



United Nations  
Educational, Scientific and  
Cultural Organization

# Executive Board

Hundred and ninety-seventh session

# 197 EX/27 Part I

PARIS, 21 August 2015  
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Item 27 of the provisional agenda

## FINANCIAL REGULATIONS OF SPECIAL ACCOUNTS AND PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS OF UNESCO CATEGORY 1 INSTITUTES

### PART I

#### FINANCIAL REGULATIONS OF SPECIAL ACCOUNTS

##### SUMMARY

In accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations, the Director-General submits herewith, for consideration by the Executive Board, special Financial Regulations to govern the operation of the following Special Accounts:

- The Special Account for Strengthening UNESCO's Evaluation Work
- The Special Account for the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property

There are no additional policy implications of a financial or administrative nature.

Action expected of the Executive Board: Proposed decision in paragraph 5.

1. In 161 EX/Decision 7.10, the Executive Board approved a standard model text for the Financial Regulations of Special Accounts that are not related to institutes or similar bodies and requested that the Director-General apply the standard model text in the future. In this document, the Director-General is presenting a set of special Financial Regulations in accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations, showing for each of them the deviations from the standard model text.

### **Annex I: The Special Account for Strengthening UNESCO's Evaluation Work**

2. The UNESCO Evaluation Policy (196 EX/24.INF) proposed the establishment of a Special Account where resources could be pooled to support cross-cutting corporate evaluations under the management of the Internal Oversight Service (IOS). As mentioned in Article 3 of its Financial Regulations attached hereto, the purpose of the account is to strengthen UNESCO's evaluation work in the following areas: cross-cutting, strategic and corporate evaluations; system-wide evaluation initiatives; capacity-building initiatives to support and strengthen the decentralized evaluation system and to support national capacity-building efforts for Member States; quality assurance initiatives and strengthening evaluation management capacity. In this way, the Special Account will be instrumental in strengthening the overall evaluation culture and function in UNESCO.

### **Annex II: The Special Account for the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property**

3. The 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property entered into force on 24 April 1972. The third meeting of States Parties adopted in May 2015 Resolution 3.MSP 10, by which it invited the Director-General to establish a dedicated Fund for the Convention and took note of the draft Financial Regulations for it.

4. The purpose of this Special Account is to support the 1970 Convention through the allocation of resources to reinforce its operational implementation (capacity-building, outreach and communication, inventorying and monitoring of sales) and contributing to the participation of representatives from developing countries in sessions of the Meeting of States Parties and its Subsidiary Committee. A planned budget for the use of the resources of the Fund will be prepared by the Secretariat for the consideration and approval of the Meeting of States Parties for each biennium.

### **Proposed decision**

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

The Executive Board,

1. Recalling Articles 6.5 and 6.6 of UNESCO's Financial Regulations,
2. Having examined document 197 EX/27 Part I,
3. Takes note of the Financial Regulations (annexed hereto) of the following Special Accounts:
  - (a) The Special Account for Strengthening UNESCO's Evaluation Work; and,
  - (b) The Special Account for the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property.

## ANNEX I

### FINANCIAL REGULATIONS OF THE SPECIAL ACCOUNT FOR STRENGTHENING UNESCO'S EVALUATION WORK

(Deviations from the standard text model [161 EX/Decision 7.10] are shown in italics.)

#### Article 1 – Creation of a Special Account

1.1 In accordance with Article 6, paragraphs 5 and 6, of the Financial Regulations of UNESCO, there is hereby created a Special Account *for strengthening UNESCO's evaluation work*, hereafter referred to as the Special Account.

1.2 The following regulations shall govern the operation of the Special Account.

#### Article 2 – Financial period

The financial period shall correspond to that of UNESCO.

#### Article 3 – Purpose

*The purpose of the Special Account is to strengthen UNESCO's evaluation work in the following areas:*

- *Cross-cutting, strategic, and corporate evaluations: these evaluations typically assess programme areas of high significance or strategic importance that contribute to the achievement of UNESCO's mandate and medium-term strategy. These evaluations are typically contained in the UNESCO quadrennial evaluation plan but may also be selected on an ad-hoc basis should the need arise.*
- *System-wide evaluation initiatives: this will enable UNESCO to participate in initiatives where UN agencies are jointly evaluating their combined efforts, in particular when there are joint system-wide goals (e.g. Sustainable Development Agenda, UNDAF, United Nations Evaluation Group). It will also enable UNESCO to participate in, or contribute to, evaluations of the recently established Independent System-Wide Evaluation (ISWE) policy of the United Nations.*
- *Capacity-building initiatives to support and strengthen the decentralized evaluation system and to support national capacity-building efforts for Member States: an effective UNESCO evaluation function will require greater attention to building the capacity of UNESCO staff to manage decentralized evaluations. Contributions will be used for the development of training activities, establishing a network of evaluation focal points at Headquarters and in the field, and the development of technical guidance material. Furthermore, in response to a recent resolution of the General Assembly of the United Nations, contributions will enable UNESCO to more fully cooperate with national and international stakeholders to support efforts in building national capacities for evaluation.*
- *Quality-assurance initiatives: to improve the quality and use of UNESCO's evaluations, contributions may support annual meta-evaluations of completed evaluations and annual synthetic review exercises. These two exercises will contribute essential evaluation evidence and inputs to the Strategic Results Report (SRR). Contributions will also be used to develop and further refine standardized frameworks (evaluation methodology and evaluation criteria) to ensure that decentralized evaluations meet quality standards.*

- *Strengthening evaluation management capacity: providing for the recruitment of additional experts to assist with managing or conducting significant corporate or decentralized evaluation tasks.*

#### **Article 4 – Income**

The income of the Special Account shall consist of:

- (a) voluntary contributions from States, international agencies and organizations, as well as other entities;
- (b) such amounts provided from the regular budget of the Organization as might be determined by the General Conference;
- (c) such subventions, endowments, gifts and bequests as are allocated to it for purposes consistent with the object of the Special Account;
- (d) *any funds charged to projects for evaluation;*
- (e) miscellaneous income, including any interest earned on the investments referred to in Article 7 below;

#### **Article 5 – Expenditure**

The Special Account shall be debited with the expenditure relating to its purpose as described in Article 3 above, including administrative expenses specifically relating to it.

#### **Article 6 – The Accounts**

6.1 The *Chief Financial Officer* shall maintain such accounting records as are necessary.

6.2 Any unused balance at the end of a financial period shall be carried forward to the following financial period.

6.3 The accounts of the Special Account shall be presented for audit to the External Auditor of UNESCO, together with the other accounts of the Organization.

6.4 Contributions in kind shall be recorded outside the Special Account.

#### **Article 7 – Investments**

7.1 The Director-General may make short-term investments of sums standing to the credit of the Special Account.

7.2 Interest earned on these investments shall be credited to the Special Account.

#### **Article 8 – Closure of the Special Account**

The Director-General shall decide upon the closure of the Special Account at such time as she deems that its operation is no longer necessary and inform the Executive Board accordingly.

#### **Article 9 – General provision**

Unless otherwise provided in these Regulations, the Special Account shall be administered in accordance with the Financial Regulations of UNESCO.

## ANNEX II

### FINANCIAL REGULATIONS OF THE SPECIAL ACCOUNT OF THE FUND FOR THE 1970 CONVENTION ON THE MEANS OF PROHIBITING AND PREVENTING THE ILLICIT IMPORT, EXPORT AND TRANSFER OF OWNERSHIP OF CULTURAL PROPERTY

(Deviations from the standard text model [161 EX/Decision 7.10] are shown in italics.)

#### Article 1 – Creation of a Special Account

- 1.1 In accordance with Article 6, paragraphs *5 and 6*, of the Financial Regulations of UNESCO, there is hereby created a Special Account *of the Fund for the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property*, hereafter referred to as the Special Account.
- 1.2 The following regulations shall govern the operation of the Special Account.

#### Article 2 – Financial period

The financial period shall correspond to that of UNESCO.

#### Article 3 – Purpose

*The purpose of the Special Account is to receive voluntary contributions with a view to support the 1970 Convention through the assignment of sufficient resources to reinforce mainly its operational implementation and contribute to the expenses of representatives from developing countries participating in sessions of the Meeting of States Parties and its Subsidiary Committee.*

#### Article 4 – Income

The income of the Special Account shall consist of:

- (a) voluntary contributions from States, international agencies and organizations, as well as other entities;
- (b) such amounts provided from the regular budget of the Organization as might be determined by the General Conference;
- (c) such subventions, endowments, gifts and bequests as are allocated to it for purposes consistent with the object of the Special Account;
- (d) miscellaneous income, including any interest earned on the investments referred to in Article 7 below.

#### Article 5 – Expenditure

The Special Account shall be debited with the expenditure relating to its purpose as described in Article 3 above, including administrative expenses specifically relating to it *and programme support costs applicable to Special Accounts. Expenses shall be incurred in accordance with a budget approved for each biennium by the Meeting of States Parties.*

#### Article 6 – Accounts

- 6.1 The *Chief Financial Officer* shall maintain such accounting records as are necessary.

6.2 Any unused balance at the end of a financial period shall be carried forward to the following financial period.

6.3 The accounts of the Special Account shall be presented for audit to the External Auditor of UNESCO, together with the other accounts of the Organization.

6.4 Contributions in kind shall be recorded outside the Special Account.

#### **Article 7 – Investments**

7.1 The Director-General may make short-term investments of sums standing to the credit of the Special Account.

7.2 Interest earned on these investments shall be credited to the Special Account.

#### **Article 8 – Closure of the Special Account**

The Director-General shall decide upon the closure of the Special Account at such time as she deems that its operation is no longer necessary and inform the Executive Board accordingly.

#### **Article 9 – General provision**

Unless otherwise provided in these Regulations, the Special Account shall be administered in accordance with the Financial Regulations of UNESCO.



United Nations  
Educational, Scientific and  
Cultural Organization

# Executive Board

Hundred and ninety-seventh session

# 197 EX/27

## Part II

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## FINANCIAL REGULATIONS OF SPECIAL ACCOUNTS

### PART II

## PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS OF UNESCO CATEGORY 1 INSTITUTES

### SUMMARY

Following the External Auditor's report on the governance and financial reporting of category 1 institutes, the Director-General submits herewith, for consideration by the Executive Board, a revised standard model text for Financial Regulations applicable to UNESCO category 1 institutes.

There are additional policy implications of a financial or administrative nature (see paragraph 3).

Action expected of the Executive Board: Proposed decision in paragraph 4

## Introduction

1. UNESCO category 1 institutes, being an integral part of the Organization, are governed by UNESCO's Financial Regulations. Specific financial regulations to govern the operations of category 1 institutes, in accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations, are prepared by the Director-General and submitted to the Executive Board.
2. The current standard model texts of the financial regulations of category 1 institutes were approved by the Executive Board at its 186th session (186 EX/Decision 23). The External Auditor, in its report on the audit of the governance and financial reporting of category 1 institutes (195 EX/23), recommended the revision of the existing financial regulations.
3. The purpose of the amendments, as shown in the Annex, is to remove all ambiguities regarding the interpretation of the financial regulations especially with regards to the authority of the Directors of institutes to set up their own financial rules and regulations.

## Proposed decision

4. The Executive Board may wish to consider the following decision:

The Executive Board,

1. Having examined document 197 EX/27 Part II,
2. Approves the standard model text for the Financial Regulations applicable to UNESCO category 1 institutes as annexed to the present decision;
3. Invites the Director-General to report to it for its consideration and recommendation on any deviation from the standard model text as applied to existing UNESCO category 1 institutes or when proposing draft financial regulations for any new UNESCO category 1 institute.



**ANNEX**

**PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS OF SPECIAL ACCOUNTS  
APPLICABLE TO UNESCO CATEGORY 1 INSTITUTES AND SIMILAR BODIES CREATED IN  
THE FRAMEWORK OF UNESCO**

Number	Present text (186 EX/Decision 23)	Modified text	Comments
<b>Article 1</b>	<b>Creation of a Special Account of UNESCO</b>		
1.1	In accordance with Article 6, paragraph 5, of the Financial Regulations of UNESCO, there is hereby created a Special Account for [name of Institute], hereafter referred to as "the Institute".	In accordance with Article 6, <i>paragraphs 5 and 6</i> , of the Financial Regulations of UNESCO, there is hereby created a Special Account for [UNESCO name of Institute], hereafter referred to as "the Institute".	Special Accounts are covered under paragraphs 5 and 6 of Article 6 of UNESCO's Financial Regulations.
1.2	The following regulations shall govern the operation of this Special Account.		
1.3	The applicable accounting standards shall be the International Public Sector Accounting Standards (IPSAS)		
<b>Article 2</b>	<b>Financial period</b>		
	The financial period shall begin on the first day of January and end on the thirty-first day of December each year.		
<b>Article 3</b>	<b>Revenue</b>		
3.1	As provided for in its Statutes, the revenue of the Institute shall consist of: (a) a financial allocation determined by the General Conference towards staff costs, as well as direct and indirect programme costs; (b) voluntary contributions from States, international agencies and organizations, as well as other entities allocated to it for purposes consistent with the policies, programmes and activities of UNESCO and the Institute; (c) such subventions, endowments, gifts and bequests as are allocated to it for purposes consistent with the policies, programmes and activities of UNESCO and the Institute; (d) fees collected in respect of the execution of projects entrusted to the Institute, from the sale of publications, or from other particular activities; and (e) Other / miscellaneous revenue.	As provided for in its Statutes, the revenue of the Institute shall consist of: (a) a financial allocation determined by the General Conference; (b) voluntary contributions from States, international agencies and organizations, as well as other entities allocated to it for purposes consistent with the policies, programmes and activities of UNESCO and the Institute; (c) such subventions, endowments, gifts and bequests as are allocated to it for purposes consistent with the policies, programmes and activities of UNESCO and the Institute; (d) fees collected in respect of the execution of projects entrusted to the Institute, from the sale of publications, or from other particular activities; and (e) Other/miscellaneous revenue.	

Number	Present text (186 EX/Decision 23)	Modified text	Comments
3.2	The Director may accept revenue as set forth in Article 3.1 on behalf of the Institute, provided that, in any case which would involve the Institute in an additional financial liability, the Director shall obtain the prior approval of the Institute's Governing Board (hereafter referred to as "the Board" <sup>*</sup> ), and the consent of the Executive Board of UNESCO.	The Director may accept revenue as set forth in Article 3.1 <i>above</i> on behalf of the Institute, provided that, in any case this would not involve the Institute in an additional financial liability.	Article amended to clarify that the Director of the Institute has no power to commit the Institute to additional financial liability through accepting revenue. By accepting revenue under article 3.1, the Director has committed to use the funds for its intended purpose and this is not considered additional financial liability.  The provision regarding additional financial liability is covered under Article 7.3 of UNESCO's financial regulations. The decision to commit the Institute to an additional financial liability can only be taken by the Director-General after the consent of the Executive Board.
3.3	The Director shall report to the Board on any subventions, contributions, grants, gifts or bequests accepted.		
<b>Article 4</b>	<b>Budget</b>		
4.1	The Director shall prepare, in a form to be determined by the Board, an annual programme and budget and shall submit it to the Board for approval.		The budget approval process is in line with the relevant Statutes of the Institute. The composition and functions of the Board is defined in the Statutes.
4.2	The appropriations voted in the budget shall constitute an authorization to the Director to incur commitments and to make payments for the purposes for which the appropriations are voted and up to the amounts so voted	.	
4.3	The Director is authorized to transfer funds between activities under the same appropriation line. The Director may be authorized by the Board to transfer funds, when necessary, between appropriation lines within the limits established by the Appropriation Resolution voted by the Board and shall report to the Board on all such transfers.		

\* Governing Board (the Board) shall mean the body set up to determine general policy and decide on the programme and budget of the institute and ensure implementation (e.g. Steering Committee, Council, etc.).

Number	Present text (186 EX/Decision 23)	Modified text	Comments
4.4	The Director is required to maintain commitments and payments within the level of the actual resources that become available to the General Account mentioned in Article 5.1 below.		
4.5	Appropriations shall be available for making commitments in the financial period to which they relate for delivery in that financial period or the subsequent calendar year in accordance with the Appropriation Resolution.		
4.6	The Director shall make allotments and any modifications thereon, within the limits of the Appropriation Resolution, which shall be communicated, in writing, to the officials authorized to incur commitments and make payments.		
<b>Article 5</b>	<b>The General Account</b>		
5.1	There shall be established a General Account, to which shall be credited the revenue of the Institute as described in Article 3 above and which will be used to finance the approved budget of the Institute.	There shall be established by the Institute a General Account, to which shall be credited the revenue of the Institute as described in Article 3 above and which will be used to finance the approved budget of the Institute.	
5.2	The balance remaining in this General Account shall be carried forward from one financial period to the next.		
5.3	The uses to which this balance may be put shall be determined by the Board.		
<b>Article 6</b>	<b>Trust Funds, Reserve and Subsidiary Special Accounts</b>		
6.1	The Director shall establish a Reserve Fund to cover end-of-service indemnities and other related liabilities; the Fund shall be reported annually to the Board at the time of the yearly budget approval.	The Director shall establish a Reserve Fund to cover end-of-service indemnities and other related liabilities; the Fund shall be reported annually to the Board at the time of the yearly budget approval. <u>An Institute may, rather than set up a separate fund, choose to contribute to UNESCO's Terminal Payment Fund.</u>	<i>UNESCO maintains a Terminal Payment Fund to meet end-of service indemnities and other related liabilities for staff not funded from the regular budget. An Institute with a very small number of fixed-term staff can choose to contribute to such a fund rather than set up a separate fund.</i>
6.2	Trust Funds, Subsidiary Special Accounts and any other Reserve Accounts may be established by the Director, who shall report thereon to the Board.		

Number	Present text (186 EX/Decision 23)	Modified text	Comments
6.3	The Director may, when necessary, in connection with the purpose of a Trust Fund, Reserve or Subsidiary Special Account, prepare special financial regulations to govern the operations of these funds or accounts and shall report thereon to the Board. Unless otherwise provided these funds and accounts shall be administered in accordance with these Financial Regulations.		
<b>Article 7</b>	<b><u>Internal Control</u></b>	<b><u>Internal Control</u></b>	
7.1	The Director shall: (a) Establish detailed financial rules, operating policies and procedures in order to ensure effective financial administration, the exercise of economy and safeguard of the assets of the Institute; (b) Designate the officers who may receive moneys, incur commitments and make payments on behalf of the Institute; (c) Maintain an internal control system to ensure the accomplishment of established objectives and goals for operations; the economical use of resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of assets;	The Director shall: (a) <i>Ensure that the Institute's detailed operating policies and procedures established in order to ensure effective financial administration, the exercise of economy and safeguard of the assets of the Institute are in compliance with UNESCO's financial rules and regulations;</i> (b) <i>Within his/her delegated financial authorities, designate the officers who may receive moneys, incur commitments and make payments on behalf of the Institute;</i> (c) <i>Maintain the Institute's internal control system to ensure the accomplishment of established objectives and goals for operations; the economical use of resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of assets;</i>	<i>The purpose of the amendment is to remove the ambiguity regarding the authority for the setting of financial rules and regulations. As a controlled entity of UNESCO, Category I Institutes have to comply with UNESCO's financial rules and regulations. The Director of an Institute has the power to set up operational guidelines and procedures as long as they are in conformity with UNESCO's financial rules and regulations. In line with the external audit recommendation number 5 on the audit of the governance and financing reporting of UNESCO Category I Institutes (195EX23 Part I and INF), where specific financial rules are needed to meet the needs of a particular Institute, UNESCO's financial rules will be amended to incorporate those requirements.</i>
7.2	No commitment shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Director.		
<b>Article 8</b>	<b><u>Accounts and Financial Statements</u></b>		
8.1	The Director shall maintain such accounting records as are necessary and shall submit in liaison with the UNESCO Chief Financial Officer (CFO) the following financial statements in accordance with IPSAS: (a) Statement of financial position; (b) Statement of financial performance;		

Number	Present text (186 EX/Decision 23)	Modified text	Comments
	<p>(c) Statement of changes in net assets/equity;</p> <p>(d) Cash-flow statement;</p> <p>(e) Statement of comparison of budget and actual amounts for the reporting period;</p> <p>(f) Notes, including a summary of significant accounting policies.</p> <p>8.1.1 The Director shall also submit a Status of appropriations statement showing:</p> <p>(a) The original budget appropriations;</p> <p>(b) The appropriations as modified by any transfers;</p> <p>(c) Credits, if any, other than the appropriations voted by the Board;</p> <p>(d) The amounts charged against those appropriations and/or other credits;</p>		
8.2	The Director shall also give such other information as may be appropriate to indicate the current financial position of the Institute.		
8.3	The annual accounts of the Institute shall be presented in dollars of the United States of America. Accounting records may, however, be kept in such currency or currencies as the Director may deem necessary.	The annual accounts of the Institute shall be presented in dollars of the United States of America <i>or another functional currency as determined by the Director-General of UNESCO.</i> Accounting records may, however, be kept in such currency or currencies as the Director of the Institute may deem necessary.	The article amended to cover Institutes whose operating/functional currency is different from the US dollar. The Financial Statements of such Institutes will be translated into US dollars by UNESCO HQ for the preparation of the consolidated financial statements.
8.4	Appropriate separate accounts shall be maintained for all Trust Funds, Reserve and Subsidiary Special Accounts.		
<b>Article 9</b>	<b>External audit</b>		
	The financial statements of the Institute, which constitute an integral part of the consolidated financial statements of UNESCO, together with any report of the External Auditor of UNESCO on the Institute, shall be submitted to the Board for approval.		

Number	Present text (186 EX/Decision 23)	Modified text	Comments
<b>Article 10</b>	<b>General provisions</b>		
10.1	Unless otherwise provided in these Regulations this Special Account shall be administered in accordance with the Financial Regulations of UNESCO.		
10.2	These Regulations are effective as from 01 January 2010.	<i><u>The authority for the closure of operations of the Institute as a UNESCO Category 1 Institute rests with the General Conference of UNESCO.</u></i>	Institutes are created by the General Conference of UNESCO and thus the sole authority to close such Institutes rests with the General Conference.



United Nations  
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**Executive Board**  
Hundred and ninety-seventh session

**197 EX/27**  
**Part III**

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**FINANCIAL REGULATIONS OF SPECIAL ACCOUNTS**

**PART III**

**REPORT OF THE EXTERNAL AUDITOR ON THE CONDITIONS OF USE  
OF THE EMERGENCY FUND AND CONCLUSIONS TO BE DRAWN  
REGARDING THE MANAGEMENT OF UNESCO'S SPECIAL ACCOUNTS**

**SUMMARY**

This document presents the management letter of the External Auditor following the audit of the Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under documents 35 C/5 and 36 C/5 (The Emergency Fund Special Account). The management response of the Director-General is also presented.

Cour des compte  
FRANCE



The First President

1503451

24 July 2015

Madam Director-General of UNESCO,

In a letter dated 6 May 2015, the Chair of the Finance and Administrative Commission (FA) of the Executive Board, at the request of the Bureau of the Executive Board and pursuant to Article 12.6 of the Financial Regulations, requested that I review the conditions of use of UNESCO's "Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives", and also make more general recommendations on the management of special accounts. A copy of this letter was addressed to you.

At the same time, we are conducting the audit of the Organization's consolidated financial statements. The specific review of the Special Emergency Multi-Donor Fund has therefore been included in the audit plan (account balance at 31 December 2014 and transactions conducted on the account after closure of that financial period).

The very special nature of this work, combining the request from the Bureau of the Executive Board with the regular auditing of accounts, has led me, following formal discussions, to compile our findings and conclusions in the document annexed to this letter, a copy of which is also addressed, as is customary, to the Chair of the Executive Board and Chairs of the commissions.

I should be grateful if you would let me know your response to these findings.

Please accept, Madam Director-General, my respectful compliments and best wishes,

*[signed]*  
Didier Migaud

**Ms Irina Bokova**  
Director-General  
UNESCO  
7, place de Fontenoy  
75352 PARIS 07

Copies to: **H.E. Mr Mohammed Sameh Amr**  
Chair of the Executive Board of UNESCO

**H.E. Mr Matthew Sudders**  
Chair of the Finance and Administrative Commission (FA) of the Executive Board  
of UNESCO

**H.E. Mr Porfirio Thierry Muñoz Ledo**  
Chair of the Programme and External Relations Commission (PX) of the  
Executive Board of UNESCO





**EXTERNAL AUDIT  
OF THE UNITED NATIONS EDUCATIONAL,  
SCIENTIFIC AND CULTURAL ORGANIZATION**



**REPORT OF THE EXTERNAL AUDITOR ON THE CONDITIONS OF USE  
OF THE EMERGENCY FUND AND CONCLUSIONS REGARDING  
THE MANAGEMENT OF UNESCO'S SPECIAL ACCOUNTS**

**I. Does management of the “Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives” comply with UNESCO’s standard-setting instruments and the Financial Regulations of the Special Account?**

**A. Chronology**

1. The Director-General announced on 10 November 2011, the establishment of an “Emergency Fund” whose purpose was “to mobilize resources so as to meet the shortfall in funding of the 35 C/5 and 36 C/5 funding gap and to deliver its Priority Programmes and Reform Initiatives as determined by Member States in the 35 C/5 and 36 C/5 documents”.<sup>1</sup> This Special Account was given specific financial regulations (deviating from the standard Financial Regulations), which were amended in March 2014, extending the use of the fund to “transitional measures associated with the implementation of the Expenditure Plan of the approved 37 C/5 budget”.<sup>2</sup>

2. In an email dated 10 March 2015,<sup>3</sup> the Chief Financial Officer (CFO) suggested that the Director-General close the Emergency Fund and reallocate the available balance to the “Fit for Purpose” initiative. The Director-General approved the principle of that course of action in an email dated 13 March 2015, then, after receiving further explanations on the procedure, approved the proposal in an email dated 23 March 2015. The proposal was then repeated in a memorandum from the CFO to the Director-General dated 3 April 2015, requesting a formal approval of the closure of the Emergency Fund and the reallocation of the available balance to the “Special Account for Voluntary Contributions”. The Director-General gave her approval with a handwritten annotation of the memo on 7 April 2015, “I agree. Please proceed accordingly, signed IB”.

3. According to a preparatory document for the report<sup>4</sup> of the FA Commission (dated 16 April 2015) endorsed by the CFO and ADG/BSP,<sup>5</sup> the representative of the Secretariat confirmed to the Commission that the Emergency Fund had been closed<sup>6</sup> and that the balance would be transferred in accordance with the regulations in force.<sup>7</sup> This statement is consistent with the chronology of the decision-making process described above.

4. In a memorandum<sup>8</sup> dated that same day, 16 April 2015, addressed to the CFO and ADG/BSP, the Director-General then gave the order to cancel the closure of the Emergency Fund and to maintain it open until “the Member States take a decision on its future use”.<sup>9</sup>

**B. Compliance of operations with the Financial Regulations specific to the Emergency Fund**

**1. Legality of the closure of the Emergency Fund**

*1.1 Legal interpretation*

5. The Financial Regulations of UNESCO, in Article 6.5, states that “*Trust Funds, Reserve and Special Accounts may be established by the Director-General and shall be reported to the Executive Board*”. The Director-General may prepare special financial regulations to govern the operation of funds and the Executive Board may make appropriate recommendations thereon (Article 6.6).

<sup>1</sup> Document 189 EX/15 Part III Rev., Annex, Financial Regulations of the Special Emergency Multi-Donor Fund, Article 3.

<sup>2</sup> Document 195 EX/21 Annex VII, Financial Regulations of the Special Emergency Multi-Donor Fund, Article 3.

<sup>3</sup> Email from CFO to Director-General dated 10 March 2015.

<sup>4</sup> Template for the Report of FA commission – Sector’s contributions – Item Number 4, Report on the Emergency Fund

<sup>5</sup> Assistant Director-General for Strategic Planning.

<sup>6</sup> Ibid – Secretariat’s reply to queries, para. 3.9 “... the Director-General decided to close the Emergency Fund Special Account”.

<sup>7</sup> Ibid para. 3.10.

<sup>8</sup> DG/Memo/15/3309.

<sup>9</sup> Ibidem.

6. At its 195th session, the Executive Board took note<sup>10</sup> of the amended Financial Regulations of the Special Account for the Special Emergency Multi-Donor Fund without making any particular recommendations, thus implicitly authorizing the Director-General to use the prerogatives contained therein.

7. The Financial Regulations of the Special Account for the Emergency Fund define the purpose of the Account in Article 3 and the conditions for its closure in Article 9. Article 3 thus states that “*the Special Account will also be used to fund transitional measures associated with the implementation of the Expenditure Plan of the approved 37 C/5 budget*”. Article 9 states that “*the Special Account may be closed upon the decision of the Director-General. The Special Account shall remain open for four years and its existence can be extended by the Director-General. The Director-General may also close the Special Account if a minimum threshold of US\$5 million has not been mobilized. Any balance of funds remaining on the Special Account will be transferred to the Special Account for Voluntary Contributions*”.

8. On 23 April 2015, a memorandum was sent to the Chair of the FA Commission in response to the questions that he had put to the Secretariat, in which the Director of the Office of the Director-General explained, on behalf of the Director-General that:

- Special Accounts are, under Financial Regulation 6.6, administered in accordance with the Financial Regulations;
- the Emergency Fund’s special Financial Regulations do not provide for the account to be managed otherwise than in accordance with the Financial Regulations of the Organization;<sup>11</sup>
- the Administrative Manual (5.2/1.4 (b)) recalls 161 EX/Decision 7.10, approving the standard model text for Financial Regulations of Special Accounts which stipulates that “*the Director-General shall decide upon the closure of the Special Account at such time as he deems that its operation is no longer necessary and inform the Executive Board accordingly*”.

9. On this basis, the Secretariat concludes that the period of four years provided for the operation of the Fund is only indicative and does not affect the prerogative of the Director-General to close the account before the end of the four-year period.

10. The External Auditor considers that this reasoning is flawed, as it removes the effectiveness of the provisions of the special Financial Regulations of the Emergency Fund.

11. Although the matter is not relevant in view of the account’s current balance (\$14 million), it is also worth noting that the “\$5 million clause” could lead to misinterpretations. The clause does not foresee that the Fund could possibly close as soon as its balance dropped below that threshold but only that the Fund would be closed if that amount had not been mobilized.<sup>12</sup> This is consistent with the purpose and history of the fund, which, at the end of 2011 was established in order to collect additional contributions to address the budget crisis.

12. A reasonable interpretation of Article 9 would then lead to the assumption that – contrary to the Secretariat’s assertions – the period of four years is a minimum before the Director-General may exercise her prerogative to close the account. A different interpretation would be inappropriate as it would render ineffective the specific conditions for closure stated in that Article (duration, amount).

<sup>10</sup> Document 195 EX/40 (195 EX/Decision 21).

<sup>11</sup> “The financial regulations of the Special emergency fund did not foresee that the Special Account should not be administered in accordance with UNESCO’s Financial Regulations”.

<sup>12</sup> That is to say, “generated, collected, requested ...” the verb is the same in French and English (“mobiliser” and “mobilize”) and is absolutely free of lexical ambiguity.

## 1.2 *The Secretariat's interpretation*

13. According to the Secretariat, the “four-year clause” should be interpreted quite differently. In a written answer provided during the formal discussion, the following was stated:

*“The 35 C/5 and 36 C/5 cover a period of four years from 1 January 2010 to 31 December 2013. At the time of creation of the Fund it was foreseen to cover deficits of the 35 C/5 in retrospect given that the non-payment of US contribution was unknown prior to the end of the 35 session of the General-Conference. At the end of the 35 C/5 budget period (31 December 2011), the budget expenditure exceeded the outstanding US contribution by \$40.6 million. This represents a budget deficit to be absorbed from the Emergency Fund and the 36C/5 expenditure cuts.*

*The Secretariat has consistently operated on the premise that the four years referred to in the financial regulations covers the period 1 January 2010 to 31 December 2013. It was in this context that the CFO recommended to the Director-General to amend the Financial Regulations of the Special Account of the Emergency Fund to cover the 37 C/5 transitional costs knowing that the Fund could not be used beyond 31 December 2013. The proposal was made on 20 March 2014 which was approved by the Director-General on 26 March 2014 and the revised regulations submitted to the Executive Board at its 195th session (195 EX/21).*

*The Preparatory working group of the Executive Board, noted (Document 195 EX/PG.INF) that the original Financial Regulations of the Special Account of the Emergency Fund which referred only to the 35 C/5 and the 36 C/5 did not contain any criterion for use after 2013”.<sup>13</sup>*

14. Drawing on the similarity of the time frame (four years), this interpretation creates confusion between the operations (deficits) eligible for financing through the Emergency Fund (those of the programme and budget documents 35 C/5 and 36 C/5) and the lifespan of the Fund. It is more likely that the purpose of limiting the lifespan of the Fund was to lead the Organization beyond a transitional period limited to four years, to find more sustainable (and structural) ways to finance its budget deficit. It was also consistent with the idea that prevailed in late 2011, early 2012, that the suspension of the United States contribution was temporary.

15. Factually speaking, the revision of the Financial Regulations of the Emergency Fund was not made necessary in 2013 because the Fund had reached the end of its lifespan, but because the original regulations did not plan for their use for operations under document 37 C/5 (spanning from 1 January 2014 to 31 December 2015).

16. Given that the Fund was only established in November 2011, in response to the budget crisis, to cover the potential shortfall under document 35 C/5 and as the shortfall did not occur until after its establishment (at the closing of 2011 accounts), the argument that the purpose of the Fund, referring to document 35 C/5, was to cover certain expenditure incurred from 1 January 2010, is not admissible in the view of the External Auditor.

## 1.3 *Conclusion*

17. The special Financial Regulations of the Emergency Fund constitute an exceptional system, whose clauses are to be understood strictly and must be applied to any decision by the Director-General to close the Fund.

18. If the announcement date of the establishment of the Fund, namely 10 November 2011, is taken as the start date for the period of four years, the date from which the Fund may be closed on the initiative of the Director-General is 10 November 2015. **Any decision to close the Fund prior**

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<sup>13</sup> Email sent to the External Auditor from the Financial Policy and Compliance Section (BFM/FPC) on 8 July 2015.

**to that date must therefore be considered, according to the interpretation of the External Auditor, as contrary to the Regulations and to the spirit of the Fund.**

## **2. Status of the Emergency Fund**

19. In an internal memo dated 7 April 2015,<sup>14</sup> the Director-General confirmed the closure of the Emergency Fund Special Account and ordered the funds to be transferred to the Special Account for Voluntary Contributions.

20. The Director-General then rescinded her decision and reinstated the Emergency Fund Special Account. Examination of the accounts revealed that, despite this decision, the balance in the Emergency Fund was never actually transferred in accounting terms as, according to explanations given by the Bureau for Financial Management (BFM), on the date when the decision was taken, the Fund was still subject to unliquidated obligations.

21. As part of the audit of the financial statements for the 2014 financial period (financial period operations and verification of “events after the reporting date”), the External Auditor reviewed a sample of transactions made on the Emergency Fund Special Account. No anomaly was observed.

22. However, the External Auditor was unable to verify the amount of the “unliquidated obligations” on key dates (the day of the decision to close the account, 23 March, and the day before the decision to “reopen” the account, 15 April), as the accounting software allowed no easy way of reconstructing the unliquidated obligations on specific dates other than intermediate or final reporting dates.

23. The Emergency Fund Special Account was, therefore, never actually closed; the Secretariat’s statements on the matter thus related only to decisions taken but not yet carried out; the balance of the Emergency Fund as of 30 April 2015,<sup>15</sup> that is, \$14.5 million, is still available (following the deduction of earlier, as yet unliquidated obligations).

## **II. What are the implications for other Special Accounts?**

### **A. Specificity of the Financial Regulations**

24. The External Auditor examined the 75 Special Accounts active as at 31 December 2014 and studied a selected sample as shown in the table below:

	<b>Name of Special Account</b>	<b>Balance at 31.12.2014 (US\$)</b>	<b>Specific Financial Regulations</b>
1.	Third World Academy of Sciences	17,665,531.69	NO
2.	EFA Capacity Building	16,505,649.44	NO
3.	Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under the 35 C/5 and 36 C/5	15,132,051.53	YES
4.	Fund for the Safeguarding of the Intangible Cultural Heritage	10,502,958.12	YES
5.	Safeguarding of Cultural Heritage in Egypt	8,194,238.11	YES

<sup>14</sup> MEMO BFM 2015 345.

<sup>15</sup> See: Summary Situation EF\_30 April 2015.

6.	The World Heritage Fund	3,327,098.31	YES
7.	Houphouët-Boigny Peace Prize	5,509,836.79	YES
8.	EFA Monitoring Report	4,331,306.75	NO
9.	Special Account for Voluntary Contributions	3,653,725.17	YES
10.	Special Account for ASHI	NA	YES

Source: BFM, June 2015

25. As at 31 December 2014, the first nine of the above accounts had a collective balance of \$99,168,322.71, equivalent to 74% of the total balance of all Special Accounts at that date. The Special Account for After-Service Health Insurance<sup>16</sup> is currently being established but the relevant financial regulations have already been finalized.

26. The Special Account for the Safeguarding of Cultural Heritage in Egypt is subject to specific regulations known only to the Egyptian authorities and which have not been presented to the Executive Board.

27. The “heritage” accounts (Nos. 4 and 6) are related to the Convention for the Safeguarding of the Intangible Cultural Heritage and the World Heritage Convention, respectively. Their financial regulations are more substantiated and define exactly how the funds are committed. These Special Accounts should not “strategically-speaking” be closed<sup>17</sup> and their funds (of which any unused balance is carried forward to the following financial period) should, thus, not be transferred to other accounts.

28. The Special Accounts which do not have specific financial regulations are governed by the standard model mentioned above.<sup>18</sup> Thus, a Special Account shall be “debited with the expenditure relating to its purpose”. The closure clause is simple and appears as: “The Director-General shall decide upon the closure of the Special Account at such time as he deems that its operation is no longer necessary and inform the Executive Board accordingly”.

29. The Financial Regulations of the Félix Houphouët-Boigny Peace Prize<sup>19</sup> do not contain any specific closure clause. It should therefore be assumed that statutory rules apply.

## **B. Communication to the governing bodies**

30. The financial regulations of the Special Account for Voluntary Contributions<sup>20</sup> stipulate in Article 4 (Income) that the income of the Special Account shall consist of “balances available on closure of other Special Accounts”. The purpose of the Special Account for Voluntary Contributions is “to receive voluntary contributions [...] from public or private sources, the general purpose for which has been indicated by the donor without reference to a specific activity. In addition, [...] moneys accepted in respect of which no purpose is specified shall be credited to the general sub-account of the Special Account. Expenditures shall be made on activities designated by the Director-General related to the programme ...”.

31. Since 2010, 20 Special Accounts have been closed.<sup>21</sup>

<sup>16</sup> ASHI.

<sup>17</sup> Document 102 EX/16, Annex I, Art. 4.3 and document 179 EX/29, Annex II, Art. 7.2.

<sup>18</sup> 161 EX/Decision 7.10, Annex

<sup>19</sup> Document 180 EX/17 Rev.

<sup>20</sup> Document 162 EX/35, Annex II.

<sup>21</sup> Document 195 EX/21, para. 14.

Title of the Special Account	Year of closure
Campaign for the Safeguarding of Sana'a and Shibam	2010
Campaign for the Safeguarding of the Temple of Borobudur	2010
Emergency Education Programme for Afghan Population in Pakistan	2010
Mitigation against Earthquake Losses in the Mediterranean Region	2010
Plan for the Promotion of the Arab Culture	2010
Portal on Higher Education Institutions	2010
Campaign for the Restoration of Venice	2011
International Computer Driving License (ICDL)	2011
Asia Pacific Programme of Education for All	2012
Campaign for the Safeguarding of the Island of Gorée	2012
Special Account Contribution to IOS	2012
Great Apes Survival Project	2012
Higher Education Activities CEPES	2012
Special Account for the Strengthening of UNESCO Infrastructure and its Programme in Pursuit of its Mission in the Fields of the Organization's Competence	2012
UNESCO History Project	2012
Special Account for the Contribution of the United States of America to UNESCO	2013
Special Account for the Independent, External Evaluation of UNESCO	2013
Special Account for Education for African Street Children	2014
Special Account for Girls' Education in Africa	2014
Special Account for UNESCO Bursaries	2014

32. The issue of governing bodies intervening in the management of Special Accounts must be considered with regard to efficient and effective governance, with each stakeholder having a reasonable role depending on its responsibility.

33. The articles of UNESCO's Financial Regulations relating to Special Accounts as well as the *standard* financial regulations of these accounts were drawn up with the intention of affording the Director-General the possibility of establishing flexible accounting and financial instruments that may facilitate certain programme and routine management operations by isolating them so as to better master funding and accountability. In this spirit, it is acceptable that governing bodies do not interfere with the executive's own responsibility. The provisions, which give the Secretariat power of initiative, with an obligation to inform governing bodies, represent a good balance between execution and control.

34. The situation is different, however, regarding some funds of strategic, or simply critical importance, in cases where, for example, the establishment of funds can become a joint initiative between the Secretariat and governing bodies or where, at the very least, governing bodies cannot stand by. The Emergency Fund created during the budget crisis that started in 2011 is a typical example, as are the "permanent" funds for the safeguarding of heritage.

35. In these cases – which are for the most part those with specific financial regulations – it is legitimate for the governing bodies to be involved in practical terms in decisions regarding the establishment, management and closure of funds. Their explicit endorsement of the special status and financial regulations deemed necessary, as well as decisions regarding fund closure and the allocation of the fund balance (congruent forms), would be deemed good governance, consistent with a fair and efficient distribution of roles between management and supervision.

36. It is judicious to note that the matter of the formal legal framework does not cover all aspects of the discussion of the soundness of decisions taken under all circumstances. Contrary to what is contained in an internal document of the Bureau of Strategic Planning (BSP), a recommendation/decision made by a governing body is both morally and politically binding (unless it unquestionably and seriously impinged upon the managerial responsibilities of the Director-General). Accordingly, the legally indisputable prerogatives of the Director-General may not be carried out without consideration for the political intentions of governing bodies, without risk of conflict and loss of accountability.

### **Recommendation**

The External Auditor recommends that:

- Special Accounts be divided into at least two categories:
  - “classic” or “managerial” Special Accounts, whose establishment, use and closure remain the prerogative of the Director-General; such accounts would constitute the majority and should be considered the norm;
  - “strategic” Special Accounts, whose purpose, aim and even length of existence are, by nature, exceptional and whose establishment, conditions for use and closure should be submitted to the Executive Board for approval; the expected or observed volume of account transactions might also provide a benchmark for fixing a level below which decisions might however be delegated either to a subsidiary governing body or to the Director-General.
- Articles 6.5 and 6.6 of the Organization’s Financial Regulations (and texts that make reference to such Regulations) be amended in light of the above, and that a standard specific financial regulation for strategic Special Accounts be drawn up for reference purposes, from which the governing bodies might nevertheless deviate, according to the purpose of the fund created.



**ANNEX**  
**GLOSSARY**

ADG	Assistant Director-General in charge of a sector
BFM	Bureau of Financial Management
BSP	Bureau of Strategic Planning
BSP/BP	Bureau of Strategic Planning – budget division
DG	Director-General
EX	Executive Board
GC	General Conference
HRM	Bureau of Human Resources Management
ICSC	International Civil Service Commission
PMC	Programme Management Committee
RBB	results-based budgeting
SMT	Senior Management Team

**DIRECTOR-GENERAL'S RESPONSE TO THE MANAGEMENT LETTER**

## LETTER FROM THE DIRECTOR-GENERAL



United Nations  
Educational, Scientific and  
Cultural Organization

Organisation  
des Nations Unies  
pour l'éducation,  
la science et la culture

Organización  
de las Naciones Unidas  
para la Educación,  
la Ciencia y la Cultura

Организация  
Объединённых Наций по  
вопросам образования,  
науки и культуры

منظمة الأمم المتحدة  
للترقية والعلم والثقافة

联合国教育、  
科学及文化组织

The Director-General

Mr Didier Migaud  
Premier Président  
Cour des Comptes  
13 rue Cambon  
75001 Paris

18 August 2015

Ref. : DG/11/15/6853

Dear Sir,

I acknowledge receipt of your letter dated 24 July 2015, presenting the audit report of the Emergency Fund, an audit performed following the request made by the Chair of the Finance and Administrative Commission on behalf of the Bureau of the Executive Board.

In line with established procedures regarding external audit reports, the report referred to also as a management letter shall be presented to the Executive Board and published under Item 28 (New Audits by the External Auditor) of the forthcoming 197<sup>th</sup> session of the Executive Board. I would like to seek your confirmation that this is your view.

The management response of the Director-General, attached herewith, addresses three issues:

- My acceptance as Director-General, of the audit recommendation to classify Special Accounts into two categories;
- The management's position regarding the duration of the Fund; and,
- Clarifications on the application of Article 12.6 of the Financial Regulations.

I wish to assure you of my and the Secretariat's continued commitment and cooperation to provide you with all necessary support towards the performance of your duties as UNESCO's external auditor.

Please accept, Sir, the assurances of my highest consideration.

Irina Bokova

Cc: Chairman of the Executive Board  
Chairman of the Finance and Administrative Commission  
Chairman of the Programme and External Relations Commission

## **DIRECTOR-GENERAL'S MANAGEMENT RESPONSE ON THE AUDIT OF THE EMERGENCY FUND**

### Implementation of the Recommendation

The Director-General accepts the External Auditor's recommendation to split Special Accounts into two categories. Classifying Special Accounts into the two categories as recommended will provide greater clarity regarding the role of the Governing Bodies in the management of Special Accounts. Existing Special Accounts have established management and governance structures, such as those of the Culture Sector Conventions and the Headquarters Fund, and the implications of the categorization should be elaborated. The Programme Management Committee (PMC) will be asked to propose the programmatic criteria for the designation of Special Accounts into the categories indicated.

The Executive Board (196 EX/Decision 22) has requested the Director-General to present a document to the General Conference on the management of Special Accounts with a view to enhancing efficiency and transparency in their use. The recommendation of the External Auditor will be taken into account, in addition to elaborating defined criteria for the closure of Special Accounts including those that fall within the authority of the Director-General.

Special Accounts have played, over the years, critical role in the achievement of UNESCO's programme objectives. Substantial contributions have been received because of the trust donors have in the Special Account mechanism.

### **Special Accounts under Programmes**

<i>Expressed in US dollars</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Fund balance year-end Other Special Accounts	115,020,723	107,798,633	103,062,221
Fund balance year-end Emergency Fund	59,290,487	10,806,847	15,132,052
Total Fund balance year-end	174,311,210	118,605,481	118,194,273
<i>Emergency Fund as percentage of total funds</i>	34%	9%	13%

The Director-General is open to discussions with Member States and donors to continue to leverage the numerous advantages regarding the use of Special Accounts. In order to ensure the wider consultation process, the Director-General will recommend that a full review be presented to the 200th session of the Executive Board.

The Director-General will recommend to the 38th session of the General Conference that the authority to make a decision on the categorization and approval of standard financial regulations for Special Accounts be delegated to the Executive Board, with resulting changes in financial regulations of UNESCO to be presented to the 39th session of the General Conference.

### Comment Regarding the Duration of the Fund

The Emergency Fund was a unique situation and it is the only Fund among all Special Accounts where the reference to the period of existence was inserted in the financial regulations.

Though established in November 2011, the Emergency Fund was set up to cover the funding gap and priority programmes under the 35 C/5 and 36 C/6, which covered a budget period of two biennia or four years from 01 January 2010 to 31 December 2013.

If the effective start date of the four-year period in the original financial regulations is interpreted as November 2011:

- The Fund's operations, based on its objectives would exist for a period of 26 months from November 2011 to the end of the 36 C/5 at 31 December 2013.
- The Fund itself would be open for a further period of 22 months from 1 January 2014 to 10 November 2015 without defined objectives or basis for operations during that period.

While legally the four-year period may be subject to different interpretations, the economic substance was clear – the objectives of the Fund were originally intended to cover the period 1 January 2010 to 31 December 2013 and its operations and existence would normally have ceased as at 31 December 2013.

The External Auditor noted that the reason to amend the financial regulations was to use the Fund for the 37 C/5 (1 January 2014 to 31 December 2015) and not related to the Fund's limit. It is the Secretariat's view that the life of the Fund should not be dissociated from its objectives.

The Director-General stresses that the Secretariat's interpretation of the regulations has been consistent with its proposals for amendment of the financial regulations of the Fund.

The Director General accepts that the wording of the financial regulations of the Emergency Fund Special Account in relation to its duration leaves it open to interpretations and has instructed the Secretariat to ensure Legal Affairs review proposed changes in the standard text of financial regulations of Special Accounts.

#### Other issues: Process for requesting the External Auditor to perform specific examinations

The report of the auditor was the outcome of a request by the Chair of the FA Commission on 6 May 2015 to the Director of External Audit, on behalf of the Bureau of the Executive Board. The work was conducted as part of the scheduled audit of the UNESCO 2014 Financial Statements between 26th May and 1ihJune 2015.

Article 12.6 of the Financial Regulations referred to in the External Auditors letter of 24 July 2015 to the Director-General states that "the General Conference may request the External Auditor to perform certain specific examinations. The Executive Board, acting under the authority of the General Conference, may also do likewise".

Specific examinations requested by the Governing Bodies have been mainly undertaken with authority from the General Conference through Resolutions. Examples are the 37 C/96 on the governance review, 37 C/77 on the budget orientation debate, 36 C/93 and 189 EX/Decision 15 on the level of the working capital. A recent exception has been the external audit of the follow-up of evaluation recommendations for WHC. This audit was a decision of the WHC General Assembly. Following discussion between DIR/WHC and Chair FA, this request was discussed during the debate on Item 23 and the Chair FA noted in his report on 194 EX/23 that with the agreement of both Commissions, and through them the Executive Board, the mandate was given to the External Auditor to inscribe this audit in his programme of work.

Going forward, the General Conference may wish to put in place a clearly defined mechanism for the request of specific examinations where approval by the General Conference does not exist.