



AUD II/00962/05

30 December 2005

TO: Mr. Sergei Ordzhonikidze, Director-General
United Nations Office at Geneva

FROM: Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services

SUBJECT: **Audit of UNOG Cultural Activities Programme (AE2005/313/01)**

1. I am pleased to submit the final report on the audit of UNOG Cultural Activities programme, which was conducted between June and August 2005 in Geneva by Ms. Corazon Chavez, Ms. Sophie Deflorin and Mr. Aly Ramji.
2. A draft of the report was shared with the Chief Librarian and Chairperson, Cultural Activities Programme, UNOG on 23 September 2005, whose comments, which were received in November 2005, are reflected in this final report.
3. I am pleased to note that most of the audit recommendations contained in the final Audit Report have been accepted and that the Chief Librarian has initiated their implementation. The table in paragraph 24 of the report, identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 1, 2 and 5, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendations not later than 31 May 2006. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B.
5. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form and return it to me under confidential cover.
6. Thank you for your cooperation.

Attachment: Client Satisfaction Survey Form

cc: Mr. C. Bancroft-Burnham, Under-Secretary-General for Management (by e-mail)
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**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

Audit Report

**Audit of the United Nations Office at Geneva
Cultural Activities Programme
(AE2005/313/01)
Report No. E05/R15**

- **Report date: 30 December 2005**
- **Auditors: Corazon Chavez
Sophie Deflorin
Aly Ramji**



Office of Internal Oversight Services
Internal Audit Division II

AUDIT OF THE UNITED NATIONS OFFICE AT GENEVA
CULTURAL ACTIVITIES PROGRAMME (AE2005/313/01)

EXECUTIVE SUMMARY

Between June and August 2005, OIOS conducted an audit of the United Nations Office at Geneva Cultural Activities programme. The audit covered activities with total reimbursable costs of some \$104,000 and income from the Special Account for Cultural Activities of around \$55,000 from 1 January 2002 to 31 July 2005. The programme also incurs at least \$400,000 of staff costs per biennium under the UN regular budget. *UNOG accepted most of the audit recommendations and is in the process of implementing or planning to implement them.*

Mandate and programme management

- In response to resolutions of the General Assembly on Dialogue Among Civilizations, UNOG is implementing a Cultural Activities programme. Between 2003 and July 2005, UNOG played host to 186 cultural events (exhibitions, concerts, film showing, etc), in partnership with Permanent Missions and other accredited sponsoring organizations. The Cultural Activities Committee (CAC) carried out its functions as the advisory body to the Director-General, according to the Guidelines for UNOG's Cultural Activities programme. *As part of its achievements, UNOG cited that 104 Member States were represented in the different cultural activities from 1993 to 2004, making the Cultural Activities Programme a part of UNOG's identity.*
- By Information Circular/Geneva 4472 of 11 January 1999, the Director-General of UNOG enlarged the functions of the UNOG Library to include implementation of the Cultural Activities programme. ST/SGB/2000/4 of 24 January 2000 on the Organization of UNOG, nonetheless, does not mention this new mandate. UNOG should include the function of implementing the Cultural Activities programme in a revision of the ST/SGB on UNOG organization. Although cultural activities are an additional assignment of the UNOG Library, which claimed them as *part of its activities under its third key objective in their 2006-2007 Strategic Framework, to nurture peace and dialogue by managing UNOG cultural policy and events, UNOG Library, nonetheless, commented that it is not necessary to revise the ST/SGB.*
- The programme uses a copy of the "Guidelines of the Cultural Activities Committee of the United Nations Office at Geneva," signed by the Permanent Mission or a sponsoring organization's representative, as a contract to hold a cultural event. In consultation with the UNOG Senior Legal Officer and the Chief, Financial Resources Management Services, the Programme needs to draft a standard agreement and revise the Guidelines in order to use clearer, more consistent and updated terms and ensures that the interest of the Organization is fully protected.

- Feedback from Permanent Missions, sponsoring organizations or target groups was limited to observations in speeches or letters. Systematic gathering and analysis of feedback should help meet expectations of Permanent Missions and other target groups and give useful information to the CAC for more effective planning and decision-making. *UNOG will study mechanisms to receive feedback from organizing entities and target audiences.*

Financial management

- The programme although not specifically mentioned in the Medium Term Plan (MTP) for 2002-2005, is included in the Programme Budget for the last and current biennia, as part of Library services along with archival and documentation functions. To fund the incremental cost of cultural events, UNOG charges Member States or the event's sponsors for reimbursement of costs such as those for extra security hire, overtime, sound technician, recording operator, electrician, in-house and outsourced installation costs, film operator and invitation cards and/or posters. To manage and organize the programme, it relies on regular budget resources such as Library staff costs of at least \$400,000 per biennium (or an average of \$2,500 per event). UNOG should disclose the use of regular budget (posts) for this programme in its programme budget, along with indicators of achievement of expected accomplishments, as required under the UN Results Based Budgeting.
- As of 31 July 2005, outstanding receivables for reimbursable costs amounted to some \$16,000, this corresponded to an average collection rate of 84 per cent of the total reimbursable costs of around \$104,000. In March 2005, UNOG established the policy of requiring payment of an advance of at least 80 per cent of the costs one week before the date of the cultural event, but this policy remains to be implemented. UNOG needs to examine the effectiveness of this policy and to establish a mechanism to implement it. *Rules and procedures governing expenditures related to cultural events have been suggested.*

Donations of works of art

- UNOG received works of art donated by artists in connection with cultural events without proper receipt and consideration of financial implications to the UN. UNOG should establish procedures to ensure proper receipt of donations, in accordance with UN Financial Rule 103.4.
- The inventory list of donations of works of art relating to cultural activities had not been updated since 2003 and inventory taking had not been regularly carried out. The Cultural Activities Chairperson should ensure that donations are logged as soon as they are received and request the UNOG Division of Administration to have the donated items properly labeled, stored, accounted for and inventoried. *Donated works of art are currently being located to prepare an accurate inventory list and a log of these donations will be regularly maintained.*

December 2005

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I. INTRODUCTION

1. Between June and August 2005, OIOS conducted an audit of the United Nations Office at Geneva Cultural Activities programme. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNOG initiated the Cultural Activities (CA) programme in response to resolutions by the United Nations General Assembly, including the proclamation of the year 2000 as the International Year for Culture of Peace and Non-Violence for the Children of the World, and 2001 as the UN Year of Dialogue Among Civilizations. The programme aims to encourage dialogue among civilisations and the cultural policy of UNOG seeks to promote multicultural dialogue and instigate a culture of peace. Numbering 186 events from 2003 to 31 July 2005, the programme includes exhibitions, concerts, film presentations and lectures. They are organized in response to requests from Member States and increasingly from other international organizations, which reimburse UNOG for extra costs incurred in holding the sponsored events. Total reimbursable costs amounted to around \$104,000, while income from the Special Account for Cultural Activities was around \$55,000 from 1 January 2002 to 31 July 2005. The programme incurs about \$400,000 of Library service staff costs per biennium under the UN regular budget for which no reimbursement is sought from the sponsors of events.

3. The Cultural Activities Committee (CAC) serves as an advisory body to the Director-General to consider proposals for cultural activities submitted to the Organization. The Chief Librarian (D-1) is the CAC Chairperson, who reports directly to the Director-General. There is a Vice Chairperson and 14 other members. Assisting the CAC Chairperson in implementing the programme, are a full-time Cultural Activities Coordinator (P-2), a part-time Cultural Activities Assistant (G-7) and a Public Information Assistant (G-4) whose post is currently vacant.

4. There has not been any oversight review conducted, either by OIOS or the BOA of this programme.

5. The findings and recommendations contained in this report have been discussed during the Exit Conference held on 31 August 2005 with the Chief Librarian/ Chairperson of the Cultural Activities Committee and the Cultural Activities Coordinator. A draft audit report was shared with UNOG in September 2005, on which comments were received in November 2005.

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:

- Adherence to CAC principles and procedures; and
- Efficient use of financial and human resources, safeguarding of assets & exhibits and compliance with relevant UN Regulations and Rules and instructions.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the cultural activities for the years 2003, 2004 and the first seven months of 2005. It analyzed the processes involved in planning, choosing and organizing Cultural Activities as well as in estimating and collecting reimbursable costs. The audit examined documents, records and reports, observed relevant processes, inspected works of art and interviewed UN staff who implement the programme. Audit criteria included the Medium Term Plan for 2002-2005; Programme Budget for the previous and current biennia; GA resolutions, applicable UN Financial and Staff Regulations and Rules and instructions, CAC Guidelines, agreements for exhibitions and UN Accounting policies and procedures.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Mandate and programme management

(a) Mandate

8. The Cultural Activities programme cites the source of its mandate in GA Resolution A/Res/56/6 of 21 November 2001 on Global Agenda for Dialogue Among Civilizations, where the GA invited the United Nations to consider as a means of promoting dialogue among civilizations, within existing resources and drawing upon voluntary contributions, facilitation and exchange among individuals of various civilizations and organization of cultural festivals. In A/55/23 of 11 January 2001, the GA requested the Secretary-General to provide the necessary support for strengthening the activities pertaining to dialogue among civilizations. Prior to these resolutions, in A/Res/54/11/3 7 February 2000, the GA invited the United Nations system to further intensify planning and organizing appropriate cultural programmes to facilitate and promote dialogue among civilizations, as a follow-up of its A/Res/53/22 of 16 November 1998 on United Nations Year of Dialogue Among Civilizations, inviting the UN system to plan and implement these programmes. The audit found that the practices of the Cultural Activities Committee (CAC) ensured compliance with the published Guidelines for UNOG's Cultural Activities programme.

9. In ST/IC/Geneva 4472 of 11 January 1999, the Director-General of UNOG placed the UNOG Library under his purview of the Director-General and enlarged the scope of UNOG Library activities to include among other functions "...the management of an Exhibits Committee and Arts Committee within the framework and overall UNOG cultural policy." Section 7 of the current ST/SGB on UNOG's organization, ST/SGB/2000/4, dated 24 January 2000, identifying the library core functions of UNOG Library, does not mention the library's function of managing cultural events. The CAC Chairperson stated that Cultural Activities management is a part of the Library along with the core library services, documents processing and archiving. National archives and libraries in the world usually included cultural activities in their functions. Cultural activities would bring to light institutional memory, values, work and objectives of the United Nations through the Library and Archives activities. The CAC Chairperson felt that the normal Cultural Activities Programmes, carried out at the request of the Member States, did not require a change to the ST/SGB2000/4. While OIOS does not question the usefulness of the Cultural Activities programme, such activities are an additional assignment to the Library, which absorbs part of the Library's resources and should therefore be reflected in the document.

Recommendation:

- UNOG should include management of Cultural Activities as one of the UNOG Library functions, in the revision of ST/SGB/2004 on the Organization of UNOG (Rec. 01).

UNOG did not accept the recommendation. OIOS maintains its view that a revision of the ST/SGB on the Organization of UNOG would be appropriate. The revised ST/SGB should include cultural activities under UNOG Library to reflect the present arrangement and reporting line for cultural activities programme at UNOG. OIOS will close the recommendation when it receives a revised ST/SGB/2000/4 that includes the cultural activities responsibilities of UNOG Library.

(b) Contract for holding cultural events

10. The programme uses a copy of the “Guidelines of the Cultural Activities Committee of the United Nations Office at Geneva, “ signed by the Member State or a sponsoring organization’s representative and the Cultural Activities Coordinator, as a contract to hold a cultural event. OIOS’ review of this document shows a need for clearer, more consistent and updated terms and references to UN documents, in order to avoid misinterpretation and ensure that the interest of the Organization is fully protected. Some examples of provisions that need clarification are:

- Outdated reference to information circular (IC/Geneva/3991 of 5/11/1993, replaced by IC/Geneva/2005/14 on the use of the premises of UNOG);
- No reference to the required advance payment of at least 80 per cent of reimbursable costs one week before the event;
- Article II. 9 says that all costs shall be borne by the organizing entity, whereas Article III. 4 states that as from 1 February 2003, a portion of the costs relating to the organization and promotion of cultural activities at UNOG will be invoiced;
- Article II.10 referral to financial responsibility only in the installation of exhibitions or presentations, thus excluding other activities of these events and other types of cultural events;
- Article IV – Clause prohibiting commercial exploitation refers only to organizers/artists, a rather narrow scope.

Thus, the “Guidelines” should be revised, and a standard agreement drafted. Both should be cleared by the UNOG Senior Legal Officer and the Chief, Financial Resources Management Service (FRMS). The authority of the CA Coordinator or another staff member to sign on behalf of UNOG should also be formalized in writing.

Recommendation:

- The Chief Librarian, UNOG, in consultation with the UNOG’s Senior Legal Officer and the Chief, Financial Resources Management Service, should draft a standard agreement and revise the “Guidelines” for holding cultural events. Both should ensure that the terms and conditions of the contract for cultural events contract are clear and that

the interests of the Organization are fully protected. When actual contracts deviate from this model, clearance from the Senior Legal Officer and/or Chief, Financial Resources Management Service should be obtained (Rec. 02).

UNOG accepted the recommendation. The “Guidelines of the Cultural Activities Committee of the United Nations Office at Geneva (April 2004)” will be redrafted accordingly. Estimated target date: December 2006 (may be changed subject to discussion with UNOG’s Senior Legal Officer and Chief Financial Resources Management Service). OIOS will record the recommendation as implemented upon receipt the new standard agreement and the revised Guidelines.

(c) Post event feedback and evaluation

11. No systematic feedback from Missions or persons attending the cultural activities, has been solicited to date. Feedback has been observed in speeches of ambassadors during opening sessions of cultural activities, or thank you letters from ambassadors after the event. Gathering and analysis of feedback and information, however, need to be made more systematic to help meet expectations of missions and other target groups. Surveys using questionnaire could be a useful tool to gather information. A summary report after cultural events describing the efficiency or the level of satisfaction by participants or observers of cultural activities should also give useful information to the CAC for more effective planning and decision-making.

Recommendation:

- The Chief Librarian, UNOG should establish procedures to obtain regular feedback on cultural events from Missions, sponsoring organizations and target audiences and report its results to the CAC (Rec. 03).

UNOG accepted the recommendation. Mechanisms to receive feedback on the management of cultural events from organizing entities (Missions, sponsoring organizations) and on the perception of cultural events from target audiences would be studied (Estimated target for implementation: June 2006). OIOS will consider the recommendation as implemented when it receives a copy of the procedures to obtain regular feedback.

(d) Press releases and website

12. There were occasional press releases and hardly any local press coverage of UNOG’s cultural events. Guidelines for the cultural events, online presentations and annual reports from 2001 to 2003 are posted on the website, but there is no mechanism to send feedback and only in recent months has the website’s calendar of events been updated. Ensuring regular press releases about the events and updated information on the website would contribute to disseminating the achievements of the programme and generate more interest among funding Missions and other sponsoring organizations. Reporting of results of recently concluded events and request for feedback or comments on the website would give useful information to the CAC.

Recommendation:

- The Chief Librarian, UNOG in cooperation with UNOG Information Service should issue regular press releases and regularly update the website to inform on Cultural Activities planned and undertaken. (Rec. 04).

UNOG accepted the recommendation. The Library will identify the professional qualifications required to accomplish the task. The manpower required to implement and maintain recommendation 4 on a long-term perspective will be assessed. (Estimated target date for implementation: June 2006 – May be changed subject to discussion with UNOG Information Service) OIOS will consider this recommendation as implemented when it receives copies of regular press releases and verifies the programmes' updated website. OIOS is not convinced, however, that press information and information on the website on events planned and events undertaken require additional manpower. The Library should make efforts to include enhanced public information into the normal workflow of organizing cultural events.

B. Financial management

(a) Reimbursable costs

13. Depending on the type of event and services needed, starting 2003, Member States or other event's sponsors are invoiced for certain direct costs such as those for extra security hire, overtime, sound technician, recording operator, electrician, in-house and outsourced installation costs, film operator and invitation cards and/or posters. The total reimbursable costs in 2003 amounted to some \$27,000 and between 2004 to July 2005, to some \$77,000. The reimbursable costs do not include costs for administration such as for services rendered by Central Support Service (CSS) and Financial Resources Management Service (FRMS), and for costs of electricity, cleaning, use of space

14. The bulk of the costs of the Cultural Activities programme are staff costs of at least \$400,000 per biennium, consisting of the partial time of the Chief Librarian/CAC Chairperson (25%), the CA Assistant (85%) and a full time CA Coordinator. These costs are not charged back to the activities, but are borne by the Library regular budget. Using the total number of events of 157 in 2003 and 2004, the average cost per event would be around \$2,500. The CAC Chairperson indicated that charging an extra \$2,500 per event would "kill cultural activities" and could have political implications, as Permanent Missions who do not have enough means, would be prevented from participating in the cultural activities. The CAC Chairperson further mentioned that the Division of Administration agreed to charge only direct incremental costs before UNOG sent the Note Verbale indicating the rates and nature of reimbursable costs to be charged the Permanent Missions and other sponsoring organizations. He also said that it was agreed with the FRMS, UNOG to use the Library staff to implement the CA programme and that the job description of the Cultural Activities Coordinator clearly describes his functions as falling under cultural activities.

15. ST/SGB/PPBME of 2000, under Rule 105.2 states that "No activity or output shall be included in the proposed programme budget unless it is clearly in implementation of the medium-term plan strategy and likely to help to achieve the plan objectives, or it is in implementation of legislation passed subsequent to the approval or revision of the plan." (underscoring ours). The CA programme is not mentioned in the 2002-2005 Medium Term

Plan (MTP), but the CAC Chairperson cited the aforementioned GA resolutions as basis of the Cultural Activities programme for inclusion in the UNOG Library programme budget, which lists the programme's outputs, but not the achievement indicators. UNOG stated that it is consistent with the general financial policy to charge only the direct incremental costs resulting from the cultural activities.

16. While OIOS does not question the financial policy not to charge administrative costs, which have been absorbed within existing resources and drawn upon voluntary contributions, OIOS maintains that UNOG should clearly disclose in the programme budget the use of regular budget resources for the Cultural Activities programme. In addition, the programme budget should clearly indicate not only the required resources and outputs, but also achievement indicators of expected accomplishments, which are prescribed under the UN Results Based Budgeting.

Recommendation:

- UNOG should disclose the use of regularly funded posts for implementing the Cultural Activities programme and the required achievement indicators and expected accomplishments in his proposed programme budget, as required under the UN Results Based Budgeting- (Rec. 05).

In the Chief Librarian's comments, the Strategic Plan (replacing MTP) should reflect the use of regularly funded posts for implementing Cultural Activities Programme and the required achievement indicators for expected accomplishments. OIOS will consider this recommendation as implemented when it receives a copy of the next budget submission that includes the use of regular budget resources for Cultural Activities and their achievement indicators.

(b) Special Account for Cultural Activities - project code Z171

17. To enhance the Cultural Activities programme and support the organization of cultural activities, UNOG solicits voluntary contributions using the Special Account for Cultural Activities (project code Z171). Created in October 2002, income of this fund was approximately \$40,000 for 2002-2003 and some \$15,000 for 2004 to 31 July 2005. UNOG should consider charging programme support costs to this Special Account for Cultural Activities as UNOG also incurs administrative support costs for these activities.

(c) Reimbursable costs charged under project code Z188 and receivables

18. Reimbursable costs are charged using project code Z188 with invoiced amount of some \$27,000 in 2003, \$56,000 in 2004 and \$21,000 as of 31 July 2005. As of that date, \$4,500, \$5,300 and \$6,600 were receivables from 2003, 2004 and 2005 or a total of \$16,400. This meant an average collection rate of 84 per cent of the total invoiced amount of \$104,000, with yearly collection rate of 83 and 92 per cent respectively for 2003 and 2004. The collection rate as of 31 July 2005 rate or after six months was 69 per cent.

19. UNOG sends the invoice to collect actual reimbursable costs and follows up on the collection of these receivables. As provided for in IC/Geneva/2000/14 of 1 March 2005, Permanent Missions and other sponsoring organizations have been required to advance at least 80 per cent of the estimated reimbursable costs one week before the date of the event, a rather

short period of time to cancel an event in case of non-payment of the advance. This requirement remains to be implemented. The CAC Chairperson needs to establish with FRMS the best way to proceed to recover long outstanding receivables. For more accurate disclosure of UN accounts, if the receivables prove to be irrecoverable, UNOG should obtain approval from the UN Controller for their write-off, in accordance with in accordance with ST/AI/2004/1 of 8 March 2004 and UN Financial Rule 106.8. UNOG commented that the collection of long outstanding accounts for cultural activities is evaluated as part of the continuing evaluation of all the accounts receivable.

Recommendation:

- The Financial Resources Management Service, UNOG, with the Chief Librarian, UNOG should examine the effectiveness of requiring payment of an advance of at least 80 per cent one week before the date of the event and establish a mechanism to implement it (Rec. 06).

UNOG FRMS commented that the suitability of the one-week deadline to pay the advance can be further examined, but they could not yet draw pertinent conclusions considering the short time since the policy had been adopted. To avoid administrative overhead and to facilitate administrative procedures. The Chief Librarian suggested rules governing expenditures for cultural activities depending on the amount per event, including the manner to treat the cases of organizing/sponsoring entities that have negative payment performance. OIOS will consider the recommendation closed upon receipt of the results of the discussion of the policy or rules governing expenditures and required advances for cultural activities.

(d) Cost estimates approval

20. Currently, the CA Coordinator prepares the cost estimates using standard costs of pertinent services and estimates of man-hours submitted by CSS sections involved in providing the services. Clearance of cost estimates from PPBS is required only for costs that do not fall within the standard costs for services of security, sound technician and installation, as well as for printing of invitations and/or posters. The cost estimates are annexed to the “Guidelines” sent to the Member State’s Permanent Mission or to the sponsoring organization as part of the agreement in holding cultural events. The present cost estimation procedure was a departure from the workflow in 2003 which as agreed before among CSS, FRMS and the CA programme, required prior clearance of all cost estimates from PPBS/FRMS, before being annexed to the Guidelines (agreement). PPBS indicated that they agreed to this present practice with CSS and CAC, since this procedure would not delay the process and PPBS still approves the final reimbursable costs for billing. De facto, the CSS has the authority to send cost estimates using standard costs. As the revised procedure needs to be formalized, OIOS suggests that the CA Coordinator have the current procedures for cost estimation of reimbursable costs be put in writing for mutual agreement by the CSS, FRMS and CA Programme.

C. Donations of works of art

(a) Authority to accept donations

21. The UN Controller has delegated the authority to accept voluntary contributions, gifts and donations to the United Nations, to the Director of Administration who further delegated it to the Chief of FRMS, UNOG. Artists from time to time through the Permanent Missions, donate works of art to UNOG. There is no formal procedure for acceptance of such donations in kind by officials as required by UN Financial Rule 103.4. While OIOS agrees that gifts in connection with the cultural events are not to be assimilated with in-kind contributions, there acceptance needs' nevertheless to be formally approved, given there potential cost implications. For instance, the maintenance cost of sculptures to be displayed outside the UN buildings, is an issue. UNOG should therefore establish procedures to ensure that all donations are received in accordance with the relevant UN Financial Rule and instructions. FRMS commented that the CEB/FB Task Force on Accounting Standards envisages preparing a guide on the best practices for dealing with voluntary contributions of this nature. Pending the finalization of such study and formalization of a procedure, the Chief, FRMS, asked the Chief Librarian to refer the acceptance of these gifts and donations to the Controller, in line with Financial Rule 103.4.

Recommendation:

- The Chief Librarian, UNOG should establish procedures to ensure that donations of art works are only accepted after obtaining clearance from a UN official with delegated authority to receive donations in accordance with UN Financial Rule 103.4 (Rec. 07).

UNOG accepted the recommendation and stated that the designated official should take into account the recommendation of the Cultural Activities Committee in each case. OIOS will close the recommendation upon receipt of procedures for the acceptance of gifts and donations from Cultural Activities.

(b) Receipt, recording and reporting of donations

22. The system to account for donations of works of art needs improvement. There has been no systematic log of donations as soon as the CA Coordinator receives them. Nonetheless, donations received are reported to the UNOG Inventory Sub-Unit, which records them in its register, but the Sub-Unit's June 2005 inventory list that the CA programme provided to the audit team, showed donations received only up to 2002 and one received in 2003. Testing of items listed in the Annual Report of 2002 to the Unit's inventory list, nonetheless, proved satisfactory. The values of these donated works of art are unknown. According to UN System Accounting Standards, only significant voluntary contributions in kind which can be used in the normal course of an organization's programme and provided that a fair value can be reasonably estimated should be reported in the financial statements. The UN Accounts Division, according to FRMS, UNOG, is currently looking into the valuation and treatment of these donations in the UN financial statements.

23. The donations are reported as part of the CA annual report. Donations from exhibitors reported in the Annual Report were: 2001- 20; 2002- 19; 2003- 24; and 2004 - 13, or a total of 76 donations from 2001-2004. However, in the storage room, the audit team counted only 71 donated paintings and 2 sculptures, of which 19 were not marked or tagged by the Sub-Unit.

Of the works of art found in the storage room, the team was able to match only 10 paintings and 1 sculpture that were listed in the annual reports for 2001, 2002, and 2003. Certain donated pieces of artwork have been borrowed by senior staff members to decorate their office and they were required to sign hand-over receipts. But, there has been no proof of regular inventory taking of all the donations. The CAC Chairperson said that his predecessor asked for an inventory taking but this had not been carried out. To strengthen accountability, the donated works of art should be recorded as soon as they are received by the CA programme and all of them be properly tagged, located, inventoried and fully accounted for and reported to FRMS, UNOG.

(c) Storage and security of donations and artwork for exhibition

24. Storage room for donations is not adequate. Paintings are stacked/piled up one on top of the other. The storage room is overheated. OIOS recommends that the CAC find an appropriate room that meets acceptable standards to store works of art such as paintings, sculptures, etc. Security measures in the storage room also need to be improved to prevent theft of donations. In addition, to ensure that no artwork is lost during the exhibition, the CA Coordinator should establish with the organizer, a list of the works of art that will be exhibited or ask the organizer to provide a complete list and double-check that everything is accounted for before and after the event.

Recommendations:

- The CAC Chairperson should arrange for maintenance of a log of donations of works of art and ask the UNOG Inventory Sub-Unit to locate all donated works of art of the Cultural Activities programme, conduct a regular inventory and tag them, submit an accurate inventory list for reporting to FRMS, UNOG and keep the inventory list regularly updated (Rec. 08).
- The CAC Chairperson should also arrange for proper and secure storage room for the donations of works of art. To ensure that all works of art for exhibition are accounted for, a list should be required from the organizer and checked for accuracy before and after the cultural event (Rec. 09).

UNOG accepted recommendations 8 and 9. The UNOG Inventory Sub-Unit is currently locating all donated works of art with the purpose to submit an accurate inventory list for reporting to FRMS, UNOG and keep the inventory list regularly updated. The Buildings and Engineering Section, UNOG will be contacted for advice on proper and secure storage room. Upon receipt of an exhibit at the Palais des Nations, the Cultural Activities Coordinator will request a list of works of art exhibited and checkmark when they leave the place of the exhibition. (Estimated target date for implementation: January 2006 – may be changed subject to discussion with UNOG's Building and Engineering Section.) OIOS will close recommendation 8 upon receipt of a copy of an updated inventory list, and recommendation 9, upon receipt of information on the transfer of the donations to a suitable storage room.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

25. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have already been recorded in the recommendations database. In order to record full implementation, the actions/documents described in the following table are required:

Recommendation No.	Additional actions and/or documents required from UNOG for closure of the open recommendations
01	Copy of proposed revision of ST/SGB/2000/4 that includes the cultural activities responsibilities of UNOG Library
02	Copy of the new standard agreement and the revised Guidelines for Cultural Activities
03	Copy of the procedures to obtain regular feedback for cultural events
04	Copies of regular press releases and OIOS' verification of Cultural Activities programmes' updated website
05	Copy of the proposed programme budget that includes the use of regular budget resources for Cultural Activities, their achievement indicators and expected accomplishments
06	Results of discussion of suggested policy or rules governing expenditures and required advances for cultural activities
07	Copy of procedures to ensure that the gifts and donations form Cultural Activities are accepted in accordance with UN Financial Rule 103.4
08	Copy of an updated inventory list of donations from cultural events
09	Confirmation of the transfer of the works of art to a suitable storage room

VI. ACKNOWLEDGEMENT

26. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of the UNOG Cultural Activities programme, Library, CSS and FRMS.

Egbert C. Kaltenbach, Director
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Office of Internal Oversight Services