



United Nations
Educational, Scientific and
Cultural Organization

Executive Board

Hundred and eighty-fourth session

184 EX/27

PARIS, 26 February 2010
Original: English

Item 27 of the provisional agenda

INTERNAL OVERSIGHT SERVICE (IOS): ANNUAL REPORT 2009

SUMMARY

As requested by 160 EX/Decision 6.5 and 164 EX/Decision 6.10, attached is the 2009 Annual Report of the Internal Oversight Service (IOS).

The financial and administrative implications of the reported activities fall within the parameters of document 35 C/5.

INTRODUCTION

1. The Internal Oversight Service (IOS) provides a consolidated oversight mechanism covering internal audit, evaluation, investigation and other management support to strengthen the functioning of the Organization. The Service provides assurance that (1) programmes and plans are delivered efficiently and effectively; (2) management information is reliable and timely; (3) continuous improvements are fostered in programme design and delivery; (4) internal controls are functioning effectively; and (5) financial processes are reliable. IOS further provides support to the Organization in its role as Secretariat of the Risk Management Committee, established in December 2008. This report presents key achievements for 2009 and challenges for the year ahead.

2. IOS adheres to international professional standards governing the conduct of the internal audit and evaluation functions and of investigations. IOS has continued to strengthen its quality assurance processes by establishing a standing Oversight Advisory Committee, commissioning external quality assurance reviews of the audit and evaluation functions, requiring all staff to be professionally certified in their field and adopting a utilization-focused approach.

INTERNAL AUDIT

3. Internal audits conducted during 2009 were executed in accordance with a risk-based annual audit plan.

Table 1: Summary of key internal audits, 2009

Headquarters
<p>Procurement at Headquarters</p> <ul style="list-style-type: none"> • The procurement process generally conforms to rules and procedures. • Efficiencies should be introduced, such as broader use of long-term agreements for recurring purchases and corporate cards for smaller purchases. • There are opportunities to streamline operations of the procurement function. • Associated controls in FABS should be strengthened.
<p>Performance assessment of Heads of field offices</p> <ul style="list-style-type: none"> • A performance assessment system for heads of field offices was introduced in 2008 with most preparing expected results for the biennium. • The system was complex and only partly implemented, and simplification is needed for objectives setting, interim feedback and periodic assessment.
<p>Extrabudgetary framework</p> <ul style="list-style-type: none"> • Significant progress has been made in strengthening UNESCO's extrabudgetary framework since the 2006 external audit. • More could be done to (1) clarify the sectoral strategic framework for extrabudgetary activity, (2) establish roles and accountabilities for resource mobilization, and (3) ensure that the new cost recovery policy meets transparency needs.

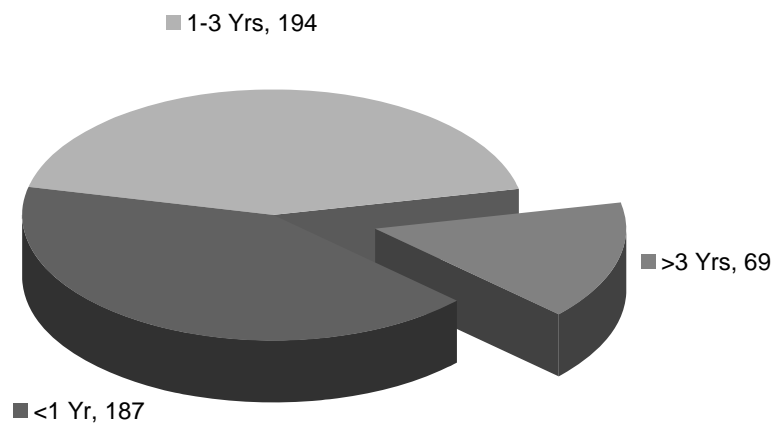
<p>Travel</p> <ul style="list-style-type: none"> • The travel process generally conforms to rules and procedures. • Savings can be achieved through introduction of a self-booking tool, use of most economical tickets and expanded use of video conferencing. • Ad hoc authorizations of business class travel should further be restricted and closely monitored.
<p>Review of IPSAS progress</p> <ul style="list-style-type: none"> • UNESCO remains on track to produce IPSAS compliant financial statements for 2010. • Delay in certain system modifications requires attention and project resources require better definition.
<p>Medical Benefits Fund</p> <ul style="list-style-type: none"> • The outsourced claims processing is providing cost-effective service to UNESCO. • Claims are properly supported and conform to MBF rules. • A service level agreement could be established together with a performance monitoring process.
<p>Information technology</p>
<p>IT security</p> <ul style="list-style-type: none"> • The IT networks are not sufficiently secure and action is required in both technical terms and in prioritizing security.
<p>Field connectivity</p> <ul style="list-style-type: none"> • Eight field locations suffer chronic network connectivity problems and more than half of the field offices perceived connectivity to be slow. • Connectivity service standards should be developed and solutions identified (e.g., increased bandwidth or collaboration with other United Nations agencies) where connectivity problems persist.
<p>Field offices</p> <p>Field audits were completed at nine locations in the regions of Africa (Djibouti, Harare), Asia and the Pacific (Bangkok, New Delhi), Arab States (Cairo, Amman, Iraq Office in Amman), Latin America and the Caribbean (Lima, Santiago).</p> <ul style="list-style-type: none"> • Overall controls vary among locations, but have generally improved since prior IOS audits. • Areas requiring attention include contracting, extrabudgetary activity and personnel management. • Roles of regional offices continue to require clarification. • More effective performance management systems need to be put in place for field office heads.

4. Other internal audit activities during the year included specific reviews and advisory services, such as the facilitation and coordination of a new Administrative Manual and continued use of control self-assessment activities where IOS provides tools and facilitation to offices and units to enable them to examine their controls as a team and address areas requiring attention.

Recommendation follow-up

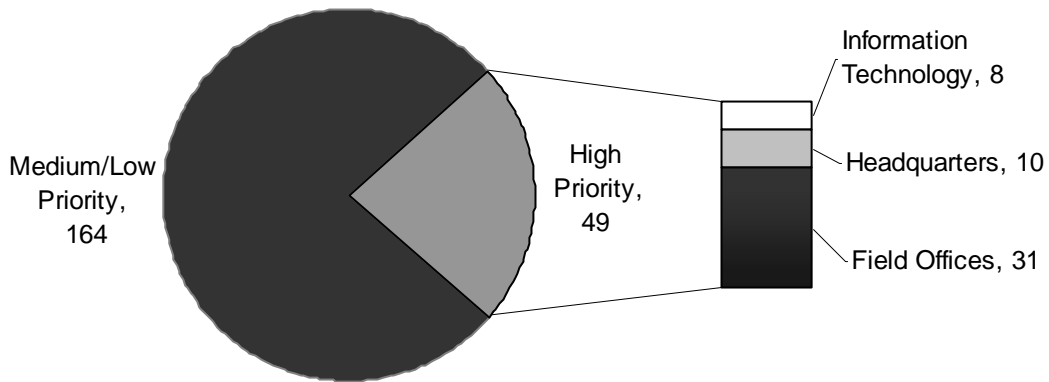
5. Results of IOS audits are used to improve programme delivery, controls and efficiencies. IOS systematically follows up on the implementation of internal audit recommendations. As of the end of 2009, most internal audit recommendations were on track for timely implementation, and continued progress is needed as shown in Figure 1. Open recommendations decreased from 2,204 – including 684 outstanding for over three years – at the beginning of 2008 to 450 at the end of 2009. This progress was achieved by intensive follow-up and reflects a higher priority to implementation by management.

Figure 1: Aging of open IOS audit recommendations, as at 31 December 2009



6. IOS classifies internal audit findings by significance and prioritizes its monitoring accordingly (refer to Figure 2). For 2009, most priority recommendations were associated with field offices and included location-specific issues in procurement, management of extrabudgetary projects, and regional office roles and accountabilities. The priority information technology recommendations during the year were associated with network security and reiterated the importance of effective IT governance and project management. For Headquarters, priority issues included opportunities to improve the management framework for extrabudgetary activity, work processes and organization of the procurement function, and objective setting for performance management of field offices.

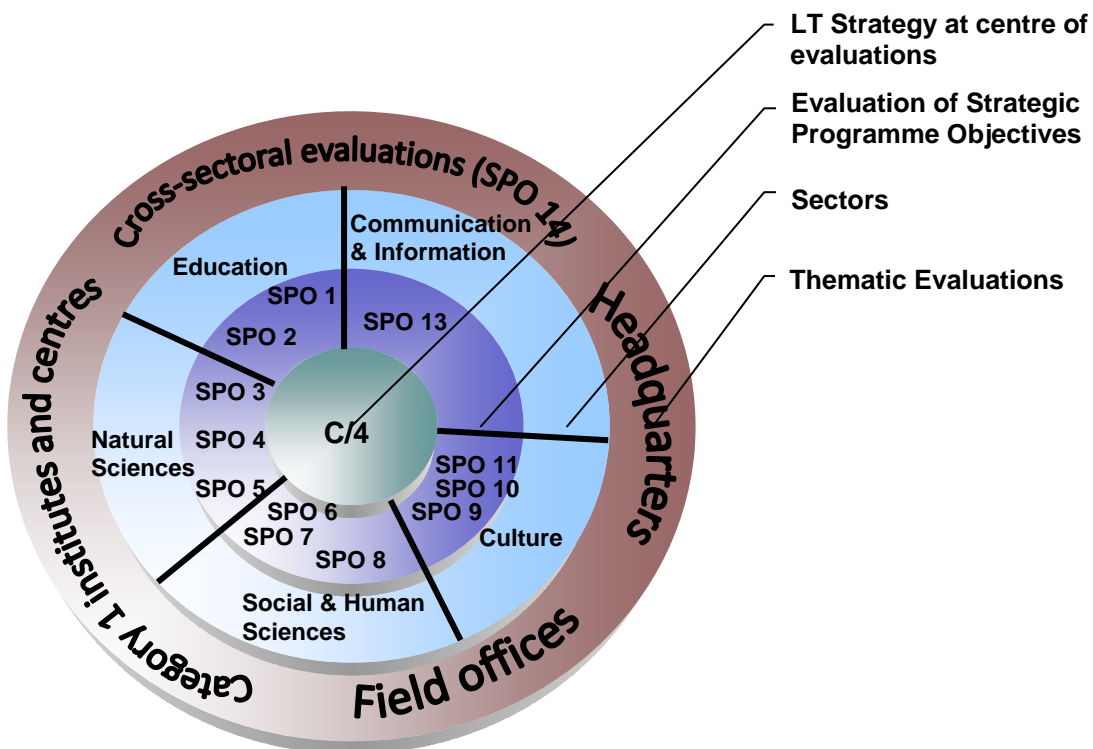
Figure 2: Distribution of high priority issues



EVALUATION

7. The change in the 2008-2013 evaluation strategy to strategic, portfolio-based evaluations has proved cost-effective with the evaluation function ensuring wider evaluation coverage without an increase in resources. Under this approach, all strategically important areas are evaluated within the 34 C/4 period, including all Strategic Programme Objectives (SPOs), as well as important decentralized bodies such as field offices and category 1 institutes, and key centralized functions. In addition, at its 35th session, the General Conference requested an external independent evaluation of a comprehensive forward-looking character to complement the current long-term strategy, in particular by including coverage of UNESCO’s governance impact, relationships with stakeholders and its position within the United Nations system.

Figure 3: Evaluation coverage



8. In 2009, IOS managed and completed six evaluations of Strategic Programme Objectives. Upon request, IOS also managed two Human Resources evaluations and conducted ten field office evaluations.

Table 2: List of Evaluations in 2009

Sector/Field	Subject of the Evaluation:
Education	Strengthening global lead and coordination role for EFA and providing support to national leadership in favour of EFA (SPO 1), developing policies, capacities, and tools for quality education for all and lifelong learning and promoting education for sustainable development (SPO 2).
Natural Sciences	Leveraging scientific knowledge for the benefit of the environment and the management of natural resources (SPO 3).
	Fostering policies and capacity-building in science, technology and innovation (SPO 4).
Culture	Sustainably Protecting and Enhancing Cultural Heritage (SPO 11).
Social & Human Sciences	Promoting principles, practices and ethical norms relevant to scientific and technological development (SPO 6).
Communication and Information	Enhancing universal access to information and knowledge (SPO 12) and Fostering pluralistic free and independent media and info structures (SPO 13).
Human Resources	The pilot phase of UNESCO's Merit-Promotion Programme.
	Learning and Development at UNESCO.
Field offices	Ten Field Office locations covering Africa (Dakar), Asia and the Pacific (Dhaka, New Delhi, Bangkok), Arab States (Beirut, Cairo, Khartoum), Latin America and the Caribbean (Santiago, Lima, Havana).

9. The key findings and recommendations of three evaluations (SPO 1 and 2, SPO 3 and the Merit-Promotion Programme) were presented to the 182nd session of the Executive Board (182 EX/27). The findings of SPO 4, SPO 6, SPO 11 are presented to the 184th session of the Executive Board (184 EX/6 Part V). Apart from individual field office reports, evaluation reports are available at <http://www.unesco.org/ios>. A summary report of decentralized bodies will be presented at the 185th session of the Executive Board.

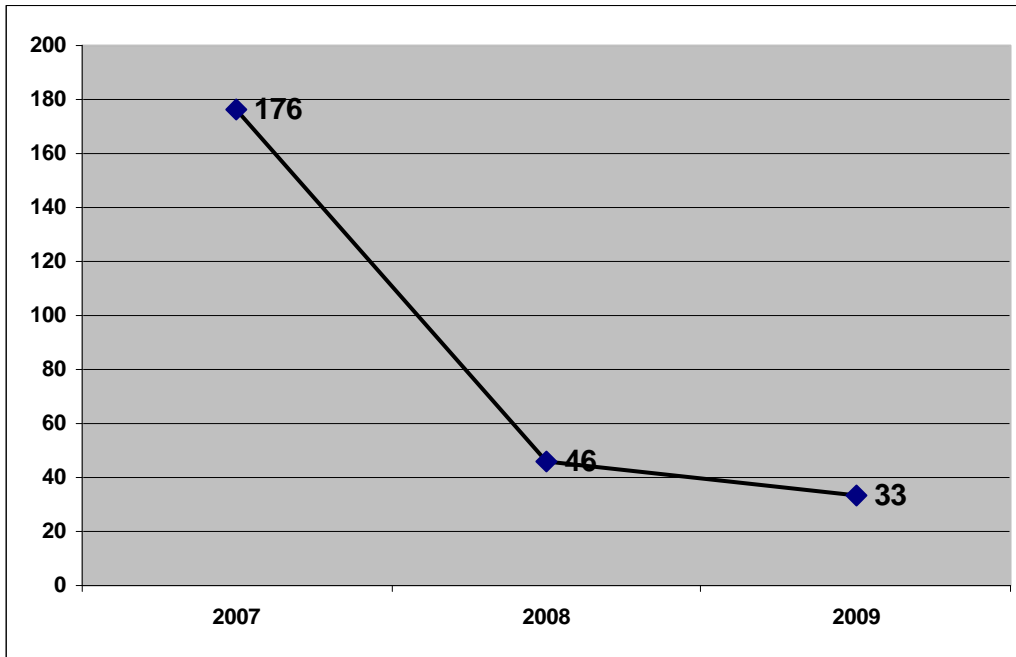
Recommendation follow-up

10. Results of IOS evaluations are used by management to inform strategic decisions and to improve programme delivery and operational processes. In particular, the SPO evaluations are contributing to identifying the Organization's comparative advantages, strategic focus, successful delivery modalities and the required capacities and partnerships.

11. Following the significant progress made in closing outstanding evaluation recommendations in 2008, IOS has improved tools and guidelines for follow-up of recommendations. In addition, priority was given to making more actionable recommendations and strengthening of evaluation capacities, in particular through closer interaction with evaluation reference groups representing the key stakeholders.

12. IOS monitored the 17 action plans of the evaluation reports presented to the Board in 2008-2009. 187 recommendations were issued, of which 180 (96%) were accepted and 84 (47%) closed.

Figure 4: Number of evaluation recommendations open more than one year



13. Key achievements resulting from evaluations are presented in 184 EX/6 Part V.

INVESTIGATION

14. IOS is also responsible for investigations of allegations of corruption, fraud, waste, and abuse of authority and other misconduct by UNESCO staff or third parties, i.e. consultants, contractors or suppliers involved in activities managed, financed or supported by UNESCO. Towards the end of 2008, IOS created a separate investigative function out of its existing staff complement and engaged an investigator on a contractual basis. The position was subsequently made permanent at the P-4 level and filled in October 2009.

15. Allegations and complaints are first screened to establish whether they are credible, specific, material and verifiable. When the four criteria are met, IOS reports the matter to the Director-General with a proposal for further investigation. With clearance from the Director-General, IOS then opens formal investigations. Investigative missions may also be conducted in field offices. After completing an investigation, IOS systematically reports its findings with a recommendation for appropriate remedial action. As a result, disciplinary measures may be taken or operational improvements may be implemented.

16. In 2009, 22 new cases were opened adding to the 15 cases from the beginning of the year. IOS solved and/or closed 18 cases, of which 10 were at Headquarters and eight at field offices. Out of the 18 cases, four resulted in disciplinary action; four in recommendations for the

improvement of internal controls and risk management; and one was referred to a law enforcement agency. As of 31 December 2009, 19 cases were outstanding.

17. The cases treated in 2009 involved individuals both at Headquarters and in field offices and related to alleged procurement irregularities (six cases), fraudulent claims and falsification of documents (five cases), misappropriation or misuse of UNESCO-related assets (three cases), moral and sexual harassment (one case), recruitment irregularities (one case) and other types of misconduct (two cases).

THE INDEPENDENT EXTERNAL EVALUATION OF UNESCO

18. At its 35th session, the General Conference requested an external and independent evaluation of UNESCO of a comprehensive forward looking character to complement the current long-term strategy. This evaluation is considered an integral part of the ongoing reform efforts and will complement the Director-General's reform agenda. The areas to be assessed are presented in Table 3.

Table 3: The six focus areas of the independent external evaluation

The <i>international challenges</i> within the mandate of UNESCO
The <i>impact of UNESCO</i> in addressing these challenges
The <i>role of UNESCO within the United Nations system</i> and in relation to other international organizations
The <i>division of competences</i> between the governing bodies and the Secretariat
The <i>contribution of civil society and the business community</i>
The <i>coherence between the sectors of the Secretariat</i>

19. The evaluation will focus primarily on the current and future opportunities and challenges within the Organization's core programmatic areas of competence as represented by the five major programmes. It shall identify how UNESCO should position itself to address the challenges of the twenty-first century and make the most of prospective opportunities.

20. By the end of 2009 a highly qualified evaluation team was selected through an open international bidding process. The evaluation started in early 2010 and is led by Professor Elliot Stern (Lancaster University and past President of both the European and United Kingdom evaluation societies). Evaluators from Africa, Canada, China, Italy, Latin America, Norway and Sweden are also participating. Two information sessions will be held for Permanent Delegations. The findings of the evaluation will be presented to the 185th session of the Executive Board. The evaluation, at an estimated cost of \$496,000, is financed in equal part by the regular programme and by voluntary contributions, for which a Special Account has been established.

OVERSIGHT ADVISORY COMMITTEE

21. The Oversight Advisory Committee (OAC) was approved as a Standing Committee at the 35th session of the General Conference to advise the Director-General. The new membership

requirements necessitate a reconstitution of the membership. Positions have been widely advertised in a transparent process via international media (*Economist*, *Le Monde*) and involvement of Permanent Delegations. The OAC is to be established in 2010 with a first meeting planned after the 184th session of the Executive Board. The Committee will submit an annual summary report of its activities, issues and results to the Director-General which will also be transmitted to the Executive Board with the Director-General's comments thereon.

22. The OAC met twice during 2009 and issued a summary report for 2006-2009 (available on the IOS website) commending the effectiveness of IOS in reasserting its independence and credibility. It welcomed the productive efforts in addressing long outstanding recommendations and the significant progress made in establishing a risk management framework.