



United Nations
Educational, Scientific and
Cultural Organization

27/10/2016

Ref.: CL/4179

Subject: **Selection and appointment of the UNESCO External Auditor for the period 2018-2023**

Sir/Madam,

The term of office of the current UNESCO External Auditor will expire at the end of 2017 (36 C/Resolution 010). In line with the provisions of Rule 108 of the Rules of Procedure of the General Conference, it is my honour to invite you to submit to me the applications of candidates who could be considered by the General Conference at its 39th session (November 2017) for appointment to this position over the six-year period that begins in 2018 and ends in 2023.

Applications should contain the information indicated in paragraphs 1 to 7 hereunder. Kindly note that incomplete submissions may not be retained.

1. Qualifications

The curriculum vitae of each candidate, as well as that of his/her team, should outline where appropriate any previous experience within the United Nations system or other international organizations, noting the range of audit specialities that can be of benefit to the Organization. The curriculum vitae should include the qualification of officials and staff, including their conformity with the auditing standards of the United Nations Panel of External Auditors; ethical standards governing their work; professional qualifications, skills and size of work forces; capacity to efficiently conduct audits in an SAP environment; membership of internationally recognized accounting or auditing bodies; proficiency in at least one of the two working languages of the UNESCO Secretariat (English and/or French); training and experience of the team, including existence of a programme for the continuing professional education of staff. As the Organization complies with the International Public Sector Accounting Standards (IPSAS), please include any relevant information showing the candidate's knowledge of these Standards, including any prior experience in auditing financial statements prepared in accordance with said Standards. Besides, as the Organization's transaction processing and accounting requirements are supported by extensive use of computerized accounting systems, in particular use of SAP, please also include in the individual curriculum vitae the team's experience in the audit of Enterprise Resource Planning (ERP) systems.

2. Audit norms and strategies

A description of the audit norms that will be applied, having regard to the Organization's accounting principles and practices, its Financial Regulations and Financial Rules and use of IPSAS in its annual financial statements. This should be accompanied by a description of the audit approach, strategy and work plans to ensure adequate audit coverage of UNESCO's annual accounts and financial statements, including consideration of the efficiency of financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

3. Audit fee

The total annual audit fee (in United States dollars) requested, including travel and other supplementary costs, it being understood that should the currency of payment not be the United States dollar, the United Nations operational rate of exchange in force on the day of payment would be applied. A detailed breakdown of the fee should be included (e.g. professional fees, travel costs, etc.). Travel costs should include all travel-relevant expenses, including transportation costs from the place of residence of the External Auditor office to Paris and to the field units of the Organization as appropriate. The justification for the fee proposed, including the linkages to the working months and the audit approach/strategies, should be explained. Circumstances in which additional fees will be required should be clearly specified.

4. Working months

An estimate of the total time – in months and days, as well as by category of staff – that would be spent on the audit annually and over the term of office should be indicated. This should be based on the proposed audit approach and include details of (a) time to be allocated to audit work at UNESCO Headquarters, field offices and category 1 institutes; (b) the nature and objectives of the work in these locations; and (c) the numbers and grade levels of personnel involved in this work.

5. Engagement letter

The text of any engagement letter the candidate might send to the General Conference should he or she be appointed External Auditor to the Organization.

6. Deliverables

The External Auditor shall issue a report on the audit of the annual financial statements and relevant schedules, which shall include such information as he/she deems necessary with regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference. It is expected that this report be issued for the autumn session of the Executive Board.

The External Auditor may make observations with regard to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

The General Conference may request the External Auditor to perform certain specific examinations and to issue separate reports on the results. Acting under the authority of the General Conference, the Executive Board may do likewise.

In addition, the External Auditor is requested to issue a report on the individual financial statements of a number of category 1 institutes as well as on the UNESCO Staff Savings and Loans Services. In relation to the category 1 institutes and in view of their significance and materiality in terms of revenue and assets, the External Auditor will be required to audit annually the Abdus Salam International Centre for Theoretical Physics and the UNESCO International Institute for Educational Planning and include in his/her annual audit plan another Category 1 institute to be selected on a rotational basis. An additional fee would be agreed upon a case-by-case basis.

Similarly, in view of the magnitude of UNESCO's field operations, the internal controls and financial operations of at least six UNESCO field offices/bureaux shall be audited on a biennial basis. Two of such offices/bureaux selected upon consultation with Governing Bodies or the Secretariat shall be based taking into account budgetary allocation, personnel, number and size of projects, as well as risks and issues identified.

Furthermore, the External Auditor is requested to review annually the Secretariat's status report on outstanding external audit observations and transmit his/her comments thereon to the Executive Board and General Conference. The Secretariat's status report together with the External Auditor's comments thereon of the first year of the biennium shall be transmitted through the Executive Board, with such comments as it deems necessary, to the General Conference.

Finally, at the request of a UNESCO Donor, the External Auditor may be requested to undertake audits of projects for which an additional fee would be agreed upon on case-by-case basis.¹

7. Other information

Any other relevant information likely to assist the General Conference in selecting among the applications received. This could include information regarding:

- *the independence, integrity and objectivity of the candidate*: demonstrated autonomy from other institutions of the government, integrity and measures taken to ensure confidentiality of information acquired in the course of the appointment, as well as objectivity in the discharge of duties and responsibilities;
- *reporting*: timely communication of audit results presented to management through comprehensive management letters and audit reports. The audit reports should be accurate, complete, balanced, fair and constructive.

Bearing in mind the estimated time foreseen for the present External Auditor to complete his examination of the Organization's accounts for the 2017 period and to prepare his audit report thereon, the incoming External Auditor should plan to start his/her work in the first half of 2018. This will ensure an orderly handover of audit activities from the present External Auditor (should the present External Auditor not be reappointed), and enable UNESCO to make appropriate physical and financial arrangements for the audit of the accounts of the 2018 financial period.

¹ See Guidelines on Specific Project Audits or Verifications involving a Third Party Auditor attached.

Candidates may be invited, at the request of the Member States, to make an oral presentation of their application.

8. Submissions

Candidatures should reach the Office of the Director General (ODG) no later than 17:00 (Paris time) on 24 June 2017.

Proposals should be submitted in sealed envelopes and clearly marked “External Audit Proposal” and should be addressed to:

UNESCO
Office of the Director General
7, place de Fontenoy
F-75352 Paris 07 SP

The procedure for the selection of the External Auditor, as set out in Rule 108 of the Rules of Procedure of the General Conference and the relevant Financial Regulations (Article 12 and Annex), is attached herewith for your information.

Requests for clarification regarding any points of the above should be directed in writing only, via e-mail to bfm.fpc@unesco.org.

Accept, Sir/Madam, the assurances of my highest consideration.

Irina Bokova
Director-General

Attachments:

- (1) Rule 108 of the Rules of Procedure of the General Conference – Procedure for appointing the External Auditor
- (2) Article 12 and Annex of the Financial Regulations – External Audit and Additional Terms of Reference Governing the Audit
- (3) Guidelines on Specific Project Audits or Verifications involving a Third Party Auditor (Source: UNESCO Administrative Manual, Chapter 5, Item 5.4 “Funds-in-Trust Cooperation: General”)
- (4) Background information

cc: National Commissions for UNESCO
Permanent Delegations to UNESCO

Rule 108 of the Rules of Procedure of the General Conference – Procedure for appointing the External Auditor

Further to Article 12 of the Financial Regulations, it is stipulated that:

- (a) the Director-General shall invite applications for appointment as External Auditor by a circular letter dispatched to Member States at least ten months prior to the date of the opening of the session of the General Conference at which the appointment is to be made, and candidatures must be received not later than four months before the date of the opening of the session. Candidatures received after this deadline shall not be taken into consideration;
- (b) the circular letter shall request that the following particulars be supplied:
 - (i) the candidate's curriculum vitae, outlining, where appropriate, any previous experience within the United Nations system or other international organizations;
 - (ii) a description of the audit norms he or she would apply, having regard to the organization's accounting norms as set forth in the statement of its accounting principles that accompanies its audited accounts and to generally accepted accounting practices;
 - (iii) the total audit fee (in United States dollars) requested, including travel and other supplementary costs, it being understood that should the currency of payment not be the United States dollar the United Nations operational rate of exchange in force on the day of payment would be applied;
 - (iv) an estimate of the total number of working months that would be spent on the audit during the term of office;
 - (v) the text of any engagement letter the candidate might send to the General Conference were he or she to be appointed External Auditor to the Organization;
 - (vi) any other relevant information likely to help the General Conference to choose from among the applications;
- (c) the External Auditor shall be chosen by the General Conference by secret ballot;
- (d) the External Auditor and members of his or her staff who have participated in the audit of the Organization may not be recruited by the Organization during the two financial periods following completion of their mandate;
- (e) the General Conference resolution appointing the External Auditor shall specify the fee requested by him or her.

Article 12 of the Financial Regulations – External audit

Article 12 External audit

- 12.1 An External Auditor, who shall be the Auditor-General (or an officer holding the equivalent title) of a Member State, shall be appointed, in the manner decided by the General Conference, for the purpose of auditing the accounts of the six years following his appointment. At its session immediately preceding the end of his mandate the General Conference shall again appoint an External Auditor.
- 12.2 If the External Auditor ceases to hold office as Auditor-General in his own country, his tenure of office as External Auditor shall thereupon be terminated and he shall be succeeded as External Auditor by his successor as Auditor-General. The External Auditor may not otherwise be removed during his tenure of office except by the General Conference.
- 12.3 The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Conference, in accordance with the Additional Terms of Reference set out in the annex to these Regulations.
- 12.4 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and in general the administration and management of the Organization.
- 12.5 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.
- 12.6 The General Conference may request the External Auditor to perform certain specific examinations and to issue separate reports on the results. Acting under the authority of the General Conference, the Executive Board may do likewise.
- 12.7 The Director-General shall provide the External Auditor with the facilities he may require in the performance of the audit.
- 12.8 For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.
- 12.9 The External Auditor shall issue a report on the audit of the annual financial statements and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference.
- 12.10.1 The External Auditor's report together with the annual audited financial statements of the first year of the biennium shall be transmitted through the Executive Board, with such comments as it deems necessary, to the General Conference for approval.
- 12.10.2 The External Auditor's report together with the annual audited financial statements of the second year of the biennium shall be transmitted for approval to the Executive Board acting under the authority of the General Conference. In this case, the Executive Board may decide to bring to the attention of the General Conference such matters as it deems necessary in relation to the External Auditor's report and the annual audited financial statements.
- 12.11 The External Auditor shall audit the accounts of such funds as the Director-General may exceptionally deem necessary.

Annex of the Financial Regulations – Additional Terms of Reference Governing the Audit

Adopted by the General Conference at its seventeenth session (17 C/Resolution 19.2) and amended at its twenty-second (22 C/Resolution 32.1) and twenty-third (23 C/Resolution 36.1) sessions.¹

1. The External Auditor shall perform such audit of the accounts of the Organization, including all Trust Funds and Special Accounts, as he deems necessary in order to satisfy himself:
 - (a) That the financial statements are in accordance with the books and records of the Organization;
 - (b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
 - (c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count;
 - (d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;
 - (e) That procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Director-General and may proceed to such detailed examination and verification as he chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Director-General (or his designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the General Conference to any denial of information classified as privileged which in his opinion was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director-General for appropriate action any transaction concerning which he entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Director-General.
5. The External Auditor shall express and sign an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:
 - (a) The identification of the financial statements audited;
 - (b) A reference to the responsibility of the Director-General and the responsibility of the External Auditor;
 - (c) A reference to the audit standards followed;

- (d) A description of the work performed;
 - (e) An expression of opinion on the financial statements as to whether:
 - (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
 - (ii) the financial statements were prepared in accordance with the stated accounting policies;
 - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial period;
 - (f) An expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
 - (g) The date of the opinion;
 - (h) The name and position of the External Auditor;
 - (i) Should it be necessary, a reference to the report of the External Auditor on the financial statements.
6. The report of the External Auditor to the General Conference on the financial operations of the period should mention:
- (a) The type and scope of his examination;
 - (b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - (i) Information necessary to the correct interpretation of the accounts;
 - (ii) Any amounts which ought to have been received but which have not been brought to account;
 - (iii) Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - (iv) Expenditures not properly substantiated;
 - (v) Whether proper books of accounts have been kept. Where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
 - (c) Other matters which should be brought to the notice of the General Conference such as:
 - (i) Cases of fraud or presumptive fraud;
 - (ii) Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) Expenditure likely to commit the Organization to further outlay on a large scale;

- (iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the General Conference after making allowance for duly authorized transfers within the budget;
 - (vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) Expenditure not in conformity with the authority which governs it;
- (d) The accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records.

In addition, the reports may contain reference to:

- (e) Transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the General Conference should have early knowledge.
7. The External Auditor may make such observations with respect to his findings resulting from the audit and such comments on the Director-General's financial report as he deems appropriate to the General Conference or to the Executive Board or to the Director-General. Additionally, the External Auditor may at any time present reports to the Executive Board and the Director-General if in the External Auditor's opinion there are significant, urgent or pressing matters that need to be reported.
 8. Whenever the External Auditor's scope of audit is restricted, or whenever he is unable to obtain sufficient evidence, he shall refer to the matter in his opinion and report, making clear in the report the reasons for his comments, and the effect on the financial position and the financial transactions as recorded.
 9. In no case shall the External Auditor include criticism in his report without first affording the Director-General an adequate opportunity of explanation on the matter under observation.
 10. The External Auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is insignificant in all respects.

Guidelines on Specific Project Audits or Verifications involving a Third Party Auditor²

General principle

The appointed External Auditor retains the exclusive right to carry out external audits of the accounts and statements of UNESCO. The single audit principle is based on this exclusive right whereby the audit opinion given by the External Auditor on UNESCO's financial statements covers all financial operations of the Organization, including those arising from the use of specific funds.

Deviation from the single audit principle may not be accepted whilst concluding a potential donor agreement. Specific audits or verifications of project accounts, other than those undertaken by the External Auditor or by the Internal Oversight Service as part of their respective mandates, constitute a breach in the single audit principle.

The position of the Panel of External Auditors of the United Nations is clear: "The Panel does not favour the introduction of clauses in agreements to which the External Auditors are not signatories, which should commit the United Nations to have its External Auditors produce upon request a special audit opinion or report on a particular project or programme. The External Auditor is entirely independent of the United Nations Secretariat and as such must be free to choose whether to accept any additional audit mandate. Such choice will be dependent on the request received from the appropriate authority, agreement as to the scope and report, arrangements for the audit and the availability of sufficient resources."

In line with the above, UNESCO's standard donor agreement includes a clause that states "The funds made available by the donor shall be subject exclusively to external and internal audit procedures as laid down in UNESCO's regulations, rules and directives."

Exceptions

However certain donors may be subject to internal regulations that require a specific verification of the project's accounts as a condition to their granting of funds, and UNESCO may conclude that accepting such conditions is in the interest of the Organization. Thus exceptionally and on a case-by-case basis, the External Auditor may agree to undertake specific project audits, or supervise the audit work of a third-party auditor, with the understanding that the final audit opinion on the accounts of the project can only be given by UNESCO's appointed External Auditor. Considering that the External Auditor's priority is to fulfill his mandate as given by the General Conference, such specific audits should:

- (i) remain exceptional;
- (ii) concern projects with annual value of expenditures equal to or exceeding \$150,000 (with specific arrangements for those equal to or exceeding \$500,000);
- (iii) and be subject to prior agreement with our external auditor during the negotiation phase with the donor.

The additional verification costs will be borne by the Donor and will be based on our External Auditor's cost estimate. These costs should be provided for in the project budget and thus be sought with sufficient anticipation.

Under specific conditions, the External Auditor may agree to the audit of the accounts of projects with annual value of expenditures between \$150,000 and \$500,000, by a third-party external auditor, see table below.

² Source: UNESCO Administrative Manual, Chapter 5, Item 5.4 "Funds-in-Trust Cooperation: General".

If there are instances where a potential donor seeks audits or verification exercises for projects with annual expenditures below \$150,000, BSP/CFS will discuss with the Internal Oversight Service and the Bureau for Financial Management how best to address the request before entering an agreement with the donor.

Upon request, the External Auditor and representatives of UNESCO will have full access to the working documents of the third party.

The table below summarizes the above considerations:

Project value	\$150,000 to \$499,999	\$500,000 and over
Type of review	Undertaking specific audit verifications per project agreement.	Undertaking specific audit verifications as per project agreement.
Output	Assurance on the conformity and accuracy of project expenditure without providing an audit opinion on the project accounts.	Assurance on the conformity and accuracy of project expenditure. The External Auditor will provide an audit opinion based on his own work or that carried out by a third party on his behalf. The third party may not issue an audit opinion on the project accounts.
Prior approval from UNESCO's External Auditor	Yes. Exceptionally a third party audit firm may undertake specific audit verifications, however, name and list of diligences to be performed by the third party should be cleared by the External Auditor prior to contracting a third party. The report of the third-party auditor will be shared with the External Auditor via BFM prior to release to the donor.	Yes. Mission to be carried out by External Auditor or can be subcontracted to a third party only after seeking prior approval from the External Auditor. The External Auditor will review the work of the third party and present to UNESCO for its comments, prior to releasing verification findings to the Donor.
Planning the verification	Prior to the signature of the funding agreement and as early as possible to incorporate the costing. Ideally this should be done at the project design phase.	Prior to the signature of the funding agreement and as early as possible to incorporate the costing. Ideally this should be done at the project design phase.
Who contracts?	Head of Field Office or Programme Sector ADG with prior clearance from the External Auditor via BFM, with copy to IOS Director. This requires providing information on the qualifications and working methods of the third party audit firm.	Head of Field Office or Programme Sector ADG to inform BFM who will conclude a specific letter of engagement with the External Auditor, with copy to IOS Director.
Verification costs and funding	Amount to be included as direct costs in project funding request.	Amount to be included as direct costs in project funding request.

Background information

About UNESCO

Information in relation to the structure of the Organization is available in the UNESCO website <http://en.unesco.org/> (other official languages of the Organization also available)

Audited Financial Statements

For the year-ended 2015:

For the year-ended 2014:

English: <http://unesdoc.unesco.org/images/0023/002342/234212e.pdf>

French: <http://unesdoc.unesco.org/images/0023/002342/234212f.pdf>

Spanish: <http://unesdoc.unesco.org/images/0023/002342/234212s.pdf>

Russian: <http://unesdoc.unesco.org/images/0023/002342/234212r.pdf>

Arabic: <http://unesdoc.unesco.org/images/0023/002342/234212a.pdf>

Chinese: <http://unesdoc.unesco.org/images/0023/002342/234212c.pdf>

Main Programming Documents

Medium Term Strategy (2014-2021):

<http://www.unesco.org/new/en/bureau-of-strategic-planning/resources/medium-term-strategy-c4/>

Programme and Budget (2014-2017):

<http://www.unesco.org/new/en/bureau-of-strategic-planning/resources/programme-and-budget-c5/>

Programme and Budget (2016-2017):

English: <http://unesdoc.unesco.org/images/0024/002443/244305e.pdf>

French: <http://unesdoc.unesco.org/images/0024/002443/244305f.pdf>

Spanish: <http://unesdoc.unesco.org/images/0024/002443/244305s.pdf>

Russian: <http://unesdoc.unesco.org/images/0024/002443/244305r.pdf>

Arabic: <http://unesdoc.unesco.org/images/0024/002443/244305a.pdf>

Chinese: <http://unesdoc.unesco.org/images/0024/002443/244305c.pdf>