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FINANCE COMMITTEE

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2019 Annual Report of the Inspector General - Summaries of audit reports issued in 2019

Audits of corporate functions

AUD 0319 – Audit of Management of Partnerships with Non-State Actors

1.   OIG conducted an audit of FAO's management of its partnerships with non-state actors, including the private sector and CSOs. The objective of the audit was to assess how effectively and efficiently FAO is promoting, implementing and monitoring partnerships within the framework of its existing strategies and guidelines.

2.   The Strategies for Partnerships with the private sector and CSOs have been approved by the Programme Committee. Responsibility for their overall implementation rests with the Partnerships Division (PSP). At the time of the audit, PSP's database included approximately 160 partnerships with the private sector and CSOs.

3.   OIG found many positive examples of partnerships that have delivered tangible benefits to the Organization in line with the Strategies for Partnerships objectives and these have been reported to the Programme Committee on a regular basis. However, OIG identified areas for improvement to increase the effectiveness and overall value for money of partnerships, including:

- **corporate planning:** the Strategies for Partnerships envisage a bottom-up approach to identifying partners and OIG recommends formalizing a corporate planning process to facilitate this and to coordinate all internal stakeholders;
- **measuring impact:** at the level of each individual partnership, identifying specific activities with measurable performance indicators would facilitate measuring the impact of partnerships individually or in aggregate; and
- **documentation:** documentation on the entire life cycle of a partnership (identification, screening, assessment, approval/rejection and monitoring) needs strong improvement.

4.   Based on the above and other findings in the report, OIG determined that Organizational performance in the management of partnerships with non-state actors needed some improvement. The audit report contained nine Agreed Actions to improve Organizational performance in the audited area.

AUD 0419 – Audit of the Indian Ocean Tuna Commission (IOTC)

5.   OIG conducted an audit of the IOTC, an organization constituted under Article XIV of the FAO Constitution. The audit focused on assessing the efficiency and effectiveness of IOTC operations.

6.   A decision on whether the IOTC will remain under the FAO framework is yet to be made. Some IOTC members advocate for the organization to become independent, like other international bodies with similar mandates. They argue that the relationship with FAO has a negative impact on the IOTC's effectiveness and efficiency. Some of the arguments used to defend the IOTC's autonomy have political connotations that are not for OIG to judge. Leaving aside the political matters, OIG believes that complaints about the IOTC's performance under FAO are not well substantiated. From a financial perspective, the independent cost and benefit assessment requested by the Commission determined that there was no significant difference between operating within or outside FAO's umbrella.

7.   Notwithstanding the above, OIG believes that FAO could do more to implement the FAO Programme Committee's request that "every effort be made to address administrative obstacles in order to ensure the effective and efficient functioning of the statutory bodies, while preserving overall FAO's integrity and interests." From a practical point of view, it would be possible to award greater flexibility to the IOTC in several administrative procedures, without detriment to its internal control environment and without creating significant risks to FAO.

8.   In administrative and financial areas, the IOTC Secretariat was operating in a strong control environment with general adherence to FAO policies and procedures. Opportunities for further improvement were identified in this report, in particular for procurement, asset management and project management. Overall, OIG rated the IOTC Secretariat's financial and administrative management as 'some improvement needed'.

9.   The Executive Secretary of the IOTC agreed to take, or coordinate with relevant stakeholders, the nine actions contained in the report to address the identified issues.

AUD 0719 – Audit of International Treaty on Plant Genetic Resources for Food and Agriculture

10.   OIG conducted an audit of the Secretariat of the International Treaty on Plant Genetic Resources for Food and Agriculture (the Treaty). The review assessed the efficiency and effectiveness of the Treaty's administrative and financial operations from January 2017 to December 2018, as well as the adequacy of the Treaty's governance arrangements.

11.   The audit found that the overall governance of the Secretariat was adequate and the Secretary was maintaining a collaborative relationship with FAO management.

12.   The Treaty has its own financial rules; however, for matters not covered by these rules, FAO's administrative and financial policies and procedures apply – some of which may limit the effectiveness of the Treaty's operations and were discussed in this report.

13.   In this regard, OIG believes that more could be done to implement the FAO Programme Committee's request that "every effort be made to address administrative obstacles in order to ensure the effective and efficient functioning of the statutory bodies, while preserving overall FAO's integrity and interests." From a practical point of view, it would be possible to award greater flexibility to the Secretariat in several administrative areas, without detriment to its internal control environment and without creating significant risks to FAO.

14.   In administrative and financial areas, the Secretariat was generally adhering to FAO policies and procedures. Opportunities to further strengthen the controls in place were identified in the report, in particular for LoAs, procurement and chargeback expenditure.

15.   Based on its review, OIG concluded that the Treaty's performance in the processes and functions reviewed was 'some improvement needed'. The Secretary of the Treaty agreed to take, or coordinate with relevant stakeholders, the necessary measures to address the eight agreed actions included in this report.

AUD 1019 – Audit of Governance of the Shared Services Centre

16.   OIG conducted an audit of the Governance of the SSC.

17.   The audit focused on assessing the adequacy and effectiveness of the corporate arrangements established by FAO management for SSC governance to support the achievement of the SSC's mission. This included assessing the SSC's positioning in the Organization, internal arrangements within the SSC as well as the relations between the SSC and other key stakeholders, namely policy owners and CIO as system owner.

18.   Overall, the audit found that at the corporate level Senior Management had established a sound framework for SSC governance that includes a general mission; with roles, responsibilities and authorities; arrangements for regulating working relations between the SSC and stakeholders at headquarters; and mechanisms for oversight and assessment of SSC operations. At the SSC level, since the previous audit in 2015, SSC management had made improvements in most governance aspects such as strengthening monitoring and assessment of operations through the Service Level Agreement

mechanism, upgrading capacity and resilience to meet the additional responsibilities from the transferred functions from headquarters and in the timeliness of its reporting on operational results to Senior Management.

19.   Notwithstanding the above, the audit identified the following issues that required urgent attention by Senior Management in view of their impact on the achievement of the SSC's mission: (i) coordination needed to be strengthened between the SSC as the process owner and the policy and system owner units at headquarters in providing business support and conducting system changes; (ii) areas of overlap in the roles and responsibilities of processes, policy and system owner units needed to be clarified; (iii) the competitiveness of FAO in Budapest compared to other UN and private organizations in view of the challenges in retaining competent staff needed to be assessed; and (iv) FAO management's oversight, monitoring and assessment of corporate operations, including the SSC, needed to be strengthened through a comprehensive automated management tool.

20.   In conclusion, OIG determined that Organizational performance relating to SSC governance needs some improvement.

21.   Senior Management and the Chief, SSC agreed to take or coordinate with relevant stakeholders the eight actions contained in this report to address the identified issues.

AUD 1119 – Audit of Programme, Budget and Work Planning

22.   OIG conducted an audit of Programme, Budget and Work Planning. The objective of the audit was to evaluate and test the efficiency and effectiveness of FAO's Programme, Budget and Work Planning processes.

23.   The Office of Strategy, Planning and Resources Management (OSP) coordinates Organization-wide work planning and budgeting processes and develops the relevant corporate tools and guidance materials. The 2018–19 work planning exercise took place in the second half of 2017, following approval of the Medium Term Plan (MTP) 2018–21 and the Programme of Work and Budget (PWB) 2018–19 by the FAO Conference in June 2017.

24.   Many positive aspects were noted during the audit that have significantly improved the efficiency and effectiveness of work planning, including:

- work planning had been centralized in the corporate system PIRES which allowed coordinated planning between headquarters and DOs; and
- the ability of DOs to request technical support for planned results.

25.   OIG identified the following areas for improvement which, if addressed, will significantly add to the efficiency of the work planning process and increase the effectiveness of workplans:

- Roles, responsibilities and accountabilities were, at times, not well defined, unclear and/or inconsistently applied in the work planning process. This affected stakeholder engagement, coordination, and the efficiency and effectiveness of work planning.
- Harmonization of Strategic Programme (SP) approaches: in several cases, SP approaches to different aspects of work planning were not harmonized, causing confusion among stakeholders and had an impact on the efficiency and effectiveness of priority setting and planning.
- Guidance, training and capacity building: there was varied and uneven understanding of the Results-Based Management (RBM) approach and terminology across the Organization. There were some gaps in work planning guidance and some aspects were unclear, leading to varying interpretations and methods of implementation during work planning.

26.   While significant improvements had been made in the work planning process, the above and other findings in the report indicated that there was a need to strengthen key aspects of work planning

processes and improve the effectiveness of workplans across the Organization. As such, OIG determined that the Programme, Budget and Work Planning process needs some improvement. The report contained ten Agreed Actions to improve Organizational performance in the audited area.

AUD 1219 – Audit of Records and Archives Management

27.   OIG conducted an audit of FAO's records and archives (R&A) management. The review analysed FAO's existing policies and procedures against recognized best practices, in particular the International Organization for Standardization (ISO) standard 15489-1 'Information and documentation – Records management'.

28.   R&A management is a process that involves protection and maintenance of an organization's most valuable records. R&A management is essential for providing evidence of an organization's activity by identifying and preserving institutional records of important value and discarding non-essential records in a timely manner. An effective records management process includes the systematic and efficient control of the creation/acquisition, maintenance, use and destruction of records along with their associated business transactions.

29.   The audit concluded that the current state of governance arrangements and controls in R&A management at FAO was unsatisfactory.

Governance arrangements

30.   No unit was responsible for R&A management at FAO. Until 2013, responsibility was with the former R&A Unit, within the former Administrative Services Division (CSA). The Unit was split and transferred to the Office for Corporate Communication (OCC), and CIO. However, OCC and CIO do not consider themselves responsible for R&A management in general, but only for specific aspects of it. No FAO unit was fulfilling the broad array of responsibilities required for effective R&A management expected of a policy owner.

31.   The main policy in this area, MS 601 "R&A Management" was last updated in 2013 and was completely outdated; it did not cover all aspects of records management; and there was no guidance on what records should be captured, or how and when they should be retained. There were no detailed classification schemes and retention schedules for FAO records.

32.   The boundaries between R&A management, knowledge management and data management were not always clear. The lack of clear policies, clear roles and responsibilities, and the fact that CIO and OCC also exercise some responsibility in these areas contributed to a certain level of confusion.

Controls over the R&A life cycle

33.   In practice, responsibility for collection and classification of FAO records (paper and digital) had been delegated to FAO units and employees without any meaningful corporate guidance. As a result, records management processes varied among FAO offices and were often inadequate, as OIG audits have regularly highlighted.

34.   In particular, digital records were poorly managed due to the general absence of policies and procedures governing how they are captured, classified, stored and archived, or disposed. The management of paper records in some organizational areas was slightly better thanks to the continuity of long-standing procedures (e.g. procurement, HR or medical records). Some paper records were still entering the archives as per existing archival policies. However, in general, there was a lack of guidance for paper records and there were serious gaps in other areas of the Organization (e.g. project records).

Improvement actions

35.   This report included 11 improvement actions. An effective approach to R&A might require FAO management to consider how R&A management fits within the broader framework of knowledge

management. In view of this and the strategic importance of the subject matter, cooperation between Office of the Deputy Director-General, Operations (DDO) and other relevant units (DDP, DDN and ES) in setting up a corporate framework appears necessary.

36.   The first and most important actions are therefore to develop a corporate understanding of records management in FAO that reflects its multidisciplinary reality, and to designate a policy owner to coordinate all relevant stakeholders in the implementation of the remaining necessary actions.

37.   Responsibility for R&A in other UN organizations usually rests in the IT, knowledge management or general administration areas.

38.   OIG acknowledges that the improvement actions identified in this report will require that sufficient financial resources are provided to the responsible units. The successive budget cuts to DDO over the past few years have probably contributed to the current situation.

AUD 1319 – Audit of the Project Cycle Part 1: Strategic-level Matters Affecting the Formulation and Management of Projects

39.   This report was the first of a series of six reports communicating the results of an audit of the Project Cycle conducted by OIG. This first report addressed a number of overarching strategic matters which contribute to many of the recurring issues related to projects.

40.   OIG's overall conclusion was that while FAO had continued to attract increasing amounts of extra-budgetary funds, a number of strategic and process-level concerns were identified which limited FAO's ability to effectively and efficiently formulate and manage projects. This suggests that the design and effectiveness of current policies and procedures for the formulation and management of projects needs major improvement.

41.   Over the past decade, FAO's project portfolio has continued to grow as demand increased for its support and expertise in development, emergency response and resilience. As of 3 December 2019, FAO had 2 069 ongoing projects worth a total of USD 5 billion. Voluntary contributions represented 96 percent of the total value of ongoing FAO projects.

42.   The audit examined to what extent current policies, procedures, practices and structures had enabled the effective and efficient formulation and management of projects. OIG's main findings were:

- FAO had a fragmented portfolio dominated by a large number of projects with very small budgets, and a limited number of projects with very large budgets;
- the project information system, Field Programme Management Information System (FPMIS), lacked numerous elements integral to a project management system based on best practices;
- significant key data on portfolio management, project management and Project Cycle management was not being collected and analysed;
- the Project Cycle lacked a clearly established and independent governance structure to provide oversight and strategic direction during project implementation. The Budget Holder (BH) was responsible and accountable for both this role and day-to-day project management, often without sufficient time to perform both roles;
- Project Task Forces often did not actively function as a team;
- the primary governance structure for the Project Cycle, the Quality Assurance and Monitoring Unit (PSDQ), had regularly experienced issues with its authority and stability in funding;
- FAO lacked a governance mechanism with the authority and responsibility to review and monitor wider Organizational policies and procedures which have a bearing on projects and their operations;
- projects regularly lacked detailed monitoring and evaluation (M&E) plans and an effective overall monitoring system. This stems from insufficient M&E capacity, guidance and tools at both the corporate and DO level, including the absence of a corporate M&E function;

- only a relatively small number of individual project evaluations were being performed; and

- FAO did not systematically identify, gather and incorporate lessons learned from projects into future project design, resulting in a Project Cycle which was often more of a linear exercise than a true cyclical process.

43.   While each of these findings impacts FAO's ability to effectively and efficiently manage projects, they can be mitigated by the following actions:

- development of a strategy that moves FAO towards a portfolio that is more effective and efficient to manage;
- definition of requirements for the development of a project management tool based on best practices and a thorough business analysis and user needs assessment;
- performance of a cost/benefit analysis of what key data is needed for further collection and analysis;
- establishment of a role responsible for day-to-day management of projects that is distinct from the BH and is required for all projects;
- strengthening PSDQ effectiveness by ensuring its independence and authority for decision-making and increasing and stabilizing its staffing, global reach and funding;
- reintroduction of a governance mechanism with the responsibility and authority to review and advise the Director-General on policy and procedural matters affecting projects;
- design and implementation of a strategy to enhance project monitoring through development of guidance and tools on project M&E and the establishment of a corporate M&E function; and
- proposal of a strategy with clear management arrangements to enhance the effectiveness of monitoring, evaluation and learning for projects at FAO.

44.   The report included seven actions that the Organization agreed to undertake and one recommendation that it partially agreed to regarding the role of the Project Manager.

AUD 1419 – Audit of the Project Cycle Part 2: Technical Support for the Formulation and Management of Projects

45.   This report addressed the technical support system available to projects.

46.   OIG's overall conclusion was that while FAO possessed an established system for providing technical support to projects, the gaps identified resulted in a significant risk to the technical effectiveness and quality of FAO's projects and to compliance with FAO's technical norms and standards. This suggests that the design and effectiveness of current policies and procedures for the technical support of projects needs major improvement.

47.   In accordance with the Organization's Basic Texts, FAO must provide technical assistance and disseminate its established norms and standards to Member States. Projects are a key mechanism through which FAO provides this assistance and must be supported by an effective system of technical support and oversight.

48.   The current condition of FAO's technical support system is characterized by the following findings:

- Lead Technical Officers (LTOs) were assigned to projects for which they possessed neither the technical expertise nor the necessary language skills;
- there were no established experience requirements to be an LTO, potentially resulting in circumstances where an LTO does not possess the necessary level of experience;

- many individuals did not receive relevant training either before or during their assignment as LTO;
- many LTOs were overburdened having to provide support to an excessive number of projects and their workload was imbalanced between regions, with Asia, Africa and Latin America in the worst situation;
- the majority of LTOs believed they did not devote enough time to field activities of the projects they were supposed to support; and
- where LTOs did not possess all of the relevant expertise for a project, they often did not receive sufficient and timely support from Project Task Force (PTF) members in the form of either a Headquarters Technical Officer (HQTO) or other Technical Officers (TOs).

49.   This report included 11 Agreed Actions and 3 Recommendations aimed at addressing these findings and strengthening the technical support system. In OIG's view, management should prioritize the following areas:

- revise and strengthen the process for identifying and assigning technical resources;
- clarify LTO, HQTO and other TO roles and responsibilities within projects and establish minimum standards for technical support and oversight;
- ensure that all projects prepare and periodically update a detailed technical support plan;
- resolve the outstanding Agreed Actions included in OIG's 2016 report on Technical Support Services (TSS) and implement a time-recording system to support the accuracy of TSS charges to projects for LTOs and HQTOs; and
- establish minimum requirements for the handover and transition of LTOs and TOs on projects.

50.   It is important to note that the technical support system is predicated on a significant shift that occurred over a number of years whereby responsibility for oversight and support to projects was placed with a single individual, the LTO. Although the intention behind this shift was to further decentralize technical support and oversight and help drive the development of more cross-cutting projects, it has elevated the risk that projects do not comply with FAO's technical policies, procedures, norms and standards and could lead to a failure to achieve project results.

51.   While the findings in this report highlighted clear issues in the overall system of technical support, neither this audit nor any other review has yet systematically determined whether, and to what extent, this risk has actually impacted projects. FAO should therefore prioritize conducting an exercise to determine the impact this shift in responsibility has had on projects' compliance with FAO's technical policies, procedures, norms and standards.

52.   FAO's technical support and oversight system for projects is profoundly impacted by key findings from the other Project Cycle audit reports in this series, most notably those related to the large number of projects; the absence of a role separate from the BH responsible for day to day project management; and M&E arrangements.

AUD 1519 – Audit of the Project Cycle Part 3: Quality of Project Design and Effectiveness of Project Cycle Controls

53.   This report addressed the overall quality of the design of FAO projects and to what extent current policies, procedures, practices and structures inherent in the first three phases of the Project Cycle, most notably those dealing with quality assurance, had enabled the effective and efficient identification and formulation of projects.

54.   OIG's overall conclusion was that there were numerous inherent weaknesses in the first three phases of the Project Cycle, which negatively affected the overall quality of FAO project design. Many of these issues could be resolved by reconsidering how the relevant procedures and controls are designed and by strengthening how they are carried out. This suggests that the design and effectiveness of current policies and procedures for the identification, formulation and appraisal of projects needs major improvement.

55.   Stakeholder survey respondents perceived FAO Project Documents to be of reasonably high quality. However, in contrast, the results of OIG's detailed review of Project Documents found that only 22 percent were satisfactory overall, 33 percent required minor improvements, 25 percent required major improvements and 20 percent were unsatisfactory. Projects with a national scope generally demonstrated a higher quality than those that were regional or global.

56.   The most notable and common weaknesses in project design were:

- Expected results – Only 15 percent of Project Documents included an adequate definition and description of expected project outputs. Only 54 percent of logframes included clearly defined outcome and output targets, and only 33 percent included SMART indicators.
- M&E arrangements – Only 23 percent of Project Documents included a satisfactory description of M&E arrangements. Only 36 percent of Project Documents made reference to the conduct of a baseline study and only 23 percent described the specific tools and methods required for the measurement of project outcomes and impact.
- Stakeholder consultation – Only 38 percent of Project Documents demonstrated that in-country stakeholder consultation was duly organized during project formulation.

57.   Many of the key findings identified in the other Project Cycle audit reports contribute to the issues identified in this report, e.g. FAO's fragmented project portfolio and the design and functioning of FAO's technical support system to projects.

58.   In addition, OIG identified a number of causes, which contribute to the weaknesses described above:

- Identification phase procedures and the content of the key output, the Concept Note, went beyond the phase's stated objectives, which are to ensure project ideas are strategically aligned, while not representing any significant political sensitivity.
- Standard corporate templates for Concept Notes and Project Documents contained a number of weaknesses. The most notable being that the logframes template was not appropriate for complex projects with several components. Issues with logframes were compounded by insufficient knowledge and training in this area.
- During the Identification phase, PTF members, most notably LTOs and Funding Liaison Officers (FLOs), were often not sufficiently involved, or not involved at an early enough stage, in the development of project ideas and Concept Notes. In some cases, Project Documents had already been developed and discussed with resource partners and recipient governments by the time the PTF was involved. This suggests corporate resources were already being committed to developing Project Documents before the Identification phase had officially started.
- Project Formulators often lacked sufficient resources to assist in the formulation of Project Documents. As the majority of projects originated in Country Offices (COs), most of which have very limited staffing, it was often NSHR who were tasked with drafting Project Documents for the development of new projects. This can have an impact on the quality and relevance of projects.
- The Operational Clearance (OC) process and OC Form (OCF) had weaknesses in their design and the process was not functioning effectively. Most notably, the first assessment of project feasibility occurred only after projects had been fully formulated and were likely to have already been shared and agreed upon with resource partners and/or recipient governments.
- The Programme and Project Review Committee (PPRC) process and Quality Appraisal Form (QAF) both had weaknesses in their design and the overall process was not consistent across FAO. As with the OC review, the PPRC review only occurred after projects had been fully developed making it difficult to make meaningful comments that can be sufficiently addressed before final submission. The resources of each PPRC were not aligned with their workload.

59.   To strengthen the formulation process and overall quality of FAO projects, OIG recommended that Management:

- modify and align the stated purpose of the Identification phase or otherwise simplify and reduce the information collected and work to be performed so that needs are more properly aligned with the stated objectives;
- resolve the identified issues and strengthen the effectiveness of corporate templates;
- identify and implement solutions to ensure earlier and more effective involvement of PTFs in project idea and Concept Note development and review;
- identify and implement solutions to provide further resources to assist Project Formulators in developing Project Documents; and
- strengthen the effectiveness of quality assurance reviews and feasibility assessments that are performed for Project Documents.

60.   The report included seven actions that Management agreed to undertake and two recommendations.

AUD 1819 – Audit of the Project Cycle Part 4: Project Approval and Inception

61.   This report summarized OIG's findings on the adequacy of procedures and controls over project approval and project inception.

62.   OIG's overall conclusion was that FAO's policies and procedures for recipient government project approval and the project inception period need major improvement.

63.   In order for a project to become operationally active, generally it must first be formally approved by the recipient government with signature of the Project Document. Once approved, and to ensure that it is implemented in a "technically sound, coherent and cost-effective manner", the project must then go through an inception period.

Recipient government project approval

64.   A high proportion of projects regularly faced obstacles in obtaining signature of the Agreement by recipient governments. Such delays often affected timely project implementation.

65.   The most common reason for these delays seemed to be rooted in bureaucratic issues inherent within each government, or disagreements over FAO's privileges and immunities (P&I). Some UN agencies do not experience these obstacles because they have host country agreements (HCAs) that go farther than most FAO HCAs by providing P&I for all activities that the agencies might engage in, including projects. While the Programme Support and Technical Cooperation Department (PS) believes that FAO's HCAs should be renegotiated, where appropriate, the LEG believes that caution should be exercised and that HCAs should only be renegotiated where it is clear there is political support from government interlocutors; otherwise FAO may risk losing existing levels of protection.

66.   Nevertheless, to address these obstacles Management should identify and implement a strategy for providing FAO project activities with the necessary P&I. This strategy should aim to provide a coherent and global approach without placing undue burden on any individual country or FAO Representative (FAOR). Based on consultations with LEG, OIG suggests that this strategy should consider the following:

- creation of an annex to the CPF signed by each recipient government which would contain relevant clauses relating to P&I for all current and future activities and projects forming part of the CPF;
- explore the possibility of signing "Exchange of Letters" under which FAO would utilize existing basic agreements of other UN agencies; and

- ensure that a standard legal clause on P&I is included in the United Nations Sustainable Development Cooperation Framework (UNSDCF); that FAO is covered by this clause; and that the legal annex is presented with the first draft and remains an integral part of the document throughout discussions with governments.

Inception period

67.   The inception period for FAO projects was not effective, leading to multiple issues impacting the timeliness and quality of projects. Projects did not always undergo meaningful inception periods and many of the key activities that should be undertaken during the inception period (e.g. development of M&E plan, updating of the logframe and results matrix) were not appropriately performed. One key inception period activity in particular, is the recruitment of fixed-term project staff, which seemed to have persistent issues.

68.   An ineffective inception period contributed to a number of issues within FAO projects, such as low quality final project design, delays in implementation, and delays and low quality in project reporting to resource partners.

69.   To strengthen the effectiveness of the inception period, OIG suggests that management consider the following:

- provide more guidance for the inception period and strengthen the mandatory activities to be performed;
- provide personnel with project management training opportunities, including an emphasis on the inception period as part of efforts to strengthen overall project management skills and knowledge;
- ensure BHs do not allow projects to proceed with implementation unless all necessary inception period activities have been properly carried out; and
- permit projects to start the recruitment process for project staff before a project is operationally active.

70.   The report included two actions that management agreed to undertake and one recommendation.

AUD 1919 – Audit of the Project Cycle Part 5: Project Reporting

71.   This report summarized OIG's findings on the adequacy of procedures and controls over project reporting.

72.   OIG's overall conclusion was that while the majority of narrative reports were perceived as being timely and of relatively high quality, the numerous weaknesses identified in the quality and timeliness of a large minority of project reports; the absence of a progress reporting requirement; and the inaccuracy of reporting costs negatively impacted FAO's ability to achieve its reporting objectives. Many of these issues could be resolved through modifying the design of current procedures and quality control mechanisms and by strengthening monitoring and accountability. This suggests that the design, effectiveness and efficiency of current policies and procedures for project reporting need major improvement.

Quality of reporting

73.   OIG concluded that the majority of project reports were of sufficiently high quality; however, a significant number of reports (i.e. approximately 20 percent of progress reports and 40 percent of terminal reports reviewed by OIG) still need major improvement.

74.   The main reason identified for lower quality progress reports was that there was no documented, established control system over the quality of progress reports as there is with terminal reports. FLOs and administrative staff in the Business Development and Resource Mobilization Division (PSR) filled this gap by informally reviewing and editing reports, but the lack of a formal system and the fact that FLOs and administrative staff may not be qualified to perform this review fails to ensure consistent, adequate and appropriate resources were applied to the task.

75.   Regarding terminal reports, as NSHR regularly play a lead role in project implementation and report preparation is often delayed, there is the possibility that when the report is prepared the relevant NSHR may have already left the project and therefore cannot contribute to the development of the terminal report, which may impact on its overall quality.

76.   The quality of both terminal and progress reports is also affected by:

- the lack of formally established criteria or checklists for personnel preparing and reviewing reports, which would better ensure a consistent level of quality; and
- delays in report preparation, putting pressure on personnel responsible for both drafting and reviewing reports, and thereby affecting quality.

Timeliness of reporting

77.   While a majority of resource partners perceived FAO reporting as timely (i.e. approximately 66 percent for progress reports and 52 percent for terminal reports), a large minority disagreed and noted that FAO regularly or even always asked for extensions to the project reporting period.

78.   OIG identified a number of different factors affecting timely reporting, most notably:

- Unclear reporting timelines and tracking for non-Emergency and Resilience Division (PSE) projects – while deadlines for submitting reports to resource partners were generally clear, the roles and responsibilities for tracking the status of reporting and the timelines for when reports need to start being prepared and sent to the various quality control points were not clear.
- Accountability – delays in reporting to resource partners seemed to be a known and recurring issue within FAO that had previously been reported on. However, controls over timely reporting had not been strengthened and there appeared to be no clear repercussions for delayed reporting.

Absence of progress reporting requirement

79.   There was no corporate requirement for projects to complete progress reports, even for internal purposes. This is not in line with good practices and renders FAO unable to achieve some of its key reporting objectives, including, for example, support for proactive project management.

Reporting costs

80.   The direct operational costs for the editing and finalization of terminal reports charged to all projects was not based on evidence or methodology and could therefore exceed the actual costs incurred. Conversely, costs related to work performed by PSR on progress reports had not been formally recognized and charged to projects.

Conclusion

81.   This report included twelve actions that the Organization agreed to undertake to strengthen the overall effectiveness and efficiency of project reporting at FAO. Management should focus its efforts on the following action items:

- develop, monitor and enforce formalized timelines for both progress and terminal reporting;
- design and formalize a quality control system over progress reporting;

- establish clear criteria for assessment of both narrative progress and terminal reports; and
- develop an appropriate and accurate costing methodology and fee for project reporting.

AUD 2019 – Audit of Information Technology Security

82.   OIG conducted an audit of FAO's IT security controls using the services of an external IT security expert.

83.   OIG's overall assessment was that organizational performance as regards IT security needs major improvement.

84.   OIG acknowledges that CIO has made significant efforts to implement recommendations from previous reports, including but not limited to: i) implementing a 24X7 Security Operations Center; ii) defining detailed procedures for incident handling; and iii) raising user awareness of IT risks.

85.   OIG also acknowledges that IT infrastructure is undergoing structural changes as its components are migrated to the cloud and to a different paradigm for the management of assets. Cloud migration was already in progress and some infrastructure components and applications had already been migrated. OIG notes that the CIO team had developed security standards for cloud deployment.

86.   OIG recognizes that the existence of legacy applications was a constraint in implementation of some recommendations and interfered with information security practices and processes. CIO noted that these risks had already been highlighted to management and a Capital Expenditure Facility (CapEx) proposal had been developed, which was pending approval at the time of this review.

87.   OIG observed that the current funding model for applications, wherein budget is mainly allocated for application development and not usually for post development maintenance, resulted in insufficient support and management of applications and their components during the application life cycle. As a result, a number of applications had become outdated or used obsolete components which had not been upgraded as part of regular maintenance activities. These applications therefore posed a serious information security risk.

88.   The report included 37 new Agreed Actions and two recommendations.

89.   OIG acknowledges that implementation of several of the proposed actions is conditional on the availability of sufficient funds, and that in several cases a cost estimate is not yet available, but could be significant.

90.   Finally, OIG acknowledges that CIO management is working on a number of actions which are expected to mitigate some of the risks identified during the audit. Some of these initiatives, such as implementation of a multi-factor authentication solution or a software-defined perimeter solution, were in progress but the respective procurement processes were delayed. Other initiatives, such as implementation of an identity management solution, still seemed to be in the discussion phase. At the time of writing this report, the impact of the eventual implementation of these initiatives was uncertain.

Decentralized Office audits

AUD 0219 – Audit of the FAO Representation in Sierra Leone

91.   OIG conducted an audit of the FAO Representation in Sierra Leone, covering the period from January 2017 to December 2018.

92.   Overall, OIG assessed the Representation as Major Improvement Needed in Country Programme and Advocacy, Governance and Accountability, and Field Operations.

Country Programme and Advocacy:

- The Representation advocated FAO's mandate, liaised with its partners and was viewed by key stakeholders as an important development partner for Sierra Leone.
- The Representation developed a CPF for 2017–2019, but it contained a number of discrepancies.
- The CPF indicated that the Representation would be supporting the government towards attaining nine SDGs; however, output indicators in the CPF made reference to only five SDGs, of which three were not among the nine listed SDGs.
- The Representation was inconsistent in reporting the total requirement for the CPF, RM targets and results.
- The RM target for the total CPF requirement of USD 41.5 million over a three-year period seemed unrealistic considering that the Representation had mobilized only USD 12.4 million for the previous CPF (2012–2016).
- On gender mainstreaming (GM), the Representation did not include gender-sensitive indicators in its CPF; did not consistently and accurately assign gender markers for its projects; did not conduct a gender stocktaking exercise; and allocated only 8 percent of total budgets to gender-related projects instead of the minimum 30 percent required.

Governance and Accountability:

- The Representation did not systematically identify and manage its risks.
- It lacked an appropriate organizational structure for segregation of duties and a basis to implement systems of internal controls.
- OIG assessed that the Representation's responses to 7 of the 41 control points in the 2018 ICQ did not fully reflect the actual state of controls. This included control weaknesses in security management, human resources, procurement and project management.
- Staff had conflicting finance and procurement responsibilities. In the absence of proper record keeping, there were no assurances that the Representation had conducted recruitment and procurement activities in a transparent and competitive manner.
- The inappropriate selection of payment modalities and the failure to maintain vendor banking details in the corporate system unnecessarily increased the administrative workload, risk of errors and fraud.

Field Operations:

- The Representation had a basic project management workflow with limited staffing and no dedicated monitoring unit.
- All three sampled closed projects showed delays of between two and eight months.
- The Representation attributed the delays to external factors such as elections and the outbreak of Ebola, as well as challenges in project management, such as identification of beneficiaries and human resources constraints. However, OIG identified control weaknesses in project management, particularly in the implementation of a United Nations Joint Project (UNJP).

- Key issues identified included the failure to provide matching funds for the joint project despite having been given an eight-month extension to do so; and, in some instances, poor planning resulted in significant delays and additional costs to redo completed works.
- The Representation did not submit six-monthly progress reports as required, and the terminal report was inaccurate and incomplete.
- The terminal report did not reflect the significant shortfall in budget for FAO's component of nearly 50 percent. It showed that the project was successfully implemented without indicating the adjustments and impact on the project due to the budget shortfall, and did not always report project achievements based on pre-established indicators in the project agreement.
- Four months after the closure of the UNJP, the Representation established a new project with a total budget of USD 496 000 to honour the outstanding commitment for matching funds for the previous UNJP.
- There were discrepancies at project formulation resulting in incorrect baselines for some activities, omission of two pending activities highlighted in the UNJP terminal report and inclusion of two other activities without corresponding indicators, baselines and targets.
- The Representation did not have grievance mechanisms in place to receive and handle complaints from project beneficiaries.

93.   The audit report contained seven actions that the Representation agreed to undertake.

AUD 0519 – Audit of the FAO Partnership and Liaison Office in Côte d'Ivoire

94.   OIG conducted an audit of the FAO Partnership and Liaison Office, covering the period from January 2018 to December 2018.

95.   Overall, OIG assessed the Office as Major Improvement Needed in Country Programme and Advocacy and Field Operations, and was Unsatisfactory in Governance and Accountability.

Country Programme and Advocacy:

- Interviews with key stakeholders showed that while they viewed the Office as a valuable development partner, all commented that the Office could do more in its advocacy activities to promote FAO's mandate and position in the country.
- The lack of advocacy activities had impacted the success of the Office's RM activities: in 2018 it achieved only 41 percent of its RM target.
- The Office overstated the resources available at CPF inception in 2018 and correspondingly understated the RM target by USD 3.2 million (19 percent) of the total 2018–2021 CPF requirement.
- On CPF implementation, the Office reported delays in 18 of the 32 result indicators, but did not provide reasons for the delays except in one case.
- The Office did not meet the minimum standards for GM in its work. It allocated only 3 percent of its total budget to gender-sensitive projects as opposed to the required 30 percent minimum specified in FAO's Policy on Gender Equality.

Governance and Accountability:

- The Office had a weak governance structure and internal control environment.
- The Office had not established a risk log, did not perform the required self-assessment of its compliance with security risk management (SRM) measures and submitted an unsigned template of the fraud prevention plan.
- Poor working relations between the Assistant FAO Representative (AFAOR) Administration and acting AFAOR Programme also created a climate of mistrust among teams.
- Of the 41 control points in the 2018 ICQ, OIG assessed that at least 31 control points were partially implemented or not implemented.

- Red flags were observed in human resource management, procurement, asset management, and management of payments and advances.
- Recruitment and procurement cases were not competitive and transparent, procurement personnel were given receiving and cashier responsibilities, banking details of payees were kept outside the corporate system, there were unreported cases of asset sales and donations, and multiple advances were granted to employees prior to the settlement of a previous advance.
- Prior to this audit, several key internal control weaknesses and the tense working relations among employees had been reported to FAO management at both country and regional level in two internal assessment reports of 2014 and 2017. However, the recommendations were not implemented and the system of internal controls had since deteriorated.

Field Operations:

- The Office had a basic project management workflow and government provided staff were used as project coordinators, with no dedicated monitoring unit.
- Two of the three sampled projects had no cost extensions of six and nine months, respectively.
- Although the sampled projects had established workplans, budgets and results matrix, controls over project implementation, monitoring and reporting were lacking.
- Project coordinators did not adequately monitor the performance of service providers, including in the selection of project beneficiaries and input distribution.
- The Office accepted supporting documentation from service providers for distribution of project inputs that were without beneficiary signatures.
- There were instances of inconsistent, incomplete and inaccurate project information and reports. For one ongoing sampled project that started in 2015, no progress reports had been placed on file.
- The Office could not locate the project reports and supporting documentation because of the turnover of project personnel.
- The tense relationship between the Administration and Programme teams resulted in lack of communication leading to poor budget management and procurement planning of projects.
- In one case, the project coordinator negotiated directly with the vendor on the scope of work and contract price and an independent assessment showed that the quality of work carried out did not meet requirements and the price paid seemed high for the level of work completed.
- The Office was unaware of the need to establish grievance mechanisms for complaints on possible violations of FAO environmental and social standards, or the need to have a confidential reporting channel to receive and handle allegations of sexual exploitation and abuse by FAO employees.

96.   The audit report contained 13 actions that the Office agreed to undertake.

AUD 0619 – Audit of the FAO Representation in Tanzania

97.   OIG conducted an audit of the FAO Representation in Tanzania, covering the period from 1 January 2018 to 31 December 2018.

98.   Overall, OIG assessed the Representation as **Some Improvement Needed** in Country Programme and Advocacy and Field Operations; and **Unsatisfactory** in Governance and Administration.

Country Programme and Advocacy:

- The Representation was strong in its communication initiatives and had published a number of newspaper articles, and produced video documentaries about its project achievements.
- The Representation established a good working relationship with the government and the United Nations Country Team (UNCT) and had met their expectations.

- The Representation had the necessary information on RM and CPF achievements but did not report this information in the 2018 Annual Report because of unfamiliarity with reporting requirements
- In addition, the Representation needed to revise its yearly RM targets to address RM shortfalls from previous years. On gender mainstreaming, the Representation allocated 24 percent of its total budget to gender-sensitive projects as opposed to the required 30 percent minimum specified in FAO's Policy on Gender Equality.

Governance and Administration:

- The Representation had a weak governance structure and internal control environment.
- There was inadequate segregation of duties, particularly in procurement and payment processes. The Representation had signed a Fraud Prevention Plan, but did not implement the fraud risk mitigating measures stated in the Plan.
- Of the 41 control points in the 2018 ICQ, OIG assessed that at least 19 control points were partially implemented (including 15 that had been assessed by the Representation as fully implemented).
- There were several red flags: recruitment and procurement processes were not competitive and transparent for a majority of sampled cases; there was no procurement planning; multiple purchase orders were issued to the same suppliers in one day; and multiple advances were granted to employees prior to the settlement of a previous advance.
- Payment records were unreliable. Banking details of payees were kept outside the corporate system; payment records did not reflect the name of actual payees; and there were long-outstanding items of over two years in bank reconciliation.
- Compliance with mandatory training, with the exception of security training, was very low at less than 10 percent.

Field Operations:

- The Representation had a structured operational workflow for project management that included an independent M&E function. This enabled proper coverage of monitoring activities for all projects.
- M&E officers regularly followed up on project progress reports and had established a template to ease the reporting process.
- On project formulation, three sampled projects had established workplans, project logical frameworks (logframes) and budgets.
- Two of the three sampled projects had no cost extensions of one year each mainly due to delays in construction of a project infrastructure and revisions to project design.
- There was inadequate monitoring of LoAs where 5 of the 13 LoAs showed delays in implementation.
- The Representation did not establish grievance mechanisms for complaints on possible violations of FAO environmental and social standards, or a confidential reporting channel to receive and handle allegations of SEA by FAO employees.

99.   The report contained 13 actions that the Representation had agreed to undertake. The Representation was committed to fully implement all actions by March 2020.

AUD 0819 – Audit of the FAO Coordination Office for the West Bank and Gaza Strip Programme

100.   OIG conducted an audit of the FAO Coordination Office for the West Bank and Gaza Strip Programme, covering the period from 1 January 2017 to 31 December 2018.

101.   Overall, OIG assessed the Office as **Some Improvement Needed** in Country Programme and Advocacy, Governance and Administration and Field Operations.

Country Programme and Advocacy:

* The Office actively advocated FAO's mandate and was widely recognized by key stakeholders as the key technical development agency in agriculture and food security in a complex political environment.
* However, given the absence of funding from the Regular Programme and depleting income from the Administrative Operation Support budget, the Office will face serious challenges in financing advocacy, communication and other activities involving costs not eligible under project funding beyond 2021.
* On gender mainstreaming, the Office incorporated gender-related outputs and result indicators in its 2018–2022 CPF and allocated approximately 30 percent of its total budget to gender-sensitive projects. However, the Office needs to conduct a gender stocktaking exercise and a country gender assessment to better integrate gender equality in projects.
* The Office could improve the completeness and accuracy in reporting CPF achievements and challenges in its Annual Report.

Governance and administration:

* In general, the Office had an adequate governance structure where roles, responsibilities and reporting lines were clear.
* The Office had a positive internal control environment where personnel understood the importance of risk management and internal controls and maintained supporting records for competitive and transparent procurement and recruitment processes.
* Of the 41 control points in the 2018 ICQ, the Office assessed that it had fully complied with 34 control points. The audit confirmed the self-assessed rating, except in three cases.
* Areas for improvement included: procurement planning; completing mandatory training; updating job descriptions of key positions to reflect actual responsibilities and operational requirements; recording payee banking information in the Global Resource Management System; and managing legal risks by using the appropriate contractual modality for recruitment of local personnel and for procurement.
* The Office needed to communicate the existence of a confidential reporting channel for allegations of SEA to the local population, taking into account local cultural sensitivities.

Field operations:

* The Office had a structured operational workflow for project management that included an independent Operations Team responsible for the M&E function.
* All four sampled projects had established workplans, project logical frameworks, approved budgets and project risk logs. The Office complied with internal and external reporting requirements.
* In February 2018, the Office established project-related grievance mechanisms for complaints by beneficiaries and affected populations, including possible social and environmental violations.

102.   The report contained nine actions that the Office and the Regional Office (RO) for the Near East and North Africa agreed to undertake. The Office and the RO were committed to fully implement all Agreed Actions by December 2020.

AUD 0919 – Audit of the FAO Representation in Afghanistan

103.   OIG conducted an audit of the FAO Representation in Afghanistan, covering the period from 1 January to 31 December 2018.

104.   Overall, OIG assessed the Representation as **Some Improvement Needed** in Country Programme and Advocacy, **Major Improvement Needed** in Governance and Administration and **Some Improvement Needed** in Field Operations.

Country programme and advocacy:

- The Representation maintained a good working relationship with its government counterparts, and had developed strong coordination and liaison relationships with its development partners and the UNCT.
- Together with WFP, the Representation played a key role in the drought emergency response. While this partnership was highly appreciated by the government and international community, both parties agreed that coordination at working level could be further improved.
- RM for CPF priorities and for the additional requirement for the drought emergency was satisfactory. However, mobilizing resources was increasingly difficult due to government pressure on UN organizations to demonstrate their added value under a One UN approach, and pressure to channel development aid through the government budget.
- Within the Representation, there was a consensus that advocacy and communication of FAO activities needed to be strengthened as the government and development partners were not aware of the breadth of FAO's activities and achievements in the country.
- The Representation did not meet the minimum standards for mainstreaming gender in its work. It allocated only 5 percent of its total budget to gender-sensitive projects, as opposed to the required 30 percent minimum specified in FAO's Policy on Gender Equality.

Governance and administration:

- The Representation's governance structure did not meet its operational requirements. A P5 was performing the D1 FAOR functions without the support of a deputy. The effectiveness of supervisory controls was questionable with the FAOR supervising 28 personnel at two locations and a national officer supervising 96 personnel at nine different locations.
- The Representation performed risk assessments and had submitted a fraud prevention plan in 2017, but had not fully implemented the fraud mitigating measures.
- The Representation had not established a confidential reporting channel to receive and handle allegations of SEA by FAO employees.
- The Representation assessed that of the 41 control points in the 2018 ICQ, 31 were fully implemented and the remaining 10 were partially implemented. However, OIG assessed that 15 control points were partially implemented.
- The audit identified several red flags:
  - in the majority of sampled cases, recruitment of local personnel was not transparent;
  - all sampled expedited procurement actions with a short bidding period of ten days or less had significant delivery delays;
  - multiple advances were granted to employees prior to the settlement of a previous advance;
  - payments totalling USD 1.4 million were made without prior obligation of funds ("unmatched invoices");
  - an armored vehicle was loaned to the government without proper recording and authorization;
  - individual payments exceeding USD 10 000 totalling USD 13.3 million were made by manual bank transfers instead of Electronic Fund Transfers, contrary to established procedures, thus adding to the risk of errors and fraud;
  - payee banking details were not recorded in the corporate system in over 80 percent of manual bank transfers, totalling USD 15.1 million;
  - payment records did not reflect the name of actual payees; and

> o   several instances of non-compliance occurred when the Representation accepted requests from government counterparts to contribute financially to their operational expenditure.

Field operations:

- The Representation was operating in a country where the security situation had a significant impact on programme delivery. Taking into account the context and environment, in general the Representation complied with FAO project cycle requirements for project formulation, implementation and reporting.
- The selection of project beneficiaries was duly supported, but documentation on input distribution for sampled projects was incomplete.
- The Representation needed to strengthen its monitoring and evaluation function to ensure reports on project status and achievements were complete and accurate.
- The Representation had established grievance mechanisms to receive complaints in three of five projects sampled, but needs to ensure that such mechanisms are consistently developed for all projects.

105.   The report contained 16 actions that the Representation agreed to undertake. The Representation was committed to fully implement all actions by December 2020.

AUD 1619 – Audit of the FAO Representation in Brazil

106.   OIG conducted an audit of the FAO Representation in Brazil, covering the period from January 2018 to March 2019.

107.   Overall, OIG assessed the Representation as **Major Improvement Needed** in Country Programme and Advocacy, **Unsatisfactory** in Governance and Administration, and **Major Improvement Needed** in Field Operations.

Country programme and advocacy:

- The Representation had a good working relationship with government counterparts despite the high turnover of personnel within local authorities in the last three years.
- The Representation advocated FAO´s strategic vision to combat hunger and malnutrition.
- Key stakeholders viewed FAO as a valuable partner, particularly its technical expertise and support in developing projects.
- However, the Representation had continued to use an outdated CPF from 2013–2016, which did not reflect the changes in national development priorities and was not aligned to the achievement of SDGs targeted by the country.
- On RM, the Representation overstated its achievement by USD 54.3 million in its 2018 Annual Report.
- The Representation did not meet the minimum standards for mainstreaming gender in its work. It allocated only 9 percent of its budget to gender-sensitive projects as opposed to the required 30 percent minimum specified in FAO´s Policy on Gender Equality.

Governance and administration:

- The Representation did not have an effective structure to govern its operations. Fifty-one personnel seemed excessive for the scale of its operations.
- Segregation of duties was inadequate with project personnel performing administrative duties, and personnel without the delegation of authority performing procurement functions.
- There was no established process for risk management.
- The Representation also did not establish a confidential reporting channel to receive and handle allegations of sexual exploitation and abuse by FAO employees and partners.

- Of the 41 control points in the 2018 ICQ, OIG assessed that 20 control points were partially implemented, and 3 had not been implemented (including 7 that the Representation had assessed as fully implemented).
- There were significant control gaps in human resources and procurement management.
- In the recruitment of personnel for Unilateral Trust Fund (UTF) projects, the Representation submitted data of all applicants to government counterparts for shortlist, interview and selection.
- The Representation issued contracts to personnel working on UTF and GEF projects that contained conflicting payment terms.
- Approximately USD 2.24 million or 55 percent of bank transfer payments were effected without any records of banking information in the corporate system.
- Other issues identified included errors in payments, vendors with multiple registration in the corporate system, settlement of travel and operational advances beyond 90 days, discrepancies in the asset register, inaccurate reporting of compliance with SRM measures and low completion rates for mandatory training.

Field operations:

- There was a decreasing trend in programme delivery from USD4.6 million in 2016 to less than USD 1 million as at November 2019.
- All four sampled projects were repeatedly extended delaying project completion by four to five years.
- The changes in government and high turnover of government counterparts impacted programme delivery, but weak project management also contributed to the delays.
- The Representation was not proactive in seeking solutions to address project challenges. For UTF projects, it had relinquished controls over the selection and supervision of service providers and project personnel to government counterparts.
- There were procurement delays, delivery delays by service providers and return of unspent funds to donors totalling USD 0.2 million in 2018.
- The Representation did not track the time personnel spent working on different projects for proper cost allocation, risking possible refunds to donors for ineligible expenditure.
- Detailed financial data and reports were provided to government counterparts beyond the terms of project agreements, without clearance and certification by the Finance Division.
- The Representation did not establish grievance mechanisms for receiving and handling complaints of potential violation of FAO's environmental and social standards.

108.   The report contained 17 actions that the Representation agreed to undertake. The Representation committed to fully implement all actions by December 2020.

AUD 1719 – Audit of the FAO Representation in China

109.   OIG conducted an audit of the FAO Representation in China, covering the period from 1 January 2018 to 31 March 2019.

110.   Overall, OIG assessed the Representation as **Some Improvement Needed** in Country Programme and Advocacy, Governance and Administration, and in Field Operations.

Country programme and advocacy:

- FAO was widely recognized as one of the lead UN agencies in the country, i.e. effective and visible in advocacy and knowledge sharing in the agricultural innovation, poverty reduction and public health sectors.

- Government counterparts were satisfied that FAO's CPF was aligned with national development priorities, and with the role and performance of the Representation in implementation of the programme.
- The Representation was proactive and successful in seeking alternative funding sources including development of partnerships with the state, civil and private sectors.
- The expected closure of the Emergency Centre for Transboundary Animal Diseases (ECTAD) programme in China would create a gap in animal health expertise at the Representation.
- The Representation overstated the resources available at inception of the 2016–2020 CPF by USD 21.8 million, and there was inconsistent reporting on its CPF and RM achievements in the 2018 Annual Report.
- The Representation did not meet the minimum standards for mainstreaming gender in its work. It allocated only 1 percent of its total budget to gender-sensitive projects, as opposed to the required 30 percent minimum specified in FAO's Policy on Gender Equality.

Governance and administration:

- The Representation had established a clear structure for governance and administration. However, its capacity in project implementation and monitoring was negatively impacted by a high turnover of NSHR personnel.
- Of the 41 control points in the ICQ, OIG concurred with the Representation's self-assessment that 35 control points were fully implemented and the remaining 5 points were partially implemented, and 1 point not applicable.
- The Administration Unit maintained proper supporting documentation to illustrate competitiveness and transparency in human resources and procurement management.
- The Representation understood the importance of risk management and was actively managing the key risks identified, within its capacity and resources.
- Areas for improvement included establishing and communicating the confidential reporting mechanisms for allegations relating to SEA; completion of mandatory training by all personnel; timely payments to LoA service providers; and recording of vendor banking information in the corporate system.

Field operations:

- In general, the Representation complied with FAO Project Cycle requirements for project formulation, implementation and reporting.
- On project formulation, the Ministry responsible for GEF funding in China considered FAO as slow due to its limitation in capacity and extensive internal control procedures for projects outsourced to executing partners.
- Previous delays at project start-up on the GEF portfolio had been addressed and there were improvements in project delivery.
- For one sampled project, OIG assessed the risk for project delivery as high due to the executing partner's lack of project management capacity. The external audit firm appointed by FAO also identified 28 percent of ineligible expenditure from the total expenditure reported by the executing partner in 2018, and had issued a qualified opinion for the financial statements.
- With its limited resources and a high turnover of project personnel, the Representation faced challenges in sustaining the improvements achieved in project implementation.
- Project personnel monitored and reported project results as required. However, the Representation did not have specific monitoring and evaluation personnel to independently verify these results.
- Other areas for improvement include the establishment of grievance mechanisms for project beneficiaries or affected local populations to register their complaints on possible violations of environmental and social safeguards

111.   The report contained nine actions that the Representation and RO agreed to undertake. The Representation committed to fully implement all actions by July 2020.

Joint audits with other UN system Internal Audit Services

AUD 0119 – Joint Audit of Delivering as One in Papua New Guinea

112.   The Internal Audit Services (IAS) of six UN agencies (FAO, IOM, UNDP, UNFPA, UNICEF and WHO) conducted a joint audit of Delivering as One (DaO) in Papua New Guinea (PNG).

113.   The audit was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities.

114.   The objective of the audit was to provide reasonable assurance that adequate and effective governance, risk management and control processes were in place for the achievement of DaO objectives. The key audit results were as summarized below.

115.   In PNG, the UN faced several external risks that may constrain implementation of the DaO programme.

116.   The UN Country Team (UNCT) reported that the operating environment in PNG was very challenging, and the ability of the government to deliver basic services to all parts of the country was constrained by a highly dispersed population, aging infrastructure, limited human resources capacity, high cost of logistics and tribal conflicts.

117.   Corruption, crime and insecurity also affected the business environment.

118.   Humanitarian challenges included the February 2018 earthquake.

119.   Despite these challenges, governance, risk management and control processes had been established and were functioning well in a number of areas.

120.   The UNCT responded diligently to the February 2018 earthquake and had raised USD 9.2 million within four weeks. The UNCT's collegial approach led to effective coordination of the UN humanitarian response to this large-scale emergency.

121.   The 2018–2022 United Nations Development Assistance Framework (UNDAF) was aligned with national plans and had been developed following extensive and broad consultations with key ministries, civil society and development partners.

122.   The 2018–2022 results framework shifted from the ten sector-based task teams in the previous UNDAF to four priority results groups. This increased flexibility in the integration of programmes around the globally agreed key elements of the SDGs: people, planet, peace and prosperity.

123.   The audit noted that controls over joint communications were generally established and functioning well.

124.   The joint audit team identified a number of areas where further action was needed to better manage risks to DaO in PNG. The report contained 27 recommendations that included 7 rated as high priority.