information or services that entail costs for it, while its partner's requirements are not clearly defined. In this regard, examples include an agreement with a major museum, whereby the partner commits itself only to providing "*in-kind support to UNESCO in promoting world heritage*", a framework agreement, without a specific project or commitments, signed in April 2004 with an NGO that provides conservation assistance, and an agreement signed in 2005 with an online travel agency, which also lacks clarity.

54. Caution is also required regarding the risks to image linked to the use of the world heritage emblem by private partners. The Operational Guidelines for the Implementation of the World Heritage Convention do contain safeguards, arising from the 1883 Paris Convention for the Protection of Industrial Property.⁴³ Nevertheless, a fine watchmaking company, with which the Centre had signed a three-year agreement, published, in December 2009, an advertisement associating the World Heritage logo with its brand without asking for prior permission from the Centre, as it was contractually required to do. The industrial group pledged by telephone to submit any future advertising plans to UNESCO for validation. Other partnerships raise the issue of their consistency with the provisions of the Convention with regard to the use of the emblem by travel agencies.⁴⁴

Recommendation No. 12: Further this analysis through the audit requested by the General Assembly of States Parties at its 17th session.

5. THE ROLE OF THE CENTRE IN THE MANAGEMENT OF THE WORLD HERITAGE LIST

5.1. Management of the World Heritage List

55. In 10 years, the number of sites on the World Heritage List has increased by 29% and the number of reports on the state of conservation of properties submitted to the Committee has risen by 88%. Of the 191 UNESCO Member States, 186 have ratified the 1972 Convention and 89% have drawn up a "tentative list" of properties they intend to nominate for inclusion (1,476 properties in total).

Table No. 4: Management of the World Heritage List

	2000	2003	2005	2006	2007	2008	2009
Sites on the list	690	754	812	830	851	878	890
of which OECD countries (%)	49.6	49.2	48.3	47.9	47.9	47.7	47.7
States Parties	160	176	180	182	183	185	186
Tentative Lists	112	132	145	151	157	162	166
Reports on the state of properties	94	134	137	133	161	158	178

⁴³ Guidelines and Principles for the Use of the World Heritage Emblem, adopted in 1998 (22nd session, Kyoto), paragraphs 261 to 279 of the Operational Guidelines for the Implementation of the World Heritage Convention. See the Directives concerning the use of the name, acronym, logo and Internet domain names of UNESCO, 2007 (34 C/26 and 34 C/74).

⁴⁴ Operational Guidelines, paragraph 275(g).

56. Thirty-one of the 890 properties on the World Heritage List have had to be included in the List of World Heritage in Danger because they are “*threatened by serious and specific dangers*”.⁴⁵ Twelve of those properties have been listed for more than 10 years and two have been listed for more than 20 years.⁴⁶ For many properties, the State Party has not yet prepared a draft statement of outstanding universal value.

57. This observation highlights the need to effectively monitor and manage expectations with regard to the Centre. Redressing the balance of the List is thus a priority for the Intergovernmental Committee. Sites located in developing countries, emerging countries and economies in transition, both at the time of their inclusion in the List and in the context of their monitoring, call for proportionally greater efforts than those situated in the OECD area.

5.2. Inclusion in the List

58. The main stages in the inclusion of a property in the List are the preparation of the nomination file (*selection by the State Party, which requires the drawing up of the “tentative list”, then compilation of the file with the assistance of the World Heritage Centre*), the official dispatch of the file (*before 1 February*) to the Centre which checks that it is complete, and transmits it to the “*advisory bodies*” (see below), which carry out the technical examination and express an opinion and, finally, the examination by the Intergovernmental Committee (*June/July*) which takes the final decision.

59. The 2007-2009 procedures were examined by sampling two files from each Committee session.⁴⁷ The stages followed by those files do not require particular comment. The technical opinions of the advisory bodies were generally followed. However, although in 2009 the Committee followed the unfavourable opinion of the International Union for Conservation of Nature and Natural Resources (IUCN) on the Mount Wutai file, submitted as a mixed site, it did include the property in the List on the basis of the cultural criteria, despite the fact that the report of the International Council on Monuments and Sites (ICOMOS) contained misgivings. Similarly, the Committee decided to refer the Le Corbusier file back to the States Parties so that it could be strengthened, even though ICOMOS had proposed that examination be deferred on the grounds that the list of properties was too dispersed (22 sites) and poorly managed.

5.3. Relations with the advisory bodies

60. The 1972 Convention states that the Director-General of UNESCO “*shall prepare the Committee’s documentation and the agenda of its meetings and shall have the responsibility for the implementation of its decisions*”, and that he or she shall do so by “*utilizing to the fullest extent possible the services*” of the three advisory bodies that the Convention lists: the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM), International Council on Monuments and Sites (ICOMOS) and the International Union for the Conservation of Nature and Natural Resources (IUCN).⁴⁸ Payments to the advisory bodies are increasing considerably, owing to the lengthening of the World Heritage List and the diversification

⁴⁵ 1972 Convention, Article 11(4).

⁴⁶ The Old City of Jerusalem and its Walls (1982, see below) and the Chan Chan Archaeological Zone in Peru (1986).

⁴⁷ For 2007 (31st session): Sydney Opera House (*Australia*) and the Dolomites (*Italy*); 2008 (32nd session): the Morne Cultural Landscape (*Mauritius*) and the Temple of Preah Vihear (*Cambodia*); 2009 (33rd session): the Mount Wutai (*China*) and the Architectural and Urban Work of Le Corbusier (*Argentina, Belgium, France, Germany, Japan and Switzerland*).

⁴⁸ Article 14, paragraph 2, of the Convention. See also Article 13, paragraph 7. NB: ICCROM = International Centre for the Study of the Preservation and Restoration of Cultural Property; ICOMOS = International Council on Monuments and Sites.

of monitoring measures. Primarily charged to the World Heritage Fund, these payments amounted to \$3.25 million in 2008-2009.⁴⁹

61. The World Heritage Centre's relations with ICOMOS were examined. ICOMOS is a non-governmental organization with associate status which mobilizes scientific committees made up of professionals. Its involvement on behalf of the Centre entails providing independent advice developed through a codified internal procedure. ICOMOS is entirely dependent on UNESCO's contributions, unlike IUCN, which has partnerships with other donors.

62. The question of the positioning of the Centre and of the advisory bodies has been a recurrent one. The need to clarify their relations was again brought to the fore at the 33rd session of the Committee.⁵⁰ The 1972 Convention refers to the assistance of the advisory bodies in its Articles 8 (3), 13 (7) and 14 (2). It leaves scope, however, for greater openness towards other potential providers and explicitly mentions the possibility of calling on "*public and private bodies and individuals*" (Article 13.7), which is consistent with the Administrative Manual (Item 10.2).

5.4. Assistance to States Parties

63. The 1972 Convention makes provision for international assistance to States Parties in respect of properties included in the World Heritage List, or likely to be. It is mainly financed from the World Heritage Fund. Priority is accorded to properties placed on the List of World Heritage in Danger.

64. As at 27 October 2009, 36 requests for assistance had been approved for the 2008-2009 biennium: 9 for preparatory assistance (\$219,000), 20 for site conservation and management (\$512,000) and 7 for emergency reasons (\$385,000).⁵¹ Some 30 or so requests were on hold pending the response of the State Party to the observations made by the advisory bodies. In all, international assistance to States Parties should be of the order of \$1.2 million over the biennium, approximately four times less than in 2002-2003. An increasing number of allocations which stagnate are going, in fact, to other uses, mostly for the fees of the advisory bodies (see above).

65. The implementation of the provision of assistance is subject to intervention limits which may seem low.⁵² The decision-making mechanism is shared in a complicated way between the Director of the Centre,⁵³ the Chairperson of the Committee⁵⁴ and the Committee itself. For two years now, a panel involving the secretariat and the advisory bodies has also been called upon to provide advice.

66. In 2006, an evaluation of the provision of assistance led to the recommendation of measures to improve procedures.⁵⁵ The Committee requested and expanded and deepened "*impact evaluation for international assistance*" on the basis of reliable information.⁵⁶

5.5. The Centre's management capacity in relation to natural sites

67. At the end of 2009, the World Heritage List included 176 "natural" and 25 "mixed" sites. Eighty-five sites are simultaneously listed as World Heritage sites and recognized as "*Biosphere*

⁴⁹ They amounted to \$2.69 million in 2006-2007 and \$2.10 million in 2004-2005, i.e. representing an increase of 54.7% since 2004-2005.

⁵⁰ Report WHC-09/33.COM/5A.

⁵¹ The Centre has also put in place, in cooperation with the NGO Fauna and Flora International, a rapid response facility to address emergency situations in natural sites.

⁵² Namely, \$30,000 for preparatory activities and \$10,000 for promotional operations.

⁵³ Competent up to an amount of \$5,000.

⁵⁴ Up to an amount of \$10,000 (*promotion*), \$30,000 (*preparation, technical assistance and training*) and \$75,000 (*emergency assistance*).

⁵⁵ Revision of the application form, selection of monitoring indicators, new reporting procedures (30th session, Vilnius, WHC-06/30.COM/14A).

⁵⁶ Decision 30 COM 14A (paragraph 6.b).

Reserves". World Heritage sites represent about 10% of the surface of protected areas at the global level. Furthermore, many of them are in very extensive natural spaces (*especially forests*). At its session in Vilnius in 2006, the World Heritage Committee adopted a natural heritage strategy, which emphasized the constant improvement of site management capacities, the ecosystem approach and biodiversity.

68. A strategy was established for cooperation between the World Heritage Centre and the UNESCO Natural Sciences Sector, which conducts the Programme on Man and the Biosphere. Cooperation was also initiated with the European Space Agency, the Convention on Biological Diversity and UNDP, as well as with the United Nations Foundation.

69. The Centre's capacity for action seems limited. When the audit was conducted, only four of the Centre's programme specialists⁵⁷ had a recognized scientific qualification in a subject-area relevant to natural sites. The Director-General's instruction dated 7 January 2008, which stipulated that each of the Centre's regional sections should have one official qualified in the natural heritage, cannot therefore be respected.

6. EXAMINATION OF SOME ACTIVITIES FOR THE PRESERVATION OF THE WORLD HERITAGE

6.1. The Old City of Jerusalem and its Walls

70. The site of the Old City of Jerusalem and its Walls was included in the World Heritage List in 1981 at the request of Jordan. The following year it was placed on the List of World Heritage in Danger. The risks identified were a significant loss of historical authenticity, less protection for the site because of a change in its legal status, and endangerment on account of the town planning scheme. UNESCO has allocated to the property extrabudgetary funds totalling some \$4 million since 1988.

71. The Organization's commitment has been strong since the announcement in 2001 by the Director-General, approved by the General Conference (2003), of an initiative to draw up a global action plan, supported by the Executive Board and the General Conference.⁵⁸ It was marked by the drawing up, with the assistance of an international expert committee and with support from the Italian cooperation agency, of an "*Action Plan for the Safeguarding of the Cultural Heritage of the Old City of Jerusalem*", approved in 2007 by the General Conference, the Executive Board and the World Heritage Committee.⁵⁹ The World Heritage Committee invited the international donor community to support, through extrabudgetary funding, activities aimed at safeguarding, "*in particular in the context of the Action Plan*".⁶⁰ It considered, however, that "*the political context does not allow the definition of a desired state of conservation at this stage for the removal of the property from the List of World Heritage in Danger*".

72. Concurrently but separately, UNESCO defined and implemented in Jerusalem the "*reinforced monitoring mechanism*", in compliance with a decision adopted by the Executive Board at its 176th session,⁶¹ which followed a special mission from the World Heritage Centre, ICOMOS and ICCROM that had been dispatched by the Director-General in February 2007. "Reinforced monitoring" entails monitoring, at short intervals instead of once a year, the state of property in danger of losing its outstanding universal value. It pertains to the state of conservation of the

⁵⁷ In addition to the Deputy Director of the Centre, a natural heritage specialist, who follows a rather large number of programmes, over and above his managerial duties.

⁵⁸ 31st, 32nd (32 C/Resolution 39) and 33rd (33 C/Resolution 13) sessions of the General Conference and 170th session (*October 2004*) of the Executive Board (170 EX/10 Rev.).

⁵⁹ Decision 31 COM/7A.18, 177 EX/Decision 19 and 34 C/Resolution 47. Project 534RAB4001 (\$454,460).

⁶⁰ Decision 33 COM/7A.18 (*Seville, 2009*), documents 182 EX/15 and 35 C/16; ongoing projects 549RAB4000 (*European Commission, \$0.7 million*) and 570RAB4002 (*Leventis Foundation, \$0.27 million*).

⁶¹ 176 EX/Special plenary meeting/Decision and decisions of the World Heritage Committee (31 COM 5.2 of 2007 and 32 COM 7A.18 of 2008), which provide for a two-year experimental period.

“*Mughrabi Ascent*”⁶² in Jerusalem. The main question is that of archaeological excavations and town planning schemes inside a world heritage site.

73. The World Heritage Committee examined, at its most recent session, a monitoring report that had been drawn up in February 2009 (the sixth such report). It particularly regretted, as did the Executive Board,⁶³ the postponement of a technical follow-up meeting with Jordanian and Waqf experts which it had sought. It requested “*a report from the World Heritage Centre at least every three months*”, until its 34th session.

Recommendation No. 13: In the forthcoming evaluation of the *reinforced monitoring mechanism*,⁶⁴ clearly define the modalities for disseminating and discussing the more frequent reports which are the point of this procedure.

6.2. The Aksum Obelisk reinstallation operation

74. The ruins of the ancient capital of the Kingdom of Aksum were placed on the World Heritage List in 1980. One of the seven stelae of the Aksum necropolis, broken into five fragments when Aksum was destroyed in the tenth century, was taken to Rome in 1937, reassembled and erected near the Arch of Constantine. In application of the peace treaty between Italy and Ethiopia (1949), it was returned to Ethiopia. Italy financed and conducted the dismantling of the monolith into three components and its transportation by plane in April 2005. It had promised Ethiopia in 2004 to “*finance the re-erection and restoration of the Obelisk in the Aksum archaeological site, to be executed by UNESCO with technical support from Italian experts in collaboration with the Ethiopian side*”.⁶⁵ Italian Funds-in-Trust for the conservation of the World Heritage site amounted to \$5.7 million.⁶⁶

75. UNESCO underlined the extraordinary achievement of that “*technically complex*”⁶⁷ operation. The External Auditor wishes, in turn, to stress two points. The first concerns the administrative management of the project. After a phase of preliminary studies conducted by the architectural firm that had supervised the monolith’s dismantling in Italy, the then Assistant Director-General for Culture obtained from the Director-General in July 2005, at the request of the World Heritage Centre, a waiver of the rules governing the award of contracts for the reinstallation operation itself, a waiver confirmed in January 2006.⁶⁸ However, in October 2006, the Comptroller recommended a return to normal procedures, notably in view of the positions taken by the Executive Board.⁶⁹ The Contracts Committee refused the waiver requested by the Centre. The competitive bidding process generated only one tender, which was from the company which had dismantled the monolith.

76. At the request of the Assistant Director-General for Culture, IOS conducted in the first half of 2007 an inquiry into the process of selecting the architectural firm. The IOS report⁷⁰ stressed that neither the Director-General nor the Assistant Director-General for Culture had been informed in July 2005 that the Contracts Committee had asked for an expert appraisal by an independent

⁶² Pathway leading from the Western Wall Plaza (*Wall of Lamentations*) to the Mughrabi Gate of the Haram ash-Sharīf (Esplanade of the Temple).

⁶³ 181 EX/Decision 5 (III) and 182 EX/Decision 5 (II).

⁶⁴ Above-mentioned Decision 33 COM 7.2 (2009), report requested for 2011.

⁶⁵ Memorandum of Understanding of 18 November 2004 and letter of 15 October 2004 from the Permanent Delegation of Italy to UNESCO.

⁶⁶ Project 534 ETH 4000 – 2005-2009; \$4.84 million obligated as at 15 December 2009.

⁶⁷ *World Heritage Review*, No. 51, October 2008.

⁶⁸ Director-General’s decisions of 8 July 2005 (*memo ADG/CLT/05/067 of that same date*) and of 6 January 2006 (*memo WHC/DIR/06/02 of 5 January 2006*).

⁶⁹ Memo DCO/1/06/355 of 27 October 2006, approved by the Director-General, which refers to the report by the External Auditor on the Brasilia Office.

⁷⁰ Report 2007/05 of 24 May 2007.

architect of the selection of the architectural and engineering team.⁷¹ The waiver of the rules of competitive bidding had therefore been obtained on the basis of incomplete information. IOS considered that the procedure that had been followed since November 2006 was, on the other hand, in conformity with UNESCO's procedures, but recommended that the suitability of the prices be subjected to an independent expert appraisal. The architectural firm and the bidding construction company had in fact been in contact during the phase of the preliminary studies. An independent expert, selected after a call for tenders, was of the opinion that the prices indicated in the estimate of the architectural and engineering team were reasonable. The Contracts Committee then made a favourable recommendation on the proposed contracts with the construction company and with the architectural firm.⁷²

77. It hardly needs stating that, in the opinion of IOS, the procedure followed in 2005 and 2006 contravened the Organization's rules. The rest of the procedure does not require any further observations.⁷³

78. The second point concerns the deadlines. The initial project had referred to a reinstallation of the stela "*at the beginning of 2007, as expected by the Ethiopian authorities*".⁷⁴ The deadline was then set at 18 months from June 2006. Owing to delays in the transfer of funds and the cessation of administrative procedures pending the findings of the inquiry carried out by IOS, the work only started in the early summer of 2007 and the teams were not hard at work until October 2007. The reinstallation of the stela was celebrated on 4 September 2008,⁷⁵ shortly before the end of the year 2000 in the Ethiopian calendar. It was only in February 2009 though that the architectural firm was in a position to certify that the company had met its contractual obligations.

6.3. World heritage sites in the Democratic Republic of the Congo

79. The five world heritage sites in the Democratic Republic of the Congo (DRC) were placed on the List of World Heritage in Danger between 1994 and 1999 because of the threats created by civil unrest. They are endangered by the poaching of ivory and bushmeat, illegal logging and mining, and the settlement of populations fleeing conflict zones.

80. Since 2000 UNESCO has been implementing a programme for the "*protection of the world heritage sites in the Democratic Republic of Congo – Biodiversity Conservation in Regions of Armed Conflict*". The programme has been provided with \$7.14 million in extrabudgetary funds since 2000.⁷⁶ However, only a third of the contribution pledged by the United Nations Foundation for the 2005-2010 phase was paid through the intermediary of UNFIP, because the partner association had been unable to provide the Foundation with the equal amount of funding.⁷⁷ A mid-term assessment (*September 2007*) permitted an orderly closure of the operation. A total allocation of €2.2 million⁷⁸ is in the process of being approved for a third phase (2010-2012).

81. The action of UNESCO – and of the World Heritage Centre – mainly takes place at the level of dialogue with the national actors in conservation, national and local authorities and the *de facto* authorities in some areas. The strategic role "*of a meeting platform and honest broker*", assigned to UNESCO with regard to the protection of the heritage by the Medium-Term Strategy,⁷⁹ finds its expression here. The World Heritage Centre has therefore not given up hope that the ministerial-

⁷¹ Recommendation of the Contracts Committee of 7 July 2005.

⁷² Recommendation of the Contracts Committee of 15 June 2007 (*contract signed on 3 July for segment 1, \$1,444,495*) and of 23 July 2007 (*contract signed on 14 August 2007, \$446,637*).

⁷³ A contract was notably signed with the same company for segment 2 of phase 2 (\$1.89 million).

⁷⁴ Note of the Sector for External Relations and Cooperation (ERC) dated 10 March 2006.

⁷⁵ Document 180 EX/62.

⁷⁶ \$4.13 million from the United Nations Foundation - UNF (\$3.33 million paid by UNFIP, project 243ZAI4070), \$2.41 million from Belgium (projects 517DRC4000 and 4001) and \$0.6 million from Italy (projects 534DRC4000 and 4001).

⁷⁷ \$0.4 million out of \$1.2 million.

⁷⁸ €2 million from Belgium, €0.2 million from Spain.

⁷⁹ Medium-Term Strategy for 2008-2013, paragraph 106.

level meeting promised in 2004,⁸⁰ requested by the Committee in 2007 and again promised for 2008, will be held one day.⁸¹ It also refers to the drawing up of a memorandum of understanding under its aegis, between the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and its Congolese partner, ICCN.⁸² It considers that without the project “Biodiversity Conservation in Regions of Armed Conflict” and ICCN’s work on the ground, little would remain of the resources of the world heritage sites”.⁸³

82. The sites in DRC were also the subject, after Jerusalem (see above), of one of the earliest applications of the reinforced monitoring mechanism, following the massacre of mountain gorillas in Virunga National Park in July 2007.-

6.4. Illegal logging and mining

83. Ninety-seven world heritage sites are forest belts. In the 2008-2009 biennium, they gave rise to seven projects funded out of extrabudgetary resources totalling \$13.43 million.

84. The World Heritage Committee is informed annually of the dangers for the preservation of the outstanding character of sites posed by deforestation and illegal logging, mining and oil exploration, including “the issuing of mining licences covering the property”, the “*illegal trafficking of timber, minerals and ivory*”, the “*envisaged oil prospecting projects overlapping the property*”, the “*mining activities that are progressing near the property and its buffer zone*”, the “*possibility of creating an enclave for mining activities within a component of the property*”, and the “*increase in illegal logging as well as other illegal resource exploitation*”.⁸⁴

85. The Convention places means of pressure at the disposal of the Committee and the World Heritage Centre: the Committee “*urges the State Party to ensure that the operations of the mining concessions [...] are fully assessed prior to activity commencing*”, or “*regrets that the State Party did not follow the procedure outlined in [...] the Operational Guidelines [...]*”, and requests the State Party to “*state unequivocally that no commitment has been made on any mining concessions within the boundaries of the inscribed property*”.⁸⁵

86. These means are strengthened for properties placed on the “*List of World Heritage in Danger*”: detailed annual reports, pressure for “*a proposal for the desired state of conservation for the removal of the property from the List of World Heritage in Danger*”, and a “*mechanism to promote international collaboration in support of the property*”.⁸⁶ The threat of a “*likely inscription of the property on the List of World Heritage in Danger*” was, as a matter of fact, used in 2009 by the Committee in order to try to obtain a response, expected since 2004, to the many factors in the gradual erosion of the Tropical Rainforest Heritage of Sumatra.⁸⁷

87. “*Reactive monitoring measures*” can be added, at the risk of superimposing procedures to achieve similar objectives.⁸⁸

88. Nevertheless, effective management of the List in the face of these threats will require, first, their precise identification and real-time information of the World Heritage Centre and, second, cooperation with economic and social actors for sustainable development.

⁸⁰ Conference on Endangered Heritage in the Democratic Republic of the Congo (September 2004). Statement by the Vice-President of the Democratic Republic of the Congo.

⁸¹ Decisions 31 COM 7A.32 (2007), 32 COM 7A.31 (2008) and 33 COM 7A.31 (2009).

⁸² Congolese Institute for Nature Conservation.

⁸³ *World Heritage in the Congo basin*, World Heritage Centre, 2009.

⁸⁴ Examples taken from the documents of the 33rd session, of June 2009: Decisions 33 COM.7A.2, 7A.4, 7A.8, 7B.1, 7B.31 and 7B.147.

⁸⁵ Examples: Decisions 33 COM.7B.1, 7B.8 and 7B.31.

⁸⁶ Examples: Decisions 33 COM.7A.3 and 7B.34.

⁸⁷ Decision 33 COM 7B.15.

⁸⁸ Examples: Decisions 33 COM.7A.8 and 7A.4.

89. On the first point, the main role lies with the national authorities, which necessitates an ongoing dialogue between the World Heritage Centre and national delegations. The Centre may also draw on the expertise of IUCN, its own specialists and the methodology developed by the United Nations Environment Programme (UNEP) on environmental impact assessments.

90. On the second point, the International Council on Mining and Metals (ICMM)⁸⁹ 2003 Position Statement on Mining and Protected Areas, formulated with the support of the World Heritage Centre,⁹⁰ is a good practice to promote in other sectors, in particular those of oil exploration and exploitation and forestry industries. On the other hand, a guide for the management of natural sites, produced by an oil company under the supervision of the World Heritage Centre, is very general in nature.⁹¹

Recommendation No. 14: Seek to draw up with the actors concerned documents setting out good practices to be observed with regard to activities planned within world heritage sites, their buffer zone or the ecosystem within which they lie.

91. Noting that poaching, oil exploitation and the unilateral reduction of 90% of the surface area of the protected site had taken away its outstanding universal value, the Committee granted in 2007 the request by the State Party and removed the Arabian Oryx Sanctuary (Oman) from the World Heritage List.⁹² However, several delegations have pointed out that the removal, which was a “first”,⁹³ represented a setback for the Committee in the protection of the outstanding universal value of a site on the List.⁹⁴

6.5. World heritage and tourism

92. In 1972, date of the adoption of the *World Heritage Convention*, 190 million international tourist arrivals were recorded; in 2008, that number had risen to 924 million.⁹⁵ In 2012, when the Convention will celebrate its fortieth anniversary, the total will have exceeded one billion; the 1.5 billion mark is expected by 2020. It is estimated that there is a cultural purpose among the visitors' reasons for 20% of international trips. Internal movements – for which there is no accurate estimate – would seem to represent between five and seven times the number of international arrivals.

93. The word “*tourism*” does not appear in the 1972 Convention. It nevertheless requires States to ensure not only “*the identification, protection and conservation*” of the cultural and natural heritage, but also “*its presentation*” (Article 4). The World Heritage Committee adopted in 2001 a tourism programme based on sustainable development.

94. This “World Heritage Sustainable Tourism Initiative” has raised genuine interest among States Parties to the Convention and international institutions. Yet its impact seems to have been confined to the holding of around half a dozen meetings, or technical seminars, and some modest research into the relation between heritage and tourism and the difficult to measure impact of inclusion in the World Heritage List on the number of visitors to sites. The Centre's Cultural Tourism Unit, established in 2008, had at the end of 2009 only one person, in a precarious administrative situation moreover.

⁸⁹ International Council on Mining and Metals (ICMM), industrial organization which, in 2002, succeeded by the International Council on Metals and the Environment (ICME).

⁹⁰ 23rd session of the World Heritage Committee (Marrakesh, 1999), joint working group established at the 24th session (Cairns, 2000).

⁹¹ *Business Planning for Natural World Heritage Site – A toolkit*, June 2008.

⁹² 31st session, Christchurch, June 2007.

⁹³ A second site, that of the Dresden Elbe Valley, was removed from the List in June 2009.

⁹⁴ 1972 Convention, Article 6, paragraph 1.

⁹⁵ Source and definition: World Tourism Organization.

95. When the audit was conducted, the Centre was unable to answer simple queries on the impact of tourism on world heritage sites, such as the number of visitors received by the 890 sites or the amount of income generated by the visits. However, pressure is growing on many of these sites, victims of over-frequentation in the absence of proper planning and appropriate management tools. In some cases, world heritage status and the resultant increased publicity would seem to be counterproductive. This negative impact of tourism threatens to worsen with the expected doubling of the flows over the period 2000-2020.

Recommendation No. 15: Systematically include a reference to tourism in the management plan to be attached to the nominations for inscription on the World Heritage List. Require site managers to gather and present annually information on the number of visitors to the sites and on the resources derived from them. Supplement to this effect the Operational Guidelines for implementing the World Heritage Convention.

Comments by the Director-General:

The Director-General thanks the External Auditor for his audit report on the World Heritage Centre (WHC) of UNESCO's Culture Sector. She takes note of the recommendations made in the report and will endeavour to implement them, while noting that prior agreement from the World Heritage Committee will be needed for Recommendations 13 and 15.



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EXTERNAL AUDITOR'S REPORTS

PART III

**AUDIT REPORT ON THE
UNESCO WORLD HERITAGE CENTRE (WHC)**

CORRIGENDUM

The following change should be made to document 184 EX/8 Part III.

Paragraph 61, delete the last sentence and replace it with the following sentence: "The World Heritage Centre is examining with ICOMOS and the other consultative organizations the improvements it might be necessary to make to the contractual arrangement defining the services they are to provide".



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EXTERNAL AUDITOR'S REPORTS

PART IV

**AUDIT REPORT ON THE MANAGEMENT OF UNESCO'S PROGRAMME OF
EDUCATION FOR EMERGENCIES AND RECONSTRUCTION (PEER)**

SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits the audit report on the management of the UNESCO regional Programme of Education for Emergencies and Reconstruction (PEER).



**Office of the External Auditor of the
United Nations Educational, Scientific
and Cultural Organization**



**Audit Report on the
Management of UNESCO's Programme
of Education for Emergencies and Reconstruction
(PEER)**

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1. INTRODUCTION

1. The management audit of the UNESCO Regional Bureau and Cluster Office in Nairobi (see report in 182 EX/47)¹ conducted from 25 May to 5 June 2009, was extended to include examination of the regional Programme of Education for Emergencies and Reconstruction (PEER).² The offices of the PEER coordinator and his colleagues are in fact located in the same building of the Gigiri complex as the UNESCO Bureau.

2. The auditors met the Assistant Director-General for the Africa Department at UNESCO Headquarters. In Nairobi they examined the personnel files, the contracts and the files of six projects and carried out spot checks on the inventory and the financial records.

3. The auditors met the programme coordinator, the Administrative Officer and the programme officers several times. A working meeting was also held with field staff and consultants who had come to Nairobi for a training session. The auditors appreciated the cooperation of all concerned.

2. OUTLINE OF THE PEER PROGRAMME

2.1 Objectives of the PEER programme

4. The objectives of the PEER programme, launched in 1993 in Mogadishu, have been redefined several times. The scope of its work was widened and then narrowed. Its administrative attachment to Headquarters units and the UNESCO field network has also varied. The programme's missions and structures have only become settled since 2006.

5. On its establishment, the programme was attached to the UNESCO Office then located in Somalia. It sought to make education a humanitarian response in countries and regions devastated by complex emergency situations or natural disasters.

6. In March 1994, the Director-General placed it under the authority of the Deputy Director-General (DDG),³ linking it to the Culture of Peace programme.

7. The Director-General stated in February 1997 that the PEER programme should "respond swiftly to emergency situations as they arise in the world" and thus make "a significant contribution to the development of culture of peace activities"⁴ PEER was then placed under the authority of the Assistant Director-General responsible for the coordination of activities on behalf of priority target groups and specific groups of countries (ADG/DRG).

8. In the following year (January 1998), PEER was restructured and recentred on Africa. It became a regional programme: "In Central Africa, the Horn of Africa and the Great Lakes region, this new mechanism, to be known as the UNESCO Regional Programme for Emergency Education and the Culture of Peace, will be responsible for initiating and carrying out, in cooperation with the field offices concerned, concrete actions to promote the culture of peace and programmes for refugees and displaced persons, especially in the field of education".⁵ PEER remained under the authority of the Assistant Director-General ADG/DRG, albeit in collaboration with the Assistant Directors-General for the Priority Africa Department (DDG/AFR), External Relations (ADG/BRX) and Education (ADG/ED).

¹ Report submitted on 18 September 2009 to the Finance Administrative Commission at the 182nd session of the Executive Board.

² Regional Programme of Education for Emergencies and Reconstruction

³ DG/Note/94/14 of 11 March 1994.

⁴ DG/Note/97/16 of 21 February 1997.

⁵ DG/Note/98/4 of 23 January 1998.

9. During that period, PEER carried out, with funding from the European Commission, activities that included textbook printing, teacher training and evaluation for primary education in Somalia (2000-2002) and, with funding from the European Commission and the Italian Government, a programme of civic education for peace, democracy and development in Somalia (2001-2003). It was audited internally twice in 2001 and 2003.

10. The Deputy Director-General decided in June 2004 that PEER would in future be “considered an intersectoral programme”: the Africa Department “shall provide the overall supervision of and backstopping for PEER and shall coordinate the contributions of the relevant sectors and services”.⁶ “A specific budgetary line for PEER shall be accorded to AFR to support its backstopping and coordination role.”

11. After a period during which PEER was temporarily managed by the UNESCO Office in Bujumbura,⁷ a coordinator was appointed in September 2006⁸ and sent to Nairobi where the UNESCO Office had just been given authority for Somalia “in order to facilitate UNESCO’s participation in United Nations consultation mechanisms and actions”.⁹ As outlined by the Director-General in October 2007, “stress is thus being placed on the coordinated and intersectoral dimension of the Organization’s action, which is supported operationally on the ground by the UNESCO-PEER regional programme, led by a coordinator and composed of three antennas in Mogadishu, Hargeisa and Garoowe, thereby ensuring the Organization’s effective presence in Somalia”.¹⁰

12. The Assistant Director-General for the Africa Department reaffirmed in September 2006 the regional character of the programme, stating that responsibility for the Organization’s cooperation with Somalia would thenceforth be held officially by the Nairobi Office while the PEER programme would be focused on its general mission and on expansion to other regions in Africa”.¹¹ The 2008-2009 Programme confirmed that the PEER programme, “the expression of a new ambition”, would be “provided with greater resources in order to improve its response to the continent’s growing needs for emergency education”.¹²

2.2 Budgetary allocations to the PEER programme

13. PEER was allocated US \$370,000 for the 2008-2009 biennium under the regular budget (34 C/5) for the Africa Department,¹³ including \$70,000 to strengthen the programme’s cooperation with the Dakar Regional Bureau for Education in Africa (BREDA). BREDA funds were earmarked for projects in the Democratic Republic of the Congo, Côte d’Ivoire and Guinea-Bissau.

14. The budget of \$300,000 covered general operating costs (\$100,000), contractual services (\$80,000), official staff travel (\$40,000), expenditure for supplies, materials and equipment (\$25,000) and other recurrent expenditure (\$55,000).

15. In addition to these allocations under the regular budget the post of the coordinator was funded under the Funds in Trust Overhead Costs Account (FITOCA),¹⁴ amounting to \$153,200 in 2007 and to \$162,820 in 2008.¹⁵ At the time of conduct of the audit, the PEER

⁶ ADG/ODG/04/Memo.79 of 9 June 2004.

⁷ Memo of 9 June 2004 mentioned above.

⁸ ADG/AFR/06/Memo.337 of 22 September 2006.

⁹ Report by the Director-General to the Executive Board (177 EX/INF.12), dated 3 October 2007, referring to the Blue Note of 15 June 2006 (DG/Note/06/28).

¹⁰ Report in 177 EX/INF.12 mentioned above.

¹¹ Memo of 22 September 2006 mentioned above.

¹² Document 34 C/5, paragraph 10106.

¹³ For which the total budget was \$1,103,000 in 34 C/5.

¹⁴ Funds-in-Trust Overhead Cost Account.

¹⁵ Letters from the Bureau of the Budget, dated 23 May 2007 and 9 June 2008.

programme had not yet been notified of any decision for 2009. The Bureau of the Budget stressed in 2008 that the reversal of 40 % on the programme support costs drawn from the extrabudgetary funds raised by PEER only amounted to \$29,700. The post of the coordinator is thus funded from funds available on the entire FITOCA account, which constitutes a factor of fragility.

16. In 2007 the Director-General allocated two Participation Programme contributions amounting to a total of \$52,000 in order to build local education planning capacities in Somalia. Activities were to have been carried out between 1 June and 31 December 2007, but the decisions were approved on 18 September 2007 and notice of the amounts and their decentralization was given on 9 November. The period of use was extended to 31 October 2008, instead of 31 December 2007, which applied to the regular budget under which the Participation Programme falls. As in the case of the FITOCA decisions (see para. 15), such delays are not conducive to the well-ordered programme implementation.

17. The extrabudgetary funds employed since 2005 amount to \$8,633,672. The largest contribution (\$4.24 million), from the European Union, covered both the 2006-2007 biennium and the current biennium.¹⁶ The other contributors are the Italian cooperation agency (\$1.56 million), Japanese Funds-in-Trust (\$1.5 million), the United Kingdom Department for International Development (\$1.08 million),¹⁷ UNICEF and the Office of the United Nations High Commissioner for Refugees (UNHCR). The Japanese Funds-in-Trust cover the subregion of the Horn of Africa and the Great Lakes. The other funds are earmarked for Somalia.

3. OBSERVATIONS ON PROGRAMME ORGANIZATION

3.1 PEER programme restructuring in 2008

18. The Assistant Director-General for the Africa Department stressed that since 2007 the programme had been monitored by Headquarters through AFR, BOC, BB and ERC.¹⁸ The Bureau of the Comptroller and the Africa Department have conducted a field mission each: in October 2007 (BOC) and in February 2008 (AFR). Those missions revealed weaknesses in the financial and administrative management of the programme, which was consequently restructured.

3.2 Staff

19. A staff review was carried out during the internal audit service mission in February 2008. A staff reorganization was initiated in order to keep only those persons essential to the smooth running of the programme on the basis of specific terms of reference.¹⁹ The two most senior members of staff were recruited in 1994.

20. The PEER programme has a staff of 20 people spread over four sites: 13 in Nairobi, three in Hargeisa, two in Garowe and two in Mogadishu. However, in July 2008 the Mogadishu staff were transferred to Hargeisa on account of the deteriorating security situation.

¹⁶ Project 539 SOM 1000: Integrated Programme for Strengthening of Secondary Education (IPSOS, see *infra* paras. 49-53).

¹⁷ Department for International Development (DFID).

¹⁸ Email dated 29 April 2009, stating that all recommendations made in 2001 and 2003 by the internal audit service had been implemented, according to the Internal Oversight Service (IOS). AFR: Africa Department; BOC: Bureau of the Comptroller; BB: Bureau of the Budget; ERC: Sector for External Relations and Cooperation.

¹⁹ ADF/AFR memo dated 19 November 2007.

21. The auditors inspected 16 personnel files. Despite a determination to comply with the prescribed forms, the files did not systematically contain all of the documents required.
22. The question of parallelism of forms arises when any change is made to a contract.²⁰ The subsequent contract must annul the previous contract.
23. The contract of an operations officer funded under Project 534 SOM 1005, for example, required that he work in Somalia. Yet he was assigned to a project in the Democratic Republic of the Congo. This solution, dictated by emergency circumstances, did not provide sufficient legal certainty.
24. In November 2007 a labour dispute brought some of the staff into conflict with management concerning non-renewal of contracts. The members of staff had been on SSAs for several years and the mandatory one-month break between contracts after eleven consecutive months of service had not been observed.
25. The programme's staff have received training.²¹ However, neither the UNESCO Office in Nairobi nor the PEER programme have sought to pool their efforts in this field. Thus training on strategy documents was organized within PEER with no thought to joint training for staff from both UNESCO bodies. The Assistant Director-General for the Africa Department stressed that he had always encouraged the PEER programme coordinator and the Director of the Nairobi Office to explore all possible options for routine cooperation.

Recommendation No. 1 – Provide joint training at the Nairobi site for UNESCO Office staff and PEER programme staff

3.3 Contractual relations

3.3.1 Consultant contracts²²

26. Recruitment instructions (*especially candidate selection*) have been implemented.
27. Comments must be made on certain contracts, however. For example, one consultant's travel dates do not tally with the length of his contract. While PEER's argument that a United Nations-chartered aircraft was available is understandable, such a situation seems to create legal uncertainty for UNESCO.
28. Not all files were complete, particularly with regard to evaluation requirements.²³

3.3.2 Fee contracts

29. PEER could not indicate the corresponding services for three of the 34 contracts examined. The PEER programme officer believed that to be a legacy from the past. However, it should be noted that owing to the recruitment of the Administrative Officer, the situation and the methods of administration have changed considerably.
30. Reports submitted do not specifically indicate that the work has been done for UNESCO. In addition to the special rules on authors' contracts, it would be desirable for

²⁰ For example, from a special service agreement (SSA) to a service contract (SC).

²¹ On 17 April 2008 and 1 July 2008 (Office's conference room) and on 27 January 2009 (hotel).

²² Eleven contracts examined.

²³ Form 431 was not provided for Contracts 2009/01 and 2009/02.

UNESCO's role to be clearly indicated, especially when documents are to be used in other bodies, since the PEER programme entails collaboration with other United Nations agencies.

Recommendation No. 2 – Ensure that the PEER programme is duly mentioned in publications arising from work that it has supported.

31. Implementation is not systematically monitored. As a result, the introduction of radio programmes was halted, as fresh funds were not provided. It is generally difficult to assess the impact of some services provided because no specific indicators (scope, expected results, results achieved, etc. are used). For example, a report on strategies for addressing the specific needs of women and girls in Burundi, the Democratic Republic of the Congo, Somalia and Sudan²⁴ only contained general remarks and information already available at UNESCO.

Recommendation No. 3. – Evaluation tools should be built into the contracts policy.

32. More generally, there is no pooling of research or studies with the UNESCO Office in Nairobi and other entities. However, the parallel audit conducted in the cluster office found that it received funding for subjects that were also of interest to PEER, for example in the communication field in Somalia. Formal collaboration has reportedly been introduced in the fields of culture and education. This recent development is a step in the right direction and must be confirmed.

3.4 Premises and inventory

33. Three sites are used in Somalia. However, the Mogadishu site is unoccupied. It is equipped with computers, among other things, but owing to attacks against United Nations agencies, the decision was taken to evacuate the staff in July 2008. The site has been retained, but the rental (\$1,620 per month) has not been paid since 1 September 2008 as no written reply has been received from the owner. The programme coordinator has referred the matter to Headquarters.

34. The 2009 PEER inventory shows a large amount of hardware: 22 personal computers, 6 laptops and 14 printers. Seven computers could be sold, but they are being used by non-administrative staff, including two consultants; two computers might be sold shortly.

35. The inventories have not been signed by two separate persons nor approved by the coordinator as required by the financial manual for field offices. The records are kept in two containers located several hundred metres away from the offices.

36. The programme has four vehicles, one of which can be used to transport equipment. Only two drivers are authorized to drive them. Log books are kept. The assistance mission in October 2007 recommended that the fleet should be reduced to only two vehicles. As the Nairobi Office for its part has three vehicles, at the time of the audit UNESCO as a whole had seven vehicles and four drivers on the Nairobi site. However, the Bureau of the Comptroller and the Africa Department have explained that two of the four PEER programme vehicles have since been sold and that the Office and the PEER programme are now endeavouring to pool their car fleets.

²⁴ September 2008, 27 pages.

3.5 Accounting and budgeting procedures

37. In November 2007 the Comptroller reported obligations without due appropriations, in serious breach of Article 5.5(b) of the Financial Rules.²⁵ The Assistant Director-General for the Africa Department noted in May 2008 that great progress had been made in programme coordination with regard to visibility and mobilization of extrabudgetary resource but there were still weaknesses to be corrected and gaps to be filled in the programme's financial and administrative management and its effective integration into the Organization.²⁶

38. The lists of certifying officers²⁷ and authorized signatories for cheques²⁸ are kept up to date.

39. A sample was taken of 27 payments entered in the accounts in 2008 and 2009 and charged to four projects (44 debit entries).²⁹ After comparing the payments with the relevant daily bookkeeping entries, the Administrative Officer (AO) was questioned about nine payment orders totalling \$195,191. A satisfactory explanation was provided for the largest payment (\$86,400). The progress report and financial report for two other payment orders (\$36,421) had not been attached to the payment request; they had, however, been received before payment. For a fourth payment, the gross wages totals for April 2009 were wrong, but the error had been corrected and the amounts paid to the persons concerned had been calculated correctly (\$7,512).

40. For three payments (\$47,784) the Administrative Officer had signed the payment request in place of the programme specialist (authorizing officer) before signing the payment order in her capacity as certifying officer, in breach of the rules on the separation of functions.³⁰ She pointed out that the matter had been urgent,³¹ that the programme specialist had not been available and that he had, however, been informed. She also gave assurances that payments had since been made in accordance with UNESCO procedures.

41. Another payment had not been made to the holder of a fee contract (\$5,000). The Administrative Officer forwarded a letter from that fee holder requesting substitution to speed up payment. That letter should have been attached to the payment.

42. The last payment (\$12,074 on 24 April 2009) had not been disbursed. The administrative officer confirmed that the payment had not yet been made, because the supporting documents submitted were inconsistent with the clauses in the contract.

43. The sample taken therefore revealed no serious irregularities but rather oversights, errors of form and breaches of procedure in urgent circumstances. Note has been taken of the assurances given that UNESCO's financial procedures will now be followed strictly.

²⁵ BOC 1/2007/290 letter of 7 November 2007.

²⁶ ADG/AFR/01/08/Memo.175 of 30 May 2008.

²⁷ The coordinator and the administrative and financial officer (list dated 19 February 2008).

²⁸ Including the Director of the UNESCO Office in Nairobi (Comptroller's letter of 4 February 2008).

²⁹ 549 SOM 1000 (IPSOS-EU), 201 SOM 1004 (UNICEF-DFID), 534 SOM 1005 (Italian FIT) and 552 RAF 0001 (Japanese FIT).

³⁰ Document 08/02-0042 of 28 February 2008 (\$11,363) and Documents 08/03-0046 and 0047 of 31 March 2008 (\$36,421).

³¹ Payment of subsistence allowances to IPSOS students in one case and start of work by the Italian NGO Water for Life in the other.

4. OBSERVATIONS ON PROJECT MANAGEMENT

4.1 Cross-cutting observations

44. Following the Africa Department's field mission in February 2008, the Assistant Director-General reminded the Coordinator that all requests for project submission from the PEER coordinator must be endorsed by ADG/AFR before being processed by ERC/CFS or BB services.³² He noted in particular that a €2 million project had been submitted to the European Union without prior consultation with or endorsement by Headquarters.

45. The more recent project documents (concept notes) received are generally well presented. It was observed that in 2007 the Programme had established a set of 13 interrelated and complementary briefing notes for the Islamic Development Bank (IDB) on strengthening the education system in Somalia: the Bank had not, however, pursued the matter.

46. As an example of good practice, it may be reported that a project review committee has been established within PEER.³³ It has been noted that progress reports submitted by the chief project contractor on peace-building and conflict prevention (see para. 59) were examined carefully by that committee.

47. The most recent progress report published on PEER relates to 2006. The 2007 report was in preparation during our audit. The Internet site was then under construction. The Africa Department has reported that the PEER programme website was scheduled to go live at the end of 2009. The observations contained in document 179 EX/31 "Report on UNESCO's publication activities" may be recalled with regard to the PEER programme. Headquarters invites field offices to disseminate information on the objectives and activities of UNESCO, to facilitate exchanges of information among specialists, and to publicize the results of surveys or studies. However, there is no publications plan at the programme level, nor is there any monitoring of the dissemination or stocks of works.

Recommendation No. 4 – Improve procedures for reporting on the programme's activities and institute monitoring of the dissemination of publications funded by the PEER programme.

4.2 Somalia

48. During the 2008-2009 biennium, the PEER programme instituted, continued or completed the implementation of 13 projects amounting to a total of \$8.634 million, chiefly financed from extrabudgetary funds (\$8.51 million). Eight of those projects concerned Somalia (\$7.06 million, or 81.8% of the allocated sums).

4.2.1 Integrated programme for strengthening of secondary education in Somalia³⁴

49. Headquarters has commented on the administration of this project.³⁵

³² Memo ADG/AFR/ORP/08/Memo.127 of 15 April 2008. ERC/CFS: Division of Cooperation with Extrabudgetary Funding Sources.

³³ UNESCO PEER Project Review Committee.

³⁴ 539 SOM 1000.

³⁵ See particularly ADG/AFR memo of 30 April 2008.

50. Following the ISSES project,³⁶ the purpose of IPSOS³⁷ is to provide support for the secondary-school education system and to develop its educational structures. Several goals were set, particularly in respect of quality of education, teacher training, programme development and review of the system of examinations and awarding qualifications.

51. The major contributor is the European Union (EU) (an initial payment of €3,300,000). The budget is \$4,241,065. The programme is monitored by the EU Delegation to Kenya – Somalia Operations. It is also supported by the United Nations agencies.

52. IPSOS has consisted in funding a schools programme, in taking a census of teachers in Somalia and in taking stock of the education provided to Somalis in neighbouring countries. From August 2005 to June 2009, 52 students, including 18 women, were in education in 13 different institutions in Uganda and Kenya and 19 succeeded in obtaining university degrees. The criterion of success applied to PEER is linked in particular to persons returning to Somalia on completion of their training course. However, such a programme can only be assessed over a long term (ratio of staff trained who are employed in educational bodies).

53. This very ambitious programme is not coordinated with IICBA³⁸ in Addis Ababa, which is supposed to support teacher training projects in Africa. However, the internal mission conducted in February 2008 (see para. 19) had, however, recommended that an official note be sent to the relevant field offices (including IICBA) to encourage networking and closer cooperation with PEER.

Recommendation No. 5 – Remind the field offices of the need to network and strengthen cooperation with the PEER programme

4.2.2 Displaced persons and young ex-militia

54. In response to the United Nations' global appeal, the Italian cooperation agency has since 2007 funded a project aimed at improving the living conditions of internally displaced persons³⁹ and of young ex-militia by providing vocational education in central and southern Somalia and at supporting teacher training through information and communication technologies.⁴⁰

55. Progress and final reports by partners and by PEER have shown that despite the acute security problems facing United Nations agencies and international non-governmental organizations (NGOs), activities have been commenced and pursued, sometimes with strong support from the local communities,⁴¹ under a decentralized participative approach. However, the quantified results reported (especially trainee numbers) cannot easily be compared with the objectives set for the project because the initial document is not sufficiently precise. Furthermore, the March 2009 final report is not supported by a financial statement. On this point, the coordinator referred to the Bureau of the Comptroller.

³⁶ International Support to Secondary Education in Somalia (1999-2004).

³⁷ Integrated Programme – Strengthening of Secondary Education in Somalia.

³⁸ International Institute for Capacity Building in Africa.

³⁹ Persons displaced inside their own country (PDIC) - Internally Displaced Persons (IDP).

⁴⁰ Project 534 SOM 1005 (September 2007 – February 2009), \$817,440 (of which \$510,299 for displaced persons and young militia and \$307,141 for teacher training); new project 534 SOM 1006 (March 2009 – February 2010), \$738,550.

⁴¹ Such as fishing in Abdi Azziz.

Recommendation No. 6 – include quantified targets in project documents to facilitate evaluation of the results achieved.

56. PEER's partners on the ground include an Italian-Somali NGO, the University of Mogadishu, a training institute for various sea trades and, above all, the Ministry of Education of Puntland, as well as institutions of the Transitional Federal Government, although the latter's participation remains restricted because of security constraints and the turnover of officials.⁴² The documents produced by the NGO *Water for Life* have been examined: this NGO, which was active in the Lower Shabelle region in southern Somalia,⁴³ produced receipts signed by staff and trainees but its final report under the 2008 contract is not supported by a financial statement. It suffered delays in the supply of funds from PEER: under the letter of agreement of 29 February 2008, it received its first payment on 22 April, by which time it had already spent a further \$8,742. The second payment was due on 7 June 2008, but was not made until 11 November 2008.

Recommendation No. 7 – Monitor very closely the production of contractually required support documents in order to meet contractual payment deadlines and avoid delaying payments due to partners whose financial structures may be fragile.

57. Having examined supporting documents for the "Participation Programme" (see para. 16), it is recalled that the full title of funding under this head is "Programme of Participation in the activities of Member States".⁴⁴ In fact, the programme could not rely on effective participation by the Ministry of Education of the Transitional Government, which had given its consent but was faced with structural problems. Moreover, the final report notes that the Ministry lacks the requisite human and technical resources to operate the kind of education management information system⁴⁵ that the programme aimed to put in place.

4.3 Horn of Africa

58. After education, the culture of peace is PEER's second major priority. It relates, in particular, to strategic programme objective 10 identified in the 2008-2013 Medium-Term Strategy.⁴⁶

59. During the period under review, implementation of the major project financed by the Japanese Funds-in-Trust for the establishment of a "conflict prevention and peace-building network for the Great Lakes region and the Horn of Africa,"⁴⁷ i.e. in nine countries,⁴⁸ began. It should be noted that no reference is made in the documents examined to the study on regional approaches and plans of action to promote peace and reconciliation and to prevent

⁴² PEER has for instance worked with five Education Ministers in the past three years.

⁴³ This NGO is also a field partner of the Office for the Coordination of Humanitarian Affairs (OCHA), the Food and Agriculture Organization of the United Nations (FAO), UNICEF and the World Food Programme (WFP).

⁴⁴ See 34 C/Resolution 52, October-November 2007.

⁴⁵ *Educational Management Information System (EMIS)*.

⁴⁶ 34 C/4, "*Demonstrating the importance of exchange and dialogue among cultures to social cohesion and reconciliation in order to develop a culture of peace*".

⁴⁷ Projet 552 RAF 0001, \$1.5 million.

⁴⁸ Burundi, Eritrea, Kenya, Uganda, Central African Republic (CAR), Democratic Republic of Congo (DRC), Rwanda, Somalia and Sudan (Southern Sudan).

conflicts conducted by the UNESCO Office in Nairobi at subregional level (East and Southern Africa) in 2006 and 2007.⁴⁹

60. Under the exact terms of the 28 April 2008 project document (Articles 1.4 and 4.2 and Annex 3), the project has a chief international contractor, the Japan Centre for Conflict Prevention (JCCP),⁵⁰ which took part in the preparation of the TICAD IV Conference⁵¹ (Yokohama, May 2008) and which worked with PEER on the initial project submitted to the Japanese Government. Conversely, subcontractors were to be selected in each country.

61. Work should have begun in May 2008 and lasted 24 months. Delays were noted in setting up the credits and in identifying a project leader, and, as a result, work only began in earnest in October 2008.

62. While the concept on which the project rests on the concept of building capacities for action by a network of NGOs and civil society partners on the ground, difficulties are encountered in countries such as Eritrea in which civil society organizations are tightly controlled. Early indications from the field also suggest that the “focal points” designated in the UNESCO Offices⁵² are finding it difficult to move the project forward in some of the countries involved. Lastly, the second implementation status report (December 2008) notes that “at country level, strong joint planning by all United Nations agencies involved in similar activities in an emergency setting is still lacking”.

63. In Kenya, conversely, an inter-agency team meets regularly.⁵³ An interesting project has been drawn up for a conceptual and strategic blueprint for peace-building and conflict prevention in Kenya, with emphasis on the combined concepts of community security and social cohesion. Consequently there is, in parallel with the subregional project, effective coordination among the United Nations agencies on peace-building and conflict-prevention issues.

4.4 Sub-Saharan Africa

64. PEER's terms of reference covers all countries and territories in sub-Saharan Africa devastated by conflict or post-conflict situations. The project documents show that “since its inception PEER has carried out activities in 12 countries (Angola, Burundi, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, United Republic of Tanzania, Yemen and Zambia”.⁵⁴

65. In support for capacity-building, PEER has considered three lines of action in the field of technical and vocational education (TVE).⁵⁵ Funding is provided under the regular budget through the Dakar Regional Bureau for Education (BREDA). These lines of action concern the Democratic Republic of the Congo, Guinea-Bissau and Côte d'Ivoire.

66. Only one line of action, amounting to \$20,000, has to date been initiated for the Democratic Republic of the Congo. It consists of technical training which has, however, been

⁴⁹ \$100,000, code SISTER 33122110.

⁵⁰ *Japan Centre for Conflict Prevention*, partnership agreement in force from 30 May 2008 signed by ADG/AFR (\$576,500).

⁵¹ *Tokyo International Conference on African Development* (1993, 1998, 2003 and 2008).

⁵² Memorandum dated 23 June 2008 from the Assistant Director-General, Africa Department.

⁵³ UNDP, OCHA, UNICEF, UNIFEM (the United Nations Development Fund for Women), UNESCO PEER, UN Habitat (the United Nations Human Settlements Programme) and IOM (the International Organization for Migration).

⁵⁴ Example: concept note dated 10 May 2009 for a project to build community capacities for action in Kenya through a culture of peace.

⁵⁵ Carpentry, masonry, auto-mechanics, clothes-making and electrical installations.

funded by the programme although it had not received the funds announced by the Regional Office. PEER has, therefore, advanced this amount.

67. The line of action, which is not truly new,⁵⁶ consisted of organizing local training and supplying publications. In regard to the latter point, it was noted in the report of a PEER mission to Kinshasa and Mbandaka in February-March 2009 that the EFA programmes intended for Equateur province had not been sent to Mbandaka for distribution since October 2006. Arrangements had therefore been made for a local airline to transport 77 kgs of those programmes to Mbandaka.

68. The other two lines of action were on hold at the time of the mission, as funding for them (\$50,000) had not yet been confirmed. According to the PEER coordinator, the lines of action can be initiated as soon as the funds are received. Even in February 2008, however, the AFR internal mission had noted that when the mission took place, specific proposals were being drawn up with BREDA in order to use the \$70,000 contribution from ED sector.

69. In Côte d'Ivoire, the lines of action are envisaged under the "Proposals by the Director-General concerning a special post-conflict overall support programme in UNESCO's fields of competence for Côte d'Ivoire".⁵⁷ An initial mission was undertaken from 6 to 13 June 2008. As at June 2009, however, no action had been taken on his proposals.

5. PROSPECTS FOR THE PEER PROGRAMME

5.1 Relations with the UNESCO Office in Nairobi

70. Relations between the Nairobi Office and the PEER programme are limited. Somalia is under the responsibility of the Nairobi Office. PEER is a decentralized programme and does not have the attributes of a field office. The coordinator has been reminded of this difference in that the title of coordinator cannot be confused with that of head of field office. Only bureau directors are duly mandated by the Director-General as the Organization's official representatives to Member States to which they are accredited. In Somalia's case, DIR/NAIROBI is the Director-General's representative to the Somalia Government and only he is authorized to sign the United Nations Country Team's UNDAF documents. Given the specific situation in Somalia, he may delegate to the coordinator some of those functions, since it is the coordinator who conducts the programme activities on the ground.⁵⁸ However, there is no cooperation between the Office and the PEER programme.

71. The question of the PEER programme's position must therefore be settled. While the PEER programme is located on the same site as the Regional Bureau for Science, it is required to work with the Regional Bureau for Education in Dakar, which, according to the above-mentioned internal mission, is the central office for continental cooperation with PEER while providing technical and financial assistance on behalf of the Education Sector.

72. First, simple measures could be taken to improve coordination between the two UNESCO bodies in Nairobi:

- (1) accommodation of both bodies on the same premises, avoiding scattering the different staff members, as this does not help to build team spirit;
- (2) the holding of periodic formal meetings between the Director of the Bureau, the coordinator and the project managers; a report on such formal meetings would be submitted to the relevant Headquarters departments;

⁵⁶ The project was launched in 2003.

⁵⁷ 34 C/Resolution 60 – 179 EX/Decision 38.

⁵⁸ ADG/AFR memorandum dated 19 November 2007.

- (3) the systematic exchange of study or work projects in fields in which there is likely to be an overlap between both bodies;
- (4) pooling of transport resources available on the Nairobi site.

73. In the administrative and financial field, temporary supervision of the PEER/AO by the Nairobi Office Administrative Officer,⁵⁹ which ended as scheduled, yielded positive results. The auditors noted that PEER/AO made particular efforts to learn administrative and financial procedures.

74. The question of choosing the location of the PEER programme is perhaps not an issue in itself. The programme adapts to emergency situations. It is therefore expected to be implemented in areas that are themselves undergoing change.

5.2 PEER's position within UNESCO

75. In May 2008, the Assistant Director-General of the Africa Department observed that there were gaps to be filled if the programme were to be effectively integrated into the Organization (see para. 37).

76. The objectives assigned to PEER have changed (see paras. 4-12): response to emergencies triggered by armed conflict and natural disasters in 1994, emergency situations arising worldwide in 1997, refugee education, emergency situations and promotion of the culture of peace in 1998.

77. In November 2007, the General Conference requested the Africa Department to assist "countries in post-crisis and post-conflict or post-disaster reconstruction situations to meet the education needs of vulnerable groups, in particular by guiding and supervising the rational implementation of the Programme of Education for Emergencies and Reconstruction (PEER)".⁶⁰

78. To be "rational" as requested by the General Conference, in executing the PEER programme, account must be taken of various points noted or confirmed, after other missions or audits, by the external audit:

- the Organization's cooperation with Somalia, which must take flexible and decentralized forms, continues to be channelled primarily through the PEER programme and not on the Nairobi Office despite the linkage effected in 2006;
- when PEER was transformed into an "intersectoral programme" in 2004, "education" was not removed from its title, but the "peace-building and conflict prevention" mandate, particularly in connection with economic and social development, reflects the reality of the activity and skills of PEER's staff;
- PEER's budget structure remains fragile and is balanced only by decisions made as and when required, drawing on FITOCA funds⁶¹ or the Participation Programme;
- PEER must be recognized as a stakeholder in its own right by the United Nations agencies and other fund providers, and, to that end, it must be visible. It must also be empowered to capitalize on UNESCO networks (regional offices and institutes such as the IICBA). In this regard, Headquarters has a decisive role to play in making cooperation more effective.

⁵⁹ ADG/AFR memorandum dated 30 May 2008.

⁶⁰ 34 C/5 paragraph 10101, see further resolution 34 C/54 (1).

⁶¹ The coordinator's ALD contract terminates irrevocably on 31 May 2010

6. CONCLUSION

79. As the Director-General highlighted in 2001, situations wrought by crisis, conflicts and natural disasters in its Member States require the Organization to put in place intersectoral endeavours, Headquarters/field communication and coordination with the States concerned.⁶² The 2008-2013 Medium-Term Strategy, under which support for countries in post-conflict situations and post-disaster situations is one of UNESCO's programme objectives, specifies moreover that "strengthened cooperation with regional intergovernmental organizations involved in peace-building efforts will also be sought".⁶³ A specific and temporary programme is not necessarily the most relevant response that the Organization could make when such situations arise.

Director-General's comments

The Director-General thanks the External Auditor for his audit report on the management of UNESCO's Programme of Education for Emergencies and Reconstruction (PEER). She accepts all of the recommendations contained in this report and will strive to implement them to the extent possible. Some of these recommendations are already being implemented.

⁶² Circular letter DG/Memo/01/04 dated 7 March 2001.
⁶³ 34 C/4, Strategic Programme Objective 14.



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EXTERNAL AUDITOR'S REPORTS

PART V

**REPORT BY THE EXTERNAL AUDITOR ON THE MANAGEMENT
OF THE BRASILIA OFFICE SINCE THE LAST AUDITS**

SUMMARY

In accordance with 179 EX/Decision 31 (IV), the External Auditor submits his assessment of the implementation of the recommendations made in previous reports.



**Office of the External Auditor of the
United Nations Educational, Scientific
and Cultural Organization**



**Follow-up to the recommendations of the External Auditor
UNESCO Office in Brasilia**

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1. INTRODUCTION

1. At its 179th session, held from 1 to 17 April 2008, the UNESCO Executive Board, having examined the report and acknowledged the progress made by the Brasilia Office, requested the External Auditor to continue reporting on the implementation of recommendations in its follow-up report.

2. Accordingly, an auditor went to Brasilia from 25 to 29 January 2010 to follow up the implementation of the recommendations made after our previous missions. Prior meetings were held at Headquarters with the Bureau of the Comptroller (BOC) and the Internal Oversight Service (IOS). During the audit, meetings were held with the management team and the heads of units of the Office, as well as with representatives of the Federal Court of Audit (TCU) and of the Office of the Federal Comptroller General (CGU).

3. The aim of this follow-up mission was not a new review of the overall management of the Office.

4. In recent years, the Brasilia Office has been audited several times, internally and externally, its human resources have been reviewed and its geographical model has been evaluated by external consultants. The Office has embarked on a decisive reorientation phase. The discontinuation of the antenna offices, which will take full effect in March 2010, is coupled with a new approach to project implementation. The presence in the Office of individuals who have carried out professional activities in other international organizations (including FAO, UNDP and UNICEF) is an asset in the search for best practices.

5. The findings of this mission confirm the trend observed during the previous inspection: all the recommendations have been or are currently being implemented.

Table 1: Status of the recommendations made after the previous two missions

Recommendations	Implementation	Observations
<p>Report 177 EX/54</p> <p>Recommendation No. 1:</p> <p>The setting up of a service dedicated to travel, responsible for ensuring the proper functioning of travel ticket purchases, monitoring transactions and conducting specific checks, is a priority. This unit could be based on the many recommendations made in this field by the Internal Oversight Service (IOS).</p>	Implemented	<p>Setting up of the service, resolution of earlier files completed (1 June 2009), selection of a new travel agency.</p>
<p>Recommendation No. 2:</p> <p>At present the Office has only very limited autonomy. It would be desirable for the Director to be able henceforth to ensure the everyday management of the Office.</p>	In progress	

Recommendations	Implementation	Observations
<p>Recommendation No. 3:</p> <p>The practice of not blocking obligations when they exceed the amount of funds received must stop. This arrangement has lasted despite recommendations by internal oversight and the External Auditor. It is not only in breach of regulations but also adversely affects the reliability of information available at Headquarters (through the FABS system) about the Brasilia Office (which uses the SICOF computer system).</p>	<p>Implemented (observation from the last mission)</p>	<p>Not verified during the mission in view of the roll-out of FABS.</p>
<p>Recommendation No. 4:</p> <p>We recommend the recruitment as soon as possible of a high-level IT manager. The IT Division of the Brasilia Office is a function that must not be overlooked just because it is technical. For a body that manages projects worth several hundred million dollars, makes more than 1,000 payments every day and manages a balance of \$130m, the existence of a robust and reliable IT service is absolutely essential. Unless the function can be professionalized and the necessary resources devoted to it, the Office will have to work with local solutions, which are at the root of poor communication with Headquarters. The implementation of the recommendations of the External Auditor (set out in the report on the financial statements for 2004-2005) involves the harmonization of SICOF and FABS.</p>	<p>Implemented</p>	<p>Migration performed (4 February 2009).</p>
<p>Recommendation No. 5:</p> <p>We recommend that the atypical utilization of temporary contracts should be as limited as possible, not only because it is based on the use of contracts that do not correspond to the purpose for which they were concluded, but also because these precarious situations are a source of demoralization and heighten the risk of losing competent, experienced staff. The regularization of contractual regimes is necessary as is a forecast of staffing trends in the Office.</p>	<p>In progress</p>	<p>The use of temporary contracts still calls for a number of minor observations on which Headquarters should take a position.</p>
<p>Recommendation No. 6:</p> <p>We recommend the strengthening of this unit which is short-staffed. This strengthening is especially desirable because during the reorganization period the head of administrative services does not have the time to be involved in human resources management.</p>	<p>Implemented</p>	

Recommendations	Implementation	Observations
<p><u>Report 179 EX/31</u></p> <p>Recommendation No. 1:</p> <p>Continue the regularization work undertaken with the travel agency and set, with Headquarters, a sunset date for the review of cancellations.</p>	<p>Implemented</p>	
<p>Recommendation No. 2:</p> <p>Once the task of clearing up past management oversights has been completed, take, in consultation with Headquarters, a decision on the future of the existing relationship with the travel agency and on organizing a tender process to find a new provider of this service.</p>	<p>Implemented</p>	
<p>Recommendation No. 3:</p> <p>Complete as soon as possible the process of making partners accountable for compliance with the travel procedure.</p>	<p>Implemented</p>	
<p>Recommendation No. 4:</p> <p>Relax administrative supervision of the Office's day-to-day management gradually to promote the restoration of working conditions identical to those in other field offices.</p>	<p>Not implemented</p>	<p>Awaiting the follow-up of internal and external audit recommendations. Need to reconsider the delegation of authority.</p>
<p>Recommendation No. 5:</p> <p>Define and approve quickly the Office's new organizational chart.</p>	<p>Implemented</p>	
<p>Recommendation No. 6:</p> <p>Estimate the possible litigation awards relating to current contracts through analytical monitoring and cost the likely losses from cases not yet judged on the basis of losses already incurred from employment law litigation.</p>	<p>Implemented</p>	
<p>Recommendation No. 7:</p> <p>Analyse and forestall risks to image arising from possible decisions in principle unfavourable to immunity from jurisdiction.</p>	<p>Implemented</p>	<p>Risk remaining but not requiring a recommendation.</p>

Recommendations	Implementation	Observations
<p>Recommendation No. 8:</p> <p>With regard to the formulation of recommendations on the antennas, give thought to concentrating, ranking and clarifying them, with a view to their more rapid and more pertinent implementation. With regard to the existence and operational procedures of the antennas, an early decision should be taken on the principle of antennas and, if found necessary, the documents governing their operation should be validated.</p>	<p>Under implementation</p>	<p>Evaluation performed in November 2009. Non-renewal of part of the staff. Measures to be taken by March 2010.</p> <p>Subject to additional measures announced for the end of march 2010.</p>
<p>Recommendation No. 9:</p> <p>The Brasilia Office should take steps to ensure that the reorientation of the project portfolio is completed by the end of 2008 and that project completion is not carried over to yet another year.</p>	<p>Implemented</p>	<p>While the projects have been declared completed, this is not the case regarding the financial execution of four projects, two of which have been completed since 31 December 2008.</p>
<p>Recommendation No. 10:</p> <p>Project monitoring should be defined more clearly to distinguish checking from direct management. While taking into account the constraints facing the Brasilia Office, assessment should be done by an independent expert, and the viability of the action undertaken and the creation of the conditions for transferring responsibilities to national partners must be retained as essential criteria.</p>	<p>Implemented</p>	<p>First external assessments under implementation.</p>
<p>Recommendation No. 11:</p> <p>The External Auditor recommends that the Office contact the Brazilian authorities with a view to receiving information obtained from checks on the national implementation of its cooperation projects.</p>	<p>Not implemented</p>	
<p>Recommendation No. 12:</p> <p>Give an early ruling on the draft agreement between UNESCO and the Network and, if positive, expedite external checks on programme implementation.</p>	<p>Partially implemented</p>	<p>The external checks, provided for by the signed agreement, had not been implemented by the time the audit was carried out.</p>
<p>Recommendation No. 13</p> <p>Define in 2008 the format and scope of the Brasilia Office for the 2010-2011 period. There should be close coordination between the Office and Headquarters. Headquarters should provide rapid responses.</p>	<p>Implemented for 2008-2009</p>	<p>Under implementation for 2010-2011.</p>

2. FOLLOW-UP TO THE RECOMMENDATIONS

2.1 Travel: resolution of past management anomalies and establishment of a travel management unit

6. Report 177 EX/54, drawing on the many recommendations made by the Internal Oversight Service, recommended that a travel management unit be established. Report 179 EX/31 recommended for its part that the regularization work undertaken should continue and that a call for tenders should be organized to find a new provider of this service.

2.1.1 Reconciling the anomalies of past management

7. Recommendation 1 of report 179 EX/31 (Part III) invited the Office to continue the regularization work undertaken with the previous travel agency and to set a sunset date for the review of cancellations.

8. The task of settling past management anomalies ended, with the agreement of Headquarters, on 1 June 2009. It comprised two separate components: The refund of air tickets connected with cancelled missions and that of the corresponding daily subsistence allowances (DSA).¹ A reimbursement claim was filed for 3,251 air tickets² amounting to BRL 3,140,479³ and 2,687 tickets (83%) were refunded for a sum of BRL 2,817,735, i.e. 90% of the total amount. One hundred and twenty tickets were not reimbursed owing to the terms of the contract specific to the issuing of those tickets (BRL 53,738); 222 could not be refunded because the deadlines had expired (BRL 118,665); 222 tickets had been used for subsequent missions (BRL 150,341). The amount of the loss can therefore be estimated at BRL 322,744.

9. DSA reimbursements were requested for 544 of the 3,251 cancelled missions (BRL 247,622), and 347 reimbursements were obtained for BRL 163,779. The DSAs for 197 missions were not reimbursed (BRL 83,843). The names of the people concerned therefore appear on a list of “unsuitable consultants”.

2.1.2 A new service provider

10. Recommendation No. 2 of report 179 EX/31 (Part III) said that a decision on the future of the existing relationship with the travel agency should be taken.

11. A new inter-agency working group⁴ was established in 2006. An international call for tenders was launched under the auspices of UNDP in 2008. The selection of the agency was submitted to the Headquarters Contracts Committee which endorsed the choice of the agency on 23 April 2009. An agreement was signed in July 2009 by UNESCO and Fly Tour – American Express for three years.

12. The Office also started direct negotiations with three airline companies (United Airlines in August 2009, GOL in April 2008 and TAM in July 2008), which made it possible to reduce the cost of tickets by 30%, 56% and 20% respectively.

13. The greatest savings stem from the rates negotiated with the air carriers.

¹ Daily subsistence allowance (DSA).

² In the period under review, 119,628 travel tickets were issued.

³ Brazilian reais. \$1 = BRL 1.795.

⁴ UNDP, UNESCO, WHO, UNICEF, World Bank, ILO, FAO, UNIFEM (United Nations Development Fund for Women), DSS (Department of Safety and Security), UNFPA (United Nations Population Fund) and UNAIDS.

2.1.3 Partners' accountability

14. Recommendation No. 3 of report 179 EX/31 (Part III) invited the Office to complete as soon as possible the process of making partners accountable for compliance with the travel procedure. Several measures were implemented to that effect.

15. A list of unsuitable consultants to be excluded was drawn up. This list of 7,689 names⁵ is at the disposal of other United Nations agencies.

16. In 2008, training sessions were held for the Office staff⁶ and key partners in order to disseminate good practices. The implementation of the training plan was suspended in 2009, but it is planned to hold a session in 2010 with the Ministry of Education.

17. Eighteen *in situ* audit assignments were carried out in 2008 on the basis of the criteria jointly drawn up with Headquarters. They were not continued in 2009 because of the constraints of the FABS roll-out on the service. The process, which rests on a logic of prevention, requires the full cooperation of the project coordinators. The 18 checks focused on nearly 600 trips.⁷ Anomalies were identified in 390 of them. It can be regretted that that work was not subject to a formalized and signed methodological validation, as the Internal Oversight Service had recommended.

18. Requests for responsibility letters, sent to all project-coordinating partners requesting an undertaking on their part to verify the various points of the compliance procedure, were the subject of special attention and many reminders were sent out by the Office. In 2009, the response rate was 84.65%. In 2007, the rate of response had been only 49%. The work undertaken by the Office has therefore been very effective.

19. It is advisable to use the reorganization of the unit and the roll-out of FABS to devote more time to the internal control of files, in particular those concerning institutional partners. The Office website and the functions provided by FABS-web could be used to inform partners of their obligations. Those partners, who are called upon to use FABS-web, could be systematically informed of their obligations in respect of the compliance procedure. That information would therefore replace the sending out of responsibility letters.

Recommendation No. 1: Use the functions of FABS-web to improve information with regard to institutional partners.

2.1.4 The effective setting up of a unit and new working and control methods

20. There is no work plan *per se* for the entire travel management unit, which now has three staff members. The functional organizational chart of the unit serves that purpose. It should however be updated.

21. The Internal Oversight Service⁸ had recommended the creation of a guide, which has exists, in Portuguese, since 2009.

22. The travel plans per unit bear the visa of the Director. However, out of the 12 travel plans for the second half of 2009 that were examined, only two specified the visa date.

⁵ The system seems reliable since it is based on the CPF (*cadastro de pessoas físicas*), identification details required for all persons residing in [Brazil](#).

⁶ Forty-six people followed the training.

⁷ In the context of a total number of trips of 32,237 in 2007 and 27,585 in 2008.

⁸ *Caderno de referencia – Viagens*, May 2009, 41 pp.

23. Fifty-seven files in the course of payment⁹ were audited during the present mission so as to ensure their conformity with the UNESCO Administrative Manual. It should be noted that the unit itself has developed a verification grid.

24. The major findings are as follows:

- mission reports are not always transmitted within the time-limits (two weeks after completion of the mission) set by the Manual,¹⁰ making administrative reminders necessary. That shortcoming was noted six times, but the audit could not be systematic since the submission date for the mission report was not always specified;
- for one file, the Director's approval did not appear on the travel order; for another, it only came during the mission;
- non-observance of the two-week time-limit for submitting the travel request before the mission¹¹ was noted in 16 cases. In addition, on that point also, the audit could not be systematic since the submission date for the request was not always specified.

25. The Office, which has four rooms with video-conference facilities, could probably make savings by replacing a number of trips through the use of this system, as the UNESCO Administrative Manual recommends.

26. The reorganization of the unit should be an opportunity to focus more on internal control with respect to institutional partners. It could then replace the sending out of responsibility letters.

2.2 Supervision of the Brasilia Office

27. Recommendation No. 4 of report 179 EX/31 (Part III) recommended a gradual relaxation of the administrative supervision of the Office's day-to-day management so as to promote the restoration of working conditions identical to those in other field offices. In his comments, the Director-General linked in particular such an easing with the putting into place of parameters needed for control and the roll-out of the budgeting and accounting system (FABS). The roll-out took place in February 2009.

28. Report 179 EX/31 (Part III) mentioned the Office's wish to re-establish a local contracts committee. In his comments, the Director-General stated that "*in accordance with UNESCO's customary rules, no field office [had (...)] a contracts committee*". It should be noted that the Manual stipulates that a local contracts committee may be established at the request of the entity concerned, after written consultation with the Contracts Committee (Item 326.27) and that other United Nations agencies have such local committees.

29. Such a situation is only possible if the entity on the spot has staff with training enabling them to make an objective assessment.

2.3 The IT division

30. The External Auditor had recommended the recruitment of an IT manager (report 177 EX/54, Recommendation No. 4).

⁹ Payment files of the Office staff and not of the institutional partners.

¹⁰ Item 15.2, para. 5.8.

¹¹ UNESCO Administrative Manual, Item 15.2, para.5.4 (b).

31. The service now has a clear organizational chart. The decision to recruit internally and the mobilization of staff contributed to the success of the plan for the transition to FABS. Indeed, the UNESCO Office in Brasilia received the 2009 UNESCO award for team work for its implementation of FABS.

32. Migration from the Brasilia Office accountancy and financial system (SICOF) to FABS was conducted on 4 February 2009 after one month of transition. It was carried out according to SAP standards. A FABS-web interface, which took over from SICOF-Web and contains non-strategic financial information, is accessible to approximately 740 programme coordinators in the institutional partners. The access procedures for users and the management of their rights are monitored and formalized.

33. A training plan was implemented. Very satisfactory attendance at the programmed training sessions was noted.

2.4 The Office's human resources

2.4.1 Overall staffing trends

34. The reports 177 EX/54 and 179 EX/31 (Part III) recommended that the use of temporary contracts be restricted as much as possible, that contractual terms be regularized and that developments in staffing be foreseen.

35. The Office's staff numbers are decreasing. However, the fall has only been apparent as from 2009, for several reasons: the need to manage departures, to take account of contractual constraints, to convert some posts, to take decisions on the antennas and, in a more general way, to validate the new organizational chart for Headquarters. Staffing trends were as follows:

Table No. 2: Brasilia Office staffing trends

	31 December 2006	31 December 2007	31 December 2008	31 December 2009	Prospects for 2010
Long-term jobs funded by FITOCA	52	52	49	49	44
<i>of which international staff</i>	2	1	1	2	2
<i>of which local staff</i>	50	51	48	47	42
Long-term jobs funded by the regular programme	7	6	7	7	7
<i>of which international staff</i>		1	2	3	3
<i>of which local staff</i>		5	5	4	4
"Temporary jobs"	65	82	127	121	80
<i>of which SC contracts</i>	54	46	102	115	77
<i>of which SSA contracts</i>	11	36	25	6	3
Other "temporaries"	11	9	9	13	11
<i>consultants</i>	4	3	4	5	5
<i>fee contracts</i>	7	6	5	8	6
Total	135	149	192	190	142

Source: data provided by the Brasilia Office

36. The table above shows a rapid change in staffing trends in late 2009. Of the 75 contract terminations or non-renewals (33 in 2008), 50 took place in December 2009. In view of the number of recruitments in 2008 (five consultants and 17 SC and SSA contracts)¹² and in 2009, (13 consultants and 15 SC and SSA contracts), the net number of posts abolished was thus 5

¹² Service contracts (SC) and special services agreements (SSA).

in 2008 and 47 in 2009. Recruitments occasionally concerned higher-level posts as a result of post reclassification.

37. These trends, particularly the rapid change in 2009, may be partly explained by the decisions made regarding the Office's territorial location. Twenty-eight of the contracts terminated in 2009 concern the antenna offices which, as at 1 January 2010, were staffed by 11 persons, all recruited on service contracts or as consultants.

38. The ability to forecast staffing trends is thus essential to the administrative and budgetary management of the Office. The Director of the Office submitted a draft strategy in this regard to Headquarters on 22 December 2008. Staff funding largely depends on the management of the projects that determine FITOCA¹³ resources. The reduction in the number of projects has had an impact on FITOCA resources. In addition, disagreements between Headquarters and the Brasilia Office with regard to the percentage of deductions from FITOCA had not been settled by the time the audit was carried out. Several observations may be drawn from an analysis of staffing trends. Salary costs have increased in the last three years in spite of the stabilization of staffing trends, as a result of the increased average cost of posts. FITOCA still accounts for more than 80% of salary costs, but the proportion of posts funded from the regular budget increased substantially, as illustrated in the following table, during the periods ended 31 December 2007, 2008 and 2009, respectively. Data for January 2010 are also included, for information.

Table No. 3: Trends in salary budget costs (December 2007-January 2010)

Budgetary source	Number of contracts December 2007	Annual cost December 2007 (\$ million)	Number of contracts December 2009	Annual cost December 2009 (\$ million)	Number of contracts	January 2010 Annual cost January 2010 (\$ million)
Regular programme	6	0.445	14	1.168	8	0.939 ¹⁴
FITOCA	153	6.256	155	7.809	106	5.654
Extrabudgetary resources	24	0.635	21	0.717	31	0.831
Total	183	7.336	190	9.694	145	7.424

Source: Brasilia Office

NB: exchange rate: US \$1 = BRL 1.80 (December 2007) or BRL 1.71 (December 2009).

2.4.2 Proportion of administrative duties

39. According to report 177 EX/54, 130 out of 160 staff members performed exclusively or partly management duties. As at 1 January 2010, according to the data provided, 77 out of a total of 142 persons were directly assigned to administrative duties. A considerable effort thus appears to have been made to reduce the share of administrative duties. This figure, however, does not take into account vacant posts. In fact, if vacant posts are included, this reduction is limited to 10% of administrative jobs.

¹³ Funds-in-Trust Overhead Costs Account.

¹⁴ This trend stems from the fact that seven individuals were recruited on temporary contracts funded through additional appropriation.

2.4.3 Contract policy regarding Office staff

40. As recalled in the note issued by the Bureau of Human Resources Management on 9 November 2007,¹⁵ contracts are supposed to meet temporary or specific needs. In practice, the Brasilia Office signs contracts that do not literally comply with these provisions and, in some cases, concern permanent assignments, particularly of an administrative nature.

41. The previous external audit had noted that the special services agreements had been signed for a six-month period, pending the reorganization of the Office. While the number of SSAs has considerably decreased, a number of them have been converted into service contracts.¹⁶ Some service contracts derived from SSAs have been signed for a period of less than 11 months, contrary to the provisions of the Manual.¹⁷

42. Such a recruitment and budgetary funding system creates legal uncertainty. The contracts end on 31 December of year n. Nevertheless, in the case of a significant proportion of contracted staff, their contracts are renewed without being formally signed by both parties. During the first weeks of year n+1, these individuals perform their duties in the service of UNESCO without having official status.

Recommendation No. 2: involve the legal service in the staff contract policy.

Recommendation No. 3: make staff recruitment conditional upon adequate budgetary and legal support.

2.4.4 Strengthening of the Bureau of Human Resources

43. A P-4 level Chief of Unit was recruited on 26 October 2009. Another post was reclassified from NOA level to NOB level.¹⁸ This recruitment is consistent with Recommendation No. 6.

44. A Deputy Director for Programme and Intersectorality was recruited on 1 April 2009.

2.4.5 Implementation of a new organizational chart for the Office

45. Recommendation No. 5 of report 179 EX/31 (Part III) invited the Office to quickly define a new organizational chart and to have it approved.

46. A clear and consistent organizational chart was approved in December 2008. It should be amended to take into account the changes affecting antenna offices.

2.5 Legal risks

47. Following the audit of February 2008, the External Auditor made two recommendations on managing risks related to lawsuits pending before several different courts. Several scenarios need to be distinguished.

48. The Supreme Federal Court has yet to hand down its decision on immunity from jurisdiction. It is worth noting that three cases involving UNDP are also before the Court. A preliminary report by the Court in favour of immunity has already had an impact on certain employment tribunals which now recognize immunity from jurisdiction.

¹⁵ Note HRM/POL/CB/2007/27 by the Director of the Bureau of Human Resources Management to the Directors of field offices and institutes, on special service agreements and service contracts.

¹⁶ For instance, SA 8875/2007, SA 3511/2009 and SA 1506/2009.

¹⁷ 15 files audited. Anomalies noted: SA 3790/2008, SA 8874/2007, SA 3796/2008, SA 3739/2008, SA 8867/2007 and SA 3703/2008. One case was approved by Headquarters.

¹⁸ Level A or B National Professional Officer.

49. The likelihood that a case be brought before the Court on the basis of an exception of unconstitutionality must be kept in mind.

50. Concerning cooperation agreements with the National Social Security Institute (INSS), UNESCO contacted the Attorney-General in November 2008. The Solicitor-General filed an appeal in October 2009 when the Federal Court admitted the civil suit. The Office sent a *note verbale* to the Ministry of External Relations seeking its support on the issue of immunity from jurisdiction. In December 2009, the Solicitor-General rendered a favorable decision. The first stay pronounced in favour of UNESCO was the occasion for the reporting judge to confirm support for immunity from jurisdiction and, consequentially, for the exclusion of any civil action.

51. An estimation of financial risks should include the number of proceedings under way: 366 cases involve labour law (including several proceedings filed by a single consultant). Of these cases, 138 have been judged: 16 rulings went against UNESCO, including one case for which immunity from execution was not upheld. In 85 cases, an appeal was filed:¹⁹ 23 rulings were in favour of UNESCO; two cases UNESCO had won were overturned. At the second level of appeal,²⁰ 80 cases were filed: UNESCO won in 26 of them. Nine cases in particular involved plaintiffs with no link to UNESCO but with links to national institutions working with the Organization. In four cases, UNESCO was released from the proceedings; in three other cases, the judge established a relationship of subordination with UNESCO. The Attorney-General has appealed against these rulings.

52. The total amount of demands stands at BRL 17,779,620. However this includes the 130 cases which have already been concluded. The Office estimates the actual risk to be at the most BRL 12,421,486. In any event, follow-up on the situation and costs has been put in place.

53. Risks to image appear to be limited. In 2008 and 2009, two media articles covered the above-mentioned questions in an ad hoc way and without involving UNESCO's image.

54. Two specific cases of litigation are noteworthy. An institutional partner involved in an AIDS prevention programme did not validate the services provided by a service provider, which turned to UNESCO. UNESCO terminated the contract. An amicable settlement is currently being negotiated. In another case, the refusal of the institutional partner to finance the project after an internal control led UNESCO to assume the partner's role.

55. Notifications of ongoing litigation and rulings are not given through diplomatic channels; official publications must be read, which creates difficulties regarding deadlines for filing appeals.

56. Monitoring of litigation specifically involving the Office must be continued in the form of a precise accounting for each case. The Office must also be aware of litigation involving other United Nations institutions.

2.6 Antenna offices

57. Five antenna offices operate in Brazil independently of other UNESCO bodies (notably category 2 centres). The report by the Director-General on the reorientation of the Office of 23 February 2006 identified the need to evaluate the antennas created in 2003-2004.

58. Recommendation No. 8 of 179 EX/31 (Part III) called for a decision to be taken quickly on the principle of the antennas.

¹⁹ TRT: *Tribunal Regional do Trabalho*.

²⁰ TST: *Tribunal Superior do Trabalho*.

59. In February 2009, the Office launched an invitation to tender²¹ for an evaluation of the geographical organization of the Office pursuant to one of the recommendations of the internal audit. Technopolis submitted its report on 19 November 2009.

60. With the exception of Salvador de Bahia, where UNESCO's presence will be maintained through the creation of a United Nations House, the other antenna offices will close in March 2010. New forms of local presence are under development.

2.7 Projects

2.7.1 Project follow-up

61. Project follow-up requires careful attention: the Office is facing significant change, both internal (its reorganization and the end of the antenna model) and external (implementation of the Federal Court of Audit (TCU) decision (see paragraph 81).

62. A project review committee was created in 2009. Chaired by the Deputy Director for Programme and Intersectorality, the committee also includes the evaluation specialist, the Deputy Director for Administration and Finances and the legal adviser. This body enables the validation of project documents for projects over BRL 350,000, modifies them if necessary, and promotes an intersectoral approach.

63. The committee chair has established ties with the Brazilian Agency for Cooperation (ABC), a key contact for UNESCO institutions.

2.7.2 Reorientation and mandate of UNESCO

64. In his report submitted at the 177th session of the Executive Board, the Director-General stated that 14 projects were still under way in partnership with the Brazilian Ministry of Health and scheduled to be completed in 2008.²² In January and June 2008, Headquarters twice authorized an extension for health-related projects. The report in document 179 EX/31 (Part III) recommended that the Office ensure the completion of these projects to make the reorientation effective in 2009.

65. The implementation of status of health-related projects shows that they have been completed (the last two in December 2009). There remains however a budget balance of BRL 6,834,535. This particularly applies to two projects supposed to have been completed by 31 December 2008.

Table 4: Implementation status of health-related projects

Budget code	Project title	Start date	End date	Budget in BRL	Balance to be liquidated or cancelled in BRL
914BRZ1000	ANVISA	20/12/2001	30/06/2009	118,702,500	355,425
914BRZ1015	FUNASA	20/12/2001	31/12/2008	105,086,720	
914BRZ1078	ANS	01/01/2002	31/12/2008	22,997,333	1,000,720
914BRZ1107	SVS	22/10/2004	22/01/2008	59,640,000	
914BRZ2000	DECIT	20/12/2001	31/12/2008	48,770,399	379,407
914BRZ2009	VIGISUS II SVS	30/03/2005	30/12/2009	51,635,475	4,953,514
914BRZ2012	VIGISUS II SVS	21/12/2004	21/12/2009	14,629,748	145,469
914BRZ3015	Reforsus	01/01/2000	31/12/2008	75,752,451	
914BRZ5066	Cartao Sus 2001	01/01/2001	12/02/2008	84,143,378	

Source: UNESCO Office in Brasilia

²¹ UBO EOI No. 0136/2009.

²² 177 EX/30 Report, paragraph 18.

66. Fourteen projects were examined during the mission so as to check effective compliance with the planned reorientation and systematic approval from Headquarters (given that the Office was under its responsibility).²³

67. Particular observations may be made regarding two projects. One project²⁴ was renewed despite the difficulties encountered with the institutional partner. Following an internal check, the institutional partner concerned refused to pay for the service, the cost of which UNESCO had to bear in its place. This case resulted in legal proceedings and the temporary freezing of one of the Office's bank accounts. With regard to the second project,²⁵ it was approved by Headquarters only in December 2008²⁶ when the project should have been completed by 31 December 2008. The deadline for completion was thus extended from 48 to 60 months.

68. The previous audit had noted that the reduction in the number of projects was slower than the objectives stated in 2006. The table below shows a reduction in the number of projects and a decrease in the financial amount in 2009, in contrast with the substantial increase noted for 2010.²⁷ These developments show that it is difficult to schedule the workload and, therefore, in view of the delayed funding from FITOCA, to have satisfactory financial visibility. The figures relating to 2011 and beyond reflect only the visible part of the project portfolio to date.

69. Several projects completed in 2009 or 2008 have not been fully liquidated in budgetary terms.

Table No. 5: Due date of projects managed by UNESCO in Brazil in January 2010

Project expiry date	Value in \$ m	Number of projects
2006	7	11
2007	132	26
2008	668	31
2009	137	21
2010	400	26
2011	15	7
2012	53	8
2014	15	2
Total	1,427	132

Source: Brasilia Office

2.7.3 Project evaluation

70. The External Auditor had recommended the monitoring of projects by an independent expert (Recommendation No. 10 of report 179 EX/31 (Part III)). In his reply, the Director-General announced the recruitment of a monitoring and evaluation specialist and of a deputy director.

71. A specialist was recruited on 1 April 2008. The project monitoring and evaluation principles have been redefined and are contained in a reference guide based on the document

²³ 914 BRA 1124, 570 BRA 1009, 570 BRA 5000, 914 BRA 4008, 914 BRA, 914 BRA 5001, 914 BRA 3045, 914 BRA 3042, 570 BRA 5001, 202 BRA 1000, 914 BRZ 1126, 914 BRA 1127, 914 BRZ 1129, 914 BRA 2009.

²⁴ 914 BRZ 1129.

²⁵ 914 BRA 2009.

²⁶ Memo BFC/DIR/08/173. Contains the handwritten annotation "exceptional".

²⁷ As at the date of that audit (February 2008), report 179 EX/31 noted that 0 projects were due for completion for 2010.

of the Internal Oversight Service and published in Portuguese. Two training sessions for technical staff in the antenna offices were held in 2008 and a training course was held in 2009 for the Office's managers. Two external evaluations were carried out and two others are still in progress.²⁸

72. The monitoring and evaluation specialist examines all new project proposals but is not yet systematically involved in the evaluations.

2.7.4 Consideration of reports by the Brazilian supervisory bodies

73. The External Auditor had recommended that the Office contact the Brazilian authorities with a view to receiving information on checks on the national implementation of cooperation projects relevant to it (Recommendation No. 11 of report 179 EX/31 (Part III)).

74. No official relations *per se* are maintained with TCU. Nevertheless, the evaluation reports are public and are available on the High Court's website.

2.7.5 The specific case of the Criança Esperança programme

75. Recommendation No. 12 of report 179 EX/31 (Part III) concerned the finalization of the draft agreement between UNESCO and the channel TV Globo and the need to specify the internal control procedures. The Director-General had noted in March 2008 that the draft agreement was in the final phase of consideration.

76. The agreement was signed on 17 July 2008. In accordance with its Article 6, UNESCO may evaluate projects selected by an external auditor chosen by the Organization.

77. Such an evaluation had not been undertaken as at the date of the audit.

3. PROSPECTS FOR THE UNESCO OFFICE IN BRASILIA

78. Recommendation No. 13 of report 179 EX/31 (Part III) invited the Office to define its format and scope for the 2010-2011 period in close coordination with Headquarters.

79. A seminar was held on 3 and 4 March 2008 with all the project coordinators and the management team with a view to setting priorities for the Brasilia Office in the coming years.

80. After drafting the strategic framework for UNESCO in Brazil in 2006, the Office prepared three documents:

- the first UNESCO Country Programming Document (UCPD),²⁹ for the 2008-2009 biennium. The next UCPD, for the 2010-2011 biennium, will be prepared following a meeting scheduled in February 2010;
- the first UNESS³⁰ document, in accordance with the requests of Headquarters and the UNESCO Regional Bureau for Education in Latin America and the Caribbean (OREALC)³¹ in Santiago, Chile;
- a document regarding UNESCO's visibility in Brazil in 2008.

81. Decision No. 1339/2009 of 3 July 2009 of TCU, though now suspended following an appeal, has an impact on Office policy. The new guidelines that the national authorities have

²⁸ 914 BRA 5007, 914 BRA 5002, 914 BRA 2047 and 465 BRA 5002.

²⁹ UNESCO Country Programming Document.

³⁰ UNESCO National Education Support Strategy

³¹ *Oficina Regional de Educación de la UNESCO para América Latina y el Caribe.*

started to implement tend to focus new projects on technical assistance and knowledge transfer interventions, while almost entirely excluding operational support activities.

82. The future of the Office is closely linked to project implementation and to funding from FITOCA. This dependence, reflected in the proportion of staff financed by this resource, is now particularly apparent in a context of uncertainty marked by the amendment of the programme rules, the reduction in budget allocations for projects and the general decrease in funds used for the implementation of the various projects. The reduction in the number of projects and in the resulting income thus raises the ongoing issue of the sustainability of the Office which, despite a reduction in staff numbers, has not experienced a significant decrease in expenditure.

83. In view of the limited scope of application of technical cooperation, it seems necessary to strengthen coordination between United Nations agencies.

84. The issue of the Office's decentralization should be raised, in the light of the recent changes in its structure and competences, and of the discontinuation of supervision by Headquarters. In order to justify its permanent costs and some of its recruitment, it could carry out functions beneficial to other offices in the region.

Comments by the Director-General:

The Director-General thanks the External Auditor for his follow-up report on the implementation of the recommendations made in previous reports. She notes with satisfaction the conclusions of the audit. She accepts the new recommendations contained in this report, which she will endeavour to implement to the extent possible.