



Office of Internal Oversight Services
Internal Audit Division

MEMORANDUM

REF: AUD/01775/07

13 April 2007

TO: Prof. Hans van Ginkel, Rector
United Nations University

FROM: Corazón C. Chávez, Officer-in-Charge
Internal Audit Division, Geneva and Nairobi
Office of Internal Oversight Services

SUBJECT: **OIOS Audit of UNU's Programme and Project Management at
Research and Training Centres (AE2006/376/01)**

1. I am pleased to submit the final report on the audit of the United Nations University's Programme and Project Management at Research and Training Centres, which was conducted in October 2006 in Helsinki, Finland and in December 2006 in Maastricht, The Netherlands, by Messrs. Berner Mathee and Diomedes Tiñana.
2. A draft of the report was shared with the Executive Officer, Office of the Rector on 21 February 2007, whose comments, which were received on 20 March 2007, are reflected in this final report in italics.
3. I am pleased to note that most of the audit recommendations contained in the draft Audit Report have been accepted and that UNU Centre has initiated their implementation. The table in part V of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 01, 03, 04, 05, 06, 07, 08, 11 and 13, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with an update of the status of implementation of the audit recommendation not later than 31 May 2007. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of the recommendations, required by the General Assembly Resolution 48/21B. In accordance with General Assembly Resolution A/RES/59/272, the Secretary-General should ensure that the final Audit Report in its original version is, upon request, made available to any Member State who may make it public.
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 and return it to me under confidential cover.

6. Thank you for your cooperation.

Attachment: Final Audit Report
Client Satisfaction Survey

cc: Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (by e-mail)
Mr. R. Bellin, Team Leader for External Audit, UN Board of Auditors (by e-mail)
Dr. F. P. D'Artagnan, Director of Administration (by e-mail)
Mr. B. Matthee, Auditor-in-Charge, IAD II, OIOS (by e-mail)
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)
Mr. D. Tiñana, Auditor, IAD, OIOS (by e-mail)
Mr. J. Boit, Auditing Clerk, IAD, OIOS (by e-mail)

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Office of Internal Oversight Services
Internal Audit Division

AUDIT REPORT

**Audit of UNU Programme and Project Management at Research and
Training Centres
(AE2006/376/01)
Final Report No. E07/R03**

- **Report date: 13 April 2007**
- **Auditors: B. Matthee
D. Tiñana**



Office of Internal Oversight Services
Internal Audit Division

AUDIT OF UNU'S PROGRAMME AND PROJECT MANAGEMENT AT RTCS
(AE2006/376/01)

EXECUTIVE SUMMARY

OIOS conducted an audit of UNU's Programme and Project Management at Research and Training Centres (RTC) in the World Institute for Development Economics Research (UNU-WIDER) in Helsinki, Finland, and the Institute for New Technologies (UNU-INTECH), re-named UNU-MERIT in Maastricht, the Netherlands, in October and December 2006 respectively. The main objective of the audit was to evaluate the adequacy of programme and project management at RTCs. UNU accepted most of the recommendations.

Establishment

- The projects of the Maastricht Economic Research Institute on Innovation and Technology, "the Foundation", and the faculty of Economic and Business Administration of the Universiteit Maastricht, "the UM", had not been integrated with those of UNU-MERIT, although this was required under a cooperation agreement in 2005 to integrate activities of UNU Institute for New Technologies (UNU-INTECH). The legal, contractual and accountability arrangements are currently not in place at UNU-MERIT to integrate these projects. Numbering some 90 projects and having budgets ranging from less than \$10,000 to above \$300,000, several of them are regulated by contractual and/or funding agreements between donors and either "UM" or the "Foundation," and are substantially more than UNU-MERIT's portfolio of 10 projects. The Institute faces a complex task to integrate project and related financial activities, and OIOS is of the opinion that a legal expert and the Director, Administration and Finance of UNU should assist in this integration. *For the foreseeable future, there will be two separate financial streams at UNU-MERIT (one for the UNU and one for the Foundation). Accordingly, there is no intention at this time to pursue a complete integration of projects. This would not prevent further integration of research context between UNU-MERIT and the Foundation MERIT as foreseen in the UNU-MERIT Strategic Plan. UNU sees no need to engage a legal expert at this time. The questions at hand are of a practical or academic nature and could not be dealt with by a legal expert nor should they be dealt with at the level of the Director of Administration. The UNU's legal adviser has already been involved in the discussions in Maastricht on this matter, and he will continue to be available should there be a need for such advice on the overall integration of academic activities within UNU-MERIT.*

Statutory requirements - programme management

- In practice, UNU has a "single" programme and project management cycle that

simplifies programme and project management significantly with reduced costs, effort and time. To formalize this practice, the statutory requirements regarding the adoption and approval of programmes should be extended to include projects. *UNU believes that it is already integrated, however, UNU agreed to formalize it in the programme management manual and guidelines.*

Structure and staffing

- At UNU-MERIT, 15 of the 30 staff positions (22 funded) were vacant. UNU-WIDER had a Senior Programme Assistant and 3 Project Assistants, but UNU-MERIT had none. Given the need to enhance programme and project monitoring, UNU-MERIT should consider engaging at least one Programme Assistant. *The Rector wishes to leave this matter in the hands of the Director of UNU-MERIT.*

Funding

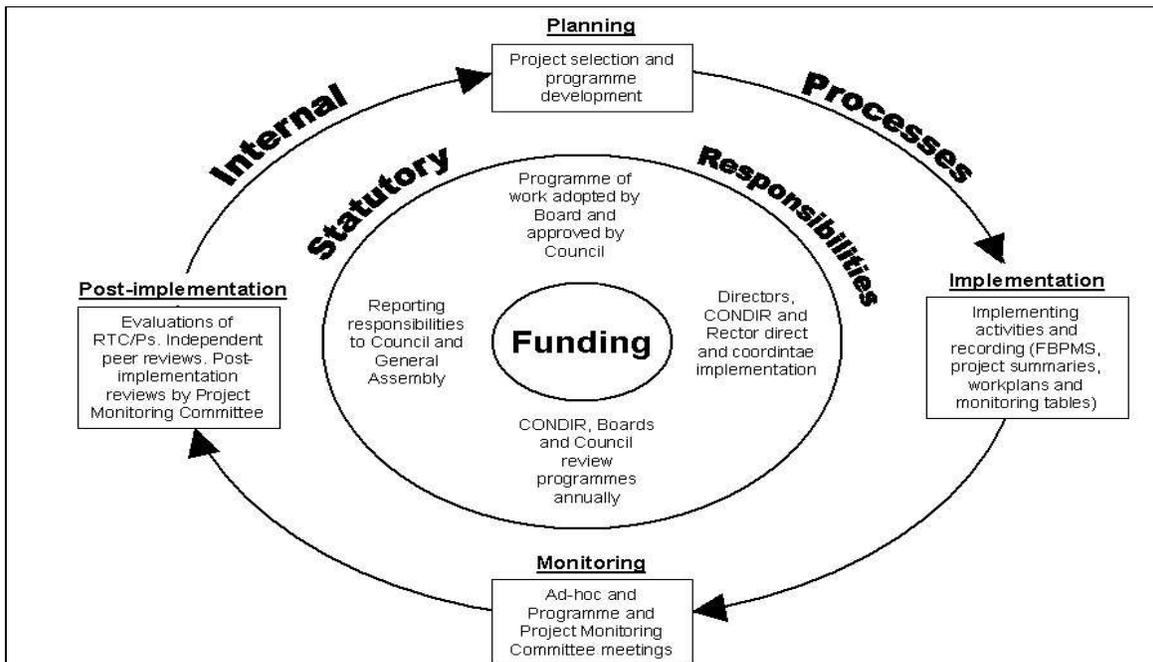
- Both Institutes benefited substantially from funding from their host countries (income from the endowment fund and operating contributions totalled 90 per cent for UNU-WIDER and 80 per cent for UNU-MERIT). From 2000 to 2005, UNU-WIDER received income totalling \$21 million and UNU-MERIT \$15 million. Specific Programme Contributions (SPC) funding is intended to support academic activities over and above planned activities financed from core income. SPC funding increased since 2000 and in the 2004-2005 biennium, both Institutes received more than double the amount of the previous biennium. This category of income is becoming more important to UNU, and to some RTCs, crucial. OIOS encourages UNU to finalize its fund-raising plan and to establish the fund-raising programme.

Strategies

- UNU's strategies are properly developed and documented and the Institutes also developed their own, but it is difficult to determine the impact of these strategic initiatives for UNU as a whole. There is always the risk of duplicating efforts if they are not sufficiently coordinated and results are not assessed. The UNU centre could strengthen its coordinating function of strategic initiatives which should be considered as a general programme activity. *UNU Centre continues to play a coordinating role as set out in the UNU Charter. The Rector's office is at the centre of such efforts. The UNU agrees, however, that if additional resources can be mobilized for the 2008 – 2009 biennium, specific attention will be given to strengthening the staffing component of the Rector's Office which has the task as a part of its responsibilities.*

Programme and project cycle and FBPMs

- The programme and project cycle is not documented, but the RTCs follow similar procedures. With the diagram below, OIOS presents the programme and project cycle if the current practices, procedures, statutory responsibilities and recommendations contained in this report are considered.



- The Financial, Budgetary and Personnel Management System (FBPMS) does not include a project management module. When the new accounting system is introduced, it is suggested that the internal processes illustrated above be considered and the system should provide the outputs required to comply with the statutory responsibilities, i.e. project selection (project documents) and programme development (programme of work), updates during implementation and monitoring (project summaries, workplans, monitoring tables and minutes of Project Monitoring Committee meetings) and reporting (reports to Boards, UNU Council, reviews and evaluations). Considering the extent of activities at RTCs, it is also suggested that the system should not be complex. *UNU is now establishing a working group to study the specific needs for a programme management component to be included in the new system.*

Guidance and standards

- UNU has guidelines for budget preparation and project proposals. To guide programme and project managers, UNU needs a more comprehensive manual or set of management instructions that define programme/project cycle and a project and include procedures and tools for project formulation and criteria, costing policy, and project monitoring and reporting. *UNU agreed to develop a programme management manual based on best practices.*

Programme planning

- The selection criteria for projects should take financial criteria, comparative advantages or the human resources available into consideration. Thus, UNU should set the minimum amount for a research project and assess comparative advantages that would allow RTCs to focus on issues in which they would do better than other research institutes and would help UNU avoid duplication of efforts. Two sets of criteria are therefore suggested: a set of criteria that is applicable for UNU as a whole, and a separate set for each of the RTCs. *Criteria for UNU project selection are in the UNU Strategic Directions 2007 – 2010 and the proposed programme management manual will also give an indication of minimum project budgets, implementation time*

limitations and resources available.

Programme and project implementation

- UNU should formalize its policies for the engagement of researchers to relate more closely to the work of research institutions. UNU-WIDER's "commissioning of research papers" is cost-effective, as the fees are directly related to workload and output, but this practice is not formalized at UNU. UNU-MERIT engages external researchers through consultant contracts, which had been formalized within UNU. However, their general conditions and procedures do not adequately reflect the needs of a research institution.
- OIOS found a number of good practices at the Institutes of which the related procedures could be standardized throughout UNU. They include methods and procedures inviting proposals, method of commissioning research papers, publication of project papers, refereeing, policy briefs and launching of research findings. Programme Services at RTCs should communicate these best practices and related procedures with the UNU Centre, where it could be formulated in guidelines and then distributed to other RTCs. Moreover, UNU's efforts to standardise procedures, could also apply to administrative and financial procedures. The Chief Administrative and Programme Services of RTCs could meet more regularly (at least once per biennium) under the leadership of the Director of Administration and Finance, to provide a forum for sharing of best practices and related procedures, improving internal communications and streamlining procedures.

Programme and project monitoring and reporting

- OIOS found the reports prepared by the RTCs impressive and adequate for internal and external reporting. Institutes monitor implementation internally through meetings whose composition, timing, monitoring tools and reporting procedures should be standardised and formalised. They could be called Programme/Project Monitoring Committee meetings. Should there be any report forthcoming from the Programme/Project Monitoring Committee meetings, apart from the minutes of the meeting, they could be kept in the formats as presented to the Boards and UNU Council (project summaries, financial and technical reports).

Post-implementation reviews and evaluations

UNU adopted a "peer review" approach that focuses on the quality of research outcomes. RTCs record and report to the Boards and UNU Council the quantities, measured as the numbers of academic outcomes, which were found adequate. However, there is a need to review other elements of project implementation prior to their closure. Programme/Project Monitoring Committees could perform these post-implementation reviews.

April 2007

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I. INTRODUCTION

1. In October and December 2006, OIOS conducted an audit of the United Nations University's (UNU's) programme and project management at Research and Training Centres (RTCs). For this purpose, OIOS visited two Institutes of UNU, namely the World Institute for Development Economics Research (UNU-WIDER), Helsinki, Finland, and the Institute for New Technologies (UNU-INTECH), re-named UNU-MERIT in 2005, Maastricht, the Netherlands. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. UNU evolved over the past three decades from its initial three programmes to a global network of 12 research and training centres and programmes (RTC/Ps). Most of them had been initiated subsequent to 1985, when WIDER was established as UNU's first full-fledged RTC. WIDER provides original analyses of emerging topics and offers policy advice aimed at the sustainable economic and social development of the poorest nations. The work of the Institute is focused on four themes - (i) The Millennium Development Goals, (ii) Poverty, Inequality and Human Development, (iii) Globalization, Finance and Growth; and (iv) New Initiatives in Development Economics.
3. UNU-MERIT develops insights into the emergence, spread and impacts of new technologies, especially in developing countries. The work of the Institute is focused on three topics – (i) Global Governance of Innovation, (ii) Designing the Knowledge Economy; and (iii) Innovation for Development.
4. From 2000 to 2005, UNU-WIDER received income totalling US\$21 million and UNU-MERIT US\$15 million. The Board of Audit conducted financial audits at the Institutes in 2006.
5. Most of the findings and recommendations contained in this report have been discussed with the Directors during the Exit Conferences held on 13 October 2006 at UNU-WIDER and on 15 December 2006 at UNU-MERIT.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to evaluate the adequacy of programme and project management at RTCs. In particular, the audit examined:
 - Establishment and structures for programme and project management at RTCs.
 - Alignment of programmes and projects with mandates, purposes, goals and strategic objectives.
 - Adequacy of programme and project oversight and management.
 - Funding policies and adequacy of programme and project planning.
 - Monitoring and review of programme and project performance.
 - UNU's approach to assessing programme and project outcomes.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit included analysis of programme and project management practices with focus on management processes and administrative and information systems. The alignment of programmes and projects with mandates, purposes, goals and strategic objectives was reviewed in relation to the UNU system as a whole. Statutory requirements of UNU and those specific to RTCs were considered when assessing establishments, structures and processes, as well as approaches to funding and programme and project management. In addition, the audit considered UNU's overall approach in assessing programme and project outcomes.

8. The audit activities included a review and assessment of systems, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records related to programme and project management. In particular, the audit reviewed information on the programme and project portfolios of UNU-WIDER and UNU-MERIT in 2006.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Establishments

9. The RTC/Ps are concerned with research and/or advanced training and knowledge transfer and management. They focus on specific established or emerging global issues and although they are usually located in one given country, they operate internationally. As opposed to associated or cooperating institutions, they are integral parts of the UNU system. Their creation and their incorporation to the University is the decision of the UNU Council in accordance with the terms of article IV, paragraph 4 (c) of the UNU Charter. To qualify as an RTC, funding must be of a secure nature as provided for by the endowment fund approach.

10. The UNU Council decided to establish UNU-WIDER in Helsinki, Finland as a RTC in 1985. UNU-INTECH was established in 1989 in Maastricht, the Netherlands. In 2005, pursuant to a cooperation agreement to integrate activities of UNU-INTECH with (i) the Maastricht Economic Research Institute on Innovation and Technology of the faculty of Economic and Business Administration of the Universiteit Maastricht ("the UM") and (ii) the Foundation Maastricht Economic Research Institute on Innovation and Technology ("the Foundation"), it was decided to rename the Institute UNU-MERIT. The Institute is under the authority of the Director of UNU-INTECH, who is responsible for integrating the activities of the entities.

11. Good progress had been made to integrate staffing resources. To achieve this and with the exception of the Editor Communications Coordinator's contract, all fixed-term contracts of General Service staff employed by UNU-NTECH were not renewed when they expired, but instead the staff were re-employed by "the UM". Accordingly, additional provisions were included in the Institute's statute to guide the conduct of the afore-mentioned staff and other staff of "the UM", who are made available to UNU-MERIT.

12. The 2006-2007 biennium academic programme and budget of UNU-INTECH (now UNU-MERIT) do not include the activities of "the Foundation" and/or those of "the UM". The legal, contractual and accountability arrangements are not in place as yet to integrate project

activities. Project portfolios of “the Foundation” and “the UM” include a total of 90 projects (some of which are regulated by contractual agreements with donors), which is substantially more than UNU-MERIT’s portfolio of 10 projects. The Institute faces a complex task to integrate project and related financial activities and OIOS is of the opinion that a legal expert and the Director, Administration and Finance of UNU should assist the Institute in the integration.

13. UNU replied that: *For the foreseeable future, there will be two separate financial streams at UNU-MERIT (one for the UNU and one for the Foundation). Accordingly, there is no intention as this time to pursue a complete integration of projects. This would not prevent further integration of research context between UNU-MERIT and the Foundation MERIT as foreseen in the UNU-MERIT Strategic Plan. To OIOS’ recommendation to engage a legal expert, UNU sees no need to engage a legal expert at this time. The questions at hand are of a practical or academic nature and could not be dealt with by a legal expert nor should they be dealt with at the level of the Director of Administration. The UNU’s legal adviser has already been involved in the discussions in Maastricht on this matter, and he will continue to be available should there be a need for such advice on the overall integration of academic activities within UNU-MERIT. OIOS will follow-up on the progress of the integration.*

B. Statutory requirements-Programme management

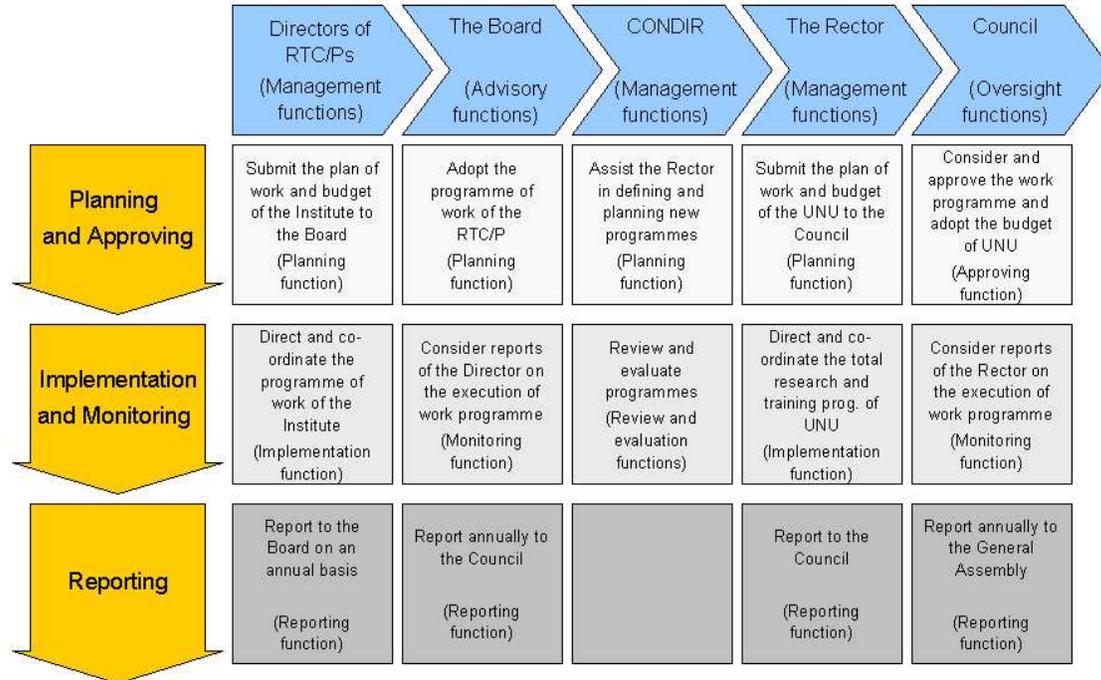
(a) Statutory provisions

14. The Institutes are governed by similar Statutes that include articles concerning the (i) Legal Status, Structure and Location, (ii) Purpose and Activities, (iii) Academic Freedom and Autonomy, (iv) Board, (v) Director of the Institute, (vi) Personnel, Fellows and Trainees of the Institute, (vii) Finance and Budget, (viii) Publications, (ix) Relationships with other Organizations, (x) Review, (xi) Amendments, (xii) Dissolution and (xiii) Transitional Provisions. The Institutes operate within a spirit of “autonomy”, “academic freedom” and “freedom of expression”. In principle, they decide freely on the use of financial resources allocated for the execution of their work.

15. The UNU Council governs the activities and operations of UNU and performs oversight, approval, reviewing and reporting functions. The Institutes’ Boards, established by the UNU Council, facilitate the review of the programmatic and technical details of the work of their Institutes in an advisory capacity. The Conference of Directors of Research and Training Centres and Programmes (CONDIR) is called by the Rector periodically to review and evaluate programmes of research being undertaken, and advise and assist the Rector to improve current programmes and in the definition and planning of new programmes for the UNU system.

(b) Programme and project cycle management

16. Although the Statutes do not explicitly refer to programme and project management, an analysis of the articles containing the responsibilities of the Directors, the Boards, the UNU CONDIR, Rector and Council, show that the statutory requirements cover all those functions required within a programme cycle; i.e. planning, approval, implementation, monitoring and review as well as reporting. This cycle could be reflected as per the diagram below. The Statutes further require regular evaluations of programmes of which the results are reported to the UNU Council.



17. The Institutes follow similar procedures and guidelines to meet the statutory requirements. Details of selected projects are included in the academic programmes and budgets submitted to the UNU Council for approval. Although it is a “programme” of work, it contains substantial information on the individual projects under a specific programme. Some information, such as the cost of the projects and individual project deliverables are not indicated, but it is available in the “Project Summaries” that had been prepared prior to finalizing the programme of work. Therefore, they are substantially different from the scenario where only the programmes are reviewed, adopted and approved and projects are internal arrangements, thereby resulting in two cycles; i.e. a programme cycle and a project cycle.

18. A “single” programme and project cycle simplifies programme and project management significantly with reduced costs, effort and time. Although already practised, it should be formalized by extending the statutory requirements regarding the adoption and approval of programmes to include individual research projects.

Recommendation:

- The UNU should consider extending the programme formalities, stipulated in the Statutes of RTCs, to include projects, thereby, allowing a single programme and project cycle (Rec. 01).

UNU accepted the recommendation. *UNU believes that the programme and project cycles are already well integrated. This will be formalized at the time of issuing the programme management manual and guidelines as suggested and will be issued by the UNU Centre by 30 September 2008.* OIOS will record this recommendation as implemented upon receipt of a copy of the programme management manual and guidelines.

C. Structure and staffing

19. Directors are the chief academic and administrative officers of their Institutes and have overall responsibility for the direction, organization, administration and programmes in accordance with the general policies and criteria formulated by the Boards. These provisions underline the principle of “autonomy” of the Institutes. In practice, the Boards act in an advisory capacity and policies and criteria are formulated at the UNU Centre and applicable throughout UNU.

20. Organizational charts present the structures of the Institutes and the delegations of authorities are those required by the UN Financial Regulations and Rules regarding certifying officers, approving officers and bank signatories. Both Institutes have structures that are divided between Administrative and Program Services and Research and Training Activities.

21. The 2006-2007 staffing tables of the Institutes provide for 24 and 30 posts respectively for UNU-WIDER and UNU-MERIT. At the dates of the audits, only two research positions (that of a Principle Research Fellow and Research Fellow) were vacant at UNU-WIDER, but 15 of the 30 positions (22 funded) were vacant at UNU-MERIT. As regards Programme Services, UNU-WIDER’s staffing table provides for a Senior Programme Assistant (G-7) and 3 Project Assistants (G-6 and 2 G-5s) who support the Chief, Administrative and Programme Services Officer (L-4). UNU-MERIT’s staffing table does not provide for any Programme Assistant posts to support the Chief, Administrative and Programme Services Officer (L-3). Given the need to enhance programme and project monitoring, UNU-MERIT should consider engaging at least one Programme Assistant.

Recommendation:

- The UNU-MERIT should consider engaging at least one Programme Assistant to support the Programme Services function (Rec. 02).

UNU accepted the recommendation. *UNU is of the view that the primary concern related to the integration of research activities of UNU-INTECH and Foundation MERIT into UNU-MERIT has been to achieve research synergies and to reduce administrative overheads. Attention will be given in the preparation of the staffing table for UNU-MERIT for inclusion in the 2008-2009 academic programme and budget of UNU of a post for a programme assistant to support the Administrative and Programme Services functions of UNU-MERIT or for this function to be dealt with in another manner. The Rector wishes to leave this matter in the hands of the Director of UNU-MERIT. A decision on whether to include such a new post in the budget or to deal with it in another manner will be made by 31 August 2007. OIOS will record this recommendation as implemented upon receipt of a copy on the decision by the UNU-MERIT on this matter.*

D. Mandates, purposes and goals

22. UNU’s mandate is to “devote its work to research into the pressing global problems of human survival, development and welfare that are the concern of the UN and its agencies”.

23. The purposes of the Institutes are indicated in their respective Statutes. The purpose of UNU-WIDER is to a) help identify and meet the need for policy-oriented socio-economic research on pressing global and development problems, common domestic problems and their inter-relationships; b) to analyze the problems of the world economy, including structural issues and assist in producing new responses to existing and future problems; and c) encourage

research, advanced training and the dissemination of knowledge and help promote the search for new modes of international economic co-operation and management.

24. A recent brochure better describes the mandate/purpose of UNU-WIDER as a) to undertake research and policy analysis on structural changes affecting the living conditions of the world's poorest people; b) to provide a forum for professional interaction and for the advocacy of policies for robust, equitable gender-balanced and environmentally sustainable growth; and c) to promote capacity building and training for scholars and policy makers in economic and social development.

25. The primary purpose of UNU-MERIT, according to its Statute, is to undertake research, advanced training, dissemination and advisory services on selected new technologies within the overall University programme particularly in relation to developing countries. UNU-MERIT has a more focused description than that of UNU-WIDER. Documentation and websites describe missions, mandates and goals of the Institutes, but remain "broad" and rather "lengthy" descriptions. Given the project portfolios and size of the Institutes, their missions, purposes and goals could be more focused on the programmes of work of the Institutes, especially those in which the Institutes have a comparative advantage. This would make the Institute's goals and objectives more specific against which achievements could be measured.

Recommendation:

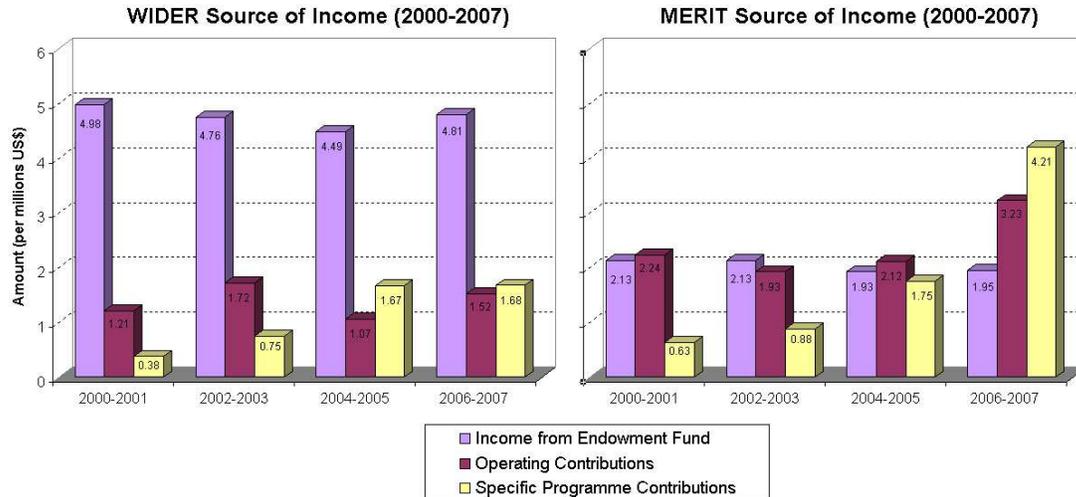
- OIOS recommended that the UNU should consider more specific goals and objectives for its RTCs that are better aligned with their sizes and programme activities, focusing on their comparative advantages and against which achievements could be measured (Rec.03).

UNU accepted the recommendation. *UNU believes that more specific goals and objectives of individual RTCs could be included in their strategic plans, which are to be submitted to their Advisory Boards. There is, however, a danger that too detailed specification of goals and objectives could undermine the dynamics and flexibility needed in a research community.* OIOS will record this recommendation as implemented upon receipt of the strategic plans showing more specific goals and objectives.

E. Funding

26. Both the Institutes receive three categories of income: (a) interest income derived from the Endowment Fund; (b) operating contributions from the host country, and (c) specific programme contributions (SPC). The RTCs are apportioned Endowment Fund income based on their respective contributions to the Fund, whereas UNU Programmes (RTPs) are funded from operating contributions and SPC only. To qualify as a RTC, funding must be of a greater and more secure nature and sufficient for core activities, including staff costs. Therefore, UNU finds the endowment fund approach to be critical for RTCs.

27. The graphs below indicate the source of income of UNU-WIDER and UNU-MERIT since the 2000-2001 biennium, but estimated for the 2006-2007 biennium.



28. Funding remained stable for both the Institutes, with the exception of the estimated operating contributions for UNU-MERIT for the current biennium. From 2000 to 2005, UNU-WIDER received income totaling \$21 million and UNU-MERIT \$15 million. The ratios (in percentage) in which the categories (interest income from the Endowment Fund, operating contributions and SPC) of incomes were received were 70; 20; 10 for UNU-WIDER and 40; 40; 20 for UNU-MERIT. Both Institutes benefited from funding from their host countries (income from the endowment fund and operating contributions totaled 90 per cent for UNU-WIDER and 80 per cent for UNU-MERIT), but UNU-WIDER benefited substantially more from income from the Endowment Fund; which was 70 per cent (40 per cent for UNU-MERIT) of its total income. Therefore, UNU-WIDER has a more secure source of income and a greater degree of permanence, stability and autonomy.

29. SPC funding is intended to support academic activities over and above planned activities financed from core income. SPC funding increased since 2000 and in the 2004-2005 biennium both Institutes received more than double the amount of the previous biennium. This category of income is becoming more important and for some RTCs crucial. MERIT did well to raise funds locally, but a well-defined fund raising strategy for UNU as a whole is needed.

30. At the Council's Fifty-second Session, the UNU presented a discussion paper "Towards a UNU-wide Fund-raising Strategy" that sets out the main elements required to finalize a fund raising plan and strategy for UNU as a whole. UNU developed a strategy in 2005 that includes the implementation of a fund-raising programme. According to a progress report in 2006, such a fund-raising programme had not been established as yet and there were key steps, such as a needs assessment, that were required before a fund-raising plan could be developed. OIOS took note of the developments and encourages UNU to finalize its fund-raising plan and to establish the fund-raising programme.

F. Strategies

31. UNU developed its first strategic plan in 2000, revised it in 2002, 2004 and 2006. The current strategic plan entitled UNU Strategic Directions 2007-2010, was approved by the UNU Council at its 53rd session in November 2006. Institutes also developed their own plans. In particular, UNU-WIDER's strategic directions, still in draft, address some main concerns or questions directed towards the UNU in prior evaluations, namely that of linking to the UN system and the donor community; networking development researchers; transferring

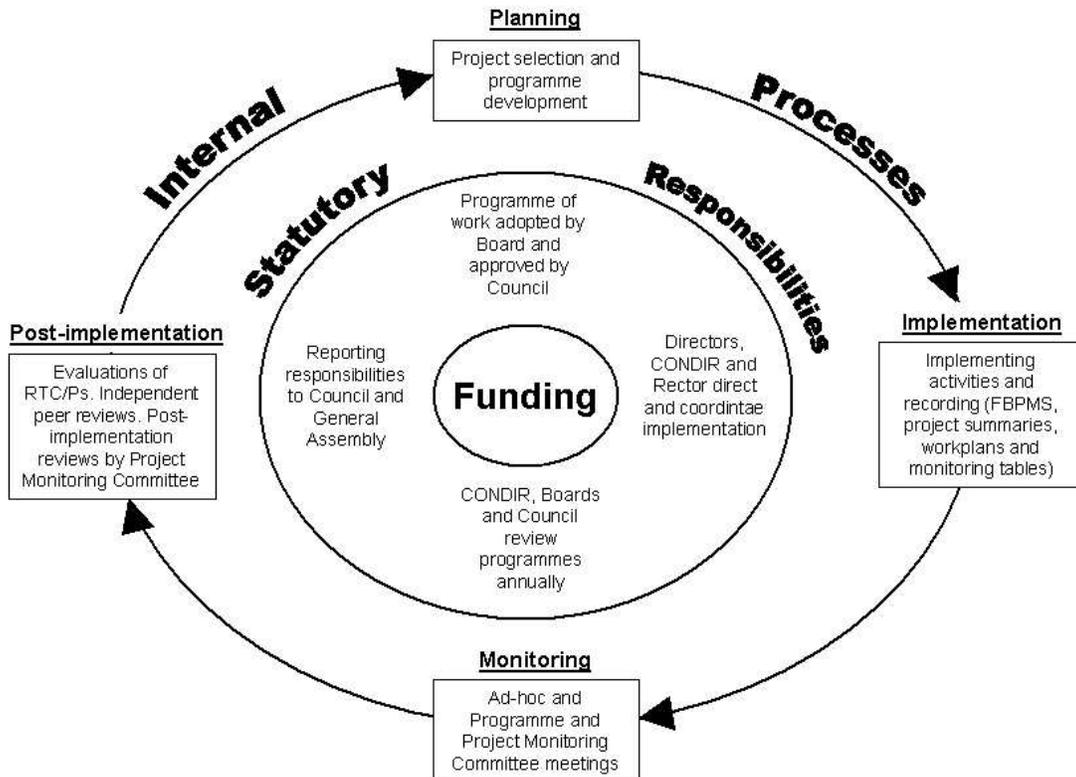
knowledge to build the capacities of developing country researchers; and disseminating and publicizing research findings”. UNU-MERIT’s current strategic priorities focus on the integration efforts of the Institute, its research programme and international linkages and networking.

32. It is difficult to determine the impact of Institutes’ strategic initiatives for the UNU as a whole and there is always the risk of duplicating efforts if they are not sufficiently coordinated and results are not assessed. Institutes have limited resources to engage in programme activities other than research projects, such as networking, capacity building, linking to the UN system and achieving UN wide goals; i.e. the Millennium Development Goals. Currently, both UNU-WIDER and UNU-MERIT have a number of initiatives linking their programmes with the UN system and are actively networking researchers. It may be worthwhile to consider having a separate function to coordinate these activities between the UNU Centre and the Institutes. OIOS recommended that the UNU consider establishing a separate function to coordinate strategic direction activities of the UNU Centre and those of the Institutes to avoid overlaps and duplications and to make the best use of resources. *UNU mentioned the continuing role of the CONDIR and the responsibility of the UNU Centre to link up with the different parts of the UN system and to report regularly to different focal points within the UN system on system-wide grants and initiatives.* Strategic direction activities, however, do not meet the requirements of a project and therefore it should be considered as a general programme activity.

33. *UNU Centre further explained that it continues to play a coordinating role as set out in the UNU Charter. The Rector's Office is at the Centre of such efforts. The CONDIR meetings in the spring of each year also play a crucial role in ensuring that there are minimal overlaps and duplication of effort. In fact, the UNU Centre has clearly identified focal points at the RTC/Ps for administrative matters, communications and programme management. UNU believes strongly that it would be a waste of limited resources to establish a new unit or a separate function. The UNU agrees, however, that if additional resources can be mobilized for the 2008-2009 biennium, specific attention will be given to strengthening the staffing component of the Rector's Office, which has this task as a part of its responsibilities.* OIOS accepts this clarification and urges UNU to strengthen this coordination function.

G. Programme and project cycle and FBPMS

34. The programme and project cycle is not documented, but the RTCs follow similar procedures. With the diagram below, OIOS presents the programme and project cycle if the current practices, procedures, statutory responsibilities and recommendations contained in this report are considered.



35. Expenditures are recorded in the Financial, Budgetary and Personnel Management System (FBPMS). The system does not include a project management module. The UNU undertook to introduce a new accounting system by 2009 that will include a project management component to facilitate the implementation of academic activities. When developing the component, it is suggested that the UNU consider the internal processes as above and the system should provide the outputs required to comply with the statutory responsibilities, i.e. project selection (project documents) and programme development (programme of work), updates during implementation and monitoring (project summaries, workplans, monitoring tables and minutes of Project Monitoring Committee meetings) and reporting (reports to Boards, Council, reviews and evaluations). Considering the extent of activities at RTCs it is also suggested that the system should not be complex.

Recommendation:

- The UNU should consider the following internal processes and outputs when developing a programme management component to be included in the new accounting system; (i) project selection (project documents) and programme development (programme of work); (ii) updates during implementation and monitoring (project summaries, workplans, monitoring tables and minutes of Project Monitoring Committee meetings) and (iii) reporting (reports to Boards, Council, reviews and evaluations) (Rec. 04).

UNU accepted the recommendation. *The Director of Administration and the Executive Officer, Office of the Rector, are continuing discussions internally and externally on the new finance and accounting system that is to be introduced in 2009. A small working group is being established which will include programme managers and assistants from selected RTC/Ps as*

members. The working group will study the specific needs for a programme management component to be included in the new system. UNU agrees to continue these efforts and to include a programme management component that addresses the areas identified in this recommendation during 2008 so that the new system can be deployed in 2009. OIOS will record this recommendation as implemented upon confirmation that the programme management component has been integrated in the new accounting and financial system.

H. Guidance and standards

36. UNU does not have a comprehensive programme and project manual and/or management instructions to guide programme and project managers. There are guidelines for budget preparation and project proposals, but there is a need for a more comprehensive set of documents and/or manual and/or management instructions that (i) define the programme/project cycle and a project (mainly research projects); (ii) prescribe the procedures to follow and working tools to use when formulating projects; (iii) indicating the criteria when selecting projects; (iv) stipulate the costing policy; (v) prescribe the method of project monitoring, the procedures to follow and the timing thereof and (vi) prescribe reporting methods and formats. There are practices and tools, but they are not necessarily the same for the RTCs.

Recommendation:

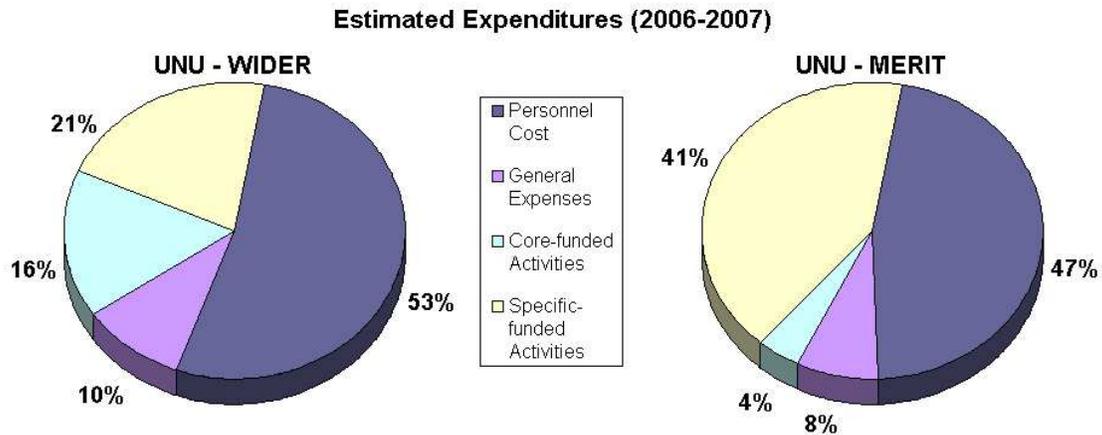
- The UNU should introduce a manual and/or management instructions to guide RTCs in programme and project management that; (i) define the programme/project cycle and a project (mainly research projects); (ii) prescribe the procedures to follow and working tools to use when formulating projects; (iii) sets the criteria when selecting projects; (iv) stipulate the costing policy; (v) prescribe the method of project monitoring, the procedures to follow and the timing thereof; and (vi) prescribe reporting methods and formats (Rec. 05).

UNU accepted the recommendation. *The UNU Centre will develop, from existing instructions and guidelines and best practice within the UNU system, a programme management manual for issuance throughout UNU. The draft manual will be circulated within the UNU system for comment and improvement. An agenda item on the draft manual will be included for the CONDIR meeting to be held in spring 2008. The Rector will promulgate the manual no later than 30 September 2008.* OIOS will record this recommendation as implemented upon receipt of the programme management manual.

I. Programme planning

(a) Budgets

37. For the current biennium and as per the chart below, it is estimated that specific-funded activities will comprise 20 per cent of WIDER's and 40 per cent of MERIT's expenditures.



38. Estimated expenditure for 2006 – 2007 amount to \$8 million and \$9.8 million for UNU-WIDER and UNU-MERIT respectively. The percentage of personnel costs (53 and 47) and general expenses (10 and 8) in relation to the estimated total expenditures are almost the same for UNU-WIDER and UNU-MERIT, but the estimated core-funded activity expenditures of UNU-WIDER (16 per cent) is four times more than that of UNU-MERIT (4 per cent), with the estimated expenditures of specific-funded activities of UNU-MERIT (41 per cent) double that of UNU-WIDER (21 per cent). The estimated expenditures in specific funded activities of UNU-MERIT are ten times more than that of its core funded activities, while UNU-WIDER's is less than double. UNU-WIDER is therefore in a better position to plan activities and formulate projects with certainty. Nevertheless, both Institutes properly prepare their programmes of work and submissions, to Boards and the UNU Council, and include sufficient information on projects and other programme activities.

(b) Project selection

39. Project selection is probably the most important activity in the planning phase. The Institutes follow different approaches because they have different strategies. UNU-WIDER places strong emphasis on external proposals, whereas UNU-MERIT endeavours to build capacity within and therefore, relying more on internal proposals within its five research areas.

40. The process at UNU-WIDER is a proactive one whereby external and internal proposals, are invited, focusing on issues in which the Institute has a comparative advantage in comparison to other institutes. Internal research meetings follow to narrow down the list of potential topics, often starting with more than 40 to produce a list of 10 to 20 projects for the Board's consideration. Ultimately, the Board may select up to 10 of these, attaching various levels of priority to them (with the annual UNU Council giving final approval and funding). Once the programme has begun, additional projects may be added to provide flexibility if new opportunities arise. About a dozen projects are finally undertaken during each biennium. For the 2006-2007 biennium, the research programme presents 13 research projects grouped into three thematic areas, each of which falls within the overall UNU thematic area of Globalization, Social and Human Development.

41. At UNU-MERIT, the project proposals and selection procedures are carried out in-house within each of the five broad research areas and the project selection is based on finding a balance between core funding and external funds. The project portfolio includes 10 projects. Although separate entities at this point in time, the integration of activities of "UM" and the "Foundation" under UNU-MERIT would increase the project portfolio substantially. The current project portfolio of "UM" and the "Foundation" include some 90 projects, ranging

from projects with budgets of less than \$10,000 to budgets above \$300,000. For the moment it is not possible to include them in UNU-MERIT's project portfolio because the contractual and/or funding arrangements are between the donor and either "UM" or the "Foundation". The accountability arrangements are also not in place to account for these projects at UNU-MERIT. Also, they do not necessarily meet the seven selection criteria of UNU that focus on topics relevant to the UN objectives, urgency and relevance to the developing world.

Recommendation:

- The UNU-MERIT should not include the current projects of "the UM" or "the Foundation" in its project portfolio until the necessary contractual and accountability arrangements are in place (Rec. 06).

UNU accepted the recommendation. *For the reporting to the UNU-MERIT Advisory Board, the Institute will separate project documents indicating the distinction between UNU projects and those of Foundation-MERIT. This recommendation will be implemented prior to the UNU-MERIT Advisory Board meeting scheduled on the 10- 12 June 2007.* OIOS will record this recommendation as implemented upon receipt of a copy of a document on the contractual and accountability arrangements.

42. The selection criteria of UNU are programme and research priorities for UNU as a whole. These do not take financial criteria, comparative advantages or the human resources available into consideration. For example, the minimum amount for a research project should be set to avoid too many small projects. An assessment of comparative advantages would allow RTCs to focus on issues in which they would do better than other research institutes and to avoid duplication of efforts. Resources are the most important element, but what may not be feasible for one may be feasible for another RTC. It is therefore important to have a set of criteria that is applicable for the UNU as a whole and a separate set for each of the RTCs. Directors would need this information to facilitate coordination, avoid duplication and to support their fund raising efforts.

43. OIOS recommended that the UNU and each of its RTCs formalise its project selection criteria that should take into account; (i) the comparative advantages; (ii) the minimum amount (budget) of a project; (iii) any time limitation to the implementation period; and (iv) financial and technical resources available. *UNU commented that the criteria for selection of UNU projects are spelt out clearly in the UNU Strategic Directions 2007-2010 documents. UNU believes that the proposed programme management manual will also give an indication of expected minimum project budgets (which would of necessity vary from institute to institute depending on their geographic location), the time limitations for implementation and the technical and financial resources available. Such details should, however, be included in individual project documents and monitored accordingly. There is no need for such matters to be included in separate project selection criteria.* OIOS will follow up on the implementation of the recommendation in its review of the proposed programme management manual.

(c) Programme and project costing

44. The academic programme and budget submissions are quite detailed, especially the information on the programme areas and planned projects. Staff costs are not allocated to each of the programme areas and/or projects. They are treated as "core" and therefore allocated to the area of work; i.e. Academic Activity; Academic Services and Administrative and Administration". This treatment of staff costs supports the funding arrangements where endowment income and operating contributions are used to fund personnel costs, operating

expenses and “core” programme activities. Specific contributions fund the remainder of the programme activities, such as travel, meetings and the cost of researchers that are not staff members. The negative effect of this treatment is that the total cost of a programme and its underlying projects are substantially understated.

45. For monitoring and reporting purposes, the personnel cost of all researchers (staff or contracted) should be allocated to the individual projects. A time recording system is in place at “the UM” and “the Foundation” and could be duplicated for other RTCs.

Recommendation:

- The UNU should allocate the staff cost of researchers to individual projects. A time recording system is in place at “the UM” and “the Foundation” and could be duplicated for other RTC/Ps (Rec. 07).

UNU accepted the recommendation. *The UNU Centre will include in the guidelines for preparation of the 2008-2009 biennium academic programme and budget a reference to the need to include an allocation of the projected cost of researchers to individual projects. Towards this end, the UNU Centre will review the time recording system in place at "UM" and "the Foundation" to see if it would be possible to implement its use at other RTC/Ps. The UNU believes, however, that given the variability of implementation of projects, it would be more useful in many cases to calculate/estimate the staffing costs involved in the implementation of the project at the conclusion of the project. This would also take into account that at different RTC/Ps and at the UNU Centre, researchers/academic officers are implementing a number of different projects during any given period. Such an approach might also be less bureaucratic and a more efficient use of researchers' time and attention. The UNU will implement the recommendation by 30 September 2008. OIOS will record this recommendation as implemented upon receipt of a copy of the guidelines for the preparation of the 2008 – 2009 academic programme and budget guidelines.*

J. Programme and project implementation

(a) Research

46. The Institutes make great efforts to ensure that they engage the best researchers. WIDER engage a lot of external researchers through a “commissioning of research papers” method. The average number of researchers had been around 10, but more than 100 had been involved in one single project and approximately 500 contracts for research papers are issued each biennium. The methodology, as applied by WIDER, is based on the number of researchers engaged in a project, a workload and output approach. The fees had been determined and documented. An established researcher would be paid \$5,000 per paper and if more than one author, the amount is distributed pro rata. This methodology is a good example of how the Institutes find methodologies to implement known practices of RTCs. OIOS found this methodology to be cost-effective because the fees are directly related to workload and output, but the practice and methodology is not formalised for UNU.

47. MERIT also engages a substantial number of external researchers, but more through Consultant Contracts. Some for periods of more than two years and rates are based on past similar engagements. These rates ranged from \$1,000 to \$10,000 per month. Although the use of Consultants through Consultancy Contracts had been formalized within the UNU, OIOS found the general conditions and procedures to be close to those applicable to the UN System,

but not to adequately reflect the needs of a research institution. Policies for the engagement of researchers could be formalized better for the UNU. Selection processes, terms and conditions and rates should be standardized and determined to relate better to the work of research institutions.

Recommendation:

- The UNU should formalize its policies for the engagement of researchers to relate more closely to the work of research institutions, taking into account, (i) the methods that could be used to engage researchers (for example, consultancy contracts and commissioning of research papers); (ii) the selection process that should be followed; (iii) the terms and conditions; (iv) the approval procedures; and (v) the maximum amount to be paid (Rec. 08).

UNU accepted the recommendation. *The UNU Centre will gather information on the current practices at the UNU Centre and RTC/Ps and will issue guidelines on the different methods to be used in engaging researchers, how the selection of researchers should be undertaken, the formulation of terms and conditions for contracts, approval procedures and norms in relation to the fee structures for contracts, UNU agrees to implement the recommendation no later than 30 September 2008.* OIOS will record this recommendation as implemented upon receipt of the guidelines on the engagement of researchers.

(b) Best practice

48. OIOS found a number of good practices at the Institutes of which the related procedures could be standardized throughout the UNU. These include methods and procedures in the “Call for Papers” procedure, the method of commissioning research papers, the publication of project papers, refereeing, policy briefs, launching of research findings, conferences and project meetings. It may be worthwhile for Programme Services at RTCs to communicate these best practices and related procedures with the UNU Centre where it could be formulated in guidelines and then distributed to other RTCs.

Recommendation:

- The UNU should identify best practices at RTCs that could be applied throughout the UNU system, such as the “Call for Papers” procedure, method of commissioning research papers, the publication of project papers, refereeing, policy briefs, launching of research findings and conferences. It is suggested that the UNU Centre identify a focal point at the Centre for this purpose and request RTCs to share any possible best practices with the focal point. The focal point could formulate the best practices in guidelines and distribute them to all RTCs (Rec. 09).

49. UNU accepted the recommendation. *The UNU Centre will identify best practice within the UNU system relating to programme and project implementation and will summarize this information for distribution to all parts of the UNU system. The focal point for this initiative will be the Executive Officer, Office of the Rector. The recommendation will be implemented no later than 31 December 2008.* OIOS will record this recommendation as implemented upon receipt of a confirmation that the summarized best practices were distributed to all of the UNU system.

(c) Administrative and programme services

50. In UNU's efforts to standardise not only procedures related to programme, but also administrative and financial procedures, it is further suggested that the Chief Administrative and Programme Services of RTCs should meet more regularly (at least once per biennium) under the leadership of the Director, Administration and Finance. Such an Administrative and Programme Services meeting could provide the forum for sharing best practices and related procedures, improving internal communications and streamlining procedures. The meeting could coincide with the annual CONDIR meeting.

Recommendation:

- The UNU should consider an Administrative and Programme Services meeting to provide a forum for the Chiefs Administrative and Programme Services, under the leadership of the Director, Administration and Finance, to *inter alia* share best practices, improve internal communications and streamline procedures within administrations and programme services (Rec. 10).

51. UNU accepted the recommendation. *The UNU will convene a meeting of administrative and programme services personnel to share best practices, improve internal communications and streamline procedures and practices. Given the high cost of bringing such personnel together, UNU will also give active consideration to the use of video-conferencing. This would be a more functional approach than a one-off or once a biennium meeting and will likely enhance the sustainability of such information sharing and communication. The recommendation will be implemented by 31 December 2008.* OIOS will record this recommendation as implemented upon confirmation that the best practices have been communicated to the administrative and programme services in all the RTCs.

(d) Project documentation

52. The project cycle commence with a project idea/proposal, called the Project Summary that is also the project document. There is a good guideline for the preparation of the Project Summary, called Guidelines for the Preparation of Project Proposals, which is also a template. It contains sufficient detail for project monitoring and reporting and provides a living document during implementation. Some documents were not regularly updated and not all elements were completed, especially those relating to accomplishments. OIOS recommended that the RTCs ensure that researchers regularly update project summaries. The summaries should then be reviewed during project monitoring meetings. *UNU believes that this is not a major problem at present, but will make every effort to have researchers update project summaries on a timely basis. This recommendation will be implemented by 31 December 2007.* OIOS requests confirmation that researchers have been officially informed that the project summaries be updated on a regular basis.

K. Programme and project monitoring and reporting

(a) Programme and project monitoring

53. Programme and project implementation is not centrally monitored by UNU. The Institutes monitor implementation internally through meetings and discussions. At UNU-

WIDER, progress meetings are more formal and frequent than at UNU-MERIT which does not have a Senior Programme Assistant to maintain monitoring tables and workplans for the Institute as a whole. These internal meetings are valuable and the composition, the timing thereof, monitoring tools and reporting procedures should be standardised and formalised. It is suggested that; (i) the meetings be called Programme/Project Monitoring Committee meetings; (ii) the composition of the Committee be determined by Directors, but at least include the Chief Administrative and Programme Services and a Programme Assistant; (iii) the Committee should meet at least twice per year, that could be prior to Board, UNU Council and CONDIR meetings; (iv) project monitoring tables and workplans (UNU-WIDER's could be used as an example) as well as Project Summaries should be reviewed by the Committee and; (v) the outcomes should be reported in the minutes of the meetings.

Recommendations:

- The UNU should consider internal Programme/Project Monitoring Committees at RTCs, under the leadership of the Directors, to monitor programme/project implementation. The members should include a staff member from the Administrative and Programme Services (Rec. 11).

UNU accepted the recommendation. *UNU-WIDER already has such a Programme/Project Monitoring Committee; UNU-MERIT has a Senior Programme Leaders' meeting. Both committees involve administrative/programme management personnel. The UNU Centre will study how relevant this would be for other RTC/Ps and will issue a guideline concerning the desirability of such committees. It should be noted, however, that this would not be necessary per se at many of the other RTC/Ps which are considerably smaller in size of programme activities and staffing than UNU-WIDER and UNU-MERIT. The recommendation will be implemented by 31 December 2007. OIOS will record this recommendation as implemented upon receipt of the UNU study on Programme/Project Monitoring Committees at RTCs.*

Recommendations:

- The UNU should consider introducing Project Monitoring Tables and workplans (WIDER's could be used as an example) to monitor programme and project implementation. The workplans should cover the programme and project activities of an RTC as a whole (Rec. 12).

UNU accepted the recommendation. *The UNU Centre and most RTC/Ps make use of a monitoring table and workplans similar to that of UNU-WIDER. The use of such tools in programme management will be included within the programme management manual. The recommendation will be implemented by 30 September 2008. OIOS will record this recommendation as implemented upon receipt of a copy of the programme management manual.*

(b) Reporting

54. The statutory responsibilities of the Boards, the UNU CONDIR and Council are comprehensive and UNU places strong emphasis and reliance on their roles and functions as regards programme approval and the reviewing thereof. OIOS found the reporting requirements comprehensive and the reports prepared by the Institutes impressive. They were found to be adequate for internal and external reporting. Should there be any reporting

forthcoming from the Programme/Project Monitoring Committee meetings, apart from the minutes of the meeting, they could be kept in the formats as presented to the Boards and the UNU Council (project summaries, financial and technical reports).

L. Post-implementation reviews and evaluations

55. UNU adopted a “peer review” approach that focuses on the quality of research outcomes. The quantities, measured as the numbers of academic outcomes, are recorded by the Institutes and reported to the Boards and UNU Council. These were found adequate to assess the quality and quantity of research outcomes, but there is a need to review other elements of project implementation prior to their closure. These would include a comparison of budgeted and actual costs in relation to the project outcomes, the impact of the project, timing and the effectiveness of the implementing methodology used, for example the selection criteria for the project and Researcher(s). It is suggested that the Programme/Project Monitoring Committees perform these post-implementation reviews.

Recommendation:

- The UNU should consider post-implementation reviews at the closure of a project, in addition to the “peer reviews”, to assess the cost-effectiveness, impact and timing of the project as well as the effectiveness of the implementing methodology used, for example the selection criteria for the project and Researcher(s). The Programme/Project Monitoring committees could perform these post-implementation reviews (Rec. 13).

56. UNU accepted the recommendation. *The UNU Centre has prepared an end project report, which would achieve the purposes set out in this recommendation. As a part of the overall guidelines and procedures for programme management, the UNU Centre will include the requirement that such an "end project" report for all projects be submitted to the Advisory Boards/Committees and ultimately to the Rector. The UNU agrees that the Programme/Project Monitoring Committees could play an important role in the preparation of such end project reviews. This recommendation will be implemented by 31 December 2007. OIOS will record this recommendation as implemented upon receipt of a copy of the guidelines and procedures for programme management.*

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

57. 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 been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

| Rec. no. | Action/document required to close the recommendation |
|-----------------|---|
| 1* | A copy of the programme management manual and guidelines |
| 2 | A copy of the decision by the Director of the UNU-MERIT on engaging a Programme Assistant. |
| 3* | Copies of the Strategic Plan |
| 4* | Confirmation that the programme management component has been integrated in the new accounting and financial system. |
| 5* | A copy of the programme management manual. |
| 6* | A copy of a document on the contractual and accountability arrangements. |
| 7* | A copy of the guidelines for the preparation of the 2008 – 2009 biennium academic programme and budget. |
| 8* | A copy of the guidelines on the engagement of researchers. |
| 9 | Confirmation that the summary on best practices has been distributed to all of the UNU system. |
| 10 | Confirmation that the best practices have been communicated to the administrative and programme services in all the RTCs. |
| 11* | A copy of the result of the UNU Centre study on Programme/Project Monitoring Committees at RTCs. |
| 12 | A copy of the programme management manual. |
| 13* | A copy of the guidelines and procedures for programme management. |

*Critical recommendations

VI. ACKNOWLEDGEMENT

58. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNU-WIDER and UNU-MERIT.

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