

**Hundred and sixty-sixth Session**

166 EX/36  
PARIS, 28 February 2003  
Original: English

Item 8.8 of the provisional agenda

**COMMENTS BY THE DIRECTOR-GENERAL  
ON THE IMPLEMENTATION OF THE INTERNAL OVERSIGHT  
STRATEGY IN 2002-2003: ANNUAL REPORT 2002**

**SUMMARY**

In accordance with 160 EX/Decision 6.5 and 164 EX/Decision 6.10, the Director-General presents the report on “Implementation of the Internal Oversight Service Strategy in 2002-2003”. The Director-General fully endorses this second annual report produced by the Service since its establishment in February 2001.

Decision proposed: paragraph 44.

## **Background**

1. The Internal Oversight Service (IOS) was established in February 2001 to provide the Director-General with independent, objective assurance, systematic review and advice designed to add value and improve programme design, delivery and operations. IOS's mandate is to provide a consolidated oversight mechanism comprising internal audit, evaluation, investigation and management support. One of IOS's main accountability mechanisms, as described in 160 EX/23, is the submission of an annual oversight plan and annual report by the Director of IOS to the Director-General. This paper is based on the submission to the Director-General. It reviews the implementation of IOS's strategy in 2002 and relates various refinements to the strategy made for 2003. The Director-General welcomes the significant further progress made by IOS, fully endorses the report, and is pleased to share it unchanged with Executive Board members and permanent delegates.

2. In terms of mandate and responsibilities, an important development in the second year of IOS's operations was the development of a Charter for IOS which was approved by the Director-General. The Charter, which will in due course be annexed to the financial rules of the Organization, formally defines IOS's authority, responsibility, accountability and the standards through which the service performs its tasks effectively and independently. Having a functioning Oversight Committee since the beginning of 2002 is another important development in strengthening the effectiveness of oversight within the Organization. A key focus for the work of the Committee is monitoring the implementation of oversight recommendations.

3. Through its activities, IOS has secured considerable impacts consistent with the established biennium strategy. It has helped to create a climate of accountability in the Organization through implementation of the many recommendations arising from audits which seek to strengthen internal controls, by promoting self-assessment techniques, and through initiatives to help all staff understand their accountabilities by participating as presenters in various workshops and training events. Sanctions have been firmly applied in investigation cases to staff involved in irregularities. This has had a powerful impact in signalling that the Organization is serious in taking actions when irregularities arise. The UNESCO Evaluation Strategy (165 EX/19) has been widely disseminated throughout the Organization and the importance of evaluation is now becoming far more widely accepted, both as an accountability mechanism to show the results achieved from programme activities but also as a learning experience in terms of future programming. There was some improvement in the quality of evaluations undertaken.

4. Constraints arose from a continuing high level of vacant posts in IOS because of the specialist skill requirements for both audit and evaluation professionals. At the end of 2002, six of 18 professional posts were vacant. This restricted the number of activities carried out, particularly in relation to evaluation. For audits it was easier to contract in specialist help to deliver a demanding programme of work.

## **IOS Strategy 2002-2003**

5. The IOS 2002-2003 biennium strategy and work plans were prepared based on planned long-term goals which cover all four IOS functions. Each goal is supported by several activities. For each activity a clear and measurable set of expected results is specified. The achievement of each expected result is monitored by IOS and shared with the Oversight Committee on a quarterly basis. What follows is a compilation of the results achieved in support of the long-term goals.

**Goal 1: Ensure proper identification of all factors that could threaten the achievement of the organization's objectives; and ensure the continued relevance of the risk and control framework within a changing organizational environment.**

**Results achieved: risks are closely monitored and managed**

6. Using the results of the 2001 Organization-wide risk assessment, which identified major factors that could threaten the achievements of the Organization's programmatic and operational objectives, IOS regularly monitors the evolution of these risks. This was done through various audits, evaluation and management support activities. Appropriate actions were taken and reported to the Oversight Committee or to the appropriate management steering committees. Establishment of various management steering committees was one of the main actions taken by the Director-General to provide a mechanism for addressing the organization's risks. These include the Oversight Committee. The committees identified, for example, a high level of unliquidated obligations reported in UNESCO's interim financial statements for the 2000-2001 biennium. Due to resource problems especially related to the introduction of FABS, the Comptroller requested IOS to cooperate with DCO in a further review of unliquidated obligations which resulted in the identification of invalid obligations which were cancelled before finalizing the financial statements on which the External Auditor expressed her opinion. Another emerging risk related to the implementation of the new Finance and Budget System (FABS). Nine months after the implementation of FABS, following best practice in other organizations, IOS began a series of audits related to the implementation of FABS, the first relating to the security of the new system. Overall, IOS was able to report a satisfactory security environment but did identify the improvements needed to strengthen security, and many of these improvements were immediately made by the Secretariat.

**Results achieved: Risk model established and applied**

7. In the first quarter of 2002, IOS established a risk model to quantify or measure the identified risks to determine which entities present greater overall risks. This allowed IOS to prioritize its activities and resources. The established risk model for field offices has been used by IOS to identify which offices should be audited. The model includes risk factors such as materiality of the office's budget, extrabudgetary resources, previous audit results, sensitivity of projects, and the capacity of staff resources. Based on this model, by mid-2003, 75% of the 25 offices with the highest risks will have been audited.

**Goal 2: Ensure senior management are fully informed on the organization's major risks that could threaten the achievements of objectives, their status and level of controls that have been established to manage those risks.**

**Results achieved: Oversight Committee established and four meetings held**

8. At IOS's instigation the Oversight Committee was established in February 2002. It is chaired by the Deputy Director-General and composed of two senior management staff and two external members (respected audit and evaluation specialists). Four meetings took place in 2002 with IOS providing secretariat support. In addition to the Oversight Committee, another management steering committee was established (Committee of Budget and Finance). To ensure that there is a proper channel for reporting and managing major risks and to ensure effective functioning of each committee without duplication of effort, IOS provided management with possible Terms of Reference and regular management reporting requirements for these committees.

### **Results achieved: audit/evaluation recommendations to address identified risks monitored**

9. A mechanism to monitor the status of audit (both internal and external), evaluation and JIU recommendations has been established including development of a database. Ninety-nine per cent of the 588 audit recommendations made to field offices and Headquarters units in 2002 were accepted and 76% of those made in 2001 were implemented within one year of the audits (86% for field offices), with others waiting for verification by IOS on subsequent audits. While it is premature to assess the impact of the implementation of the recommendations on the overall strengthening of UNESCO's control environment, some practical illustrations show that improvements have been made. For example, the External Auditor was able to confirm that the control environment in the Brasilia Office was now much stronger as a result of the implementation of the recommendations made by IOS (165 EX/29 Add., para. 213).

10. At each Executive Board session a selection of external evaluations are submitted to the Board for consideration. IOS started monitoring the implementation of the recommendations made starting with those submitted to the 164th session (Spring 2002). The process involves asking programme sectors to prepare plans to show how they intend to act on the recommendations. The sectors report to IOS every six months on the progress made. Of the 164 recommendations made, 73% were accepted. By December 2002, 13% of the recommendations had been fully implemented, 66% were in the process of being implemented and 21% were still to be implemented. The nature of evaluation recommendations often means that it can take some time to implement them.

### **Results achieved: compilation of systemic audit findings produced, disseminated and acted upon**

11. A consolidated report of all eleven 2001 field office audits was prepared and shared with all Headquarters units and 62 decentralized units. Thirty-three systemic issues were discussed and 16 recommendations were addressed to Headquarters units which, when implemented, will improve internal controls in all field offices. A self-assessment checklist was included in the report to be used by offices to self-assess themselves against the major observations described in the report. Many offices have been very receptive to the report, have held staff meetings to discuss the report and have utilized the self-assessment checklist. A consolidated report of 2002 field audits will be issued in the first quarter of 2003. A self-assessment guide on programme management has also been released to a number of field offices on an experimental basis.

### **Results achieved: value added support to management provided**

12. The initiatives taken were in line with the new Institute of Internal Auditor's definition of Internal Audit as "... an independent, objective assurance and consulting activity designed to add value and improve an organization's operations". The management support provided by IOS can also be viewed as preventive action to manage risks identified as a result of IOS's more routine activities. IOS support that fell under this area in 2002 included: development of a Table of Authority and Accountability to the field which clarifies the authorities of the field offices vis-à-vis headquarters. This development involved consultations with all 57 field offices and all Headquarters programme sectors and central services. A review of the progress made in applying the Table was being undertaken in early 2003 to identify constraints in implementation and additional support needed by field offices to help them discharge their authority. The Table of Financial Authority for Headquarters which had been developed in 2001 was also enhanced to cover an additional area (travel). IOS also participated in various working groups to help improve staff capacity such as the development of an on-the-job training framework for Administrative Officers (AOs), a technical review panel for AO appointments, and, in cooperation with DCO, development of technical assessment material for potential AO candidates. IOS also provided

26 days of training to heads of field offices, Administrative Officers and Junior Professionals and participated in a field office staffing review with HRM and BFC aimed at regularizing the status of locally appointed staff members. IOS also participated in the technical group which has been reviewing UNESCO's policies for interpreting and implementing entitlements and benefits available to Professional staff across the United Nations common system.

**Goal 3: Strengthen collaboration with the United Nations Joint Inspection Unit and other United Nations agencies.**

**Results achieved: close coordination of JIU activities and benefits secured from liaison with other United Nations agencies**

13. IOS acts as focal point for JIU related activities in UNESCO. This included support to the various teams of JIU Inspectors and their staff in the fieldwork leading to the release of JIU reports and notes. The Annex attached provides summaries of JIU reports relevant to UNESCO together with the Director-General's comments thereon. IOS also monitored the implementation of recommendations in 10 JIU reports, issued in 2001-2002, by various Headquarters units and field offices. Many of the recommendations were considered to be relevant and useful to UNESCO. A number had already been implemented before the reports were released and others are in the process of being implemented. Three JIU reports of relevance to UNESCO were submitted to the Executive Board at its 164th and 165th sessions for discussion.

14. IOS conducted two tripartite meetings with JIU and a representative of the External Auditor to reach a common understanding of the risks facing the Organization and to share respective work plans. In December 2002, IOS also organized an inter-agency meeting in collaboration with the JIU and the United Nations Chief Executives Board for Coordination (CEB) as a follow up to the JIU's influential report on the support costs (JIU/REP/2002/3) charged within the United Nations system on extrabudgetary activities. This event, in which 17 organizations participated, was highly appreciated by the other agencies and was successful in providing an opportunity to discuss the key issues and in working towards the harmonization of policy in the United Nations system.

15. The IOS Director participated in the annual meeting of Representatives of Internal Audit Services (RIAS) of United Nations agencies and applied the outcome of the meeting. He also participated in a meeting of international investigators hosted by the World Bank, and subsequently formed part of a working group set up to work on a set of common standards for investigations. IOS participated in the Inter-Agency Working Group on Evaluation and in another meeting of the heads of internal audit of a number of international agencies based in Europe with a view to sharing approaches and strengthening cooperation.

16. An initiative taken by IOS was to benchmark the prices paid for a set of common supplies and equipment among United Nations agencies operating within the Iraq Oil-for-Food Programme. The immediate benefit from this initiative was that it provided all the various agencies with a tool to help them to secure more competitive prices for those items. A longer-term expectation is that it will encourage agencies to work together to secure better prices by establishing long-term arrangements with certain suppliers (say for the purchase of motor vehicles).

**Goal 4: Provide assurance on the soundness, adequacy and functioning of internal controls, the efficient and effective use of resources in Headquarters and field offices, the fulfilment of accountabilities, the accuracy of internal and external reporting and compliance with rules and procedures.**

**Results achieved: Six Headquarters audits undertaken and recommendations acted upon**

17. Six major Headquarters audits were completed in 2002 and at the end of the year three of these were still being finalized. This is more than the three audits planned. The additional audits were inserted in the IOS programme in response to close monitoring of risks which flagged the need for action to address potential risks emerging. The six audits covered the following:

- Iraq Oil-for-Food Programme International Procurement of \$17 million between August 2000 and May 2002. The results showed significant improvements in all aspects of procurement activity, with stronger management control, monitoring and supervision since the establishment of a separate Procurement Unit at the end of 2001, based on a previous IOS recommendation which was supported by an Independent Technical Evaluation. However, recommendations were made in the areas of planning, better definition of specifications, streamlining contracting and delivery processes, all to help the programme to achieve the challenging implementation schedule required by the subsequent phases of the programme. A number of significant recommendations had been implemented before the report was released.
- Regular Programme Unliquidated Obligations at 31 December 2001. IOS sampled 70% (by value) of the \$28 million obligations included in the pre-final financial statements. The results of the audit showed that \$4.3 million were invalid unliquidated obligations that needed to be liquidated immediately. DCO took action to liquidate those obligations, re-opened and amended the financial statements for the 2000-2001 biennium in response to these findings. Another important result from this audit was that it reminded all units and field offices of their responsibility to comply with the established policies in managing obligations.
- FABS security – see paragraph 6 above.
- The three audits that were being finalized at the end of the year covered FABS contract payments, Human Resources entitlements and Travel Management.

**Results achieved: 14 field audits undertaken and recommendations acted upon**

18. Fourteen field office audits were undertaken. This is less than the 20 field office audits planned. IOS changed priorities to tackle emerging risks in Headquarters operations (see para. 17 above). Since IOS was established in February 2001, a total of 25 field offices have been audited. The target is to achieve a standard three-year audit cycle for each office by 2005. Field coverage also included extrabudgetary activities (10 large extrabudgetary projects were audited) and the programme activities of a number of National Commissions. As in 2001, the results of these 2002 audits showed serious internal control weaknesses in almost all areas audited (financial control, contracting, travel administration, supply procurement, general office management).

19. The main issues arising were:

- Incorrect charging of expenditure (disbursing funds without funds reservation) which led to a high volume of transactions posted to suspense accounts.

- Absence of mechanisms to monitor advances (e.g. travel advances, salary advances) given to staff members or contractors/vendors.
- Over-reliance on cash payments.
- Lack of proper supporting documentation in releasing payments such as certification that services or supplies had been delivered.
- Weak, non-transparent and undocumented selection processes for contractors/vendors.
- Weak terms of reference for contractors.
- Payments for services based solely on submission of invoices without any contracts having been issued.
- The need to strengthen evaluation of the performance of contractors, to ensure that contractors that perform badly are not re-engaged.
- Failure to prepare travel orders for official missions and failure to prepare travel records after completion of missions.
- The need to improve mission reports to provide assurance that the objectives of missions are accomplished.

20. The main underlying causes were:

- Inadequate segregation of duties which in some cases was caused by an inadequate number of staff and in others because of a lack of staff understanding on accountabilities.
- Inadequate human resources and inadequate capacity of the existing resources to allow the office to perform its functions effectively and efficiently.
- Weak management practices in the field as regards to monitoring the functioning and effectiveness of internal control.
- Staff members serving in one location for many years, in the absence of a rotation policy (such a policy is now being developed).
- Weak support from Headquarters in the absence of a standardized computerized financial system for the field which could assist the field or headquarters management to better monitor the financial situation and reduce the risks of irregularities (this will be remedied when FABS is rolled out to the field starting later this year).
- Inadequate post-facto monitoring by the Division of the Comptroller (DCO). This was attributed by DCO to lack of resources, as a result of which the position reported last year had not improved. In addition, the involvement of existing resources in the initial implementation of FABS in Headquarters, reduced significantly the efforts that DCO was able to make. As specified in the External Auditor's Long Form Report (165 EX/29 Add.) the Director-General has agreed to introduce a new DCO structure progressively as resources become available. DCO expects that the fully operational new financial system and the strengthening of its staff both in numbers and skills will improve the situation.

- Inadequate computer equipment to allow for efficient preparation of reports, processing of accounts, etc.

21. In most cases the offices acted swiftly to implement the recommendations made by IOS. For example, the threat from a major donor to withdraw funding was lifted following an audit of a large extrabudgetary project in which a plan of corrective actions was quickly acted upon. As paragraph 9 shows, 86% of the recommendations made to field offices had been implemented within one year of the audits.

**Results achieved: coordinated External Auditor's activities and monitored the recommendations made**

22. IOS is the focal point for the External Auditors within the Secretariat. The service played the lead role in formulating the Director-General's comments on the External Auditor's Long-Form Report for the 2000-2001 biennium (165 EX/29 Add.). IOS also helped to compile action plans from various Headquarters units on the recommendations in the report. IOS continues to monitor and follow-up on the implementation of all recommendations from the External Auditor, reporting the outcome to the Oversight Committee, the External Auditor and the Executive Board.

23. The External Auditor now relies generally on the work of IOS. Specifically reliance was placed on a number of major audits: an audit of the Brasilia Office, the audit of unliquidated obligations (para. 17 above refers) and an audit of SAP security (para. 6). As standard practice, all audit reports are shared with the External Auditor. Strategies and work plans are discussed to avoid duplication of effort and to maximize use of resources for both IOS and the External Auditor. A representative of the External Auditor participated in two of the four meetings of the Oversight Committee held in 2002.

**Goal 5: Ensure the soundness, adequacy and application of IOS internal standards and procedures which should be in compliance with international standards.**

**Results achieved: recommendations from Institute of Internal Auditors 2000 Quality Assurance Review (QAR) implemented**

24. As reported to the Oversight Committee, of the ten recommendations addressed to IOS, four have been fully implemented while the other six are in an advanced stage of implementation and will be fully implemented by the third quarter of 2003. Another external QAR is planned for 2004 preceded by a self-QAR assessment in mid-2003 led by the external member of the Oversight Committee. The work of IOS was also reviewed by the External Auditor in 2002 (165 EX/29 Add. paras. 216-244). The conclusion reached was that IOS had made a positive contribution to management improvement efforts in a short time. The report noted that the oversight function had been reorganized and strengthened; that audit work was planned, implemented, and reported in accordance with recognized standards; that the work of IOS was undertaken in a professional manner which can be relied upon by the Director-General, governing bodies and the External Auditor; and a strategic plan for evaluation had been developed and that improvements to the function were under way.

**Results achieved: internal auditing tools and methodologies developed, improved and utilized**

25. Various initiatives were taken in 2002 to enhance the audit process and improve the added value to the Organization through development and application of the risk model, more intensive initial risk assessment in Headquarters prior to undertaking a field audit, development and application of standardized audit work papers, selection of automation software to record plans,

scope, findings, analysis and recommendations of oversight activities (audit, evaluation and investigation). Standard performance expectations for all auditors were established and communicated to the IOS audit team. Furthermore, a regular internal quarterly IOS training was conducted to improve communication by sharing observations from various oversight activities and to introduce new tools and discuss their application. New tools and standards are posted in a shared drive accessible to all IOS staff. All reports are shared among all IOS staff. IOS performance is regularly monitored and reported to the Oversight Committee at its quarterly meeting. Performance is measured against IOS biennium work plans and IIA 2000 Quality Assurance Review recommendations.

**Results achieved: initiatives taken to improve reporting standards and timeliness**

26. A standard audit report structure was established and used from early 2002. The structure was aligned with the risk-based methodology applied in IOS audits. Observations reported are specified in terms of risks that could threaten the achievement of the objectives set. The timeliness of the issuance of audit reports needs to be improved. Delays by the audited entity and relevant Headquarters units in providing comments on draft reports, and the importance placed on rigorous quality assurance processes within IOS before reports are submitted to the Director-General, were the main reasons for delay. Steps have been taken to address these issues with strict deadlines set for comments on draft reports and by including the timeliness of the issuance of reports as one of the performance indicators for auditors.

**Results achieved: 111 days of training taken by IOS Professionals in 2002**

27. Customized individual training plans were developed for each IOS Professional and support staff member. A minimum target of 10 days training per year for each Professional staff member was set. For the audit team this target is based on best practice recommended by the Institute of Internal Auditors (80 hours per year). In total, 111 days of training were taken in 2002 which met the target set given that some staff did not join IOS until later in the year.

**Goal 6: Ensure that possible violations of UNESCO rules/regulations, mismanagement, misconduct, waste of resources or abuse of authority are investigated and appropriate actions are taken.**

**Results achieved: Voluntary Disclosure Channel (VDC) for reporting potential irregularities developed**

28. IOS developed a proposal which was considered by the Oversight Committee to provide a confidential channel to enable all staff to report cases of potential irregularities to IOS for subsequent review. An important feature is the creation of a secure email and web page facility. Every effort is being made to protect people who have reported potential irregularities and who may be at risk for having come forward. All cases will be subject to rigorous review to weed out false reports. The Director-General has approved the creation of this channel which will be established in early 2003. This facility will bring UNESCO into line with other United Nations organs that already have such arrangements.

**Results achieved: suspected irregularities investigated and corrective/disciplinary action recommended**

29. All potential irregularities were investigated. Four cases arose in two field offices involving the head of office and other staff. The weak control environment in the field offices (see paras. 19-20 above) and inadequate control by Headquarters over field office operations were contributing

factors in these cases. Five cases were investigated in Headquarters. These included four attempted banking frauds which did not involve any staff member and did not lead to financial loss to the Organization but they did prompt IOS to make recommendations which, when implemented, will strengthen controls and reduce the risk of a recurrence of such cases.

**Goal 7: Ensure that the governing bodies are informed through evaluation reports about programme implementation progress, improvements and innovations in UNESCO and to assist future programme planning and management through the identification of strengths, achievements and lessons learned.**

**Results achieved: 11 external evaluations presented to the Executive Board**

30. IOS reviewed the results of 11 external programme evaluations submitted by the programme sectors and presented them to the Executive Board, together with the Director-General's comments on the action to be taken in response to the evaluations (164 EX/46 and 165 EX/44). IOS is now monitoring the action taken and reporting on the progress made to the Oversight Committee (para. 10). While there had been some improvement in the quality of these evaluations, IOS was obliged to send a further seven evaluations back to sectors for improvement. This underlines the rigorous attention now being paid since the establishment of IOS to the quality of evaluation reports.

**Results achieved: thematic, strategic and field evaluations planned**

31. IOS has responsibility for developing the approach for a number of thematic and strategic evaluations and for field office evaluations (foreseen in document 31 C/5 and in document 165 EX/19 Annex II). Towards the end of 2002 IOS made good progress in developing discussion/concept papers and terms of reference for a number of these evaluations, consulting widely with all the key stakeholders:

- Evaluation of UNESCO's action to combat HIV/AIDS. After an exhaustive consultative process involving all programme sectors and a number of field offices, IOS has now agreed terms of reference for this important evaluation foreseen in document 31 C/5 and is inviting prospective evaluation teams to come forward with proposals. IOS will manage the progress of the evaluation and is providing a research assistant to support the evaluation team. The progress of the evaluation will be closely monitored by a task force drawn widely from within the Secretariat.
- Review of the effectiveness, appropriateness, and sustainability of capacity-building concepts, programmes and delivery mechanisms. A concept paper has been developed as the basis for wide consultation from which will evolve a set of terms of reference for this evaluation which is expected to have a significant impact by informing UNESCO's future programme direction.
- EFA Evaluation Strategy. IOS has proposed a strategy for evaluating EFA both in terms of evaluating UNESCO's contributions but also in terms of developing a mechanism to bring all the EFA stakeholders together to agree and implement a coordinated approach to evaluating EFA interventions globally. This strategy is being agreed initially with the Education Sector and will then be presented to a wider audience of key EFA stakeholders for their agreement.
- Mediation system. The working of the mediation system in UNESCO was considered by the task force on the grievance-handling mechanism. The task force called upon IOS to

evaluate the effectiveness of the mediation system. The terms of reference and approach was agreed with all the stakeholders in late 2002 and the evaluation will be completed in March 2003.

- Field office evaluations. IOS developed its approach to field office evaluations in late 2002. This is considered further in paragraphs 40 and 41.

32. During 2002 IOS also initiated planning for two other significant evaluations foreseen in 165 EX/19 Annex II: an evaluation of the various reasons for low programme implementation, and another that will analyse the skill gaps among programme staff. Further work on developing the approaches to these evaluations is currently in progress. On institutes, IOS has developed a common framework for evaluation. An evaluation of IIEP, which is currently in progress, is consistent with this framework which is also being applied in planning an evaluation of IESALC in Caracas.

**Goal 8: Ensure sound evaluation results through the development of evaluation capacity at the sector and field levels, and the development and use of sound evaluation methodologies, guidelines, tools and standards.**

**Results achieved: backstopping provided to 14 programme/project evaluations in progress**

33. It is the responsibility of individual programme sectors and field offices to initiate programme/project evaluations but increasingly during 2002 they looked to IOS for support in planning and conducting the evaluations. This backstopping, which helped to build capacity in programme sectors, included assistance with the preparation of the Terms of Reference, advising on the methodology and on the selection of the consultants to undertake the evaluations. Experience shows that this advice has been accepted. The backstopping covered a wide variety of programmes and projects, ranging from an evaluation of UNESCO action in support of the E9 Initiative in Education (foreseen as an external evaluation in the 31 C/5 Evaluation Plan) to the Zimbabwe Film and Video Training Project which is managed by the Harare Office. As a standard practice extrabudgetary donors expect evaluations to be undertaken for the projects they fund, and in a number of cases IOS has discussed evaluation needs with donors and the programme sectors at the planning stage of projects and advised on the appropriate budget provision.

**Results achieved: awareness of the importance of evaluation capacity-building raised**

34. Support for the UNESCO Evaluation Strategy (165 EX/19) from the Executive Board and its wide circulation throughout the Organization have helped to signal the importance of evaluation as the means of assessing results achieved and as a learning experience in terms of subsequent programming. IOS followed this up with a round of meetings with programme ADGs to explain the support that IOS can provide in helping to build evaluation capacity in the programme sectors. IOS has subsequently worked closely with the sectors in developing the Evaluation Plan for document 32 C/5. This process resulted in the emergence of a considerable number of innovative evaluations.

**Results achieved: evaluation tools developed, improved, widely disseminated and utilized**

35. IOS developed a range of tools to help sectors and field offices improve the quality of evaluations: a set of guiding principles for evaluation which emphasizes the importance of concepts such as independence and objectivity; guidelines on developing terms of reference for evaluations; and guidelines on selecting evaluators. Progress was also made in developing a roster of potential evaluators.

**Goal 9: Ensure the development of sound and quality programmes through the clear articulation of expected results and performance indicators by fully participating in the preparation of the C/4 and C/5 documents.**

**Results achieved: input provided to the articulation of expected results and performance indicators in the preparation of document 32 C/5**

36. Working to a tight timescale, IOS was able to support BSP in helping programme sectors better articulate expected results and to develop appropriate performance indicators. This has resulted in a marked improvement in document 32 C/5 in the articulation of expected results and performance indicators.

**Goal 10: Ensure that the Executive Board and Member States are fully informed on programme implementation progress and delivery, on major achievements, lessons, constraints and innovations.**

**Results achieved: Report of the Director-General on the execution of the programme and budget during the previous biennium (2000-2001 – draft document 32 C/3, 165 EX/6) was submitted to the Executive Board**

37. Working closely with BSP, IOS developed an approach for the preparation of document 32 C/3 that was based on the notions of accountability and transparency, as well as on ensuring a strong analytical content. The aim was to ensure that "... the C/3 document becomes a more effective tool for management and corporate governance". In terms of accountability, the responsibility for the contributions rested with the various sectors, services and field offices. IOS's role in this exercise, using a team of four contracted staff, was to offer guidance on how contributions could be improved in order to become more analytical, results- and evidence-based. IOS also undertook an exercise, with generally satisfactory results, to validate, on a sample basis, the information in the C/3 document. Finally, IOS identified the ways in which the quality of future C/3 documents could be improved by making them more analytical, to use more material from evaluations, and by reducing its length by presenting tables of expected results and results achieved in a specially constructed user-friendly website, which can be referred to if and when details are needed.

### **IOS Strategy for 2003**

38. Significant refinements to the IOS strategy for 2003 arise from the need to put great emphasis on:

- securing the independence and objectivity of evaluations by calling on IOS to work closely in collaboration with sectors and other stakeholders from approval of the methodology, through to selecting the evaluators, final approval of the evaluation report and tracking follow-up to ensure that action is taken and lessons learned as a result of the evaluations;
- ensuring that more cross-cutting issues of corporate importance are evaluated by IOS; and
- providing training in evaluation and results-based management to programme sectors and field offices. This will help to build capacity and further develop a culture of evaluation and managing for results.

39. Another priority is to promote a climate of accountability by providing further self-assessment tools so that staff can self-assess their own control environment. An important development in 2003

is the increasing number of joint activities between audit and evaluation colleagues. This is essential to obtain a comprehensive view of the entity being evaluated/audited. Historically, the audit focus on effective and efficient utilization of resources as inputs to programme implementation has been divorced from the evaluation focus on the achievement of results from programme implementation. This will change in 2003. The joint teams will be reviewing what is essentially a set of continuous processes that convert the provision of inputs into the achievement of results. These processes cannot be separated.

40. Several important initiatives are being taken starting in 2003:

- A comprehensive review of the field office structure (regional bureaux, cluster offices, national offices) and how this is functioning and helping UNESCO to become more efficient and effective in delivering its programmes. It is essential to determine how these structures impact the way the Organization works as well as how they influence programme performance. The Director-General is committed to reporting on the outcome of this evaluation in early 2005 (161 EX/5 and 164 EX/5) but fieldwork needs to start in early 2003.
- A review of roles, processes and results achieved in all major types of decentralized bodies covering field offices, National Commissions and institutes. Criteria for evaluating field offices presented to the Executive Board (159 EX/17 and 160 EX/22) have been refined by IOS. IOS is committed to reporting on the preliminary outcome of this review, which will be undertaken at the same time as the early stages of the comprehensive review referred to above, at the 167th session of the Executive Board.
- A review of the progress made in delegating authority from Headquarters to field offices.

41. In order to draw sound conclusions, the three initiatives above will be undertaken by joint audit and evaluation teams at the same time as regular internal audit activity which assesses the control environment in the offices. A minimum of 16 field offices and three institutes are targeted for these reviews covering four regions and including all types of field offices, i.e. regional bureaux, cluster and national offices. The National Commissions in each field location reviewed will also be visited and interactions with other agencies in the United Nations system assessed.

42. Because of delays in processing field office data in FABS, the External Auditor will rely on IOS field audits to confirm the integrity of field office financial data.

43. As in 2002, three major Headquarters audits will be undertaken. On the investigation side, all suspected irregularities will be pursued and disciplinary action taken as appropriate, in line with the approach taken by IOS in the last two years. Management support activities are expected to grow significantly in 2003 and in the early part of the year IOS was already providing a resource person for Administrative Officer training in a number of regional locations, and in developing a Table of Authority within Headquarters covering both operational and programmatic authorities and accountabilities.

44. Having considered the above, the Executive Board may wish to adopt a decision along the following lines:

The Executive Board,

1. Having examined document 166 EX/36,

2. Takes note of the further encouraging progress made by the Internal Oversight Service, the results achieved and the refinements to its strategy for 2003;
3. Having examined summaries of the JIU reports presented in the Annex to document 166 EX/36, together with the Director-General's comments,
4. Invites the Director-General to implement those recommendations contained therein, which he considers appropriate.

## ANNEX

### **SUMMARIES OF RELEVANT JIU REPORTS WITH THE DIRECTOR-GENERAL'S COMMENTS THEREON**

1. In accordance with 165 EX/Decision 9.6. (para. 3) the Director-General submits herewith summaries of Joint Inspection Unit (JIU) reports relevant to UNESCO, together with his comments. The full text of these reports is available upon request (English and French only) (These reports are also available on the Web at <http://www.unsystem.org/jiu/>).

2. Between January 2001 and November 2002, nine JIU reports and a note considered to be relevant to UNESCO were received. The implementation of the recommendations contained in these reports and the note are regularly followed up by IOS with the use of a database.

<b>Management of buildings: Practices of selected United Nations system organizations relevant to the renovation of the United Nations Headquarters (JIU/REP/2001/1)</b>
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3. The report examines operational and financial issues of building management in United Nations system organizations with a particular focus on the United Nations Headquarters and proposes measures to avoid waste of resources and provide a sound space management. The report also makes a substantial reference to UNESCO's practice related to building restoration and improvement and the financing of building management.

4. While most of the recommendations are concerned with the United Nations Headquarters buildings, the Director-General supports all the recommendations and, in practice, many of them, in particular, those emphasizing the collaboration with the host country, have already been implemented. With regard to recommendations which relate to the allocation of office space and management, the Director-General will consider the possibility of revising office space standards.

<b>United Nations system support for science and technology in Latin America and the Caribbean (JIU/REP/2001/2)</b>
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5. The report assesses the relevance and effectiveness of technical cooperation for capacity-building in science and technology in Latin America and the Caribbean provided by the United Nations system organizations with case studies of selected projects including the one carried out by UNESCO in the field of biotechnology. The report finds that the organizations' efforts were effective in responding to the priorities of the region and consistent with the legislative mandate of the United Nations system, and that these efforts received strong political support from the region.

6. The report puts forward recommendations, which aim to strengthen these efforts by fostering more substantive inter-agency coordination. The Director-General accepts Recommendations 2(a), 3, 4, 7 and 8 and they are in the process of being implemented by the Regional Bureau for Science in Latin America and the Caribbean. The Director-General finds it important, in particular, to strengthen cooperation among agencies in the region by following their respective institutional mandates and fields of competence and avoiding duplication among them without creating new machinery.

**Enhancing governance oversight role (JIU/REP/2001/4)**

7. The report is referred to in document 166 EX/20 (Report by the Director-General on specific proposals for improving the functioning of the three organs of UNESCO) submitted to the Executive Board at its 166th session. This JIU report is distributed to the Members of the Executive Board along with document 166 EX/20.

**Involvement of civil society organizations other than NGOs and the private sector in technical cooperation (JIU/REP/2002/1)**

8. Civil society organizations (CSOs) are increasingly involved in economic and social development programmes of the United Nations system organizations not only as beneficiaries but also as partners. Against this background, the report analyses this evolving partnership and examines how the collaboration among governments, United Nations system organizations and CSOs can be better structured and expanded in order to strengthen collaboration among governments, United Nations system organizations and civil society organizations and enhance the effectiveness of technical cooperation.

9. The Director-General accepts all the recommendations put forward in the report. As to recommendations 2, 3 and 6, which refer to the establishment of a standard framework for a more effective collaboration with CSOs, UNESCO intends to develop a set of principles and guidelines for cooperation with CSOs and create formal accreditation processes. With regard to recommendations 7 and 8 on the collaboration at the field level, UNESCO intends to strengthen the linkage between National Commissions and national CSOs.

**The results approach in the United Nations: Implementing the United Nations Millennium Declaration (JIU/REP/2002/2)**

10. The report, addressing the results-based approach, and the United Nations Millennium Development Goals (MDGs), analyses the concept of results currently used by the United Nations and examines how the results-based approach can be improved. It further explores a meaningful results approach, which would help the United Nations system and Member States to chart progress towards the attainment of the MDGs.

11. The Director-General welcomes this report which addresses timely and important issues that all United Nations system organizations are working on. He supports the observations made in the report. UNESCO, for its part, has been vigorously undertaking results-based planning, programming, budgeting, management and monitoring (RBM). In this regard, the Director-General agrees with the recommendation that for the effective application of RBM, the technique should be kept under constant review and that an enabling environment as well as the training of programme managers is critical. As to the MDGs, UNESCO is committed to contributing to the attainment of the MDGs by, for example, ensuring the integration of the MDGs in its own biennial programme and budget planning.

**Support costs related to extrabudgetary activities in organizations of the United Nations system (JIU/REP/2002/3)**

12. The report is referred to in document 166 EX/35 (Report by the Director-General on extrabudgetary resources) submitted to the Executive Board at its 166th session. This JIU report is distributed to the Members of the Executive Board along with document 166 EX/35.

**Extension of water-related technical cooperation projects to end-beneficiaries: bridging the gap between the normative and the operational in the United Nations system (case studies in two African countries) (JIU/REP/2002/4)**

13. The report reviews the activities of United Nations system organizations in the area of water resources, identifies problems and opportunities including ways of strengthening collaboration among the organizations with a view to maximizing the benefits to the end-beneficiaries. The report identifies the need for integrated approaches to the development, management and use of water resources and, for this purpose, better coordination and collaboration among the organizations both at the upstream and country levels.

14. The Director-General agrees with some of the recommendations. Although all of the recommendations are addressed to the United Nations Chief Executive Board for Coordination (CEB) or the General Assembly, UNESCO will take action to achieve more coordinated and integrated operational interventions by United Nations organizations, for example, by strengthening the International Hydrology Programme National Committees and extending their role to the coordination of inter-agency activities in the field.

**Reform of the administration of justice in the United Nations system: Options for higher recourse instances (JIU/REP/2002/5)**

15. Examining existing procedures to resolve administrative disputes involving international organizations and their staff, the report discusses the need for the organizations to enhance informal conciliation, mediation and negotiation prior to the institution of formalized procedures. It also proposes measures designed to ensure that the internal administration of justice in these organizations provides staff members and the administration with recourse options by suggesting the possibility of establishing a higher means of recourse against decisions of the two main administrative jurisdictions.

16. UNESCO has already implemented some of the recommendations, in particular, to secure independence of bodies concerned with the administration of justice and to strengthen its capacity for informal conciliation, mediation and negotiation. As to the recommendation regarding the establishment of an ad hoc panel for reviewing the judgments of the major administrative tribunals, the Director-General is of the view that the issue should be raised at the next meeting of the Legal Advisers of the United Nations system.

**United Nations system revenue-producing activities (JIU/REP/2002/6)**

17. The report reviews United Nations system policies and practices relating to revenue-producing activities, which range from sales of publications to catering and rental of premises, with a view to establishing a coherent policy framework for these activities and improving their management efficiency and effectiveness. The report finds that enhancing the managerial

performance of these revenue-producing activities serves to promote the public image of United Nations system organizations and to improve their revenue-producing capacity as well as profitability.

18. The Director-General accepts most of the recommendations relevant to UNESCO. As to recommendation 7, which proposes ways to increase revenue from publications, UNESCO will identify new distributors in countries not covered by marketing and sales operations and consider promoting licensing and reproduction agreements as well as patents, and promoting the production of UNESCO copyrighted material in different languages. As to recommendations 8 and 9, which encourage audiovisual production and the sales of software programmes, UNESCO has already been selling some audiovisual productions and has an online video catalogue and audio bank.

<p><b>Senior Level Appointments in the United Nations specialized agencies and IAEA (JIU/NOTE/2002/1)</b></p>
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19. The note examines some issues related to senior-level appointments in the secretariats of the United Nations system organizations, such as geographical distribution of posts, gender balance, and development of a performance appraisal system, by comparing major features of policies, procedures and practices for appointment to senior-level positions in the organizations and analysing their commonalities and specificities.

20. The Director-General fully concurs with the findings and recommendations in this note and all recommendations have already been implemented or are being implemented. With regard to recommendation 1 on the geographical balance, the Director-General issued a Blue Note in October 2002 instituting various measures to ensure the widest possible geographical balance in the distribution and the appointment of staff, including senior-level staff. The implementation of these measures will be monitored and reported to the Director-General. As to gender balance, UNESCO has the second highest representation of women (21.4%) at senior-level among United Nations system organizations.