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Educational, Scientific and  
Cultural Organization

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## **COMMENTS BY THE DIRECTOR-GENERAL ON THE IMPLEMENTATION OF THE INTERNAL OVERSIGHT SERVICE (IOS) STRATEGY IN 2008-2009: ANNUAL REPORT 2008**

### **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 2008-2009: Annual Report 2008". The Director-General fully endorses the implementation of the strategy as discussed in this eighth annual report produced by the Service. Further to 176 EX/Decision 38, the report also presents the Terms of Reference for a standing Oversight Advisory Committee in draft format. The financial and administrative implications of the reported activities fall within the parameters of the current C/5 document.

Action expected of the Executive Board: proposed decision in paragraph 29.

## Introduction

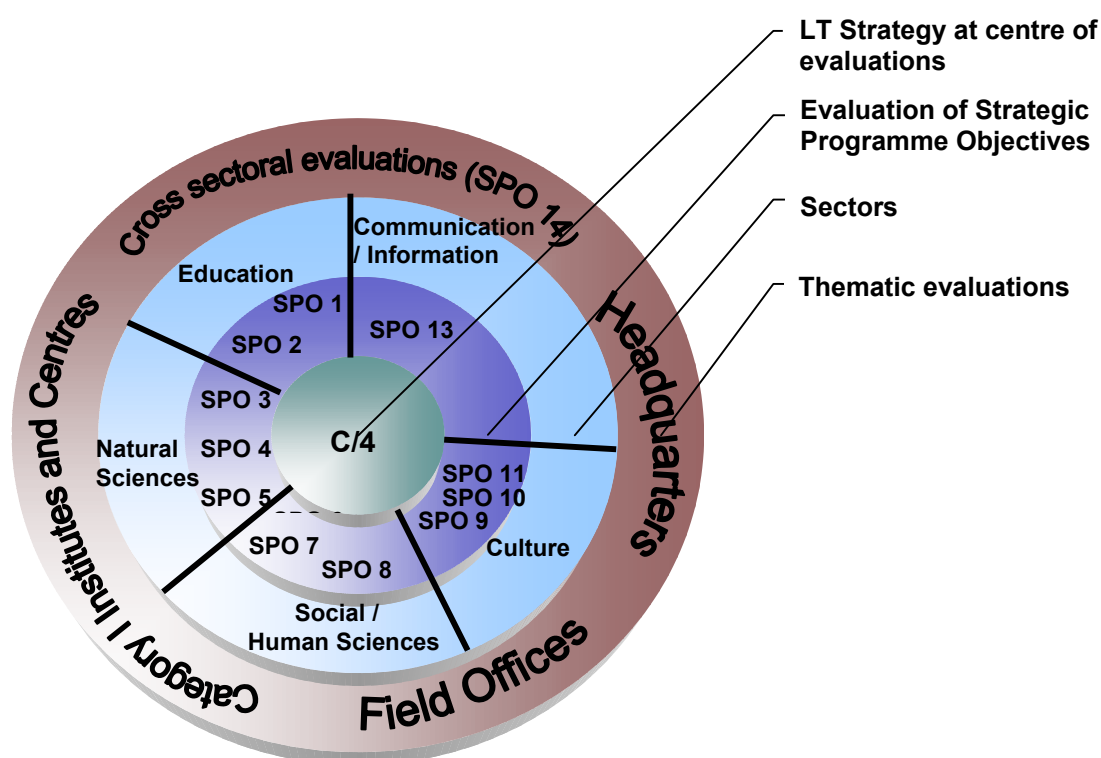
1. The Internal Oversight Service (IOS) provides an oversight mechanism covering internal audit, evaluation and investigation. IOS is charged with providing assurance that (1) programmes and plans are delivered as intended; (2) continuous improvements are made in programme design and delivery; (3) internal controls are functioning effectively; and (4) financial processes are reliable.

2. Following the departure of the former Director of IOS and a period managed by an external interim Director, Bert Emiel Keuppens took over as Director of IOS on 1 October 2008.

## Progress made towards the achievement of expected results

3. In 2008, IOS made significant progress towards meeting its 34 C/5 expected results. Key achievements are discussed in the next five sections.

**Figure 1: Evaluation coverage**



### (a) Quality and cost-effectiveness of evaluation outputs improved

4. Under the 2008-2013 Long-Term Strategy, evaluations are now selected based on their strategic importance. Over time all key activities and all SPOs will be evaluated over the 34 C/4 period. Under this approach (refer to Figure 1), all strategically important areas will be evaluated, including important decentralized bodies such as field offices and category 1 institutes and key centralized functions such as recruitment. What is not covered is UNESCO governance, category 2 institutes and a number of central services.

5. In 2008, 10 evaluations were conducted and completed under the former strategy of selecting specific subjects or programmes (refer to Table 1), three of which were presented to the Executive Board at its 180th session in document 180 EX/27. Four evaluations were begun in 2008 under the new strategy and will be completed in 2009 (refer to Table 2). The findings of these reports are summarized in document 181 EX/19. In addition, two evaluations were conducted upon request: an Evaluation of the UNESCO Office in Mexico and a Review of Publication Capacity. The summary of this review is provided in document 181 EX/39. The policy is to publish IOS-managed evaluation reports on the external IOS website (<http://www.unesco.org/ios>).

**Table 1: List of Evaluations conducted in 2008**

1	Evaluation of the Nordic World Heritage Foundation (NWHF)
2	Evaluation of the Capacity-Building for EFA (Cap-EFA)
3	Evaluation of UNESCO Santiago's Regional Network of School Leadership Development
4	Evaluation of the Leadership and Change Management Training Programme (LCMP)
5	Evaluation of Nigeria-UNESCO Initiative in Science and Technology Education
6	Evaluation of the Literacy Assessment and Monitoring Programme (LAMP) / UNESCO Institute for Statistics (UIS)
7	UNESCO's Technical Assistance and Capacity Building Efforts in Measuring Learning Achievement: an Evaluation of the Latin American Laboratory for the Evaluation of Educational Quality (LLECE)
8	Evaluation of the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ)/International Institute for Educational Planning (IIEP)
9	Evaluation of the UNESCO Participation Programme
10	Evaluation of the UNESCO Coupons Programme

**Table 2: List of Evaluations completed under the new strategy**

1	Evaluation of Strategic Programme Objective 14: Support through UNESCO's domains to countries in post-conflict situations and post-disaster situations
2	Evaluation of UNESCO's capacity to deliver document 34 C/5 – A Risk Assessment Approach
3	Evaluation of UNESCO's Recruitment Policy
4	Evaluation of 8 Pilot Locations of the "Delivering as One" United Nations initiative

6. In 2009, IOS will manage five evaluations of Strategic Programme Objectives (SPOs 1 and 2, SPO 4, SPO 6, SPO 11 and SPO 13) and will conduct 10 field office evaluations. The move to strategic, portfolio-based evaluations has increased overall impact and has improved cost-effectiveness of the evaluation function by allowing for wider evaluation coverage with the same resources.

**(b) Capacities increased and leveraged upon**

7. IOS prepared a control self-assessment tool for field offices. This focuses on common risk areas and corresponding controls and is designed to support managers in the control of field operations. The tool is now distributed to heads of field offices upon their assignment and is completed by UNESCO managers as part of the planning phase for each field audit. Expanded use of this tool is planned for the coming year to lower costs associated with IOS field audits. IOS intends to validate the self-assessment and will also use the tool in a training programme.

8. Three evaluation tools were released for the use of UNESCO staff to support the evaluation process and to improve the quality of evaluations. In addition, IOS organized five self-evaluation workshops, training a total of 80 participants, and held a training session at IIEP and at three field offices.

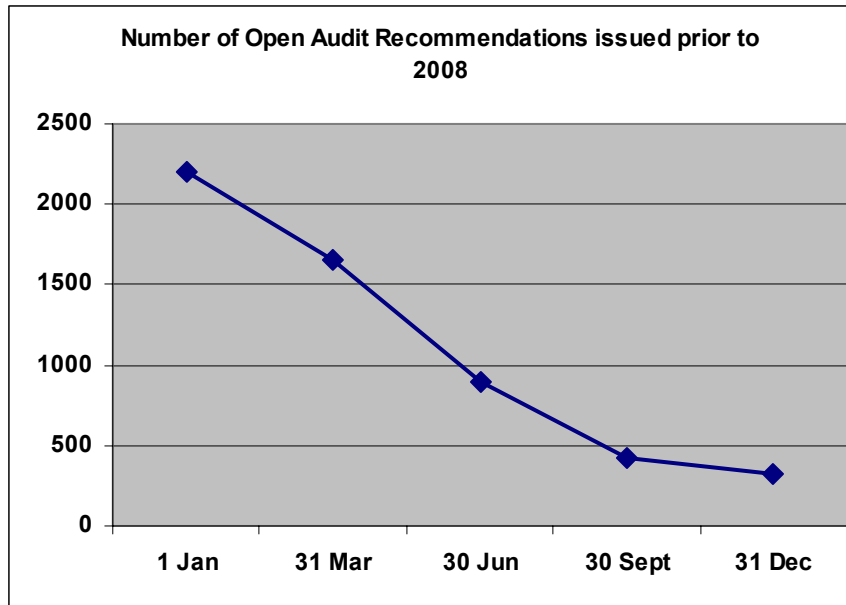
9. IOS plans to continue to work towards clearer articulation of UNESCO's expected results and more specific performance indicators and benchmarks to facilitate subsequent monitoring, evaluation and reporting. The objective is to improve accountability, further increase effectiveness and better integrate evaluations into results-based management processes.

**(c) Impact enhanced**

10. Results of IOS evaluations and audits are used by management to improve programme delivery and operational processes and controls.

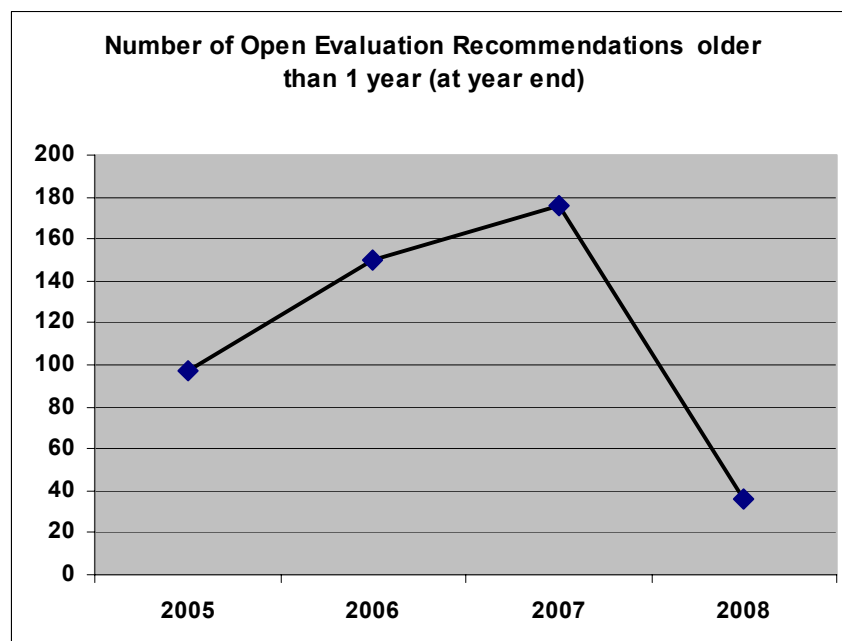
11. IOS systematically follows up all recommendations to ensure that appropriate actions are taken. During 2008, this was a high priority with significant efforts which led to a sharp fall in the number of open audit recommendations, from 2,200 at the beginning of 2008 to 480 by the end of the year (refer to Figure 2).

**Figure 2: Status of Open Internal Audit Recommendations in 2008**



12. IOS completed a comprehensive review of action plans and progress reports on the implementation of recommendations for all evaluations submitted to the Executive Board from 2004 to 2007. The review assessed the continued validity of all open evaluation recommendations, with the aim to close all those issued before 2007 and to make substantial progress on those made in 2008. As a result of this effort, some 170 evaluation recommendations were closed. A set of Guidelines for Follow-up to Evaluation Report Recommendations was made available to UNESCO staff and other stakeholders. The status of evaluation recommendations is presented in Figure 3 below.

**Figure 3: Status of Evaluation Recommendations between 2005 and 2008**



**(d) More effective and efficient programme delivery**

13. IOS undertook 28 audits and other engagements during 2008. Field coverage included two Regional Offices (Dakar and Venice), five National or Cluster Offices (Kathmandu, Accra, Yaoundé, Hanoi and Mexico City) and two Institutes (IESALC in Caracas and IITE in Moscow). Four headquarters audits were completed (Use of Activity Financing and Fee Contracts, Headquarters Renovations, Transportation Services and Participation Programme). Four audits were conducted in the area of Information Technology (SISTER2 Project, IT Governance, Email Services, and Data Ownership and Data Classification). In addition, three advisory engagements were undertaken. These included a review of the Administrative Unit of IIEP, a study of Long-Term use of Temporary Assistance and a combined audit/evaluation review of the Publication Capacity at UNESCO.

14. Specific audit recommendations during 2008 included strengthening project management and governance of information technology; improving priority setting, result-planning and performance monitoring of field offices; and addressing long-term use of temporary assistance contractors at Headquarters. IOS also directed recommendations to field offices to improve controls over advance payments, ensure competitive procurements and monitoring and reporting on extrabudgetary projects.

15. To assist in the implementation of the ongoing Risk Management programme at UNESCO, IOS facilitated a workshop for senior managers to identify and assess corporate risks. These risks were then classified according to relevance, impact and probability. This exercise was a part of the Risk-Based Evaluation of the Capacity to Deliver document 34 C/4.

16. The evaluation concluded that UNESCO had a fragmented risk management approach in place and recommended the establishment of a Risk Management Committee to formulate action plans to mitigate these risks. This approach received a high level of participation and a Risk Management Committee was established which held its first meeting in December 2008. While the adoption of this approach puts UNESCO in a best practice position in the United Nations family, IOS will monitor the effectiveness of this approach throughout 2009.

**(e) Highest quality standards in IOS maintained**

17. Professional standards governing the conduct of the internal audit and evaluation functions require periodic assessment as to their adherence to international standards. For internal audit, these are the International Standards for the Professional Practice for Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors (IIA). For evaluation these are the Norms and Standards in Evaluation, issued by the United Nations Evaluation Group (UNEG).

18. The outcome of the 2006 review of the IOS evaluation strategy formed the basis for the 2008-2013 Long-Term Evaluation Strategy, articulated in 177 EX/27 and adopted in 177 EX/Decision 27. In 2008, IOS further addressed the key priorities raised in the review, namely to improve the quality of evaluations, strengthen the follow-up to evaluation recommendations, and improve evaluation capacities. These priorities have been articulated in the form of expected results in the 2008-2009 Evaluation Plan and significant progress has been made in achieving them.

19. IOS initiated a Quality Assurance Review of its evaluation function in December 2008 consisting of an in-depth self-assessment based on the UNEG Norms and Standards in Evaluation, followed by a validation by an external expert and submission to the Oversight Advisory Committee. The purpose was to assess the operations of the Evaluation function, including an assessment of its independence, credibility, and usefulness for learning.

20. The review showed that there was general compliance with the Standards. It noted widespread acknowledgement of increasing usefulness of evaluations with opportunities to

leverage this further by wider dissemination of key lessons. The review also concluded that IOS had taken positive steps towards implementing a more strategic approach to evaluation planning. With regards to independence, it noted that IOS had benefited from adopting a participatory approach and having a close relationship with programme sectors, while safeguarding its independence.

21. In 2008, IOS actively followed up on the results of a quality assessment of the internal audit function completed in 2006. This review concluded that, while the internal audit function generally conformed to the International Standards for the Professional Practice of Internal Auditing, a number of improvements could be made. Fourteen of the seventeen recommendations addressed to IOS have now been implemented, with three currently still under way. Progress made during 2008 included the preparation of an Internal Audit Manual, the development of a customer feedback mechanism, and clarification of job descriptions and responsibilities.

### **Investigation function**

22. Investigations into irregularities, potential misconduct and violation of rules have always been a component of IOS work. Towards the end of 2008, IOS created a separate investigative function and engaged a senior investigator on a contractual basis. To further strengthen the investigative function, a permanent position is being re-designated within the existing staff complement.

### **Functioning of the Oversight Advisory Committee (OAC) in 2008**

23. During 2008 IOS reconvened OAC which had been established in 2000. The purpose of the Committee is to advise the Director-General on risk management, financial and internal controls, and the related functions of Oversight. OAC met twice during 2008, and a video/teleconference meeting was held in January 2009.

24. Following their meeting in June, the Director-General issued a Flash Info No. 092-2008 (08/07/2008) setting out the key points of this meeting. The Committee commended senior management's strong commitment to evaluation and risk management, and it stressed the need to formalize enterprise risk management and issue operational guidelines. Furthermore, it welcomed the introduction of the Internal Control Framework and urged Management to take immediate steps to implement the policy and the framework. While the Committee was impressed by the progress made towards the implementation of IPSAS, it highlighted the need for raising awareness. In the October meeting the Committee followed up on these issues and inquired about the progress being made in establishing an Ethics function.

### **Terms of Reference for a standing Oversight Advisory Committee**

25. In 2000, as part of the reform agenda of the Director-General, IOS was established (see 160 EX/Decision 6.5.2). In his initial design, the Director-General proposed an Internal Oversight Committee, comprising the sectors' Assistant Directors-General and the Directors of Central Services, participating in person. This Committee was to function as an advisory panel to IOS and help gain house-wide acceptance of oversight and develop a "culture of evaluation".

26. In 2005, following its adoption by 174 EX/Decision 28 the Director-General modified the model to take advantage of external and independent professional expertise. The responsibilities of the new Committee included assessing the adequacy of IOS resources and advising the Director-General accordingly. The Committee would also provide an annual report to the Director-General, information from which would be shared with the Executive Board. As was mentioned in document 174 EX/29, the Director-General invited the following to sit on the Committee: John Fox (Chairperson, United States, a former Joint Inspection Unit Inspector); Emmie Heyn (South Africa, a former head of internal audit in both the public and private sectors); Pierre Spitz (France, former head of evaluation in IFAD (International Fund for Agricultural Development) and a former member of the Committee); Hans Lundgren (Sweden, head of evaluation and effectiveness in the

Organisation for Economic Co-operation and Development (OECD) and Verasak Liengsriwat (Thailand, Special Assistant for Management to the Director-General, International Atomic Energy Agency (IAEA) and former Director, Oversight Services, IAEA).

27. The UNESCO Regulations for the general classification of the various categories of meetings are explicit and prescribe the types of advisory committees and their composition. The reconstituted Oversight Advisory Committee, if it is to be established on a permanent basis, could not come under these Regulations due to its external composition. It has therefore been operating on an ad hoc basis as a Category VI expert committee. This means that it can only operate for a finite term, namely until the 35th session of the General Conference.

28. Therefore, further to 176 EX/Decision 38, the Director-General is proposing for consideration by the Executive Board the attached draft Statutes and Terms of Reference (annex) to establish it as a standing committee recognized within UNESCO. This proposal entails constituting the Committee as an internal committee to advise management and which would consist of independent external specialists appointed by the Director-General and serving in a private capacity.

### **Proposed draft decision**

29. The Executive Board may wish to adopt a decision regarding the implementation of the Internal Oversight Service Strategy in 2008-2009 and the establishment of the Oversight Advisory Committee along the following lines:

#### I

The Executive Board,

1. Recalling 160 EX/Decision 6.5 and 164 EX/Decision 6.10,
2. Having examined document 181 EX/33,
3. Takes note of the contributions made by the Internal Oversight Service (IOS).

#### II

The Executive Board,

1. Recalling 176 EX/Decision 38 and document 176 EX/38,
2. Having examined document 181 EX/33,
3. Recognizes the importance of formalizing the establishment of the Oversight Advisory Committee as a permanent standing committee in order to ensure that the Director-General and his management team can benefit from independent professional advice and expertise;
4. Welcomes the Director-General's proposal on the Terms of Reference for the Oversight Advisory Committee;
5. Recommends to the General Conference at its 35th session that, given the significance of internal oversight to the good governance of UNESCO, it approves the establishment of the Oversight Advisory Committee and its Terms of Reference (annex of document 181 EX/33) by suspending the relevant provisions of the applicable regulations on UNESCO meetings.

## **ANNEX**

### **STATUTES AND TERMS OF REFERENCE FOR THE UNESCO OVERSIGHT ADVISORY COMMITTEE**

#### **Article 1**

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

#### **Article 2 – Purpose**

1. The Committee shall operate in a purely advisory capacity to the Director-General of the Organization to assist the Director-General in fulfilling his/her oversight responsibilities, including on the effectiveness of risk management, internal control, and other internal oversight related matters with respect to the Organization’s operation.
2. The Committee shall function as a standing committee.
3. The Committee shall not infringe on the functions and responsibilities of any existing oversight entities of UNESCO.

#### **Article 3 – Responsibilities**

The responsibilities of the Committee are:

##### **Internal oversight**

1. To advise on the adequacy and effectiveness of the Internal Oversight Service (IOS) and its strategies, priorities and work plans and suggest potential areas to address the Organization’s risks;
2. To review and discuss with Management the internal control and risk management issues that may arise from IOS oversight activities;
3. To review and advise on the IOS charter, authority, operational independence and resource requirements to carry out effectively IOS responsibilities;
4. To advise on the implementation by Management of IOS recommendations.

##### **Management of risk**

5. To review and discuss with Management the Organization’s policies and practices with respect to risk assessment and risk management and internal control systems;
6. To advise the Director-General on the quality and overall effectiveness of risk management policies and procedures;

##### **Internal controls**

7. To advise Management on potential weaknesses in the internal control framework of UNESCO;
8. To review and discuss with Management the policies significantly impacting accounting and financial reporting issues, use of resources and the effectiveness of the Organization’s internal controls;



9. To stay informed on the reports of the External Auditor and the state of implementation of his/her recommendations.

#### **Article 4 – Access**

The Committee may request:

1. Through the Director-General, all information and/or documents necessary to perform its responsibilities;
2. To meet individually with the Director-General, the Director IOS, Director BOC and other Senior Managers in private sessions.

#### **Article 5 – Composition**

1. The Committee shall be composed of four members, appointed by the Director-General.
2. The members, all of whom shall be external and independent of the Organization, shall reflect the highest level of integrity and professionalism and shall serve in their private capacity. In performing their duties, they shall not seek or receive instructions from any Government. They should not have held a staff and/or consultancy positions with the Secretariat for a consecutive five years prior to their appointment and shall not hold any position or engage in any activity that could impair their independence from the Secretariat or from companies that maintain a business relationship with the Organization, in fact or perception while serving in this committee.
3. The members of the Committee must have skills, knowledge and experience to fulfil their responsibilities. In particular, they must have recent and relevant senior-level managerial, financial, audit and/or other oversight-related experience and competencies, including:
  - (a) experience in preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by the Organization, including an understanding of relevant accepted accounting and auditing principles and international standards;
  - (b) an understanding of and, if possible, relevant experience in the inspection, monitoring and evaluation and investigative processes;
  - (c) an understanding of internal control and risk management procedures;
  - (d) a general understanding of the Organization and the structure and functioning of the United Nations system;
  - (e) at least one member should be a professionally qualified accountant, auditor or finance professional.
4. Each member shall serve for a period of two years, renewable once for the second and final term of two years after the initial term, on a phased basis so as to provide continuity. In the event of resignation, incapacity, death or any other circumstance in which the term of office of a Committee member is cut short, the Director-General shall appoint a replacement for the remainder of his or her term of office.
5. The appointed Committee members will elect their own Chairperson from within their number to serve for the duration of his/her term. If the Chairperson is unable to attend a meeting, the members present shall elect an Acting Chairperson for that meeting from among themselves.

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

#### **Article 6 – Meetings**

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

2. Three members will constitute a quorum. Members cannot be represented by an alternate.

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

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

5. The Dir/Office of the Director-General (ODG) and Dir/IOS may attend Committee meetings. The Comptroller and other management representatives may attend the meetings or parts of the meeting as requested by the Committee or its Chairperson.

6. The IOS Director and the Comptroller shall have unrestricted and confidential access to the Chairperson of the Committee.

#### **Article 7 – Recommendations and reporting**

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

2. The Committee shall also submit to the Director-General an annual summary report of its activities, issues and results, including on its own effectiveness in discharging its duties.

#### **Article 8 – Secretariat support**

The secretariat service for the Committee shall be provided by IOS.

#### **Article 9 – Status of members**

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

#### **Article 10 – Fees and costs**

1. Members shall not receive remuneration for their services.

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

**Article 11 – Confidentiality of meetings and minutes**

1. All members of the Committee shall sign a statement of confidentiality at the time of appointment.
2. The deliberations of the Committee and the minutes of its meetings are confidential unless otherwise decided. The documents and informational material circulated for the consideration of the Committee shall be used solely for that purpose and treated as confidential.

**Article 12 – Disclosure of conflicts of interest**

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