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UNITED NATIONS EDUCATIONAL,
SCIENTIFIC AND CULTURAL ORGANIZATION

CONVENTION CONCERNING THE PROTECTION OF THE
WORLD CULTURAL AND NATURAL HERITAGE

BUREAU OF THE WORLD HERITAGE COMMITTEE

Twenty-first session
UNESCO Headquarters, Paris, Room X (Fontenoy)

23 - 28 June 1997

AUDITED FINANCIAL STATEMENTS OF THE WORLD HERITAGE FUND
FOR THE YEAR ENDED 31 DECEMBER 1996 AND REPORT OF THE
EXTERNAL AUDITOR

SUMMARY

This document presents the audited financial statements of the World Heritage Fund for the year ended 31 December 1996 and the External Auditor's report. On an exceptional basis, and taking into account the decision of the World Heritage Committee taken during its twentieth session (2 - 7 December 1996, Merida, Mexico) to request the Director-General to undertake an external financial and management audit of the World Heritage Fund, these financial statements have been audited by the External Auditor of UNESCO and are annexed hereto together with a written opinion. This document also contains the Report of the External Auditor. The comments of the Director-General on this report are submitted in an addendum to this document.



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

EXTERNAL AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Director-General
United Nations Educational,
Scientific and Cultural Organization

I have audited the statement of assets, liabilities, reserves and fund balances of the World Heritage Fund as at 31 December 1996 and the statement of income and expenditures and changes in reserves and fund balances for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the United Nations Educational, Scientific and Cultural Organization's Financial Regulations and with generally accepted auditing standards, conforming with international standards on auditing, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 1996 and income over expenditures for the year then ended in accordance with the Fund's stated accounting policies in Note 2 to the financial statements. As required by UNESCO's Financial Regulations, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

The financial statements of the preceding year are unaudited.

Further, in my opinion, the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Fund's and UNESCO's Financial Regulations and legislative authorities.

A handwritten signature in black ink, reading "L. Denis Desautels".

L. Denis Desautels, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
3 June 1997

CERTIFICATION OF FINANCIAL STATEMENTS

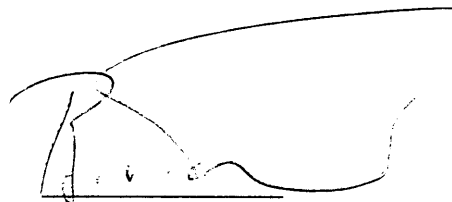
U N E S C O

WORLD HERITAGE FUND

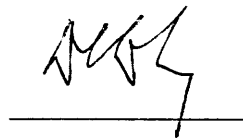
FOR THE YEAR ENDED 31 DECEMBER 1996

The appended financial statements I and II (one page each) and Schedule 1.1, accompanied by notes are approved:

Bernd von Droste
Director, WHC

A handwritten signature in black ink, appearing to be 'B. von Droste', written over a horizontal line.

Daniel Daly
UNESCO Comptroller

A handwritten signature in black ink, appearing to be 'D. Daly', written over a horizontal line.

UNESCO

WORLD HERITAGE FUND

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 1996

(EXPRESSED IN US DOLLARS)

	Reference	Programme Activities	Earmarked Activities	Emergency Reserve Fund	Total	Biennium 1994-95 (Unaudited)
Income						
Assessed contributions:						
Compulsory		2 049 296			2 049 296	3 476 864
Voluntary		779 149			779 149	1 802 952
Total assessed contributions		2 828 445			2 828 445	5 279 816
Other income:						
Interest		244 894			244 894	449 376
Earmarked	Note 3		552 944		552 944	322 657
Non-earmarked	Note 4	169 044			169 044	
Total other income		413 938	552 944		966 882	772 033
Total income		3 242 383	552 944		3 795 327	6 051 849
Total expenditure	Schedule 1.1	2 468 128	286 873	129 746	2 884 747	6 518 828
Excess (shortfall) of income over expenditure		774 255	266 071	(129 746)	910 580	(466 979)
Prior period adjustments	Note 5	164 686			164 686	
Net excess of income over expenditure		938 941	266 071	(129 746)	1 075 266	(466 979)
Savings on prior years' obligations	Note 11	261 455			261 455	199 883
Transfer (to)/from other funds	Note 10	(202 990)		202 990	0	
Reserves and fund balances, beginning of the period (Unaudited)		4 319 687		297 010	4 616 697	4 883 793
Reserves and fund balances, end of the period		5 317 093	266 071	370 254	5 953 418	4 616 697

See accompanying notes

UNESCO

WORLD HERITAGE FUND

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
AS AT 31 DECEMBER 1996

(EXPRESSED IN US DOLLARS)

	Reference	1996	1995 (Unaudited)
Assets:			
Cash and term deposits	Note 6	5 101 661	4 264 269
Compulsory assessed contributions receivable from states parties	Note 7	1 997 075	1 992 407
Accounts receivable - other		-	41 000
Total Assets		7 098 736	6 297 676
Liabilities:			
Unliquidated obligations - current year		746 268	1 453 090
Unliquidated obligations - prior years	Note 8	391 035	110 573
Total unliquidated obligations		1 137 303	1 563 663
Contributions received in advance		8 015	11 061
Other liabilities		-	106 255
Total liabilities		1 145 318	1 680 979
Reserves and fund balances:			
Contingency reserve	Note 9	2 000 000	2 000 000
Emergency reserve fund	Note 10	370 254	297 010
Earmarked activities	Note 3	266 071	-
Operating reserves		3 317 093	2 319 687
Total reserves and fund balances		5 953 418	4 616 697
Total liabilities, reserves and fund balances		7 098 736	6 297 676

See accompanying notes

UNESCOWORLD HERITAGE FUND

**SCHEDULE OF APPROPRIATIONS AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 1996**

(EXPRESSED IN US DOLLARS)

	Allocation	Disbursements	Unliquidated Obligations	Total Expenditure	Unobligated Balance
A. Approved budget					
Chapter I					
Assistance to experts from LDC's to attend statutory meetings	80 000	13 027	15 973	29 000	51 000
Support to the Secretariat	360 000	358 650	0	358 650	1 350
Chapter II					
Global Strategy	70 000	53 053	3 170	56 223	13 777
Advisory Services	522 000	476 000	46 000	522 000	0
Chapter III					
Preparatory assistance	175 000	50 034	38 209	88 243	86 757
Technical co-operation	685 000	301 278	255 473	556 751	128 249
Training	550 000	284 383	134 125	418 508	131 492
Chapter IV					
Monitoring	260 000	107 167	82 661	189 828	70 172
Chapter V					
Promotion and education	298 000	214 002	34 923	248 925	49 075
Sub-total	3 000 000	1 857 594	610 534	2 468 128	531 872
B. Earmarked activities:					
Secondments	169 468	149 039	11 573	160 612	8 856
Promotional	121 496	21 856	1 557	23 413	98 083
Other	261 980	82 769	20 079	102 848	159 132
Sub-total	552 944	253 664	33 209	286 873	266 071
C. Emergency reserve fund					
	500 000	27 221	102 525	129 746	370 254
TOTAL	4 052 944	2 138 479	746 268	2 884 747	1 168 197

World Heritage Fund

Notes to the Financial Statements
for the year ended 31 December 1996

1. Objectives

The World Heritage Fund (WHF) was established as a Trust Fund of the United Nations Education, Scientific and Cultural Organization (UNESCO) further to the adoption on 16 November 1972 of the Convention for the Protection of World Cultural and Natural Heritage by the seventeenth session of the General Conference of UNESCO, with the objective of complementing the protection of cultural and natural heritage of outstanding and universal value. An intergovernmental committee, called the World Heritage Committee, was established by the same Convention to decide on the use of the resources of the WHF. The Committee is assisted by a Secretariat appointed by the Director-General of UNESCO.

2. Significant accounting policies

a) Financial Statements

The WHF financial statements are maintained in accordance with the special financial regulations of the WHF as noted by the Executive Board of UNESCO at its ninety-third session. They are presented in United States dollars (US dollars).

b) Appropriations

Appropriations represent amounts that have been approved by the World Heritage Committee for different programme elements, which can be spent for the purpose for which they have been voted, to the extent that funds are available.

c) Income

Income is recognized on an accrual basis of accounting except for voluntary assessed and other contributions which are recognized only when funds are received.

d) Expenditures

Expenditures, which include amounts for goods supplied and services rendered in the financial period as well as amounts for legal obligations of the financial period are recorded on an accrual basis of accounting. Where there is a choice under several legislative authorities to charge expenditure to the WHF or other funding sources within UNESCO, such expenditure will remain as recorded in the audited financial statements.

e) Translation of Foreign Currencies

Transactions carried out during the period in currencies other than US dollars are translated to US dollars using the United Nations operational rate of exchange at the date of the transaction. At the year end, accounts expressed in currencies other than US dollars are translated at the UN operational rate of exchange then prevailing.

3. Earmarked income

Earmarked income relates to contributions received from donors for specific purposes. This income is used for project expenditures pertaining to the purpose of the donor's contribution. At the end of an earmarked project, any remaining balance is transferred to the operating reserves of the WHF, if desired by the donor.

4. Non-earmarked income

Non-earmarked income relates to contributions to the WHF which have no specific purpose. Funds so received are transferred to the operating reserve.

5. Prior period adjustments

The adjustments which relate to 1995 or earlier years are:

Income:

Voluntary contribution from France for 1995 recorded in another trust fund in 1995 and correctly recorded in the Fund in 1996	201 189
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Other prior year income received in 1993 deposited in 1996	<u>13 497</u>
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Total Income	<u>214 686</u>
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Expenditure:

Contract relating to 1995 recorded in the accounts in 1996	<u>(50 000)</u>
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Total:	<u>164 686</u>
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6) Cash and term deposits

These deposits, are principally term deposits that are pooled with other UNESCO Special Accounts and Trust Funds. The average interest rate earned by these pooled term deposits was approximately 5.3 % in 1996.

7) Compulsory assessed contributions receivable

Of the balance of \$1 997 075 due by States Parties at 31 December 1996, \$458 286 relate to 1996 assessments and \$1 538 789 to earlier years.

8) Prior years' unliquidated obligations

Prior years' unliquidated obligations include an amount relating to payments held back pending the receipt by the WHF of final reports from contractees. As of 3 June 1997, there was such an amount approximating \$120 000 that would be credited back to savings if the

required reports are not received back before 30 June 1997.

9) **Contingency reserve**

A contingency reserve of \$2 000 000 has been maintained in accordance with the decision of the World Heritage Committee meeting at its seventeenth session.

10) **Emergency reserve fund**

In accordance with Financial Regulation, Article 5.1 a reserve fund for emergency assistance has been maintained and as agreed by the nineteenth session of the World Heritage Committee an amount of \$202 990 was transferred from the operating reserves to replenish the emergency reserve fund to \$500 000 at 1 January 1996; with another amount of \$ 129 746, to be transferred on 1 January 1997.

11) **Savings on prior years' obligations**

The savings on prior years' obligations represent the difference between the unliquidated obligation balance at the end of the prior year less the disbursements against the same obligation made during the current year when the obligation was liquidated.

12) **Staff cost contribution**

In 1996 UNESCO's Regular Programme provided services without charge to the World Heritage Fund of \$1 362 500 in respect of the Secretariat administering the World Heritage Fund.

World Heritage Fund
Report of the External Auditor

World Heritage Fund

Report of the External Auditor

Introduction

1. At the request of the Chairperson of the World Heritage Committee, the Director-General asked us to audit the financial statements of the World Heritage Fund for the year ended 31 December 1996. He also asked us to prepare a report on the financial matters arising from this audit. We have also been requested to conduct a review of management practices of the World Heritage Centre. We plan to carry out this examination later.

2. We wish to express our gratitude for the co-operation and support received from the staff of both the World Heritage Centre and the Bureau of the Comptroller in this audit.

Financial Statement Audit

Scope of the Financial Audit

3. We conducted our audit in accordance with UNESCO's Financial Regulations and with generally accepted auditing standards, conforming with international standards in auditing, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

4. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

5. We obtain our assurance by evaluating internal controls where applicable, analysing balances and testing transactions. All transactions selected for testing the fairness of financial statements, were reviewed for compliance with the World Heritage Fund's and UNESCO's Financial Regulations and the appropriate legislative authority. In the audit of the World Heritage Fund, we determined, within reasonable assurance, whether the transactions tested were properly credited or charged to the Fund.

6. In an audit it is not possible to obtain absolute assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This is because of the limitations inherent in the audit process, including factors such as the use of judgement, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available to the auditor, is persuasive in nature rather than conclusive.

7. The responsibility for preparing the financial statements and accompanying notes, including adequate disclosure, rests with the Bureau of the Comptroller. Maintaining adequate accounting records and internal controls, selecting and applying accounting

policies, and safeguarding the assets of the World Heritage Fund are a shared responsibility of the Bureau of the Comptroller and the World Heritage Centre secretariat.

8. As part of the audit process, we obtained written confirmation from UNESCO's Comptroller, the Director of the World Heritage Centre, and other appropriate officers concerning representations made to us orally during the audit as well as representations that are implicit in the World Heritage Fund's records.

Explanation of the External Auditor's Report on the Financial Statements

9. There are three main parts to the External Auditor's Report on the financial statements: the introductory paragraph; the scope paragraph; and the opinion paragraphs.

Introductory Paragraph

10. The introductory paragraph identifies the specific financial statements and notes to the financial statements that are audited. This paragraph also explains the responsibilities of the Secretariat and the External Auditor. The Secretariat, not the External Auditor, develops the underlying information and takes responsibility for the assertions made and the critical judgements that are embodied in the financial statements. They are the Secretariat's representations. The External Auditor audits the evidence supporting the financial statements and, based upon this work, expresses an opinion on them. The audit process thus adds credibility to management's financial statements.

Scope Paragraph

11. An audit is conducted in accordance with generally accepted auditing standards, the auditor's professional responsibility is fulfilled by complying with those standards. These standards require that the auditor design procedures to reduce the risk of not detecting a material misstatement in the financial statements to an appropriately low level.

12. In the scope paragraph, the External Auditor states that the examination was made in accordance with the standards of the auditing profession. These standards apply equally in any financial statement audit, regardless of the type or size of the entity. The scope paragraph provides the reader with some explanation of the nature and extent of an audit: that it entails examining audit evidence and that this is done on the basis of testing, not examining all the available evidence.

Opinion Paragraphs

13. The opinion paragraphs contain the External Auditor's conclusions about two matters: whether the financial statements may be relied on to present fairly the Fund's overall financial position and results of operations in accordance with the Fund's accounting policies; and whether the transactions that we audited comply with the financial regulations and legislative authority of the Fund.

14. The auditor is not an insurer and his or her opinion does not constitute a guarantee. The audit is not designed to detect an intentional misstatement that is concealed through manipulation, falsification or alteration of accounting records or

documentation to disguise the fact that the accounting records are not in agreement with the underlying facts and circumstances.

15. The External Auditor's opinion on the financial statements points out that the amounts reported in the statement of income and expenditure for the two year period ended 31 December 1995 and the statement of assets, liabilities, reserves and fund balances at that date are unaudited. As a result, an audit opinion is not given on these amounts and they are clearly marked as unaudited.

16. The External Auditor's opinion on the financial statements for the year ended 31 December 1996 is that they present fairly, in all material respects, the financial position of the Fund as at 31 December 1996 and income over expenditures for the year then ended and that the statements are in accordance with the Fund's accounting policies. Further, the Auditor's opinion states that the transactions of the Fund that were examined in the audit of the financial statements were in accordance with the Fund's and UNESCO's Financial Regulations and authorities.

Matters arising from this Audit

Observations and Recommendations

17. The balance of this report makes a number of observations and recommendations directed to Bureau of the Comptroller and the Centre secretariat. I firmly believe that the recommendations put forward in this report, if properly implemented, will contribute in the improvement of the management and accountability of the World Heritage Centre and UNESCO.

There needs to be better co-ordination between the Bureau of the Comptroller and the World Heritage Centre secretariat in the preparation of financial information for the World Heritage Fund.

18. In developing our audit strategy we start by gaining an understanding of the basic features of the Fund's financial and internal control systems. We found that management has put in place some procedures designed to account for the operations of the Fund within the accounts of UNESCO. However, the procedures that are in place do not allow for clearly segregating the Fund's activities from those of the UNESCO's Regular Programme and other trust funds. In addition, the chart of accounts for the Fund is not detailed enough and needs to be revised and updated.

19. At the beginning of our audit, we encountered considerable difficulties in obtaining accurate information to support the draft financial statements prepared by the Bureau of the Comptroller. Audit trails were difficult to establish and several accounting adjustments were required. For example, the accounts had not been analysed to ensure that they truly reflected the Fund's activities in the draft financial statements, transactions had been charged to UNESCO's Regular Programme or other trust funds when they

should have been charged to the World Heritage Fund (Fund), and vice versa. In many instances there was incomplete information on the financial status of projects. Furthermore, the financial statements presented to us had not been reconciled to UNESCO's general ledger.

20. On April 21, 1997, we brought these matters to the attention of both the Bureau of the Comptroller and the Centre. On April 23, 1997, they agreed that we should stop the audit so that they could undertake a major effort to analyse financial transactions with the objective of producing revised financial statements for 1996 and an audit trail that would support these financial statements.

21. We restarted our audit on May 12, 1997. Some thirty adjustments had been made by the Bureau of the Comptroller to reconcile the financial statements with UNESCO's general ledger. This allowed us to progress with our audit.

22. Much of this additional work and our audit effort and costs could have been reduced if the Bureau of the Comptroller and the World Heritage Centre co-ordinated their efforts in analysing the Fund's accounts and in preparing financial information.

23. *We recommend that the World Heritage Centre and the Bureau of the Comptroller develop a more detailed chart of accounts for the Fund.*

24. *We recommend that the Bureau of the Comptroller and the World Heritage Centre secretariat improve their accounting and administrative preparedness through better co-ordination in the analysis of the Fund's accounts and in the preparation of financial statements for the Fund.*

The World Heritage Centre needs to improve its records that contain the documentation supporting financial activities related to the World Heritage Fund.

25. We asked the World Heritage Centre and the Bureau of the Comptroller to provide us with files that contained the documentation to support the obligations we selected for audit. We expected that the obligations would be adequately supported by such documents as a signed copy of the contract, amendments if necessary, evidence of approvals, invoices, reports by the contractors on the performance of the contract, copies of journal vouchers when required, etc.

26. Many of the files we reviewed did not contain sufficient documentation. The Centre managed to obtain some of the required documentation from other files in the Centre or elsewhere in UNESCO. Although we were able to reach an audit opinion based on the files and documentation provided to us, not all of the files and documentation we requested could be located before the end of our audit.

27. Most contracts require an initial payment when the contract is signed. Subsequent payments are made against the obligation in line with the terms and conditions of the contract. However, there is no supporting documentation, in the files we reviewed, that clearly indicates that the work has been performed before final payments are made or before any remaining balance in the obligation is liquidated.

28. This situation does not provide for good control and hampers the Centre's ability to monitor financial activities for these obligations and to respond to requests from its own management, the Committee and others about these activities.

29. *We recommend that the Centre takes immediate steps to improve its records that contain the documentation supporting financial transactions related to the World Heritage Fund. At a minimum, each file should contain copies of documentation and approvals to support all financial transactions including; a signed copy of contracts, amendments if necessary, evidence of approvals, invoices, copies of journal vouchers when required, evidence to support the performance of the contract before any final payments are made or before any remaining balance in the obligation is liquidated.*

The accounting for and reporting of expenditures and revenues needs to be strengthened considerably.

30. Except for the staff costs associated with the support to the Secretariat, it is not always clear how the expenditures for a world heritage project are accounted for when the project costs are shared by the World Heritage Fund and UNESCO's Regular Programme or another trust fund. We found no documentation to support the amounts allocated. It appears that the determination is made on budget availability and/or a judgemental basis rather than an analysis of how costs should be shared.

31. Furthermore, information is not maintained on projects whose lives extend beyond the calendar year in which they were approved. Any income received or expenditures incurred after the year end in which a project started are simply credited or charged to activities in the next year's budget. Obligations totalling some \$190,000, were charged as 1996 expenditure in respect of projects approved in a prior year.

32. When the Centre raises obligations, it maintains a numerical control over each one as they are issued. However, the same series is used for all of the Centre's world heritage activities and not just those of the Fund. It would be advisable to use a separate numerical series for World Heritage Fund obligations in order to avoid any confusion in the recording of the obligations.

33. In two contracts that we audited, we noted that the Centre raised an obligation in UNESCO's Regular Programme since funds were not available in the Fund's budget for these obligations. At a later date, when funds become available, the expenditures were transferred back to the Fund. The Centre does not maintain a listing of the Fund expenditures that have been charged to UNESCO's Regular Programme. Instead, it relies on the corporate memory of the Director or acting Administrative Officer to ensure that World Heritage Fund expenditures, recorded initially in UNESCO's Regular Programme because of budgetary concerns, are charged back into the World Heritage Fund when funds are available.

34. The contracts for additional income attribute such income to the "World Heritage Centre". The contracts were ambiguous and did not clearly specify if the income was for the World Heritage Fund, UNESCO's Regular Programme activities or for other UNESCO trust funds.

35. The present method for accounting for earmarked projects makes it virtually impossible to determine individual project balances at any one point in time. Revenues and expenses for these projects can be coded in one of three accounts. In order to obtain information on the financial activity for an individual project and to determine the amount of the surplus or deficit at the end of a project, a detailed manual analysis of each account has to be carried out.

36. *We recommend that:*

- *there be a separate clause in each World Heritage Centre contract that identifies, when necessary, how revenues and expenditures should be shared between the World Heritage Fund, the Regular Programme and other trust funds;*
- *written guidelines be developed by the Centre to assist administrative staff to determine how costs should be shared between the World Heritage Fund, the Regular Programme and other trust funds;*
- *the Centre maintains records for each project and track revenues and expenditures over the life of each project;*
- *a dedicated numerical series be used for the raising of World Heritage Fund obligations;*
- *the accounting for obligations pertaining to the World Heritage Fund be recorded in the Fund's accounts and not in those of UNESCO's Regular Programme or another trust fund;*
- *if, for some exceptional reason, the obligations have to be recorded in UNESCO's Regular Programme for transfer back later to the Fund's accounts, there be a clear, recorded audit trail that identifies these obligations;*
- *contracts for additional income should contain a clause specifying precisely if the income pertains to the World Heritage Fund, UNESCO's Regular Programme or for another UNESCO trust fund; and*
- *each earmarked project for the Fund should have a separate financial code. The overall structure of the coding should be in accordance with the Fund's workplans.*

Internal controls over the recording of revenues need to be strengthened.

37. In 1996, prior to the commencement of our audit of the World Heritage Fund, the Centre made a few entries to correct errors in coding revenues to UNESCO's other trust funds when they should have been coded to the Fund, and vice versa. These corrections

were significant in value and better internal controls over the recording of revenues would have been detected and corrected these errors earlier.

38. *We recommend that the World Heritage Centre needs to improve its tracking of anticipated revenues to ensure that receipts are deposited promptly and to ensure that it provides the Treasury Division in the Bureau of the Comptroller with the accurate information it needs on expected revenues, the anticipated date of receipt and the financial codes that the funds should be credited to.*

The Fund should develop procedures to monitor its "Cash and term deposit account".

39. When receipts are received, they are deposited by the Treasury Division into a pooled bank account for UNESCO's trust funds. The Treasury Division monitors the balance in its bank accounts on a daily basis and invests excess funds in fixed term deposits. At 31 December 1996, UNESCO's accounts showed that approximately \$400,000 was maintained in the bank accounts and over \$100,000,000 was maintained in fixed term deposits for its trust funds. The accounts showed that the World Heritage Fund's share of these pooled amounts was \$5,019,320. The average interest rate earned by these pooled accounts was approximately 5.3% in 1996.

40. The World Heritage Fund is not like most UNESCO trust funds. For example, it has its own Convention, Financial Regulations and is administered by the World Heritage Centre secretariat. It also has more day-to-day financial activity than other trust funds. However, since the inception of the World Heritage Fund, there has been no reconciliation of cash receipts, interest earned and disbursements against the balances reported by UNESCO.

41. *We recommend that the Centre develop adequate records to monitor the Fund's receipts and disbursements on a regular basis.*

Unliquidated Obligations are not reviewed and adjusted on a regular basis.

42. Under the terms of UNESCO's and the Fund's Financial Regulations, the appropriations, voted by the World Heritage Committee, constitute an authorization to incur obligations and make payments for the purposes for which the appropriations were voted and within the limits of funds available. However, appropriations may remain available if they are required to discharge obligations in respect to goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligations of the financial period.

43. While the overall responsibility for the proper recording of the Fund's unliquidated obligations rests with the Comptroller, for very practical reasons and in accordance with regulations, this responsibility has been delegated to the Centre.

44. In our audit we found that the draft financial statements presented to us for audit contained obligations outstanding at the year end that had not been reviewed and adjusted. On our request, the Centre and the Bureau of the Comptroller, at the end of May,

undertook a major effort to analyse the balances outstanding in the draft financial statements. The amounts reported in these statements had to be reduced by over twenty percent.

45. ***We recommend that unliquidated obligations be analysed on a regular basis throughout the year. Adjustments should be made on a timely basis for those obligations that no longer represent a valid legal liability.***

The World Heritage Committee needs to address concerns regarding costs for fund raising contracts.

46. In 1996, the World Heritage Centre entered into a fund raising contract with a consultant to raise additional income for the Fund. This type of contract was new for the Centre and it was not foreseen in the Fund's approved budget or workplans for 1996. There were no official guidelines in the Fund's or UNESCO's financial regulations or in the UNESCO Manual that would set the parameters for contract payments for this type of contract.

47. We could not determine if the costs for this contract should be charged as a servicing fee against the additional income earned. All costs associated with this contract are now recorded in UNESCO's Regular Programme.

48. ***The World Heritage Committee should address the question of whether costs associated with fund raising contracts should be charged as a servicing fee against the additional income earned for the Fund.***

Better financial information can be provided to the World Heritage Committee.

49. At its meeting in December 1996, the World Heritage Committee recommended a new format for financial information and a summary report of all world heritage activities. We support this recommendation. It is also essential that financial information include budget information against which actual performance can be measured.

50. With respect to a summary report of all world heritage activities, the Centre currently does not have this information readily available which would be a valuable tool in its decision making process. Such a summary would also assist the Committee in setting the Fund's priorities and workplans.

51. Currently, the financial statements for the World Heritage Fund are not prepared on a yearly basis with comparative figures for the preceding year. Annual statements with comparative figures would improve not only the transparency of the Fund's world heritage activities but also enable the Centre and the World Heritage Committee to better review and monitor actual results of these activities against budgets and workplans.

52. At the present time there is no budget information for earmarked income and expenditures related to this income. There should be. Without such information, it becomes difficult to measure results and performance. While resources for some of these

activities are more difficult to estimate, the budget can be amended as more information becomes available.

53. *We recommend that the Centre improve the financial information provided to the World Heritage Committee by providing the Committee with financial information against which actual performance can be measured, a summary report of all world heritage activities, annual financial statements with comparative figures for the preceding year and budget information for earmarked income and expenditures related to this income.*

Training for administrative staff should be provided.

54. The Fund's administrative officers must ensure that adequate records are maintained, that transactions recorded to the Fund are proper and that UNESCO's and the Fund's financial activities are reconciled on an ongoing basis. In addition administrative staff need periodic training on financial and accounting matters. No such training is currently provided.

55. *We recommend that training, co-ordinated by the training unit in UNESCO's Personnel unit and with the possible assistance of the Bureau of the Comptroller, be provided for those responsible for accounting and administrative duties relating to the World Heritage Fund.*

Internal Audit should review the activities of the Centre and Fund.

56. Internal audit can provide management with an ongoing assessment of whether policies and procedures are being adhered to. The activities of the Centre and the Fund have not been the subject of an internal audit recently. If internal audit had reviewed the activities of the Centre and the Fund, many of our observations and recommendations might have been addressed.

57. *We recommend that internal audit periodically review the activities of the Centre and the Fund and report their findings and recommendations to UNESCO's management.*