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منظمة  
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## FINANCE COMMITTEE

**Hundred and Fifty-seventh Session**

**Rome, 9 - 13 March 2015**

**2014 Annual Report of the Inspector General**

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### EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

- The Inspector-General is pleased to provide the Finance Committee with the 2014 Annual Report of the Office of the Inspector General (OIG) as provided to the Director-General. The report contains information on the audit, investigative and inspection work of the Office in 2014 as well as its internal management.
- OIG's audit activity is based on a rolling plan aimed at ensuring that all high risks of the Organization, as captured in an OIG corporate risk register, are independently reviewed over a three biennia cycle), taking into account the oversight coverage of the Office of Evaluation and the External Auditor.
- The annual report provides detailed information on the results of OIG's audits and investigation work during 2014. OIG recognizes positive measures undertaken in 2014 as part of FAO's transformation supporting a significantly stronger results-oriented, risk conscious and accountable Organization. Further improvements to FAO's integrity framework were made and management has been responsive to the results of investigations carried out in relation to staff and third party misconduct. Management have supported a transparent approach with donors on investigations into losses on projects they have financed. At the same time OIG's audit coverage in 2014 indicates that there remain important challenges in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved.
- With regard to requests by the Finance Committee at its 154th and 156th Sessions, OIG includes in its 2014 annual report the results of its review of the proposed procurement strategy prepared by the Procurement Division, and observations on progress in GRMS and IPSAS implementation and strengthening internal control in the decentralized network.
- With regard to a request of the Finance Committee at its 154th session that Organization's workforce planning give due regard to the requirements for implementing sound internal controls and that the Office of the Inspector General provide advice on this to the Office of Human Resources, as the workforce planning process remained a work-in-progress in 2014, a more substantive update on the status of this will be provided to the Finance Committee at its Autumn 2015 session.
- With regard to a request of the Finance Committee at its 148th session that OIG continue to monitor the Organization's use of Non-Staff Human Resources, OIG has agreed with the Office of Human Resources to schedule the next audit in 2015 so that OIG can assess the implementation of the changes in policy on NSHR made in late 2013.

#### *Director-General's Comments*

- The Director-General appreciates the audit, investigation and inspection work and policy advice of OIG, which has supported the management and governance of the Organization.
- The senior managers of the Organization are accountable for ensuring appropriate implementation of agreed OIG recommendations, which is subject to periodic review during the year as well as at year-end. These include the recommendations in the important areas covered by OIG in 2014.
- Pursuant to the Finance Committee's request at its 148th session, management has prepared a status report on actions taken to address long outstanding high risk recommendations, which for ease of reference has been added to Attachment A (iv) of the Inspector General's annual report. The status of recommendations will be monitored in the OIG quarterly reports to the Director-General.

GUIDANCE SOUGHT FROM THE COMMITTEE

- The Finance Committee is invited to take note of the Inspector General's Annual Report for 2014.

Draft Advice

The Finance Committee welcomed the Inspector General's Annual Report for 2014 and:

- **appreciated the quality of the report and the analysis of issues presented, noting that the work of the Office of the Inspector General presented was very relevant and a useful tool for the management and governance of the Organization;**
- **noted the positive response of the Director-General to the report;**
- **reiterated the importance of strengthening internal control in the Organization and in particular in relation to the Decentralized Offices Network, and requested regular updates from management and the Inspector General in its future sessions;**
- **reiterated the importance of implementing long outstanding high risk internal audit recommendations, and requested a further update from management and the Inspector General at its next regular session in Autumn 2015;**
- **re-affirmed the importance of the Organization applying, under its zero tolerance policy, strong measures where FAO personnel and third parties were found to have engaged in fraud; and**
- **noted the efforts underway to fill current OIG staff vacancies.**

## Office of the Inspector General

### Annual Report

2014

#### Highlights

This report presents a summary of the activities carried out by the Office of the Inspector General (OIG) of the Food and Agriculture Organization (FAO) in 2014.

OIG provides oversight of the programmes and operations of the Organization, through internal audit, inspection, investigation and related activities, in accordance with the mandate set out in its Charter.

Since 2010, OIG's audit activity has been based on a rolling plan aimed at ensuring that all high risks of the Organization, as captured in an OIG corporate risk register, are independently reviewed over a defined cycle, currently three biennia, taking into account the oversight coverage of the Office of Evaluation and the External Auditor.

Key corporate areas for formal audit reviews completed in 2014 included implementation of the new strategic framework; selection of FAO Representatives; implementation of the FAO component of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme); FAO's publishing activity; staff development; financial and human resources management in FAO's Investment Centre; Information Technology security; and (jointly with the internal audit services of IFAD and WFP) the Rome-based agencies common procurement initiative. OIG also reviewed the Procurement Division's proposed procurement strategy. As in previous years, a significant portion of OIG's activity focuses, through cyclical reviews of the Organization's decentralized office network, on field and emergency operations due to the significant risk exposure to the Organization. Some other audits in the 2014 work plan were still underway and expected to complete in early 2015.

In 2014, OIG issued 33 individual audit and one inspection report to operating units throughout the Organization, including 22 on individual decentralized office operations and 11 reports that addressed Organization-wide issues. In addition, OIG issued four audit memoranda on various issues for the attention of management. The audit reports provided management with 398 recommendations and 304 compliance reminders to strengthen the Organization's risk management, internal controls and governance processes, from which there was a greater than 98 per cent acceptance rate by management.

OIG closed a total of 86 matters (56 complaints and 30 consultations) following examination by its Investigations Unit and issued a total of 21 investigation reports and memoranda. OIG continues to work with management to strengthen elements of the Organization's integrity framework.

The annual report provides further information on the results of OIG's audits and investigation work during 2014. OIG recognizes positive measures undertaken in 2014 as part of FAO's transformation supporting a significantly stronger results-oriented, risk conscious and accountable Organization. Further improvements to FAO's integrity framework were made and management has been responsive to the results of investigations carried out in relation to staff and third party misconduct. Management has supported a transparent approach with donors on investigations into losses on projects they have financed.

At the same time, OIG's audit coverage in 2014, as summarized in the FAO risk exposure and trends of paragraph 5 of the Activity report, indicates that there remain important challenges in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved.

As at December 2014, OIG had five vacant professional posts (P4, P3 and P2 internal auditor and P4 and P3 investigator posts). Actions to fill them were either underway or pending approval to proceed.

OIG would like to express its appreciation to all levels of FAO staff and management contacted in the course of its work, for their support and positive responses, cooperation and assistance throughout the year, despite their own challenging responsibilities and workload.

**Office of the Inspector General**  
**Annual Report**  
**2014**  
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## Office of the Inspector General

### Annual Report

2014

## I. Introduction

### *General*

1. The present report to the Director-General provides a summary of the 2014 oversight activities of the Office of the Inspector General (OIG). In accordance with the Organization's oversight arrangements, this report is also made available to the FAO Audit Committee and the Finance Committee, and thereafter it is also made available publicly through the Organization's website.

## II. Mandate and Mission

2. OIG has responsibility for internal audit, which includes monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal controls, risk management, financial management and use of assets. It is also responsible for investigating allegations of misconduct by FAO personnel and by implementing partners and vendors in the context of FAO programmes. OIG also draws on its audit and investigation expertise to conduct fact-finding inspections of specific events or activities, to support senior management decision-making on them. OIG's Charter is incorporated as Appendix A to FAO Administrative Manual Section (MS) 107.

3. Together with FAO's Office of Evaluation (OED), OIG provides comprehensive internal oversight coverage for the Organization. The External Auditor, with whom OIG cooperates, provides complementary external oversight.

4. OIG provides the Director-General and the Organization's functions and programmes with analyses, recommendations, counsel and information concerning the activities reviewed. In so doing, it seeks to identify opportunities for improving the efficiency, effectiveness and economy of operations while promoting control at reasonable cost. It also promotes initiatives to strengthen the integrity of FAO's operations and ensure a robust response when instances of fraudulent or other corrupt practices are detected.

5. OIG's vision is to serve FAO by delivering on its mandate with professional independence, integrity, quality, effectiveness and efficiency.

6. With respect to its internal audit work, OIG follows the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, the global professional body. With respect to its investigative work, OIG follows the FAO Guidelines for Internal Administrative Investigations, which are based on the Uniform Guidelines for Investigation, promulgated by the Conference of International Investigators of the UN System and Multilateral Financial Institutions. Both sets of standards have been adopted by the audit and investigation services across the UN System.

7. The Director-General and the Inspector General receive independent advice on the effectiveness, including the adequacy and quality, of the internal audit and investigative functions of OIG from an Audit Committee comprising senior audit and/or investigation professionals, who are fully external to the Organization. The Terms of Reference of this Committee are incorporated as Appendix C to MS 146.

## III. Statement of Independence

8. During 2014, OIG undertook its professional activities independently within the Organization. OIG consults with management when planning audits but no unacceptable limitations of scope were encountered during the course of its audits, or in its inspection, investigations or related activities.

#### IV. Discretionary Reports to the Finance Committee

9. OIG's Charter provides that, at the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested member states. No such reports, additional to the annual report, were submitted in 2014. As Secretary of the FAO Audit Committee, the Inspector General submitted a status report on FAO Audit Committee recommendations and submissions for new membership of the Committee in 2014 regular sessions of the Finance Committee.

#### V. FAO Risk Exposure and Trends

10. During 2014 FAO was in the midst of implementing transformational changes aimed at further institutional strengthening and enhanced delivery and impact of programmes, proposed by the Director-General and approved by the governing bodies. OIG notes positive results as well as challenges from its work in 2014, highlights of which are noted below:

- **Greater focus and results orientation in the programmatic work of the Organization:** OIG's review of early implementation of the new Strategic Framework concluded that there is widespread support and engagement among internal stakeholders in key managerial roles, essential for the intended results of the new Strategic Framework to be achieved. There is strong acceptance that the new Framework provides focus to the Organization's key priorities, promotes and enhances an interdisciplinary approach in FAO's activities (breaking silos) and promotes a coherent corporate approach from global, to regional to country levels to achieve better delivery and results. OIG identified positive elements but also some challenges on which the Office of Strategy, Planning and Resources Management (OSP) and Senior Management need to keep focusing their attention, including clarifying the roles and responsibilities for the monitoring and reporting functions, the role of Delivery Managers for Regional Initiatives and finalizing the workforce planning exercise that was launched as part of the operational work planning phase.
- **Strengthened integrity and fiduciary policies:** OIG welcomes the substantial progress made in 2014 by the Organization to enhance key integrity and fiduciary elements such as the adoption of a corporate accountability framework and an enterprise risk management (ERM) policy framework; the revision of the policy on the prevention of harassment, sexual harassment and abuse of authority; and the finalization of a new environmental and social safeguard accountability and grievance process. FAO's vendor sanctions policy, first adopted in late 2013, was fully operationalized by the end of 2014. OIG notes that Management has committed to finalize an Internal Control Framework in 2015 (FC156/15 refers). OIG will review implementation in 2015 of these enhancements.
- **Progress in the adoption of IPSAS accounting standards:** During 2014 OIG monitored the Organization's progress towards the achievement of IPSAS-compliant 2014 financial statements. As of December 2014, the Finance Division (CSF) reported that it was proceeding according to a revised schedule that it had agreed with the External Auditor which, although delayed from the original timetable would still permit the necessary completion of all steps by the first quarter of 2015. The External Auditor completed interim reviews of the 2014 opening balances and financial statement dry-run results. While a final report on these reviews is not yet available, CSF has reported to OIG that observations raised in a draft External Auditor's report have been satisfactorily addressed with the External Auditor.
- **Improving controls in decentralized programme delivery, financial management and administration:** A separate capping report on Financial Management and Administration issues in Country Offices (Cos) will be issued in early 2015. However, preliminary analysis already indicates that the state of internal controls in the COs has improved. Sixty-three percent of COs in the 2014 cohort was rated as overall satisfactory in this regard, opposed to 43 percent in the earlier cohort. A 2014 audit of the selection process for FAO Representatives confirmed the positive effect of enhancements implemented with a view to

strengthening the quality of management controls in COs, with OIG making further recommendations in this area. OIG also concluded that the Procurement Division's proposed procurement strategy should strengthen monitoring of decentralized procurement. OIG is shifting its focus in CO audits on programming and operations where the Organization's further attention is needed. In December 2014 OIG issued its first summary of audit findings related to Programme and Operations issues in Country Offices (COs), following more systematic audit coverage in these areas beginning in 2012. In aggregate, the 16 CO reviewed had satisfactory ratings ranging from 62 to 90 percent in the four programming and operations categories tested. Those deficiencies in field programme management and field programme operations which were commonly reported in the audits often stemmed from poor project planning and weak monitoring as well as a lack of accountability for non-compliance with controls at country and other levels. OIG also noted good practices in some COs that could be replicated in other offices. A thematic review of FAO's implementation of the UN-REDD programme provides further insight into programme management challenges. The articulation of a comprehensive internal control framework including programmes and operations in the decentralized offices, committed for 2015, will establish stronger benchmarks for future OIG assessments of control in the field.

- **Attention needed on Global Resource Management System (GRMS) post-deployment in the regions:** An OIG review in 2014 found that there was failure to conclusively implement ownership and accountability for proposed GRMS post-deployment support arrangements in the regions. This has affected the definition and implementation of the tools, policies and procedures for system support process and the monitoring of its performance. As a result the user support arrangements have not been operating efficiently as intended.
- **Continued challenges to ensure business continuity and secure information technology:** OIG recommendations on Organizational business continuity remain outstanding. Also, despite some improvements made over the past few years to address the IT security weaknesses identified by OIG in 2011, a follow-up audit completed in 2014 (report issued in January 2015) identified continuing control weaknesses. Progress in implementing pending recommendations and additional agreed actions to address the findings should receive close attention by senior management over the coming months. OIG acknowledges that CIO had already begun to take action on several of these recommendations during or after the review.

## VI. Audit Services

### A. Development and Implementation of a Comprehensive Risk-Based Audit Plan for 2014-2015

#### *Planning approach*

11. OIG follows a risk-based planning approach to identify and select its activities to review. This approach provides a more systematic basis for prioritizing internal audit work. The aim is to ensure that the management of all major risks of the Organization is, collectively with FAO's Office of Evaluation and External Auditor, independently reviewed within a defined cycle. In some cases risks are covered annually, in others over one or more biennia, with a target of completion of coverage of corporate high risks over three biennia. Given the dynamic nature of risks facing the Organization, OIG essentially maintains a rolling plan of coverage updated provisionally on an annual basis and more fully each biennium. Through its coverage of those risks not reviewed by the other oversight functions, OIG provides assurance over the implementation of risk management measures and advice on how these measures can be improved.

12. The risk-based audit plan (RBAP) for the 2014-2015 biennium takes into account inputs from management and the FAO Audit Committee, and thereafter endorsed by the Director-General. The plan is based on a risk register, originally developed in 2009 in partnership with Deloitte and with input from management, and regularly updated since to reflect emerging risks and changing risk

priorities. The results from FAO's Enterprise Risk Management (ERM) activities have also been incorporated into the risk register. In the course of updates, the ranking of some risks may be increased or decreased and some risks dropped or added based on emerging risks, action taken by management and new information. Implementation of the RBAP is monitored through quarterly reports to the Director-General, and by the Audit Committee, which meets three times each year. In addition, the achievement of the plan continues to be a key performance indicator for OIG.

13. As of 31 December 2014, the updated risk register identified 71 high risks, of which 43 were included under planned audit assignments in the 2014-2015 RBAP. These 43 risks included 23 which are covered on an annual basis (recurrent risks). Some of the remaining 28 risks were covered by OIG in 2012-2013. Others that are not covered by the External Auditor or Office of Evaluation will be included in OIG's 2016-2017 planning cycle.

14. As the Organization's risk management under the ERM project matures, OIG will modify its approach, drawing more fully on the results of risk assessments undertaken by management, as well as its own professional analysis, to adjust and develop its future RBAPs.

#### *Plan implementation*

15. At the end of 2014, OIG had completed assignments that covered 31 of the 43 high risks included in the 2014-2015 RBAP, as well as 38 medium risks (**attachment A (i)**), while assignments still in progress at the end of 2014 covered five other high risks. The 31 high risks covered in 2014 include the 23 which are covered on an annual basis.

16. OIG continued to devote substantial resources to review field activities in the areas of programme and operations as well as finance and administration. OIG activities included completing audit missions to 16 decentralized offices.

17. OIG issued 33 audit reports related to its reviews in 2014, 22 of which relate to decentralized office audits (11 carried over from 2013, and 11 for audits started in 2014) (**Attachment A (ii)**).

18. These reports provided management with assurance and advice, including 398 recommendations at various levels to strengthen the Organization's risk management, internal controls and governance processes, of which management accepted 98.5 per cent. The 22 decentralized office reports also raised 304 compliance points that managers in the field offices needed to address.

19. The annual audit work plans include provision for additional work outside the risk-based priorities, primarily to conduct inspections of particular events or activities at management request. In addition, OIG issued four audit memoranda for management attention on write-off of receivables; information technology framework contracts; the commissary; and write-offs in field offices (Laos and Somalia).

## **B. Results of 2014 Audits**

### *Strategic Framework Advisory review*

20. OIG completed an advisory review in Q4 of the implementation of the new Strategic Framework. The final report will be issued in early 2015. The review concluded that there is widespread support and engagement among internal stakeholders in key managerial roles, essential for the intended results of the new Strategic Framework to be achieved. There is strong acceptance that the new Framework provides focus to the Organization's key priorities, promotes and enhances an interdisciplinary approach in FAO's activities (breaking silos) and promotes a coherent corporate approach from global, to regional to country levels to achieve better delivery and results.

21. OIG identified positive elements but also some challenges on which OSP and Senior Management need to keep focusing their attention, including clarifying the roles and responsibilities for the monitoring and reporting functions, the role of Delivery Managers for Regional Initiatives and finalizing the workforce planning exercise that was launched as part of the operational work planning phase.

### *IT Security Review*

22. OIG carried out a review of Information Technology security at FAO in late 2014 and the final report was issued in January 2015. The review's objectives were to verify the implementation status of the recommendations from a 2011 audit and to update OIG's assessment and propose new actions, as necessary, considering the evolution of the Organization's IT security environment since the previous report.

23. Despite some improvements made over the past few years to address the IT security weaknesses identified by OIG in 2011, a follow-up audit completed in 2014 (report issued in January 2015) identified continuing control weaknesses. In several cases, action on prior OIG recommendations was put on hold or discontinued following a major restructuring of the CIO division in 2013, vacancies in key positions, or pending clarity of the corporate IT governance framework to replace an earlier one which was no longer operative. Progress in implementing the agreed actions to address the findings should receive close attention by senior management over the coming months. OIG acknowledges that CIO had already begun to take action on several of these recommendations during or after the review.

### *Review of FAO's Publishing Activity*

24. In early 2014, OIG completed a review of FAO's external publishing activity, excluding flagship publications which are considered to have effective controls. The review took into account the release of a new FAO corporate publishing policy in March 2013. The main objective of OIG's review was to assess the adequacy and effectiveness of FAO's publishing processes, in order to provide assurance on how the new policy was being implemented and advise where efficiency and policy compliance could be further improved.

25. The main conclusions of the review were:

- Significant capacity issues in the Library and Publications Branch (OCCP) need to be addressed before the 2013 publishing policy can be properly implemented. OCC management acknowledges this and actions are currently underway.
- Notwithstanding the new policy and published guidelines, further clarity on roles and responsibilities for publishing is needed.
- The publications policy needs to be supported by comprehensive and tailored guidelines.
- Information about FAO publishing is highly fragmented and there are no reliable data on total publishing. The publishing planning tool currently being piloted will provide OCCP with an aggregate picture of planned publications, which is an important step forward, but it will not enable a corporate view of actual publications.
- Further cost efficiencies in publication will lie in early assessment of whether a publication should be produced at all, rather than focusing on printing, distribution and translation costs.

26. The report includes 14 agreed recommendations to help improve FAO's publishing activity.

### *Staff Development Risk Assessment*

27. In June 2013, the Director-General approved the Organizational Learning and Development Strategy developed by the Learning, Performance and Development Branch (CSPL). The objective of the strategy is to enhance Organizational performance through acquiring new knowledge and skills relevant to FAO employee areas of expertise. OIG agreed with CSPL to facilitate a risk assessment in order to identify and assess the risks related to the staff development strategy and its implementation arrangements to ensure that CSPL, as the business process owner, establishes and implements a mitigating action plan.

28. Fourteen risks were identified, nine of which were determined, based on the situation as at December 2013, as medium and five low. Key risk areas which CSPL identified as needing further mitigating action were:

- clear purpose: Alignment of current CSPL priorities with Organizational objectives;

- effective delivery strategy: understanding of the accountability, roles and responsibilities for successful implementation of the staff development strategy; establishment of qualitative monitoring and KPIs;
- internal stakeholders: Prioritization by senior managers of staff learning and development;
- appropriate resources: sufficiency and/or adequacy of deployment of resources allocated for staff development activities; adequacy of post-implementation training budget and schedules for large Organizational projects; and
- strong delivery management: Identification of Organizational competency gaps.

29. Several mitigating actions were identified as either taken, or planned, by CSPL management to ensure the risk can be managed to acceptable levels. OIG encouraged prompt and attentive implementation of all pending mitigating actions; continuous maintenance of the risk register, including identification of units/individuals responsible for follow up actions; and reporting on the status of the risks to Corporate Services and Office of Human Resources management as anticipated under FAO's Enterprise Risk Management initiative.

#### *Financial and Human Resources Management in FAO's Investment Centre Division*

30. FAO's Investment Centre Division (TCI)'s operating model is unique as it is governed by long-standing co-funding Partnership Agreements between FAO and International Financing Institutions (IFIs). OIG's review focused on whether TCI's financial model was supported by valid assumptions and was sustainable and/or scalable; and whether staffing and recruitment practices have been sound and compliant with FAO rules and regulations.

31. OIG also facilitated a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of TCI in consultation with the client to provide a better understanding of the strengths and challenges of the Division through a strategic lens.

32. OIG's overall conclusion was that financial and budgetary management, as well as human resource practices in TCI were satisfactory. TCI's financial model was supported by valid assumptions and the supporting spreadsheets were accurate. Financial and budgetary controls have been tightened and system changes effected, to prevent a recurrence of control failures such as those that led to a significant financial deficit in 2003. Recruitment processes were well documented, transparent, generally competitive and complied with FAO rules and regulations. OIG also noted a number of other good practices and that TCI had a strong culture of accountability for delivery of quality technical services to partners driven by its reliance on external income to be sustainable.

33. The audit highlighted the need to address challenges in the sustainability and scalability of the financial model; the need for timely recruitment actions, given a recent wave of mandatory retirements particularly at P5 level and delays in recruitment as part of corporate staff freezes; harmonizing the FAO-World Bank Cooperative Programme recruitment process with the new corporate staff selection processes; expanding TCI's source of consultants to access broader investment expertise through regular public calls of interest.; and TCI establishing a closer relationship with OSP and CSF to improve mutual understanding of their respective requirements and to align to the extent possible TCI's practices to FAO's corporate practices.

#### *Review of proposed Procurement Strategy*

34. As part of its follow up of past audit recommendations but also, as requested by the Finance Committee at its 156th session in November 2014, OIG reviewed the procurement strategy proposed by the Procurement Division (CSAP). The strategy focuses on three areas: i) continued flexible expansion of the International Procurement Officer network to field offices where the procurement activities indicates higher risk, with a cost sharing with the concerned office, ii) establishing a strong central monitoring function, and iii) enhancing the skills set in CSAP to increase its capacity to provide relevant and timely advice and support across the Organization. The implementation of the strategy was underpinned by a proposed restructuring of CSAP staffing in order to shift resources from low-value transactional activities to more added-value monitoring and advisory functions. Having reviewed the proposed strategy and current staffing/budget proposal, OIG considers that the

strategy is an appropriate development in strengthening FAO's management of procurement-related risks; and the staffing/budget proposal for implementation presents a viable basis to move ahead, on a cost-neutral basis comparing before and after costs, and with funding already available to meet the transitional costs.

#### *Joint Audit of the Rome-Based Agencies' Common Procurement Team*

35. In late 2014 (report issued in January 2015), the Offices of Internal Audit of the three Rome-based Agencies (RBAs) with the support of KPMG Advisory S.p.A., conducted a joint audit of the activity of the Common Procurement Team (CPT), which was established in 2010 for joint tendering of commonly procured headquarters' works and services of the three agencies. The audit covered the period of 01 January 2010 to 31 December 2013.

36. According to its Charter, the CPT was setup to manage joint tenders for an estimated value of USD 25 million in the first year and a potential up to USD 100 million for the following years. In the pilot year (2010) the RBAs conducted 15 joint tenders for a value of approximately USD 22.5 million (close to the estimates in Charter). According to the self-assessment performed in 2011, these joint tenders contributed to an estimated cost savings of 3 percent of contact value. The number of tenders managed and awarded by the CPT decreased over the subsequent years and overall tendered value (i.e. USD 39.5 million for the period under review) was lower than estimated potential values in the Charter.

37. The audit noted some positive practices and initiatives: completion of 26 joint tenders and numerous piggy back of contracts; provision of a section related to cooperation among UN agencies in the purchasing procedures of the three RBAs; implementation of the common e-tendering system to facilitate and track the management of tenders; integrated with the United Nations Global Marketplace (UNGM) portal; continuous knowledge sharing and training, among technical units and procurement departments, and with vendors; and leveraging on expertise of other agencies.

38. The report also identifies a number of issues that limited the CPT's effectiveness and includes several agreed actions to address them, in areas such as the group's working modalities and staffing, planning of activities and resources, harmonization of the procurement process across the RBAs and oversight and performance reporting.

#### *Review of the Recruitment and Management of FAO Representatives*

39. OIG carried out a review in 2013 and early 2014 of FAO's policies and procedures for the recruitment, selection and management of FAO Representatives (FAORs). The main objectives of the review were to assess whether: (i) FAO attracts, identifies and recruits the best candidates to meet the countries' needs; and (ii) FAO monitors the performance of FAORs effectively and provides them with adequate training. The review focused on the selection process of FAORs who were recruited subsequent to a 2012 Director-General Bulletin which reformed the selection process.

40. Overall, OIG confirmed that FAO has implemented several improvements in the procedures and practices used to identify, attract and select candidates for FAOR positions. In particular, OIG found that: (i) OSD actively monitors vacant FAOR positions; (ii) greater preference is being given to the selection of internal candidates and OSD proactively seeks to attract internal candidates; (iii) the selection process has been enhanced; (iv) all preselected candidates go through an externally-managed Management Assessment Centre or the Virtual Assessment Review; (v) OSD closely follows-up on FAOR clearances by government counterparts; and (vi) all FAORs are now subject to a formal performance assessment process. In addition, OIG noted that the Organization was in the process of implementing other improvements with regard to the training and development of FAORs.

41. However, OIG also found that some weaknesses identified in past reviews still persist and require further attention. In particular: the selection process could be better documented; there could be more competition for FAOR positions; the matching of skills to the needs of the country could be clearer; and some principles established by the Director-General's Bulletin should be more consistently adhered to. OSD also noted that FAO's 'geographical balance rules' are an additional constraint on the selection process.

42. The report includes 12 recommendations to further strengthen the identification, selection and management processes for FAORs.

*Capping Report on Programme and Operations Issues in Country Office Audits 2012 and 2013*

43. This report inaugurates OIG's periodic summary of audit findings related to Programme and Operations issues in country offices (COs), following more systematic audit coverage in these areas beginning 2012. These summaries will parallel the ones prepared for Financial Management and Administration issues in COs. To strengthen the audit coverage of programme and operations issues, OIG identified 28 control criteria in consultation with FAO management, organized under four broad headings: (1) advocacy and liaison; (2) country programming; (3) field programme management; and (4) field programme operations. This first capping report synthesizes reviews in 16 countries during 2012-13. Overall, the audits found Satisfactory ratings for 90 percent of the audit control criteria on Liaison and Advocacy, 75 percent on Country Programming, 65 percent for Field Programme Management, and 62 percent for Field Programme Operations. The deficiencies in field programme management and field programme operations commonly reported in audits often stemmed from poor project planning and weak monitoring at the country office level, as well as a lack of accountability for non-compliance with controls at country and other levels. The report examined the causes for the deficiencies identified and their implications, from a corporate perspective, and recommended management action to address systemic weaknesses in the COs. OIG also noted good practices in some COs that could be replicated in other offices. OIG made eight recommendations to the Deputy Director-General (Operations); Director, OSD; Director, CSF; and Director, OHR, for action. The report also establishes a benchmark for assessing progress through future ratings, testing the validity of the controls and assessing progress made on addressing systemic deficiencies.

*Review of the UN-REDD Programme – FAO Dimension*

44. In 2014, OIG reviewed the implementation of the FAO dimension of the UN-REDD Programme, in two stages: the first stage focused on the review of UN-REDD activities at country level. Missions were conducted to eight countries to review their National Programmes on site: Cambodia, Congo/Brazzaville, Nigeria, Panama, Philippines, Tanzania, Viet Nam and Zambia. The results of the reviews were presented in individual reports on the respective Country Office. The second stage, building on the country level work, assessed FAO's corporate-level coordination of the UN-REDD Programme and the implementation arrangements for Support to National REDD+ Action (SNA). This included a capping analysis of the UN-REDD National Programmes reviewed by OIG, to identify common issues for corporate attention, the results of which are presented in OIG's report AUD3214.

45. OIG noted that the stakeholders of the UN-REDD Programme regarded FAO's technical expertise as visible and its contributions purposeful and appreciated. OIG recognized that the UN-REDD Programme provides an important platform for FAO to contribute its comparative advantages and spearhead development in these areas.

46. There had been a dual structure within FAO to manage the programme, shared by the Forest Assessment, Management and Conservation Division (FOM) and the Climate, Energy and Tenure Division (NRC). During the audit, this dual structure stood out as a considerable impediment for programme implementation. In September 2014 this organizational constraint was addressed by the merging of FAO's UN-REDD team under the leadership of FOM.

47. The key challenges to FAO's SNA identified in OIG's report AUD3214, for which OIG makes recommendations, included:

- revisiting the objective, vision and implementation strategy for FAO's component of SNA and its linkage to the National Programmes, partially induced by the fact that REDD+ as such was a new concept. This included streamlining the Key Performance Indicators anchored in the corresponding logframe, and the results-focused reporting thereon;

- clarifying roles and avoiding potential overlaps in the SNA outputs, both within FAO as well as among the three UN Participating Agencies, as to how their comparative advantages could contribute to the Programme; and
- streamlining the operational arrangements and structure following the merger of the two teams, including the rearrangement of governance, roles and responsibilities.

48. With regard to OIG's reviews of eight National Programmes at the country level, three of them were rated as overall satisfactory, three as partially satisfactory and two as unsatisfactory. Thus in five out of the eight cases there were major impediments or breakdowns that affected the implementation and achievement of objectives of the respective National Programme. There were weaknesses noted in all areas included in the scope of the review, however, programme implementation progress and coordination among the three Participating Agencies were found to be particularly weak.

#### *Review of GRMS Post-deployment Arrangements in the Regions*

49. In May 2012, the GRMS Project Executive Board (PEB) had endorsed interim GRMS post deployment arrangements in the regions, which are set out in the 'Terms of Reference for the GRMS Regional User Support Arrangements'. These support arrangements established Operating Support Units (OSU) in the regions to provide a single user interface for support requests through the LANDesk ticketing system. The review found that the failure to conclusively implement ownership and accountability for the end-to-end process of GRMS user support has affected the definition and implementation of the tools, policies and procedures of the support process and the monitoring of its performance. As a result the user support arrangements have not operated efficiently as intended. The audit report contains recommendations to address the underlying causes.

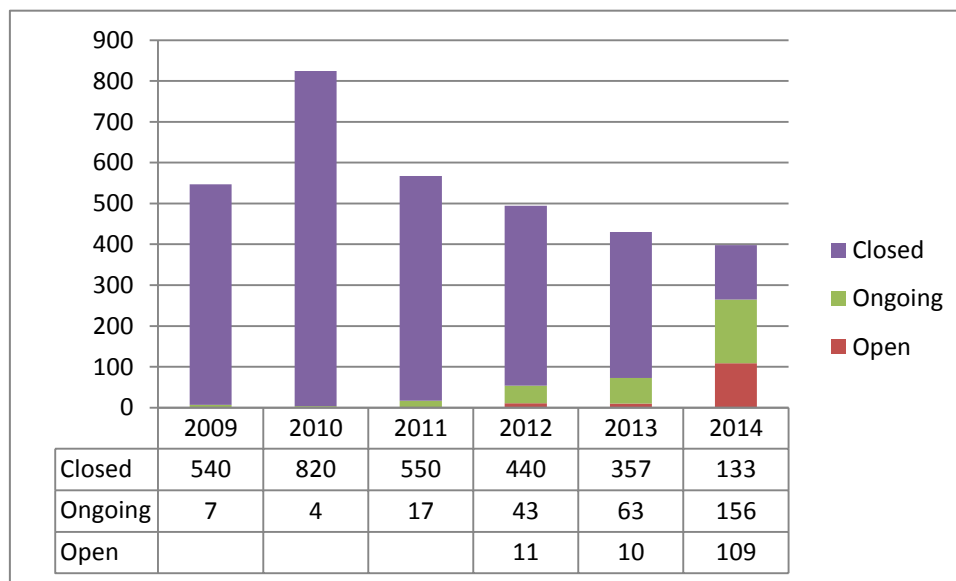
#### *Decentralized Office Audit Reports Issued in 2014*

50. A separate capping report on Financial Management and Administration issues in Country Offices (COs) audited in 2014 will be issued in early 2015. However, preliminary analysis already indicates that the state of internal controls in the COs has improved. Sixty-three percent of the 19 COs in the 2014 cohort were rated as overall satisfactory in this regard, opposed to 43 percent in the earlier cohort. Summaries of the Decentralized Office audit reports issued in 2014 are included in **Attachment A iii**.

### **VII. Audit Recommendations and Resolution**

51. As Figure 1 below illustrates, as at 31 December 2014, management had closed 33 percent of 2014 recommendations and initiated action to address another 39 percent. Management continued its efforts to implement all remaining recommendations issued prior to 2014, having closed 83 percent of those made in 2013, 89 percent of all recommendations made in 2012, and 97 percent of those made prior to 2012. The information is based on auditee reporting, in some cases subject to OIG verification at the time but often during a later audit of the unit/function.

**Figure 1 - Status of implementation of all recommendations for 2009-2014  
(as at 31 December 2014)**



Note: Statistics are based on information reported by auditees as at 31 December 2014.

52. Figure 2 below illustrates recommendation closure rates for 2014, which represent actual implementation of recommendations compared to closure rates for 2008-2012. Based on this, OIG reported an interim result of 89% for its performance indicator (10.2.A) in the Organization's Medium Term Report and considers the Organization to be on track for accomplishing the target of 93% at the end of the biennium<sup>1</sup>.

**Figure 2 - Recommendation Closure Rates**

	As of 31/12/14	As of 31/12/13	As of 31/12/12	As of 31/12/11	As of 31/12/10	As of 31/12/09
2008	99%	98%	98%	92%	89%	70%
2009	99%	97%	92%	88%	68%	28%
2010	100%	99%	96%	86%	56%	
2011	97%	94%	82%	64%		
2012	89%	68%	39%			
2013	83%	43%				
2014	33%					

53. In order to better assist management in developing an effective recommendation implementation strategy, OIG classifies recommendations into three risk categories - High, Medium and Low, based on the impact and probability of occurrence of the underlying risks. OIG developed the following definitions by risk category:

<sup>1</sup> The indicator corresponds to the rate of implementation of recommendations issued two years before the reporting period, i.e. for the end-2014 report OIG has used the 2012 recommendations as reference. Recommendations that continue to be open more than two years after their issuance are considered long-outstanding and subject to a tighter monitoring and specific reporting to Senior Management and Governing Bodies.

<b>High</b>	Failure to implement the recommendation will most likely lead to the occurrence or recurrence of an identified high-risk event that would have <b>a serious impact on the Organization’s mandate, operations, or reputation</b> . The action is <b>critical</b> to the system of internal control and should be implemented immediately.
<b>Medium</b>	Failure to implement the recommendation will most likely lead to the occurrence or recurrence of an identified risk event that would have a <b>significant impact on the department/entity’s mandate, operations, or reputation</b> . The action has a <b>significant</b> effect on the system of internal control.
<b>Low</b>	The recommendation is important to maintain a reasonable system of internal control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve business entity objectives effectively and efficiently.

54. As more than 73 percent of recommendations are generated from audits at the field or business entity level, a high proportion are rated as Medium and Low risk. However, at the business entity level these recommendations are very important to improve the system of controls and improve operational efficiencies.

55. As Figure 3 below illustrates, of the 423 outstanding recommendations made over the period 2008-2014, 15 are rated high risk. These 15 high risk recommendations comprise six that were made in 2014, one in 2013, and eight prior to that time.

**Figure 3 - Outstanding Recommendations by process 2008-2014**

Process Involved	High	Medium	Low	Grand Total	% Field
Accounting		5	6	11	82%
Advocacy, Liaison and Communications		11	16	27	33%
AP, AR and payments, receipts		4	13	17	88%
Assets Management	1	11	25	37	81%
Banking and Cash Management		4	2	6	83%
Gender equality		6	6	12	100%
Governance	2	4		6	0%
Human Resources & Organization Structure	2	24	26	52	63%
Information Systems	2	4	4	10	60%
Legal		1		1	100%
Management Controls	3	40	22	65	62%
Operations	4	77	17	98	69%
Procurement		13	17	30	97%
Security		4		4	100%
Strategy and Planning	1	36	7	44	86%
Travel			3	3	100%

Grand Total	15	244	164	423
Percentage	3.5%	57.7%	38.8%	100.0%

56. Of the 423 outstanding recommendations, 85 were made prior to 2012 and are thus classified as long-outstanding. Figure 4 summarizes the results by risk category.

**Figure 4- Long Outstanding Recommendations by Risk**

Year	High	Medium	Low	Grand Total
2008		2	1	3
2009	1	5	1	7
2010	1	1	2	4
2011	2	11	4	17
2012	4	34	16	54
Grand Total	8	53	24	85
Percentage	9.4%	62.4%	28.2%	100.0%

57. The eight high risk recommendations made prior to 2013, for which more information is provided in **Attachment A (iv)**, relate to:

- finalizing and beginning implementation of an Organization-wide business continuity management framework;
- defining gross negligence and recklessness to support investigations and disciplinary actions when such cases arise;
- establishing a framework for policy monitoring responsibilities within the different units of the operations arm, including procurement activities;
- establishing comprehensive guidance on how to conduct operations with due regard for segregation of duties under different staffing scenarios and providing small offices with compensating controls;
- assessing key element of a prospective field procurement and LOA monitoring programme and allocating of resources and staff required for the new monitoring function;
- completing a comprehensive IT Security risk assessment; and
- developing security configuration guidelines for all network components.

58. Significant progress was made by managers in closing high-risk long outstanding recommendations during 2014, mainly in relation to security of FAO personnel and assets, professional staff recruitment procedures and financial management and administration of country offices. Although management has made some progress in addressing the remaining long-outstanding recommendations, as indicated in Attachment A (iv), these actions are not yet sufficient to close the recommendations. OIG continues to follow up with management on the implementation of these recommendations on a six-monthly basis.

## VIII. Investigating Fraud and Other Misconduct

59. OIG's Investigation Unit (OIG-INV) is responsible for promoting an environment of integrity throughout the Organization's operations through the detection and investigation of allegations or indications of fraud and misconduct by FAO personnel, partners or by contractors in relation to their

business with FAO, and the promotion of preventive measures. The Unit ensures that investigation results are captured in order to develop lessons learned and recommends procedural and policy changes that enhance integrity within FAO. The Unit provides advisory services on integrity-related matters and also assists the Inspector General in the conduct of other fact finding inspections requiring legal or investigative knowledge.

### *Investigation Process*

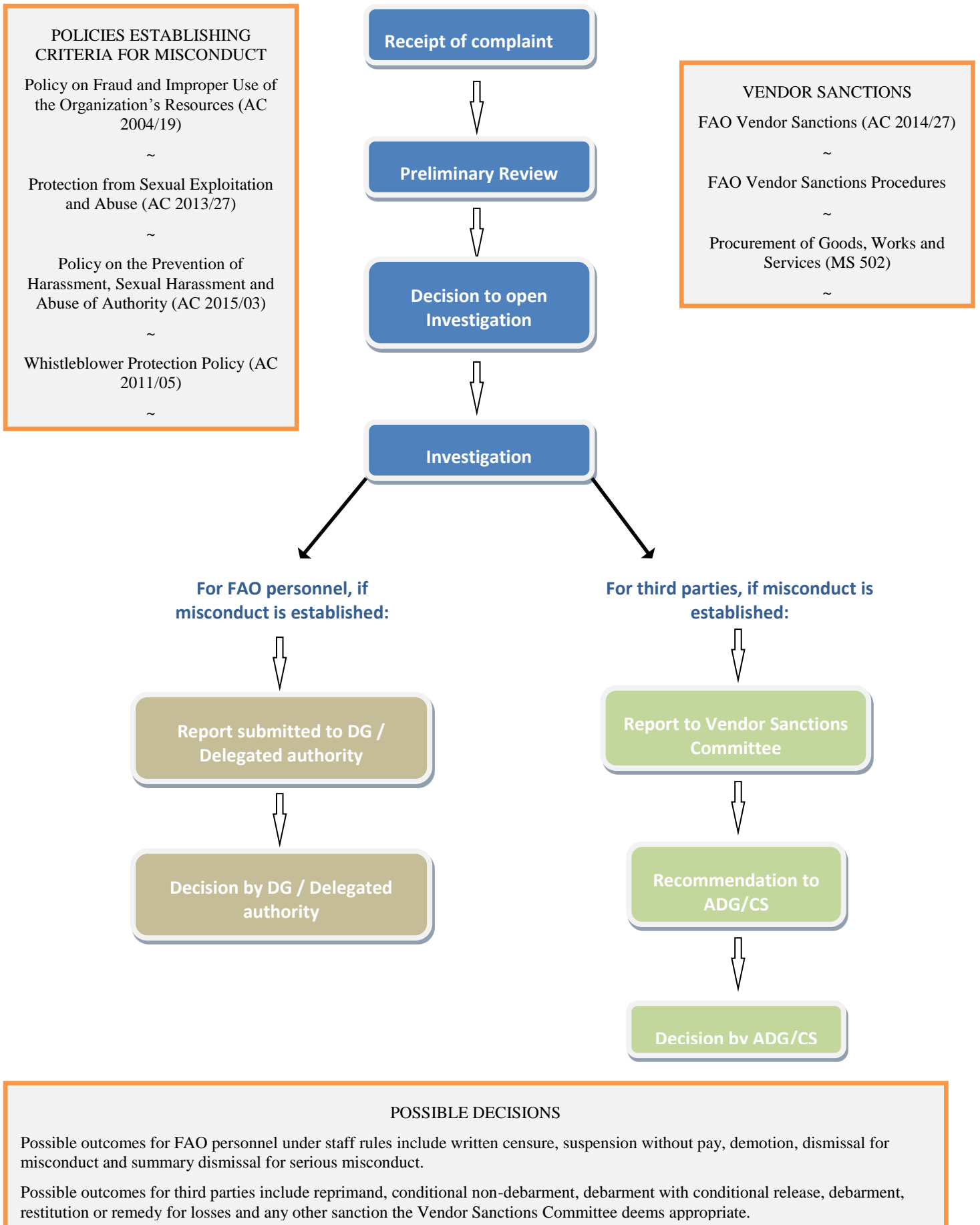
60. OIG's responsibility includes investigations of allegations of misconduct including fraud and other corrupt practices, retaliation against FAO personnel who report wrongdoing or cooperate with an OIG audit or investigation as well as those of sexual exploitation and abuse. OIG's investigative mandate was expanded at the beginning of 2015 to include cases of workplace harassment.

61. Cases of staff misconduct are investigated pursuant FAO's Guidelines for Internal Administrative Investigations following specific timelines applicable to each different kind of case and contained in the Organization's policies governing the particular conduct in question. In all cases, allegations received by OIG are subject to a preliminary review to determine whether the matter falls within the office's mandate or should be referred to another Division within FAO or to another organization. For those falling within OIG's mandate, the preliminary review assesses whether there are sufficient grounds to initiate a full investigation. In cases in which OIG conducts a full investigation, OIG reports its conclusions on whether the allegations are substantiated to the Director-General (for senior staff) or the Assistant Director-General, Corporate Services (the delegated authority in other cases) for a decision on whether begin disciplinary proceedings pursuant to FAO Manual Section 330.

62. OIG also investigates allegations of fraudulent and corrupt activities by third parties (i.e. vendors, suppliers, implementing partners) involved in programmes and operations of the Organization. Investigation results are prepared and sent to FAO's Vendor Sanctions Committee for evaluation and recommendation to the ADG/CS on whether to sanction the third party in question.

63. OIG investigation reports and memoranda can include recommendations to take appropriate administrative action, both in cases with findings relating to FAO personnel and in those cases where there are findings against third parties involved in the implementation of the Organization projects and programmes or bidding for work. Disciplinary actions regarding FAO personnel can include suspension without pay, demotion and dismissal. Actions against third parties can include reprimand, conditional non-debarment, debarment and the recovery of amounts lost due to the third party's malfeasance. OIG reports pursuant the Whistleblower Protection Policy can also recommend that protective actions be taken for those who cooperate with OIG audits and investigations.

64. To ensure that cases are appropriately prioritized, OIG employs a triage system. Prioritization is based on (i) the gravity of any negative effect on FAO's operations and objectives; (ii) effect on FAO's finances; (iii) effect on FAO's reputation; (iv) other facts including the ability to deter future wrongful practices, the resources required to undertake the investigation and the likelihood of resolution. The decision to initiate a full investigation is taken by the Inspector General in consultation with the Senior Investigator based on the results of the preliminary review.



*Investigation Case Load Management*

65. In 2014, OIG received 64 new complaints (comprising 97 allegations) and 27 requests for consultations/advisory services. OIG was able to close 53 complaints and 30 consultations/advisory requests, including ones carried over from 2013. Figure 5 below provides an overall view of the disposition of complaints during the year and comparison with the four prior years:

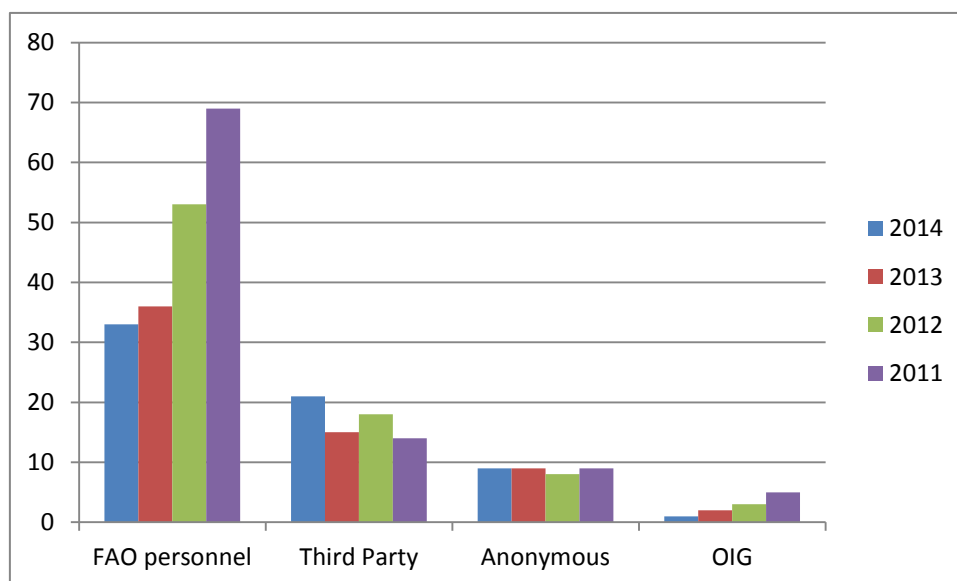
**Figure 5 – Case Load Disposition**

<b>Case Load</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Complaints Carried over from previous years	26	35	20	27
New Complaints	80	82	62	64
<b>Subtotal</b>	<b>106</b>	<b>117</b>	<b>82</b>	<b>91</b>
New Consultations / Advisory services	17	37	26	27
<b>Total Matters (Cases &amp; Consultations)</b>	<b>123</b>	<b>154</b>	<b>108</b>	<b>118</b>
Complaints Closed	71	97	65	53
Consultations / Advisory services Closed	17	37	16	30
<b>Ending Case Load</b>	<b>35</b>	<b>20</b>	<b>27</b>	<b>35</b>

66. Of the 53 complaints closed in 2014, 16 were closed after completion of a full investigation. The other 37 were closed after completion of the preliminary review. In 11 of the 37 cases, the matters were referred to other Divisions within FAO, as they were either determined to fall outside OIG's mandate or alternative measures could be taken to address the concerns raised by the complainant; or in the absence of sufficient information to warrant investigation at this time, were referred to OIG-AUD for consideration in a future audit. The remaining 26 complaints were determined to be either unsubstantiated or unfounded.

*Types of complaints*

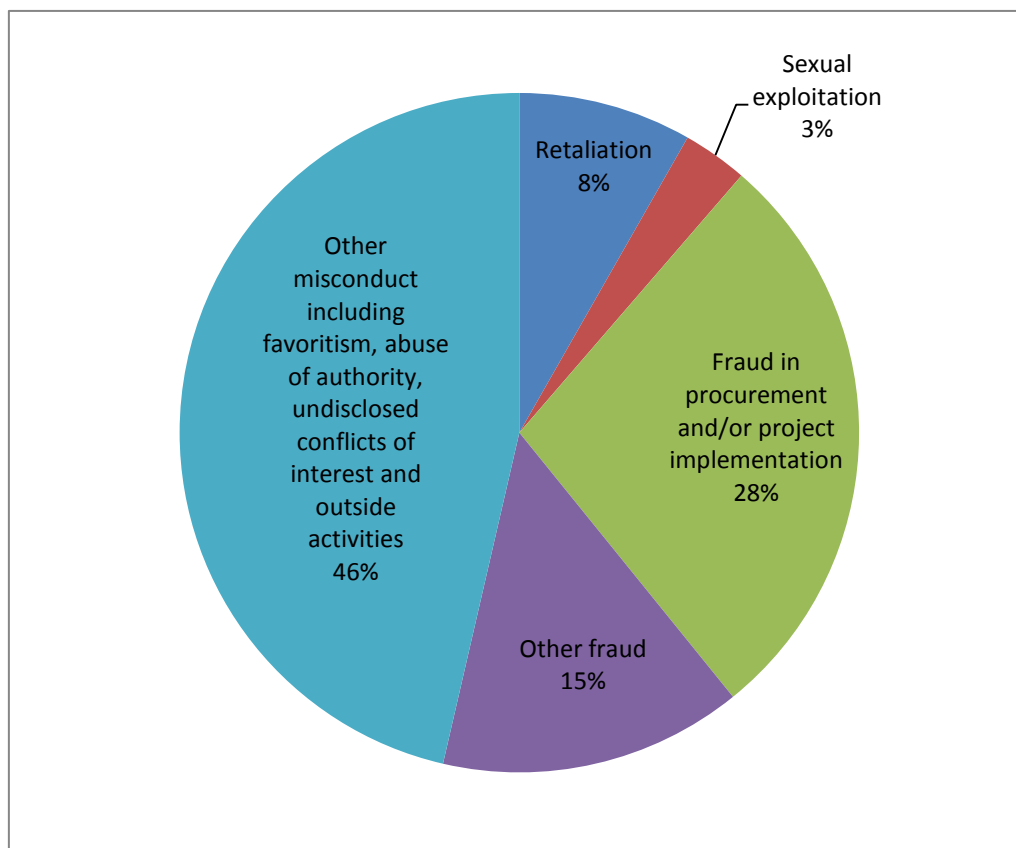
67. As indicated in Figure 6 below, most complaints were received from staff members.

**Figure 6 – Source of Complaints in 2014**

68. The chart in Figure 7 below shows the types of allegations received during 2014. It is important to note that an individual complaint received by OIG may include multiple allegations. The initial classification of allegations is based on the preliminary information OIG receives. For example, in 2014 the 64 new complaints received involved 97 allegations. Over the course of an investigation, OIG may modify the classification as more information becomes available.

69. Allegations of misconduct which fall within OIG’s mandate in 2014 are broadly divided into the following categories:

- procurement fraud, which includes allegations into any of the four definitions included in FAO Manual Section on “Procurement of Works and Services” – corruption, fraud, collusion and coercion;
- other fraud, not related to procurement;
- sexual exploitation and abuse, as defined under FAO’s Policy on Prevention of Sexual Exploitation and Abuse;
- Whistleblower retaliation, as defined under FAO’s Whistleblower Protection Policy; and
- other unsatisfactory conduct under FAO’s investigation mandate, which includes favouritism, conflict of interest and other matters as described in FAO’s Administrative Manual Section 330 (Disciplinary Measures).

**Figure 7 – Type of Allegations of Misconduct Received**

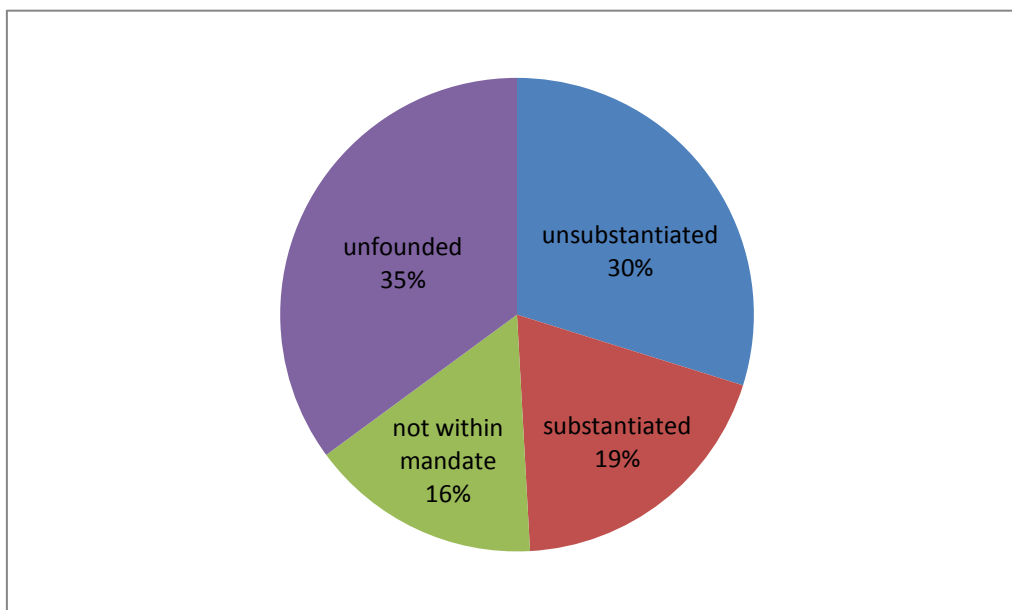
70. An OIG investigation will conclude on whether the allegations are:

- substantiated - the evidence gathered is sufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred;
- unsubstantiated - the evidence gathered is insufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred; or
- unfounded - the evidence is reasonably sufficient to conclude that the allegation is not true and no fraudulent activity or misconduct occurred.

#### *Outcome of complaints*

71. Figure 8 below shows the results according to these conclusions for all 53 cases closed in 2014. During the course of a preliminary review or full investigation, OIG/INV may establish sufficient evidence to show that the allegations are unfounded, thus clearing FAO Personnel or a third party of any wrongdoing. This is an equally important outcome for the Organization, for FAO Personnel and the third party.

72. Those cases identified as not within the investigation unit's mandate include those that are referred to other divisions or to OIG's audit unit.

**Figure 8 – Outcome of complaints concluded in 2014**

73. The Unit issued 14 reports on investigations where allegations were substantiated. As mentioned above, an individual complaint may involve multiple allegations. The examples are categorized by the main allegation under investigation in each complaint. OIG/INV reports broadly covered Fraud in Procurement or Project Implementation (eight), Sexual exploitation and abuse (one), conflict of interests (two), fraud (two), and Whistleblower Protection (two). A further three memoranda were issued on investigations carried out where full reports were not required or the allegations were not substantiated but conclusions and/or observations needed to be conveyed to management. OIG/INV's target is to close complaints within six months of receipt. The average number of days between receipt and closure of complaints in 2014 was 127 (i.e. less than five months).

74. The majority of investigations in 2014 related to FAO personnel or contractors/bidders/implementing partners located in the field (where the risks for the Organization have been growing along with the recent and ongoing Organizational decentralization). These types of investigations tend to be more resource intensive, in terms of staff time as well as travel, compared to headquarters-based cases, contributing to a greater investigative workload for the Office.

75. OIG continued to focus its attention and resources to sensitive cases investigated in Somalia involving several contractors and implementing partners, assigning one full time equivalent investigator time during 2014. An important number of cases dealt with in 2014 arose from the emergency operations component of FAO's Somalia programme.

76. The following summary presents representative examples of cases completed in 2014, the findings of which led, or are likely to lead, to disciplinary measures concerning either FAO personnel or third parties as appropriate.

77. These examples were chosen as illustrative of the main issues subject to investigation in the year:

- **Case 1: Retaliation** – In the context of an investigation into alleged procurement fraud OIG/INV received information that a supervisor had failed to report allegations of fraud in his project to either OIG or the FAO Representative and that he violated the Whistleblower Protection Policy by revealing the existence of a complaint and the identity of the complainant to the person alleged to have engaged in fraud. OIG/INV substantiated the allegations and

recommended that appropriate administrative action be taken against the individual in question. The supervisor has separated from the Organization.

- **Case 2: Sexual Exploitation and Abuse (SEA)** - OIG/INV conducted an investigation into allegations that a FAO consultant in the field had engaged in SEA and/or conduct compromising the image and interests of the Organization. No protective orders were recommended as the individual victims were never identified due to the significant lapse in time between the alleged events and their reporting to FAO. OIG interviewed the consultant as well as other individuals who purportedly had witnessed the consultant's unsatisfactory conduct. The investigation did not uncover sufficient evidence to determine that the consultant had engaged in SEA, however, it did conclude that he had engaged in conduct compromising the image and interests of the Organization. OIG/INV recommended that appropriate administrative action be taken against the consultant, who was subsequently separated from the service of the Organization.
- **Case 3: Procurement Fraud** - OIG issued a report arising from an investigation into an allegation of procurement fraud relating to services for the installation of software computers for two projects. OIG concluded that a proper bidding process was not conducted and that two FAO personnel engaged in unsatisfactory conduct, acting in a way to favour a particular supplier and subsequently preparing and processing false tender documents to fabricate a traceable chronology in the procurement files. OIG recommended appropriate administrative action in respect of these two individuals. Administrative action is currently on-going.
- **Case 4: Whistleblower Protection/Retaliation** - OIG received information indicating that a FAO Personnel had been the subject of retaliation from a former FAO staff due to his co-operation with an OIG investigation that led to the other staff member leaving the organization. OIG was provided with evidence that the FAO personnel had been the target of a criminal libel lawsuit related to his cooperation with OIG and had been placed in fear of his physical security. OIG confirmed the retaliation and issued a recommendation pursuant to the Whistleblower Protection Policy that the FAO Personnel be provided protection by temporary transfer to another post, this recommendation was quickly implemented by the Organization.
- **Case 5: Procurement fraud** - OIG received a complaint indicating that a FAO Personnel had a conflict of interest and engaged in collusion in the context of a FAO procurement action. OIG concluded that this individual had an undisclosed conflict of interest with two companies that had been awarded contracts by the project for which he worked. It also concluded that he had colluded with one of the above-mentioned companies on at least one occasion by assisting in the drafting of their bid documents that were then submitted to FAO. OIG recommended that appropriate administrative action be taken against this individual, who was subsequently separated from service with the Organization.
- **Case 6: Third Party Project Implementation Fraud** - OIG received a complaint claiming that a local NGO working with FAO to distribute inputs had submitted fraudulent documentation indicating the inputs had been distributed even though the NGO failed to actually distribute them. OIG confirmed that the inputs had not been distributed and determined that while the NGO's management may have been unaware of the situation due to actions by its employees/agents, the NGO was nonetheless responsible for the fraudulent nature of the documentation submitted in support of their request for payment. Action concerning the NGO is on-going.
- **Case 7: Third Parties Project Implementation Fraud** – OIG issued an investigation memorandum arising from on-going activities regarding non-implementation of FAO projects and programmes by multiple third parties. The case involved fraudulent paperwork submitted by several implementing partners to falsely justify payment by FAO. In addition to the fraudulent submission of paperwork, the investigation determined that all the third parties involved had breached their contractual obligations under their agreements with FAO. As a result of OIG's findings, the Organization was able to negotiate a settlement of USD 320,000 from one of the implicated entities.

## **IX. Inspections and Other Advisory Services**

78. In addition to scheduled audits and investigations responding to allegations of misconduct, OIG undertakes inspections on particular subjects or events to clarify facts or provide information for management decision-making. In 2014 OIG completed an inspection of emergency input distribution in Somalia.

79. OIG participated in different initiatives within FAO regarding development and update of the Organization's fiduciary and integrity policies. In particular OIG participated in the update of policy on the prevention of harassment, sexual harassment and abuse of authority which was finalized in January 2015 and in the development of a proposal for new environmental and social safeguard accountability and grievance process for inclusion in the suite of FAO's revised Environmental and Social Safeguard Policies. At the time of this report the process was under management review.

80. OIG also responded to more than 29 other requests for short duration advisory and consulting services during 2014. These included comments and advice on 15 new partnership agreements; reviews of a number of project agreements; and audit clauses in various draft donor contracts.

## **X. Implementing the OIG Report Disclosure Policy**

81. The FAO Council approved an OIG report disclosure policy in April 2011, which was incorporated in OIG's Charter. Under this policy, audit reports and reports of lessons learned from investigations issued on or after 12 April 2011 may be viewed by Permanent Representatives or their nominees upon direct request to the Inspector General. In November 2012, to facilitate implementation of the policy, the Finance Committee endorsed a revision to allow for remote on-line viewing of reports, as an alternative to viewing them on OIG premises. Information on OIG reports issued and covered under the policy is periodically updated on the Permanent Representatives' website. A secure internet-based solution, configured to apply the "view only" policy, was deployed in 2013. In 2014, five requests for remote on-line viewing from four members, covering the following nine audit reports, were submitted in 2014 and all were fulfilled according to the policy within the response times set out therein:

- AUD 1811 – FAO Regional Office for Africa – Review of Financial and Administrative Controls
- AUD 2511 - Comprehensive Review of the FAO Representation in Zimbabwe
- AUD 3711 - Key issues regarding Decentralization Reform Activities in Field Offices
- AUD 2812 - GRMS – Mid 2012 Review
- AUD 1413 - FAO Somalia Field Programme and Operations
- AUD 0313 - Review of the Technical Cooperation Programme
- AUD 0513 - Review of IPSAS Implementation Progress in FAO
- AUD 1113 - FAO Representation in Cambodia
- AUD 2014 - Comprehensive report - FAO Representation in Sudan

82. There were no instances of withholding of reports. In two cases names of vendors were redacted but otherwise no redaction was made to the reports provided. These instances were reported with the rationale to the FAO Audit Committee.

## **XI. OIG Management**

### **A. Managing OIG's Internal Capacity and Operations**

83. OIG delivers value through the management of its people, financial budget, technology and methodologies. Its audit, inspection and investigation functions are subject to periodic external review. In the case of audit, these are scheduled every five years to meet international internal audit standards. Recommendations from the last review in 2012 were fully implemented but a mid-point internal quality assurance review is planned for 2015. In the case of investigations, a similar five year

cycle is planned and implementation of recommendations from the first external review in 2013 is well advanced.

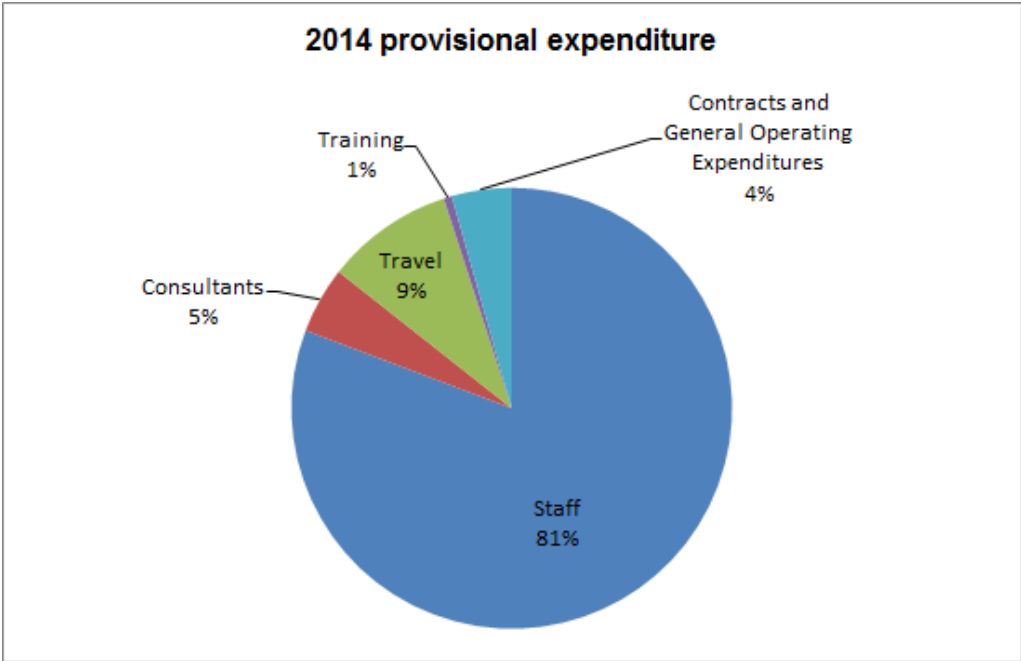
*OIG Staffing and Budget*

84. As at 31 December 2014, OIG had 25 approved posts. These include those of the Inspector General, 18 Professional staff, four of which are out-stationed in each of the Regional Offices in Cairo, Bangkok, Accra and Santiago de Chile; and six General Service staff, four of whom are attached to audit or investigation teams and undertake audit or investigation support tasks. **Attachment B** to this report depicts OIG’s staffing situation, with some demographic and gender information, as at the end of 2014. At the end of the year, the D and P-level staff on board comprised nine males and five females, and representation from all regions.

85. During 2014, OIG implemented its revised Audit Unit organization under its budget allocation in the 2014-2015 Programme of Work and Budget (PWB). The Audit Unit comprises three P5 Senior Auditors reporting to the Inspector General and leading audit teams with regular interchange of audit staff to meet work needs. Rotation between headquarters and region-based audit posts was commenced in 2014, with two long-term incumbents of regional posts promoted or transferred to headquarters posts within the Unit and one staff member transferred from headquarters to a region-based post. The organization of the Investigation Unit, headed by a P5 Senior Investigator reporting to the Inspector General, was unchanged. Job profiles for all professional levels were updated in collaboration with the Office of Human Resources during 2014. At the end of 2014, OIG had three audit posts (P4 Bangkok, P3 Santiago and P2 Headquarters) and two investigation posts (P4, P3) vacant. In one case an internal mobility transfer had been agreed and in others a recruitment process was underway or was awaiting clearance to proceed. OIG was able to meet its audit work plan and investigation case load targets with the support of experienced and well qualified consultants. In addition, to assist with managing the investigation caseload, the staffing was supplemented in 2014 with an additional 86 consultant/days beyond that required for backfilling vacancies.

86. OIG’s 2014-2015 biennial budget is USD 9.1 million, mostly from Regular Programme sources. At the end of 2014, approximately 50 percent of the budget had been spent. Savings from staff vacancies were largely offset by additional spending on consultancies. The breakdown of OIG’s costs is as follows:

**Figure 9 – 2014 Provisional Expenditure**



### *Staff Professional Development*

87. OIG invests heavily in staff development to ensure that it stays abreast of good practice in audit and investigation methods and organizational management and development concepts and to extend staff language skills. Individual training needs are identified under the Individual Development Plan component of the Performance Evaluation Management System (PEMS) employee appraisal system at the beginning of each year. In addition, broader staff needs are addressed in group training sessions, where possible in collaboration with counterparts in the other Rome-based agencies or other UN/intergovernmental organizations. OIG's Training focal point oversees the implementation of an OIG training plan developed from these elements and integrated into an FAO-wide process. Highlights of training activities in 2014 were:

- A one-week training programme for all OIG staff was organised that included a one-day seminar on audit and investigations issues involving the three Rome based Agencies; professional training on performance auditing approaches; and introductory training on security in the field conducted by FAO security in collaboration with the Italian Army.
- Selected senior staff participate each year in FAO's management and leadership programme training. During 2014, one staff member participated in the general leadership training and one female staff member participated in the CGIAR sponsored Women in Decision making course.
- One auditor participated in a World Bank-sponsored operational risk management course.
- One auditor studied for and obtained Certified Government Auditing Professional (CGAP) certification.
- One investigator attended an investigator training course organized by the European Anti-Fraud Office (OLAF).
- The forensic investigator attended a comprehensive Computer Hacking Forensic Investigator course resulting in an internationally recognized certification.

### *Implementation of Performance Evaluation and Management System*

88. In 2014, OIG continued to fully participate in the Organization's Performance Evaluation and Management System (PEMS). PEMS is FAO's system for performance appraisal that is an integral part of its Human Resources Strategy and is linked to other key components including career performance management. Annual work plans, linked to OIG's Unit Results in FAO's planning and budgeting framework, were completed for all staff. The performance planning, evaluation and development elements of the process support internal communications within the Office on performance and is a core component of OIG's quality assurance and improvement programmes for both the audit and investigation groups.

### *Technology Support*

89. OIG utilizes widely adopted audit and case management software which support professional standards compliance and process efficiencies. During 2014 FAO negotiated a new contract with its audit software vendor which will improve software maintenance and upgrade capabilities, and system improvements with its case management software vendor to address information-related recommendations from its 2013 external review of the investigation function. OIG also utilizes specialized security software to support its report disclosure policy and Audit Committee operations.

### *Methodological developments: Including gender dimensions in the internal audit work of OIG*

90. In 2014, the gender mainstreaming audit programme developed during 2013 for CO reviews was implemented in the audit of seven Representations. The audit report issued for each office included the findings on gender mainstreaming in the programmatic work of the Representation and made recommendations to the Representative to address those areas requiring attention. As several of the challenges identified require a corporate response, a capping report is being prepared, based on the general findings of the seven country offices, that draws management attention to the main issues. The report is planned to be issued in the first quarter of 2015. In addition, as part of the 2014-2015 audit

programme, a review of the extent to which gender is being mainstreamed in the reviewed strategic framework was undertaken. The results are being finalised in consultation with ESP and a report is to be issued also in the first quarter 2015.

#### *Investigation Quality Assurance and Improvement Programme*

91. An external assessment of the investigation function took place in June 2013. Overall, the review concluded that OIG complies with international investigation standards, and had positive conclusions with regard to case management, documentation and reporting. As of the end of 2014, most recommendations from this review had been implemented. Follow up action on remaining pending recommendations is monitored by the FAO Audit Committee.

## **XII. Maximizing Oversight Coverage and Harmonization through Coordination and Collaboration with other Oversight Bodies**

### *Coordination with other FAO Oversight Bodies and Ethics/Ombudsman Office*

92. During the year, OIG met routinely with the Office of Evaluation (OED) and the External Auditor to discuss their respective work plans to ensure their work did not unnecessarily duplicate review activities, and provide input into the planning of their respective assignments. OED and the external auditor are routinely copied on all internal audit reports and meetings are held at working level on various assignments when relevant to work and assignment planning. In preparing for individual audit assignments, OIG reviewed and took into account the issues and recommendations the External Auditor presented to management in the form of management letters and of OED in its evaluation reports.

93. There was regular communication throughout the year with the Ethics/Ombudsman Office. In some cases complaints received by OIG or the Ethics/Ombudsman Office were referred to the other when these fell under the other's mandate. The Ethics/Ombudsman Office assisted with awareness raising of OIG's mandate and anti-fraud policies in its training activities. OIG audits provided information to the Ethics/Ombudsman Office to assist with planning ethics awareness training in decentralized locations.

### *Collaboration with the Oversight Services of the Other Rome-based Agencies*

94. In late 2014, the Internal Audit Services of the three Rome-based Agencies with the support of KPMG Advisory S.p.A., conducted a joint audit of the activity of the Common Procurement Team (CPT), which was established in 2010 for joint tendering of commonly procured headquarters' works and services of the three agencies. The results of this audit are covered in this annual report.

95. The 2014 edition of the annual joint session of all the staff of the audit, inspection & investigation functions of the three Rome-based agencies was hosted by OIG, in order to strengthen cooperation, interaction and networking and professional updating across the agencies. This year's meeting was attended by over 50 staff. The one-day event included two external presentations and breakout sessions for the audit and investigation sections to explore more in-depth items of common interest and potential for coordination.

### *Collaboration with other UN Agencies and Intergovernmental Organizations*

96. OIG continued to be an active member of the professional networks for audit and investigation in the UN System and the wider international organization sector. These networks provide sources of information for enhancing OIG's own performance, opportunities for addressing coverage of jointly management programmes and are a basis for harmonized development of the audit and investigation functions across the UN and intergovernmental sectors.

97. Responding to the UN General Assembly resolution on the Quadrennial Comprehensive Policy Review, the UN Chief Executives Board system has prioritized the development of UN

System-wide joint internal audits of joint programmes. This is being responded to collectively by the UN Internal Audit Services, including OIG, through their professional network, the UN-RIAS.<sup>2</sup>

98. In 2014, the Internal Audit Services of FAO, UNDP and UNEP conducted a joint review of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme). The Internal Audit Services carried out the audit of the UN-REDD Programme in three stages. The first stage covered implementation of the National Programmes in different countries. The second stage focused on the individual Agencies' Support to National REDD+ Action at the corporate level. The results of these two audit stages are available in individual audit reports of the Internal Audit Services, and for the FAO component are covered in an earlier section of this annual report. The third stage of the audit, which will be completed in 2015, will cover the overall and interagency implementation and coordination of the Global UN-REDD Programme, by the UN-REDD Secretariat, based in Geneva, and the three Participating Agencies. The joint audit is being led by OIG.

99. In addition, a joint audit of several UN Internal Audit Services of Delivering as One in Malawi was undertaken with reporting due in early 2015; and reporting for an audit of Delivering as One in Pakistan, mainly conducted in 2013, was finalized in 2014 and is covered in this annual report.

100. The development of a consolidated UN joint audit framework, replacing a number of old ones developed for specific purposes, was finalized by UN-RIAS in 2014. UN-RIAS has also been working with relevant parts of the UN System to 2014 to develop a more systematic analysis of the population of joint programmes within the System and its risk analysis, to support prioritization of joint audit work; and on the oversight elements in new UN joint programming guidelines and contract templates. Work on new contract templates has carried over into 2015.

101. During 2014, UN-RIAS also provided advice to the working group developing a reference model for risk management, oversight and accountability in the UN System, and supported the final version adopted by the UN Higher Level Committee for Management (HLCM) in October 2014. This model, based on the "Three Lines of Defence Model", now widely being used in many countries will serve as a common framework for internal and external stakeholders of UN agencies in these areas.

102. OIG participated in the 45th Plenary RIAS and 8th UN-RIAS meetings were held in September 2013 at the World Bank, at which the Inspector General completed a term as co-Chair of the Plenary RIAS. The Inspector General was confirmed as co-Vice Chair of the UN-RIAS for 2014-2015 and focal point for interaction of the network with the HLCM and its various professional networks.

103. In October 2014, the Inspector General and Senior Investigator participated in the 15th Conference of International Investigators (CII), which was hosted by OLAF in Italy. This annual conference brings together the investigations functions of UN agencies, Multilateral Development Banks and other intergovernmental organizations, such as the European Anti-Fraud Office. The Conference was attended by more than 120 professionals from member agencies. The Senior Investigator, who is a member of the organizing secretariat for the Conference, was a moderator of a special session on external reviews.

104. The Conference approved the General Principles and Guidelines for Conducting External Reviews of Investigation Offices, which was prepared by a working group comprised of representatives of different agencies, including FAO.

105. In the margins of the Conference, a new professional network of the investigation services of the UN agencies (UN-RIS), of which OIG is a member, held its inaugural face to face meeting. Since its establishment, the network has focussed on providing input into UN system discussions on sharing of information on implementing partners among agencies in the context of investigations, sharing information on the development of vendor sanctioning systems within the UN system, and on

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<sup>2</sup> The RIAS is the network of Representatives of Internal Audit Services of the UN System, Multilateral Financial Institutions and Associated Organizations (the professional network of internal audit services of intergovernmental organizations). UN-RIAS is the UN System sub-group of this network.

identifying areas of methodology and practice where harmonization amongst UN investigation services may be beneficial. These will inform the development of UN-RIS's agenda in 2015.

## Attachment A (i)

**Risks in OIG Corporate Risk Register that were Covered in 2014**

<b>Entity Category</b>	<b>Sub-category</b>	<b>Auditable entity</b>	<b>High</b>	<b>Medium</b>
01. Governance	Gender Policy	Gender Policy	(1)	
	Senior management Performance	Implementation of recommendations	1	
	Ethics management	Ethics management		1
	Internal Control System	Administrative Procedures & internal controls at DOs	2	
02. Strategic Management	Decentralization	Decentralization		(1)
	Strategic planning	Strategic Planning	2	1
	Organizational structure	Organizational structure	1	
	Partnerships	Partnerships	1	
03. Planning, Budgeting and Reporting	Planning and Budgeting	Programme of Work and Budget	2	
	Performance management and reporting	Results based management		1
	Planning and Budgeting	Budget Management	1	
04. Financial Management	Accounting	Accounting controls at Dos		2
	Financial Controls	Advances / Disbursements by Dos / Field Budget Authorizations	2	1
	Treasury	Cash flow management (DOs)		1
05. Human Resources	NSHR management	NSHR management at DOs	1	1
06. Procurement, Assets and Facilities	Assets management	Assets management at	1	1

management		DOs		
	Procurement	RBA Joint Procurement Unit		2
		Field procurement		2
		LOAs at DOs		2
		Procurement planning	1	1
		Contract management		3
07. Administrative and Other Services	Administrative Services	Shared Services Centre		(1)
	Other Services	Commissary		1
	Other Services	Credit Union		1
	Compliance with administrative policies and procedures	Compliance with administrative policies and procedures	1	
	Travel Management	Duty Travel costs contention		2 + (1)
09. Information Systems and Technology Management	Deliver and Support	IT training		1
		Ensure systems security.	1	
		Define and manage service levels	1 + (1)	
	Acquire and Implement	Change management		(2)
	Plan and Organize	Manage IT Human Resources	(1)	
10. Safety, Security and Continuation of activities	Security	Field Security	1	
11. Decentralized offices management	Decentralized Offices management	Administration of major contracts (travel agent, building maintenance, cleaning, mail service)		1
		DOs strategy	1	1

		DOs structure	3	5
		Government provided staff		1
12. Field Programme Cycle	Project Formulation and Approval	Project Formulation and Approval	3	2
	Project management and delivery	Emergency projects management and delivery	(2)	
		TSS claims		(1)
		Project management and delivery		1
	Project monitoring	Distribution of inputs	1	
		Project monitoring	3	
13. Special Programmes/Projects & Reforms	Special Programmes/Projects	UN REDD, TCI Investment Centre	1	1
	Reforms	FAO Transformation, TCE Decentralization		2 + (1)
<b>TOTAL</b>			<b>31</b>	<b>38</b>

Note: Total amount does not include reviews in progress, which are distinguished in the table by the figures in brackets.

Attachment A (ii)

**Office of the Inspector General**  
**Reports Issued in 2014 and early 2015 Subject to Disclosure Policy<sup>3</sup>**

**Organization-wide Audit Reports**

<b>Assignment Description</b>	<b>Reports Issued</b>
IPSAS Implementation Progress in FAO	AUD_0314
GRMS	AUD_0414
Commissary Physical inventory Count 2013	AUD_1014
Limited Scope Review of FAO's Publishing Activity	AUD_1114
Recruitment and Management of FAO Representatives	AUD_1314
Staff Development Risk Assessment	AUD_1414
Financial and Human Resources Management in FAO's Investment Centre Division	AUD_2814
Rome-Based Agencies' Procurement Team (joint audit)	AUD_0115
Information Technology Security	AUD_0215
Advisory Review of Implementation of FAO's new Strategic Framework	AUD_0315

**Decentralized Activities Audit Reports**

<b>Description</b>	<b>Reports Issued</b>
<b>Thematic Reviews</b>	
Financial Management and Administration Capping Report on Country Office Audits for 2012 and 2013	AUD_0514
Joint Audit of Delivering As One in Pakistan	AUD_1514
<b>Regional, Subregional and Liaison Offices:</b>	
Comprehensive Review SFS/FAO Representation in Zimbabwe	AUD_0214
Liaison Office in New York: Finance and Administration Audit	AUD_0914
FAO Subregional Office for Central America and FAO Representation in Panama	AUD_1714
Comprehensive Review: FAO Subregional Office in Eastern Africa and FAO Representation in Ethiopia	AUD_1814
<b>FAO Representations and related programmes and projects:</b>	
Financial Management and Administration Audit: FAO Representation in Lesotho	AUD_0114
FAO Representation in Swaziland - Finance and Administration	AUD_0614
Comprehensive Country Review: FAO Representation in Burkina Faso	AUD_0714
Audit of the FAO Programme in Saudi Arabia	AUD_0814

<sup>3</sup> Note that in the interests of timely reporting reports AUD\_0314, 0414 and 0514 were covered in OIG's 2013 annual report. Likewise reports AUD\_0115, 0215 and 0315, which cover audits substantially completed in 2014 but reported in early 2015, are covered in this 2014 annual report.

Comprehensive Review: FAO Representation in Viet Nam	AUD_1214
UN-REDD Programme and Financial Management and Administration Audit: FAO Representation in Zambia	AUD_1614
Comprehensive Review: FAO Representation in Kenya	AUD 1914
Comprehensive Review: FAO Representation in Sudan	AUD_2014
Financial and Administrative Review FAO Representation in the Republic of Congo	AUD_2114
UN-REDD National Programme in Viet Nam	AUD_2214
Comprehensive Review: FAO Representation in Nigeria	AUD 2314
Comprehensive Country Review: FAO Representation in Tanzania	AUD 2414
UN-REDD Programme and Financial Management and Administration Audit: FAO Representation in Cambodia	AUD 2514
Comprehensive Country Review: FAO Representation in Bolivia	AUD 2614
Financial Management and Administration Audit: FAO Representation in Cameroon	AUD 2714
Comprehensive Audit: FAO Representation in Philippines	AUD 2914
Programme & Operations - Capping Report	AUD 3014
Comprehensive Audit: FAO Representation in Myanmar	AUD 3114
UN-REDD Programme - FAO Dimension	AUD 3214
Review of GRMS post deployment arrangements in the Regions	AUD 3314

**Investigations Lessons Learned Reports**

<b>Description</b>	<b>Reports</b>
	none

### **Summary of Results for Decentralized Office Audit Reports Issued in 2014<sup>4</sup>**

#### Thematic reviews:

##### *AUD 3014 - Report on Programme and Operations Issues in Country Office Audits 2012 and 2013*

This report inaugurates OIG's periodic summary of audit findings related to Programme and Operations issues in Country Offices (COs, following more systematic audit coverage in these areas beginning 2012. These summaries will parallel the ones prepared for Financial Management and Administration issues in COs. OIG identified 28 control criteria to use in its reviews of CO programmes and operations, in consultation with FAO management. They are organized under four broad headings: (1) advocacy and liaison; (2) country programming; (3) field programme management; and (4) field programme operations. Programme and Operations audit reviews were undertaken in 16 countries during 2012-13. This capping report summarizes the main findings and identifies eight overarching recommendations.

Overall, the audits found Satisfactory ratings for 90 percent of the audit control criteria on Liaison and Advocacy, 75 percent on Country Programming, 65 percent for Field Programme Management, and 62 percent for Field Programme Operations. While the ratings on liaison and advocacy are highly satisfactory, OIG recognizes that further work is required to define measures for expected performance in this area. Moreover, OIG believes that the Organization should consider how country offices operate in new or fast changing environments. Improved and expanded training and guidance on country programming that was introduced in the past two years, such as the development of the FAOR Community and Programme, as well as the proposal to develop a broader "FAO Academy", should mitigate most of the problems identified in the audits. The deficiencies in field programme management and field programme operations commonly reported in audits often stemmed from poor project planning and weak monitoring at the country office level, as well as a lack of accountability for non-compliance with controls at country and other levels. This report examines the causes for the deficiencies identified and their implications, and recommends additional management action, if needed, to address continuing systemic weaknesses in field offices. OIG also noted good practices in some COs that could be replicated in other offices.

OIG acknowledges that FAO management is aware of many of these deficiencies at the CO level. Under the leadership of DDO, and with the close involvement of the Regional Representatives/ADGs, key headquarters units are currently introducing improvements to address many of the issues that need attention at the corporate level. The 2013 Programme Evaluation Report and recent evaluations of regional and country offices reported several similar deficiencies.

This report establishes a benchmark for assessing progress through future ratings, testing the validity of the controls and assessing progress made on addressing systemic deficiencies. OIG made eight recommendations to the Deputy Director-General (Operations); and the Directors of the Office of Strategy, Planning and Resources Management; Finance; and the Office of Human Resources for action.

#### Regional, Subregional and Liaison Offices:

##### *AUD\_0214: Comprehensive Review of the Subregional Office for Southern Africa SFS/FAO Representation in Zimbabwe*

During the period under review, OIG observed that, while there were further opportunities to enhance communications and visibility, the Subregional Coordinator/FAO Representative (SRC/FAOR) was proactive in representation functions, stakeholder relationships and funds mobilization.

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<sup>4</sup> These assessments reflect the overall state of FAO operations in the respective country at the time of the audit and should not necessarily be interpreted wholly as a reflection of the individual FAOR's performance.

The implementation of the current, first Country Programming Framework (CPF), reflecting the government's key priorities, could be hampered by the non-implementation of the planned resource mobilization strategy to cover a significant current funding gap and of the CPF monitoring and reporting function. The field programme is largely successful, with close SRC/FAOR oversight, although some delays were experienced in the implementation of projects funded by certain donors. Future operations will benefit from the complete integration of emergency and developmental operations. In addition, there is scope for the SRC/FAOR to jointly manage country office funds available from the Regular Programme (RP), AOS and projects in an integrated manner to reduce costs, increase efficiencies and better utilize available staff. Additional attention given to anticipating risks during project planning and addressing implementation delays as well as mitigating actions will improve timeliness of implementation.

The audit made ten recommendations and raised one compliance point in relation to advocacy, programming and operations. The SRC/FAOR had agreed and taken steps to implement OIG's recommendations.

The audit noted deficient or seriously deficient practices in all finance and administration areas reviewed. These included key areas such as general management controls, accounting, assets management, procurement and LOA management, banking and cash, disbursements, human resources, and travel.

The audit made 19 recommendations and raised 17 compliance points to address weaknesses and deficiencies in finance and administration. The SRC/FAOR agreed with the recommended actions and has already taken steps to implement them.

With regard to information technology, OIG recommended a disaster recovery plan and off-site back-up. OIG also made recommendations relating to office security.

#### *AUD\_0914: Liaison Office in New York: Finance and Administration Audit*

OIG noted a positive working environment, and an established workplan with activities supporting its mandate. Controls over assets, payments, cash flow management and travel were found to be sound.

There was little segregation of financial and administrative duties desirable from a control viewpoint, and while the Office's leeway for action on this was limited by the small size of the administration team, there was some scope for changes which OIG recommended.

Further training, including on procurement policies, was needed. Following GRMS roll-out, management requested budget and procurement training tailored to the requirements of the office staff, which was responded to positively.

The audit report made three recommendations and raised 13 compliance points to address the weaknesses and deficiencies in administration and finance. Office management agreed with the recommended actions and began their implementation during the audit mission.

#### *AUD 1714 - FAO Subregional Office for Central America and FAO Representation in Panama*

Government and UN stakeholders conveyed to OIG a view that FAO's liaison and advocacy efforts in the country and in the subregion needed to be strengthened. Implementation of the recently signed Country Programming Framework was progressing reasonably well. However, the Office continued to face the critical challenge of mobilizing resources.

Management of the field programme was found to be deficient. The Office lacked a Programme Officer to oversee and strategically manage programmatic aspects at the subregional and country levels, and the Subregional Coordinator needed to better monitor progress on project activities including those of regional projects with a bearing in Panama.

Field programme operations were satisfactory for the three projects initially selected for review and the Office's technical skills were highly rated by stakeholders. The UN-REDD programme, conducted jointly with two other UN agencies, had made good progress on the activities under FAO's direct responsibility. Key challenges ahead include sustainability and follow-up financing of activities to sustain the programme achievements and outcomes. An additional project reviewed, which was a joint UN project, had been unsuccessful, with UN agencies involved failing to work together to "deliver as one", .

Gender mainstreaming was assessed as deficient. The Office did not have a gender focal point, an overall gender mainstreaming strategy or a purposeful gender knowledge management strategy. Gender issues were not systematically considered in projects and when gender elements were applied, monitoring of resources and reporting on gender results had not been optimal..

The audit report includes 18 recommendations and two compliance points to address the programme and project management weaknesses.

Finance and administration controls were rated overall as satisfactory. The Office has shown marked improvement from the previous audit. However, the Office continues to have control deficiencies within general management controls, assets and accounts payables..

Office management agreed with the five recommendations and seven compliance points identified for the finance and administration, and had commenced their implementation.

#### *AUD 1814 - Comprehensive Review: FAO Subregional Office in Eastern Africa and FAO Representation in Ethiopia*

Overall, OIG found that programme planning and operations for the Country Office were satisfactorily managed. The Country Representation actively engaged with all stakeholders on strategy development and operations for its activities in Ethiopia. The merger of the emergency and development units of the Representation had strengthened its capacity to provide technical support to the field programme. A revised organizational structure was established and related procedures were being reviewed to enhance project management. However, there was need to (i) strengthen the monitoring function, (ii) hold project managers more accountable for project delivery, (iii) increase the Subregional Coordinator/FAO Representative's oversight of the field programme, and (iv) actively address the operational risks they had identified.

The Subregional Office provided technical support to the countries in the subregion, including Ethiopia. However, OIG found that though the Office's priorities were adequately planned and budgeted at the start of the biennium or the year, monitoring was weak.. In addition, OIG noted that two key posts in the areas of soils and agriculture production were vacant for more than 12 months and that this was impacting on the skills mix of the Office.

For those services shared between the Country Office and the Subregional Office for Eastern Africa, OIG noted that IT management and security compliance were satisfactorily managed while some finance and administration processes required improvements especially with respect to general management controls, accounting, assets management and HR management.

The audit made twenty-four recommendations to redress the findings which the SRC/FAOR accepted.

#### FAO Representations and Related Programmes and Projects:

##### *AUD\_0114: Financial Management and Administration Audit: FAO Representation in Lesotho*

Overall, OIG found that the Representation had a deficient control environment and needed to make significant improvements in most financial and administrative areas. Lack of necessary training and supervision for staff contributed significantly to the overall deficient control environment. Particular areas of concern were the absence of a fraud control plan; inadequate monitoring of personal use of official resources; accounting errors; deficiencies in asset records; inadequate documentation of vendor selection , absence of annual procurement plan and lack of monitoring systems for contracts; weaknesses in disbursement controls and absence of a proper monitoring system in place for advances and tax recuperation; inadequate controls over selection and assessment of Non Staff Human

Resources (NSHR) weaknesses in controls over travel; and staff job descriptions and reporting lines were not updated;

In addition, in general, OIG found that documentation filing systems and segregation of duties need to be improved. The audit made 16 recommendations and raised 24 compliance points to address weaknesses and deficiencies among all areas of finance and administration, once compliance point on security and two related to IT controls. The FAOR accepted the recommendations and had started implementing them.

*AUD\_0614 - FAO Representation in Swaziland: Finance and Administration Audit*

The audit noted deficient or seriously deficient practices in several areas, including controls over use of official resources; accounting; assets management; procurement and letters of agreement with partners, disbursements and controls over advances.

The report made 16 recommendations and identified 10 compliance points to address weaknesses noted. These were accepted by the FAO Representative and implementation had already started.

*AUD\_0714: Comprehensive Country Review: FAO Representation in Burkina Faso*

Key partners interviewed by OIG recognized the contribution of the Representation and its staff, and field programme delivery was generally satisfactory. The areas for attention were to focus on partner capacity and complete the integration of the Emergency unit with the Representation.

The Representation's Finance and Administration were rated overall as satisfactory. Nevertheless, it needs to further strengthen existing internal controls over procedures to track personal use of official resources, accuracy of accounting, reconciliation of asset data, monitoring of advance payments, appropriate application of non-staff contracts and documentation of the selection process, Travel Expense Claims and Back to Office Reports for local travel advances and procurement planning. The audit identified eleven recommendations and ten compliance points to address these weaknesses and deficiencies. OIG also made two security recommendations and one relation to IT backup practices. The FAO Representative accepted all recommendations and commenced their implementation.

*AUD\_0814 - Audit of the FAO Programme in Saudi Arabia*

The audit examined two particular areas: (i) the Programme Coordination Unit's (PCU) operational framework and management of programme implementation; and (ii) financial and administration management practices and controls.

OIG found that, since the previous audit, the PCU had generally improved the management and coordination practices of programme implementation, as well as the financial and administration controls, but important exposures remain to be addressed, in particular: the PCU should (i) establish the Joint Programme Committee as foreseen in the Memorandum of Understanding (MOU); (ii) adjust the project document and workplan to include all activities it carries out; (iii) strengthen the monitoring of project implementation through regular updates of the logical framework; and (iv) expedite the recruitment of international consultants.

Financial and administration controls have significantly improved compared to the previous audit. However, further improvements are still required to ensure full compliance, reduce inefficiencies and ensure that resources are adequately protected. In particular: guidelines should be agreed with the government on the income generated by Programme projects and FAO's related responsibilities; non-FAO income should not be mixed with the Programme's funds; procurement planning and vendor listing should be completed; implementation of purchase orders should be monitored; vacant PCU posts should be filled; recruitment of personnel should be based on competitive selection; and overtime payments should be limited to eligible staff.

OIG made 17 recommendations and identified two compliance points to improve the effectiveness and efficiency of the PCU's operational framework and management of the implementation of the Programme, as well as its financial and administration controls. In addition, three recommendations from OIG's previous report, issued in 2008, remained outstanding. OIG encouraged redoubled efforts by the PCU on getting the Joint Programme Committee up and running as intended and reviewing

with the Ministry of Agriculture the difficulties in reaching the programmes Saudi national staffing target.

*AUD 1214 - Comprehensive Review: FAO Representation in Viet Nam*

OIG observed that more attention was needed to establish FAO's visibility in assisting the government to achieve its development objectives, though noting the challenges to this posed by the UN Delivering As One environment, where agencies are discouraged from unilateral liaison activities.

Implementation of the recently signed Country Programming Framework was expected to begin quickly, however, the work needed to initiate with planning steps for monitoring and resource mobilization to ensure effectiveness and efficiency. A key challenge will be to mobilize resources within the narrow framework permitted by the One UN approach in Viet Nam.

Field programme management required immediate and significant attention to address serious deficiencies in the Representation's structure and operations. In addition to restructuring the Office to integrate the Emergency Centre for Transboundary Animal Disease (ECTAD) unit, the FAO Representative needed to take steps to instil leadership in the Programme Unit, adopt processes to monitor the field programme and improve working relationships, and require better project formulation to overcome weaknesses in planning that affect project performance and implementation.

Field programme operations, assessed through a review of three selected projects, were rated as deficient. Several problems stem from incomplete or insufficient project formulation, such as lacking baseline data on performance indicators or not identifying eligibility criteria for beneficiaries. In addition, the absence of leadership in the Programme Unit contributed to the over-expenditure of two projects and lack of clarity regarding responsibilities and accountability. The audit report included ten recommendations and one compliance point to address the above weaknesses, and the FAOR has commenced their implementation.

Finance and administration controls are rated overall as deficient. Inattentive management allowed the control structure to become ineffective, resulting in a high number of deficiencies within general management controls, accounting, procurement/Letters of Agreement with partners, banking/cash, disbursement, HR and travel. Multiple audit observations from the 2010 report were found to be unresolved. The FAO Representative has accepted OIG's five recommendations and 17 compliance points identified to address the above weaknesses and deficiencies.

While field security management was satisfactory and controls were in place, IT management was also rated as overall deficient. Representation management should direct attention to improving staff awareness of the Organization's IT security policy, remove unusable IT equipment, and secure backup data tapes. OIG made two recommendations and identified one compliance points in this area, which were accepted.

*AUD 1514 - Joint Audit of Delivering As One in Pakistan*

The Internal Audit Services of six United Nations organizations (FAO, UNDP, UNESCO, UNFPA, UNICEF and UNIDO) conducted a joint audit of Delivering as One (DaO) in Pakistan. The joint audit covered the activities during the period from 1 January 2012 to 30 June 2013.

The joint audit assessed DaO in Pakistan as partially satisfactory. This rating was mainly due to the lack of guidance from the United Nations Development Group (UNDG) to rationalize DaO and humanitarian processes in a context of transition from humanitarian to development assistance, as well as due to the weaknesses in the implementation and monitoring of the One Programme.

The audit made 15 recommendations, seven of which were ranked high (critical) priority. These recommendations include actions to address the insufficient harmonization of development and humanitarian planning and monitoring, incomplete implementation of the Management and Accountability Framework, gaps in the monitoring framework for Strategic Priority Areas, challenges establishing clear and effective monitoring structures and processes, and lack of a strategy to harmonize business processes and procedures.

The Resident Coordinator and the UNDG/DOCO accepted all of the recommendations and are in the process of implementing them.

*AUD 1614 - UN-REDD Programme and Financial Management and Administration Audit: FAO Representation in Zambia*

OIG observed a positive working environment and commitment from FAO's UN-REDD National Programme management team which contributed to its progress despite a delayed start-up. The national Implementing Partner, FAO and UNDP are working closely together towards the project's objectives, and governance arrangements are in place to oversee its progress. However, some outputs and activities still need to be completed.

OIG noted that the divergence of administrative procedures and systems among the participating agencies has hindered smooth implementation. Moreover, there was still a tendency of reporting on activities rather than results-oriented progress, and the lack of an Monitoring & Evaluation function, originally foreseen in the Project Document, affecting systematic and independent monitoring and reporting on project achievements.

The audit identified several lessons learned from the UN-REDD National Programme activities in Zambia which were raised at the corporate level. Furthermore, it identified one compliance point, regarding the modality of disbursements to the implementing partner, which needed to be addressed by the FAOR.

The Representation's financial and administrative management practices and controls were rated as deficient. Weaknesses were identified, in particular, in the areas of general management controls, procurement and letters of agreement with partners, assets, human resources, travel, accounts payable, payments and advances, as well as accounting. Management of cash advances, which was the subject of a separate inspection focussing on completed EU-funded projects where these were of significant value, was rated as seriously deficient.

The audit made 13 recommendations and raised 32 compliance points to address these weaknesses and deficiencies in administration and finance. Representation management agreed with the recommended actions and has begun their implementation.

*AUD 1914 - Comprehensive Review: FAO Representation in Kenya*

OIG found that the activities of the Representation were generally well managed and that FAO had a positive image among stakeholders. Country programme planning and operations were aligned with the Country Programme Framework agreed previously with the Government. However, government and donor stakeholders encouraged greater focus on policy, information management, and knowledge exchange which would be better reflected in an upcoming revision to the Framework. The FAO Representative also agreed with OIG recommendations to capitalise on the good progress made in gender mainstreaming; adopt a more strategic approach to resource mobilization; and, review the monitoring mechanisms to better track field programme implementation. Capacity to carry out these tasks existed in the Representation as a result of the merger of the emergency and development units.

The Representation's administrative and financial management was in a transitional phase from one of weak supervision due to the extended vacancy in the Assistant FAOR Administration's post, to one where the new incumbent was assessing processes and addressing weaknesses. OIG recommended urgent attention should be given to improving: general management controls, assets management, procurement and management of letters of agreement with partners. In addition, OIG found that though security was robust at the Representation's office, there was need to fully implement the UNDSS recommendations concerning the sub-offices in out-lying areas.

OIG made 25 recommendations to address project governance, project planning and operations issues, and, to improve the control environment in the Administrative and Finance units. These were accepted for implementation by the FAO Representative.

*AUD 2014 - Comprehensive Review: FAO Representation in Sudan*

Overall, OIG found that programme planning and operations for the Country Office were deficient. The Representation had formulated a Country Programming Framework in line with national priorities, taking into account FAO's mandate, strategic objectives and comparative advantages. However, it did not consult with local stakeholders during the development of the Framework and did not monitor its implementation to ensure achievement of established objectives. Furthermore, the former FAO Representative and FAO Representative ad interim did not establish and enforce a system for receiving regular updates on the status of the field programme.

The cooperation and synergy between the former FAO Representative, and FAO Representative ad interim, and the Emergency and Rehabilitation Coordination Unit (ERCU) was minimal, which had a negative impact on the development of the field programme, as reflected in the development and monitoring of the Country Programming Framework. The merger of the Representation and ERCU is expected to resolve this situation.

Overall implementation of three projects selected for detailed review was behind schedule. The Representation should ensure that financial and operational implementation status is closely reviewed. It should also ensure the validity and application of eligibility criteria for selection of beneficiaries by Service Providers and introduce a system for independent review of distribution of inputs to beneficiaries by Service Providers.

The review made 13 recommendations to address the shortcomings identified in Programme and Operations.

The Representation's overall financial and administration controls, security and information technology controls were satisfactory. However, OIG's review also noted deficient practices particularly in the areas of general management controls, assets and procurement. The report made eight recommendations and identifies eight compliance points related to these areas

#### *AUD 2114 - UN-REDD Programme and Financial Management and Administration Audit: FAO Representation in the Republic of Congo*

OIG noted that FAO was highly respected by government counterparts and the two other participating UN agencies, with regard to its contributions to the UN-REDD National Programme. The programme as such had, however, made little progress on key deliverables half way through its duration. One of the key factors of the delay is that an international programme coordinator has still not been recruited by the lead UN agency. Against this backdrop FAO is independently progressing on its component of the programme and is the most advanced of the participating agencies, with 23 percent of its budget allotment delivered as at June 2014. Major shortcomings of the programme that need to be addressed included: (i) lack of inclusion of indigenous groups, as well as other potential partners beyond the forestry sector; (ii) absence of a resource mobilization strategy to close a significant funding gap ; and (iii) threats to the sustainability of programme achievements, such as weak government capacity at the regional level and weak control over commercial forest exploitation.

The audit made seven recommendations to address the identified weaknesses and deficiencies in the UN-REDD National Programme. Representation management agreed with the recommended actions and begun implementation.

Finance and administration controls were rated overall satisfactory. The Representation had shown improvement from the previous Finance and Administration Audit. However, control deficiencies still remained within human resources, management of letters of agreement with partners, advances and banking/cash. One of the common key causes of the control deficiencies identified may be attributed to unbalanced distribution of roles and responsibilities in the administration unit, in addition to the deployment of GRMS, which required more time for staff to learn the new system.

The audit made eight recommendations and raised 11 compliance points to address the identified weaknesses and deficiencies in administration and finance. Representation management agreed with the recommended actions and began implementation.

#### *AUD 2214 - UN-REDD National Programme in Viet Nam*

The audit rated FAO's component of the UN-REDD National Programme in Viet Nam overall as satisfactory. Of the six controls tested, OIG found the Representation to be satisfactory for three and deficient for three.

Phase I of the UN-REDD Programme in Viet Nam had been a success to the extent that the donor was prepared to fund Phase II. However, thus far the start-up and implementation of Phase II has been delayed. Considering the complexity of this phase and the innovations to be introduced, it seemed that the planned duration of the original set-up was overambitious. While several FAO activities have commenced, the Programme in general is currently still in its early stages as many activities are yet to be defined and agreed upon among the implementing parties. In particular, there is a strong need to agree on harmonized programme implementation modalities; and to clarify terms of reference, authorities and accountability for all implementing parties and governing structures. UN agencies need to continue improving collaboration, which was criticized in the April 2013 Final Evaluation report commissioned by stakeholders. With regard to FAO's project implementation, there is still a problem with putting the agreed implementation modality of the UN's Harmonized Approach to Cash Transfers into effect.

The audit made six recommendations to improve implementation progress and enhance the governance arrangements of the Phase II Programme.

*AUD 2314 - Comprehensive Review: FAO Representation in Nigeria*

The Representation's programme planning and its management and implementation of projects is generally satisfactory. However, the overall implementation of the four projects selected for detailed review found they were considerably behind schedule. OIG recommended that the Representation should reinforce its efforts to overcome problems caused by delay in provision of the government's operational and financial inputs. The Representation should also become more involved in the development of eligibility criteria by Service Providers and introduce a system for the independent review of their application.

In addition, the implementation of the UN-REDD National Programme in Nigeria is behind schedule. While FAO has commenced its activities on the M&MRV component, its other UN partners had barely started their activities. The overall governance structure is yet to be set-up and key staff such as the Chief Technical Advisor still need to be contracted, both actions falling under the responsibility of the lead UN agency.

The advocacy, strategic formulation, programming and knowledge management of gender issues to support mainstreaming of gender in support of the Strategic Objectives are weak and require immediate attention by the Representation.

The review made 13 recommendations to address the above shortcomings in Programme and Operations. These have been accepted by the FAOR and their implementation has commenced.

The overall control environment of the Representation is satisfactory. However, OIG's review still noted deficient practices particularly in the areas of assets, where no complete physical count had been carried out and local office records were not matched against those of the corporate system; and accounting, where transactions were not recorded to correct accounting codes.

The audit made three recommendations and raised 13 compliance points to address these weaknesses and other deficiencies in administration and finance controls.

*AUD 2414 - Comprehensive Country Review: FAO Representation in Tanzania*

In general, country programming and operations were found to be deficient. Areas for improvement included the need to record the Representation's resource mobilization strategy in a formal manner and to mobilize resources and identify opportunities within the Delivering as One UN structure. There were only five ongoing projects, two of which were scheduled to end in the 3rd Quarter 2014, and there were no concrete pipeline projects with committed donor funds. Absent improvement, the sustainability of the current office structure was at risk. In addition, management of ongoing projects

and activities needed to be strengthened through improved risk management, clear roles and responsibilities, and regular reporting and evaluation of the current projects' progress.

With regard to the UN-REDD project, reportedly it was designed by headquarters' technical officers based on the availability of an external funding opportunity, and prior to the arrival of the current FAOR and Programme staff of the Representation, without a proper preliminary assessment of government capacity. Accountability and responsibilities were not clearly established and governance arrangements were ineffective to monitor implementation. The project document was not clearly translated into a workplan, and some outcomes were vague and overly ambitious, which created false expectations among key stakeholders who were not fully engaged/ committed during the project's planning and implementation. Project management did not successfully mitigate key risks identified in the progress reports. Overall, implementation arrangements among the three agencies seemed to be an increased administrative burden upon them, due to differences in procedures and systems.

While the Representation had many lessons learned to consider for the UN-REDD project, another project reviewed, appeared to be heading towards successful completion of its activities.

The audit made 12 recommendations, identified six lessons learned, and raised one compliance point to address the above weaknesses and deficiencies in Programme and Operations. The Representation agreed with the recommended actions and began implementation.

In general, finance and administration was found to be satisfactory, however, some areas were identified where key controls were weak. These include management controls, procurement and assets. Regarding procurement, the Representation needed to strengthen supporting documentation for procurement selections, and receive further GRMS training. In addition, Letter of Agreement monitoring needed further improvement. Regarding assets, the Representation needed to fully reconcile the local asset listing with corporate records and communicate discrepancies for resolution. A plan also needs to be developed to dispose of, or transfer, old obsolete assets.

The audit made eight recommendations and raises ten compliance points to address these weaknesses and deficiencies in administration and finance, which were accepted by management.

*AUD 2514 - UN-REDD Programme and Financial Management and Administration Audit: FAO Representation in Cambodia*

OIG noted that the UN-REDD National Programme start-up was significantly delayed due to circumstances beyond FAO's control. It took almost two years for a full programme team to be on board, to create a governance structure and clarify roles and responsibilities. Against this backdrop, FAO's component has been delayed and, therefore, an extension of the timeframe was requested.

In general, all stakeholders interviewed recognized that initial investment in the organizational set up and governance of the programme benefited the creation of a multi-stakeholder platform to exchange information and share knowledge. The role and involvement of the Programme Executive Board in the Programme's oversight and monitoring evolved and is currently working effectively and government ownership has strengthened.

As regards Finance and Administration, the Representation continues to maintain an adequate internal control environment although there were some learning curve issues following GRMS deployment. There is a need to improve data accuracy and completeness in GRMS. Roles and responsibilities should be revised as many users have conflicting roles in the system. Other areas highlighted for improvement were planning for procurement of project inputs, a system to track receipt and distribution of project inputs to the end beneficiaries should be put in place and staff development.

The audit made nine recommendations and raised 16 compliance points to address these weaknesses and deficiencies in administration and finance. Office management agreed with the recommended actions and has begun implementation.

*AUD 2614 - Comprehensive Country Review: FAO Representation in Bolivia*

In general, country programming and operations were found to be satisfactory. The main challenge for the Representation was future resource mobilization. The audit recommended development of a

Unilateral Trust Fund strategy and better engagement in future with key donors on the Country Programming Framework to ensure good synchronization with the UN Development Assistance Framework and to identify opportunities for alignment of the CPF with funding opportunities where there is scope for cooperation among the host government, FAO and the donor community.

Regarding the UN-REDD programme, the programme was delayed at government request pending formulation of new laws that could have affected the project. The project has recently restarted and OIG recommended that an updated memorandum of understanding be prepared and signed by the parties involved given the delay.

The audit made five recommendations, identified one lesson learned, and raised one compliance point to address the above matters on programme and operations.

Finance and Administration was found, in general, to be satisfactory. Areas for improvement include Procurement, Assets, tax reimbursement and advances. In the area of procurement, the Representation should strengthen documentation supporting procurement selections in particular in the case of direct procurement. A plan also needs to be developed to dispose of, or transfer, old obsolete assets. The Representation should work with the host country to put in place a mechanism allowing for reimbursement of VAT paid, or, seek exemption from paying VAT at the time of payment. The Representation should limit paying a second advance to those who still have a previous one outstanding.

The audit made three recommendations and raised five compliance points to address these weaknesses and deficiencies in administration and finance.

#### *AUD 2714 - Financial Management and Administration Audit: FAO Representation in Cameroon*

Finance and Administration was found to be satisfactory. The Representation's control environment was generally sound. Key controls that should be improved include completeness of asset data ; completeness of HR files; preparation of a procurement plan and purchase requisitions; compliance with procedures for prepayments for workshops; voiding of spoiled cheques and follow up on long-outstanding cheques; and preparation and dissemination of back-to-office reports, especially for domestic field missions of consultants;

The audit made ten recommendations and raised 22 compliance points to address observed weaknesses and deficiencies in administration and finance. Office management agreed with recommended actions and began implementation.

#### *AUD 2914 - Comprehensive Audit: FAO Representation in Philippines*

The objectives of the review of the Representation in the Philippines were to assess (i) implementation and management of the Organization's level 3 emergency response; (ii) implementation of the UN-REDD programme; and, (iii) adequacy of controls established over the Representation's financial and administrative processes.

The L3 emergency response was rated as satisfactory as the Representation was able to respond effectively to the effects of Typhoon Haiyan by ensuring timely distribution of inputs in December 2013/January 2014. Lessons learnt were being applied to the recovery phase to strengthen project implementation. OIG noted however that there was need to maintain clarity in the governance arrangements; improve strategic planning especially regarding emergency preparedness of the Representation given the country's high vulnerability to natural disasters such as typhoons; and, to address more systematically programme planning and management issues, such as finalizing the strategy for continued support to the recovery and development activities, and improving management of human resources. Mitigating actions planned, or being taken, included revision of the Country Programme Framework to improve the links between emergency, recovery and development; and, strengthening the project monitoring framework.

Implementation of the UN-REDD National Programme was rated overall as seriously deficient from FAO's perspective. The weaknesses identified were related to the inadequate time allotted for project implementation. This resulted in rushed completion of activities while national counterpart's capacity

was not sufficiently developed to assume the lead and maintain the mechanisms created. Consequently, most of the outcomes were not fully achieved and there was a high risk that the outputs created will not be sustainable. As the programme is completed, the report presented lessons learned for the Representation to apply in future programme planning.

Improvements in financial and administrative management practices and controls improvements were noted in some aspects since the last audit, however the overall rating for this area remained as deficient. Weaknesses were identified in particular in the areas of general management controls, and controls over Letters of Agreement with partners, Assets and Human Resources.

The audit made 11 recommendations and raised 31 compliance points to address weaknesses and deficiencies in strategic planning, field programme management administration and finance. The Representation agreed with the recommended actions and commenced implementation.

*AUD 3114 – Comprehensive Audit: FAO Representation in Myanmar*

OIG noted that FAO enjoyed good working relations with its government counterparts through the sustained and time-consuming efforts of the FAO Representative. The FAO Representative actively works with other UN agencies, with leadership of a donor coordination group on agriculture and rural development and co-sponsorship of a newly-approved Food Security Cluster. However, OIG recommended that increased dialogue with resource partners and civil society organizations could enhance FAO's image and ability to attract resources, noting that this may require support from regional and headquarters units.

The Country Programming Framework and the Resource Mobilization Strategy are in the third year of the five-year cycle, but implementation has achieved only 13 percent of the total funding requirement. A weakness of the CPF is its focus on government counterpart priorities without a programme approach that also aligns the priorities with potential resource partner interests. In OIG's view, the requirements for implementation of the ambitious CPF exceeded the capacity and resources of the Representation.

Current field programme management is satisfactory. However, the dependence on Administrative and Operational Support (AOS) income to support nine staff in the Representation is a high risk for effective programme operations.

The audit made five recommendations and raised one compliance point to address the above programme and operations matters.

Finance and administration was found to be generally satisfactory. Individual weaknesses were identified in particular in the areas of Assets and Accounts Payable.

The audit made six recommendations and raised 15 compliance point to address these weaknesses and deficiencies in administration and finance. Office management agreed with recommended actions and had begun implementation.

Attachment A (iv)

**Summary of Long Outstanding High Risk Recommendations**

Recommendation Title	Recommendation	Updated Status Information
AUD1409 Disciplinary Procedures Analysis - Consistency of Decisions and Procedures - Rec 13	AFH should update MS 330 and MS 303 with a definition of gross negligence and recklessness	In progress Draft Administrative Circular Under preparation by LEG.
AUD3410 Business Continuity Management - Rec 1	The DDG-O should establish and begin implementing an organization-wide Business Continuity Management framework, which takes into account the guidance included in this report as well as other good practices.	In progress In the period August-December 2013 a full revision of existing FAO policies and arrangements in the field of business continuity, critical incident management and risk management was conducted by CS with the assistance of the Chief, UN Business Continuity Management Unit. As a result of this, a set of initiatives will be implemented in order to build a strong Organizational Resilience Management System in FAO both at headquarters and in the field. An important aspect of this initiative is the focus on seeking synergies with the other Rome-based UN Agencies in the area of business continuity.
AUD3411 IT Security - Rec 3	A comprehensive It security risk assessment should be carried out. Such an exercise would assist in identifying critical information assets, threats to these assets and existing controls, or lack thereof, which would allow risks to materialize. Results of the risk assessment would assist in developing the information security roadmap for the future.	In progress No formal risk assessment has been carried out yet. Work undertaken by CIO to address this recommendation was put on hold following a major restructuring of the CIO division. Following the formation of a new IT security team, this work will now be taken forward.
AUD3411 IT Security - Rec 19	Security configuration guidelines should be developed for all network components. This would ensure that changes made to these components do not increase the security risk, as has been noted in the previous observation.	In progress Guidelines in Security framework have been published in Intranet. Servers and Work Station configuration have been compared with CIS benchmarks. Work on guidelines for network devices and consideration for NIST NCP checklist will

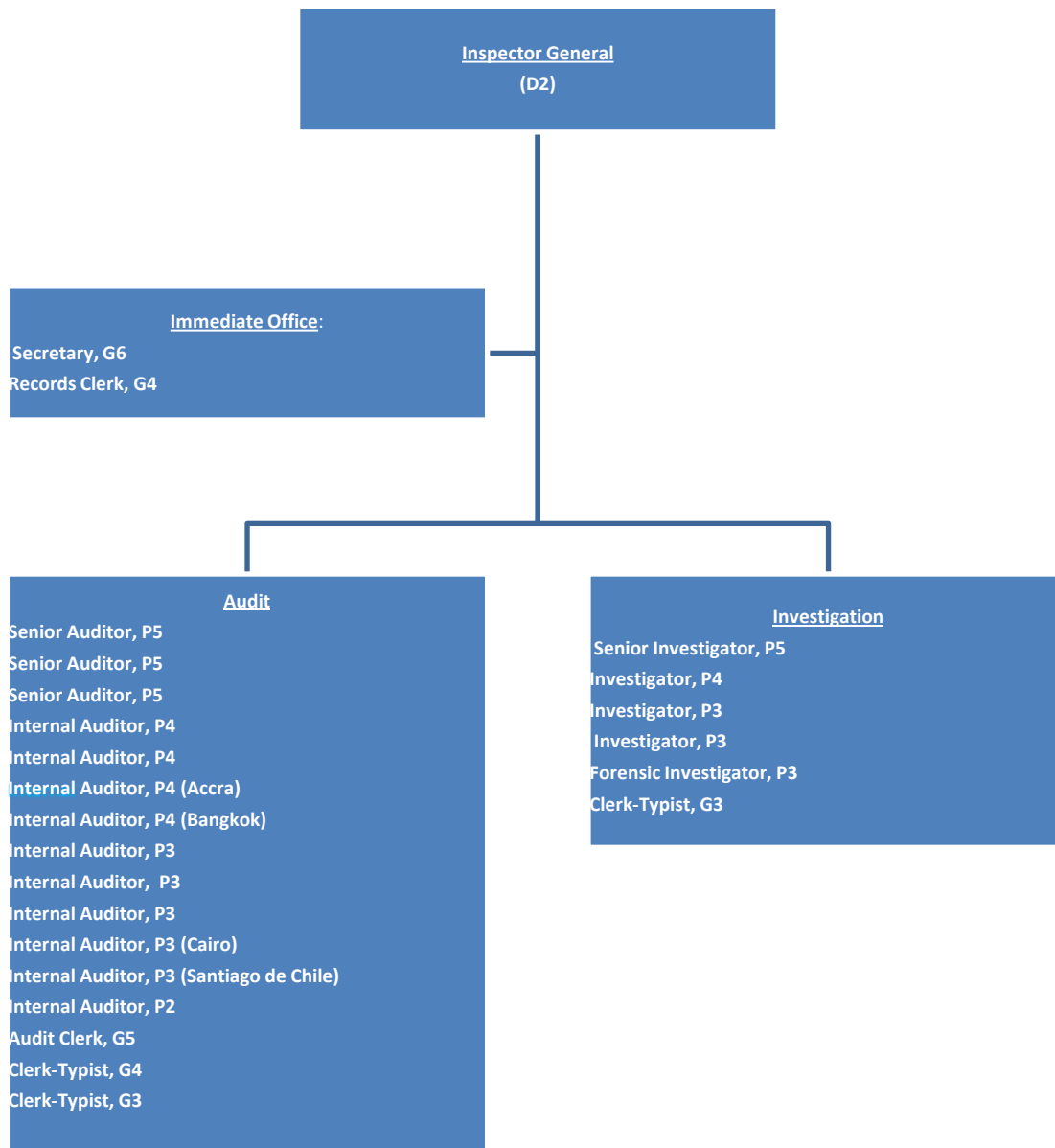
		also be developed following the formation of the new IT security team.
AUD3312 Financial Management and Administration Capping Report for 2011 Country Office Audits - Rec 3	The DDO must establish a framework for policy monitoring responsibilities within the different units of the operations arm. A needs assessment for monitoring functions in light of existing funding and capacity of policy issuing units, specifically of CS units, should be undertaken.	In progress DDO will lead a coordinated effort to address internal control weaknesses in DO's, involving both reacting and proactive actions. This process will begin in Q4 2014. Improved monitoring by HQ units will be a key part of this process (including as a result of the recruitment of outposted P3 Finance Officers in Regional Offices in 2014/early 2015).
AUD3312 Financial Management and Administration Capping Report for 2011 Country Office Audits - Rec 10	CSF and OSD should establish comprehensive guidance on how to conduct operations with due regard for segregation of duties under different staffing scenarios and provide small offices with compensating controls that must be put in place to mitigate the risks of inadequately segregated duties.	In progress This recommendation is being addressed as part of the wider efforts to strengthen the organization's internal control framework and as reported to the Finance Committee on this matter.
AUD1412 Review of Monitoring of Procurement and Letters of Agreement in Field Operations - Rec 1	The DDG-O, taking into account the principles defined in the recent Accountability and Internal Control Framework report, should collaborate with CSA and OSD to develop and implement a programme that adequately monitors field procurement and LOA activities. This should include identifying specific processes/activities to be undertaken, and the unit which is responsible for the monitoring programme and its activities (CSAP, Regional Office, etc.), access staffing (establishing or redeploying staff posts) and non-staff (travel, etc.) resource requirements, and determine how the programme will be institutionalized in the Organization's policy framework (e.g. the Administrative Manual, Circulars, post descriptions, or other).	In progress OIG reviewed the proposed procurement strategy in late 2014. This proposes a "flexible framework" that focusses on three areas: a) scaling up of the International Procurement Officer (IPO) network to cover field offices where higher volume and complexity entails higher risk; b) establishment of a monitoring function to identify exceptions and provide feedback to managers to address and manage capacity and competency gaps; and c) enhancing CSAP skill sets to increase its capacity and competency gaps. The implementation of the strategy was underpinned by a proposed restructuring of CSAP staffing in order to shift resources from low-value transactional activities to more added-value monitoring and advisory functions. Having reviewed the proposed strategy and current staffing/budget proposal, OIG considers that the strategy is an appropriate development in strengthening FAO's management of procurement-related risks; and the staffing/budget proposal for

		implementation presents a viable basis to move ahead, on a cost-neutral basis comparing before and after costs, and with funding already available to meet the transitional costs. The external auditor has also recommended that the proposed strategy be finalized and an implementation plan prepared, based on approved strategies to strengthen capacity at headquarters and in the field in support of the decentralized office network.
AUD1412 Review of Monitoring of Procurement and Letters of Agreement in Field Operations - Rec 2	A key element of a prospective field procurement and LOA monitoring programme will be an assessment and the allocation of resources and staff required for the new monitoring function. DDG-O should ensure that a resource/staffing assessment is completed and appropriate resources/staffing allocated for the new functions. CSAP does not currently have sufficient staff to cover the monitoring function for either procurement or LOAs.	In progress See status information above.

**Office of the Inspector General**

**Organization Chart**

December 2014 (reflecting posts under Adjusted 2014-2015 PWB)



Attachment B (ii)

**Office of the Inspector General****Staffing table as at December 2014**

	<b>Grade</b>	<b>Male</b>	<b>Female</b>	<b>Vacant</b>	<b>Total</b>
Inspector General	D2	1			1
Auditors					13
Senior Auditor	P5	2	1		
Regional Auditor	P4	1		1	
Regional Auditor	P3		1	1	
Auditor	P4	1	1		
Auditor	P3	2	1		
Auditor	P2			1	
Investigators					5
Senior Investigator	P5	1			
Investigator	P4			1	
Investigator	P3	1	1	1	
		9	5	5	19
Audit Clerk	G5		1		1
Secretarial and Administrative Support					5
Secretary	G6		1		
Clerk/Typist	G4		1		
Records Clerk	G4	1			
Clerk/Typist	G3	1	1		
		11	9	5	25

The following countries are represented in the above:

Country	D and Professional Grade	General Service	Total
Argentina	1		1
Australia	1		1
Egypt	2		2
France	1		1
Germany	1		1
India		1	1
Italy	1	3	4
Jamaica	1		1
Japan	1		1
Mauritius	1		1
Spain	1		1
UK	1	1	2
USA	1	1	2
Uzbekistan	1		1
Vacant	5	0	5
	<hr/> 19	<hr/> 6	<hr/> 25

**LIST OF ACRONYMS USED**

ADG/CS – Assistant Director-General, Corporate Services, Human Resources and Finance Department

AOS – Administrative and Operational Support

CIO – Information Technology Division

CII – Conference of International Investigators

CO - Country Office

CPF – Country Programming Framework

CS – Corporate Services, Human Resources and Finance Department

CSAP – Procurement service

CSF – Finance Division

CSH – Human Resources Division

CSPL - Learning, Performance and Development Branch

DDG –O – Deputy Director-General, Operations

DO – Decentralized Office

DON – Decentralized Office Network

ERCU – Emergency Recovery and Coordination Unit

ERM – Enterprise Risk Management

FAOR – FAO Representative

GRMS – Global Resource Management System

LOA – Letter of Agreement

MOU – Memorandum of Understanding

NSHR – Non-Staff Human Resources

OED – Office of Evaluation

OIG – Office of the Inspector General

OSD – Office of Support to Decentralization

OSP – Office of Strategy, Planning and Resources Management

PCU – Programme Coordination Unit

PEB - Project Executive Board

PEMS – Performance Evaluation Management System

PWB – Programme of Work and Budget

RBAP – Results-based audit plan

SRC – Subregional Coordinator

SRO – Subregional Office

TCI – Investment Centre Division

UN-REDD Programme - United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

UN-RIAS – UN Representatives of Internal Audit Services

UN-RIS – Investigation Services of UN Agencies