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# CONFERENCE

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**Audited Accounts - FAO 2015  
Part B - Report of the External Auditor**

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**REPORT OF THE EXTERNAL AUDITOR  
ON THE FINANCIAL OPERATIONS OF  
THE FOOD AND AGRICULTURE ORGANIZATION  
OF THE UNITED NATIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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## EXECUTIVE SUMMARY

### Introduction

1. This Report of the External Auditor on the audit of the financial operations of the **Food and Agriculture Organization (FAO)** of the United Nations is issued pursuant to Regulation XII and the Additional Terms of Reference of the Financial Regulations of FAO. It contains the results of the audit on the financial statements for the financial year ending 31 December 2015 and the observations with respect to the administration and management of the Organization as required under Regulation 12.4.

2. This is the second report issued on an annual basis in view of the adoption by FAO of the International Public Sector Accounting Standards (IPSAS) as its financial reporting framework effective financial year 2014. The general objectives of the audit are to provide independent assurance on the fairness of presentation of the financial statements to Member States, to help increase transparency and accountability in the Organization, and to support the objectives of the Organization's work through the external audit process. The Report discusses in detail the financial and governance matters that the External Auditor believes should be brought to the attention of the FAO Governing Bodies.

### Overall result of the audit

3. In line with our mandate, we audited the financial statements of FAO in compliance with the Financial Regulations and in conformity with the International Standards on Auditing.

4. Our audit resulted in the issuance of an unmodified audit opinion<sup>1</sup> on the Organization's financial statements for the financial year ended 31 December 2015. We concluded that the financial statements present fairly, in all material respects: (a) the financial position of FAO for the year ended 31 December 2015; (b) its financial performance; (c) the changes in net assets/equity, (d) its cash flows; and (e) the comparison of budget and actual amounts of its expenditures for the said year in accordance with IPSAS.

5. We also concluded that the accounting policies were applied on a basis consistent with that of the preceding year, and the transactions of FAO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements are, in all significant respects, in compliance with the Financial Regulations and legislative authority.

6. In line with Regulation 12.4, we conducted performance audit work in addition to financial audit. Our performance audit work is aligned with FAO risks. It included the review of (a) management control in key operational areas; (b) risk management; and (c) operations of decentralized offices. We provided Management with recommendations that are designed to

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<sup>1</sup> Unmodified audit opinion – Under ISA 700, this is an opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. This is the new terminology that replaced “unqualified or clean opinion”.

support the objectives of FAO's work, to reinforce its accountability and transparency, and to improve and add value to FAO's financial management and governance.

### Summary of recommendations

7. We made several value-adding recommendations to further improve FAO's financial management and governance. The main recommendations are that the Organization:

<b>Recommendations</b>		<b>Priority</b>	<b>Timeline</b>
<b>Audit of financial statements</b>			
<b>Unfunded employee benefit obligations</b>			
<b>1</b>	<b>Continue identifying a consistent funding source and come up with a comprehensive plan to fully fund the employee benefit obligations over a set targeted period of time. (Paragraph 32)</b>	<b>Fundamental</b>	<b>2017</b>
<b>Cash voucher scheme</b>			
<b>2</b>	<b>Formulate and issue administrative rules relating to the use of the Cash and Voucher Schemes to ensure that the best value for money is obtained; guarantee validity and regularity of said transactions; and assure fair presentation of the affected accounts in the financial statements. (Paragraph 39)</b>	<b>Fundamental</b>	<b>2017</b>
<b>3</b>	<b>Provide accounting guidance to the decentralized offices concerned in the recording of expenses for agricultural inputs distributed and the cash for work paid to beneficiaries, which are reimbursed through money vendors, to ensure consistency in the recording thereof. Finance Division (CSF) may also consider the use of new accounts to distinguish transactions through the cash voucher scheme. (Paragraph 41)</b>	<b>Significant</b>	<b>2017</b>
<b>Prepayments and employee receivables</b>			
<b>4</b>	<b>Strengthen monitoring mechanisms over the timely clearance of advances through the enforcement of policies relating to the recovery of outstanding advances and ensuring the timely processing of claims. (Paragraph 47)</b>	<b>Significant</b>	<b>2016</b>

<b>Recommendations</b>		<b>Priority</b>	<b>Timeline</b>
<b>Shared Services Centre (SSC)</b>			
<b>5</b>	<b>Further improve its processing and review of transactions by enforcing strict compliance with relevant staff and financial rules, regulations and procedures. (Paragraph 49)</b>	<b>Significant</b>	<b>2016</b>
<b>Global Resource Management System (GRMS)</b>			
<b>6</b>	<b>Conduct a review and analysis of the identified issues and limitations affecting the application of the GRMS functionalities on purchasing, accounts payable and travel, and provide solutions to fully achieve benefits from the system. (Paragraph 53)</b>	<b>Significant</b>	<b>2016</b>
<b>Review of Management Controls</b>			
<b>Programme management</b>			
<b>7</b>	<b>Strengthen oversight in ensuring adherence with established guidelines on project closure, and better management of project information, through closer monitoring of the on and off system project data, to improve support to project management decisions. (Paragraph 66)</b>	<b>Fundamental</b>	<b>2016</b>
<b>8</b>	<b>Provide within the PIR process or in other functionalities, a mechanism that would allow delivery units to measure their own performance in the achievement of results. (Paragraph 69)</b>	<b>Significant</b>	<b>2017</b>
<b>Procurement of goods and services</b>			
<b>9</b>	<b>Reinforce monitoring controls on compliance with applicable rules and regulations by activity owners in the procurement process; and build further competency of staff charged with procurement delivery to effectively address the observed gaps. (Paragraph 79)</b>	<b>Fundamental</b>	<b>2016</b>
<b>Letters of Agreement</b>			
<b>10</b>	<b>Strengthen the review and monitoring of LoA activities to ensure compliance with regulations, accuracy of documentation, efficiency in implementation and improve accountability. (Paragraph 84)</b>	<b>Significant</b>	<b>2016</b>

<b>Recommendations</b>		<b>Priority</b>	<b>Timeline</b>
<b>Human resource management</b>			
<b>11</b>	<b>Ensure that future TORs detail clearly the roles and responsibilities of consultants and other contracted parties to strengthen controls and protect the interests of the Organization. (Paragraph 93)</b>	<b>Significant</b>	<b>2016</b>
<b>12</b>	<b>Optimize the value obtained from employing non-staff human resources through adequate review and clarification of their TORs, timely assessment of their performance, and appropriately controlling the risk of work disruptions and information security breaches brought about by the nature of their employment. (Paragraph 98)</b>	<b>Significant</b>	<b>2016</b>
<b>Cash management</b>			
<b>13</b>	<b>Strengthen the process controls over the management of cash, its recording and reporting by improving staff compliance and related monitoring activities to guarantee its safe custody and its efficient and economic utilization. (Paragraph 101)</b>	<b>Significant</b>	<b>2016</b>
<b>Asset and inventory management</b>			
<b>14</b>	<b>Enhance the upkeep of Fixed Assets and Inventory through improved monitoring by process owners of compliance with prescribed Organizational guidance and regulations to ensure better asset safeguarding, asset information quality; and, support the transition to IPSAS. (Paragraph 104)</b>	<b>Significant</b>	<b>2016</b>
<b>Reporting to donors</b>			
<b>15</b>	<b>Enhance monitoring controls over project responsibilities and information, including financial reporting, through system functionality improvements supporting project responsibility triggers, reports tracking, and data accuracy and completeness that ensures efficient donor reporting. (Paragraph 115)</b>	<b>Significant</b>	<b>2016</b>

<b>Recommendations</b>		<b>Priority</b>	<b>Timeline</b>
<b>Travel management</b>			
<b>16</b>	<b>Further improve the efficiency and effectiveness of staff travel through (a) adequate planning; (b) the strengthening of monitoring mechanisms to prevent granting of additional advances where prior advances remain unsettled and are overdue; (c) adequate monitoring of the timely submission and processing of travel claims, and (d) submission of supporting documents such as BTORs after completion of duty travels. (Paragraph 120)</b>	<b>Significant</b>	<b>2016</b>
<b>Risk Management</b>			
<b>17</b>	<b>Ensure that risk management effectively permeates into its operational processes and decisions as planned through: a) better-coordinated corporate action and monitoring; and b) institution of related measures to build a risk aware culture. (Paragraph 125)</b>	<b>Fundamental</b>	<b>2017</b>
<b>Operations of decentralized offices</b>			
<b>Technical cooperation programme</b>			
<b>18</b>	<b>Continue to pursue robust representation to Member States for early identification and approval of projects, and exact the discharge by process owners of TCP project responsibilities that are vital to the approval of TCP projects, commitment and allocation of TCP resources and attainment of the desired level of TCP delivery, to ensure overall effectiveness in TCP implementation. (Paragraph 132)</b>	<b>Fundamental</b>	<b>2016</b>
<b>Country programming framework</b>			
<b>19</b>	<b>Ensure that Country Programming Frameworks are supported with the Country Work Plans (CWPs) that are fully documented and have undergone inter-disciplinary technical and quality assurance review in compliance with CPF Guidelines to ensure that the CPFs contribute towards achieving the Organization's Strategic Objectives. We recommended further that FAO ensure that Resource Mobilization Strategy and Action Plans</b>	<b>Significant</b>	<b>2016</b>

<b>Recommendations</b>		<b>Priority</b>	<b>Timeline</b>
	<b>are prepared to help operationalize strategies more effectively and efficiently, in support of the CPF implementation in the Country Offices. (Paragraph 139)</b>		
<b>Fraud risk response mechanism</b>			
<b>20</b>	<b>Ensure that all country offices update their Fraud Control Plans including the fraud and other corrupt practices risk assessments to warrant a more comprehensive view of current developments affecting the level of risks. In addition, we recommended that FAO ensure that the succeeding context for risk assessments and FCPs include Project Implementation Reporting as one of the Fraud Risk Categories to improve the quality of resulting risk management strategies. (Paragraph 145)</b>	<b>Fundamental</b>	<b>2016</b>
<b>Cases of fraud and presumptive fraud</b>			
<b>21</b>	<b>Further strengthen its fraud risk governance through a review of the currently identified fraud risk factors and the adequacy of related risk response mechanisms to better manage fraud vulnerabilities. (Paragraph 154)</b>	<b>Significant</b>	<b>2016</b>

### **Previous audit recommendations**

8. The status of implementation by Management of previous audit recommendations of the External Auditor is embodied in a separate report presented to the Finance Committee (FC). Five (19 per cent) out of 26 recommendations in the Financial Year 2014 were implemented while 21 (81 per cent) were in the process of implementation. Of the 57 recommendations made for the Biennium 2012-2013, Management had already implemented 28 recommendations (49 per cent) leaving 29 recommendations (51 per cent) still in the process of implementation. All of the 69 recommendations (100 per cent) for the Biennium 2010-2011 were fully implemented. For the Biennium 2008-2009, two (7 per cent) out of 27 recommendations remained under implementation. We reiterate that Management implement the remaining recommendations.

## **A. MANDATE, SCOPE AND METHODOLOGY**

### **Mandate**

9. The Commission on Audit of the Republic of the Philippines was appointed by the 146<sup>th</sup> Session of the Council<sup>2</sup> as External Auditor of the Organization for a period of six years commencing with the year 2014.

10. As the External Auditor, we are mandated to issue a report on the audit of the financial statements for each calendar year, which shall include information necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference. The report together with the audited financial statements, is transmitted to the Council through the Finance Committee, with any directions given by it. The Council shall examine the financial statements and audit reports and shall forward them to the Conference with such comments as it deems prudent.

11. This is the second year of our new audit mandate and the second Report of the External Auditor to be issued on an annual basis in view of the adoption of IPSAS as the financial reporting framework of the Organization starting 2014.

### **Scope and objectives**

12. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It includes the assessment of the accounting principles used and significant estimates made by the Organization, and the overall presentation of the financial statements. It also includes an assessment of FAO's compliance with Financial Regulations and legislative authority.

13. The primary objectives of the audit are to provide an independent opinion on whether:

- a. the financial statements present fairly the financial position of FAO as at 31 December 2015, the results of its financial performance, the changes in its net assets/equity, the cash flows of the Organization and the comparison of its budget with actual amounts of expenditures for the financial year ended 31 December 2015 in accordance with IPSAS;
- b. the accounting policies set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial period; and
- c. the transactions that have come to our notice or that we have tested as part of the audit, comply in all significant respects with the Financial Regulations and legislative authority.

14. The External Auditor likewise conducted a review of the Organization's operations pursuant to Financial Regulation 12.4 to make observations with respect to the efficiency of the

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<sup>2</sup> Resolution 1/146 adopted on 26 April 2013

financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of its operations. Those matters are addressed in the relevant sections of this Report.

15. Overall, the audit intends to provide independent assurance to Member States, to reinforce transparency and accountability in the Organization, and to support the objectives of the Organization's work through the external audit process.

### **Methodology and auditor's responsibilities**

16. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements. The audit includes examining evidence supporting the amounts and the disclosures in the financial statements on a test basis. The audit also includes assessing the accounting principles used and the significant estimates made by Management as well as evaluating the overall presentation of the financial statements. We adopted the Risk-based Audit Approach in the audit of the financial statements which requires us to conduct risk assessment to identify all possible material misstatements in the financial statements and the assertions accompanying it, based on an understanding of the entity and its environment.

17. The External Auditor's responsibility is to express an opinion on the financial statements based on an audit. An audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free from material misstatements caused by either fraud or error.

18. We also reviewed the effectiveness of management controls in key areas of operations, risk management, operations of selected decentralized offices with a focus on the technical cooperation programme, country programming framework and the fraud risk response mechanism, in line with Financial Regulation 12.4.

19. For the financial year 2015, we conducted audits in the Headquarters (HQ); in three regional offices, namely, the FAO Regional Office for Europe and Central Asia (FAOREU), FAO Regional Office for Asia and the Pacific (FAORAP), FAO Regional Office for Africa (FAORAF); the FAO sub-regional office in Mesoamerica (FAOSLM); and in three representation offices, namely, the FAO Representation Offices in Vietnam (FAVIE), Georgia (FEGEO) and Zimbabwe (FRZIM).

20. We also audited the financial statements of the FAO Credit Union and the FAO Staff Commissary for financial year 2015 and we issued separate reports on each. Further, we reviewed and certified the Status of Funds of the programmes implemented in cooperation with or on behalf of other agencies, namely the United Nations Development Programme (UNDP) and the Global Environment Facility (GEF).

21. We coordinated planned audit areas with the Office of the Inspector General (OIG) to avoid unnecessary duplication of efforts, and determine the extent of reliance that can be placed on the latter's work. We also collaborated with the Audit Committee to further enhance our audit work.

22. We reported the audit results to FAO Management in the form of management letters containing detailed observations and recommendations. This practice provides a continuing dialogue with Management.

## **B. AUDIT RESULTS**

23. This section presents the results of the audit for the financial year 2015, the second year of implementation of IPSAS. It covers matters that in the opinion of the External Auditor, should be brought to the attention of the Governing Bodies. We afforded FAO Management the opportunity to comment on our audit observations to ensure balanced reporting and to co-develop solutions. The recommendations provided to Management are designed to support the objectives of FAO's mandate, to reinforce its accountability and transparency to improve and add value to FAO's financial management and governance.

### **B.1 FINANCIAL MATTERS**

#### **B.1.1 Audit of financial statements**

##### *Opinion on the financial statements*

24. We issued an unmodified opinion on the FAO's financial statements. We concluded that the financial statements present fairly, in all material respects, the financial position of the FAO for the financial year ended 31 December 2015, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts of its expenditures in accordance with IPSAS.

##### *Application of accounting policies and test of transactions*

25. In addition, as required by FAO Financial Regulations, we concluded that the accounting policies were applied on a basis consistent with that of the preceding year. Further, we concluded that the transactions of FAO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements are, in all significant respects, in accordance with the Financial Regulations and legislative authority of FAO.

##### *Statement of comparison of budget and actual amounts*

26. We noted that the Statement V of the Organization consists of statements for the current year 2015, 2014, and for the biennium allowing for a better understanding of annual and biennial utilization of the budget during the period 2014-2015 and providing a relevant and understandable summary of the Organization's compliance with the approved budget.

27. The Statement V for the year ended 31 December 2015 showed a total net over-expenditure of USD 28.54 million which was offset by the unexpended balance of USD 34.11 million in 2014.

The guidance issued by the Office of Strategy, Planning and Resource Management (OSP) in April 2015 authorized surplus balances against 2014 allotments to be carried over to the 2015 allotments under the same code combination. The Statement V for the biennium ended 31 December 2015 presented the overall utilization of the biennial budget for 2014-2015 with a net under-expenditure of USD 5.6 million.

28. We reported other financial issues which need to be addressed by Management to further improve financial recording, processing and reporting of transactions and ensure the fair presentation of the financial statements in the next reporting period. Management acknowledged that there is work to be done in the areas of unfunded employee benefits, cash and voucher schemes, prepayments and employee receivables, the Shared Service Centre, and the Global Resource Management System.

### **B.1.2 Unfunded employee benefit obligations**

29. We noted that the total employee benefit obligations decreased by USD 267.47 million (19.01 per cent) from USD 1,406.94 million in 2014 to USD 1,139.47 million in 2015. This was mainly attributed to the decrease in the balance of post-employment benefit obligations from After Service Medical Coverage (ASMC) by USD 250.15 million from USD 1,239.74 million in 2014 to USD 989.59 million in 2015, due to the increase in the discount rate, the decrease in assumed medical trend rates, and the movement in year-end Euro-Dollar exchange rates obligations. As a result, the unfunded portion of employee benefits decreased by 25.42 per cent from USD 951.86 million in 2014 to USD 709.94 million in 2015.

30. We noted that as at 31 December 2015, USD 649.12 million out of USD 989.59 million or 66 per cent of the total liability for ASMC remained unfunded, while 100 per cent or USD 60.82 million of the liability for Terminal Payment Fund (TPF) continued to be unfunded. The current unfunded ASMC liability is lower by 27 per cent or USD 238.24 million than the 2014 unfunded liability.

31. We also noted that Management has still to establish a comprehensive plan to source the full funding of the liability. Management confirmed that they continue to engage with the Finance Committee providing updated information on the size of the liabilities and the options available to address the funding gap of the ASMC liability as well as participating in the ongoing discussions within the United Nations System to come up with a UN-wide solution to address this matter.

**32. We reiterate our recommendation that FAO continue its work on identifying a consistent funding source and come up with a comprehensive plan to fully fund the employee benefit obligations over a set targeted period of time.**

### B.1.3 Cash and Voucher Schemes

33. Cash and Voucher Schemes were implemented in FAO without clear administrative rules. The peculiarities of the Cash and Voucher Schemes provide challenges in deciding which relevant Manual Section (MS) is applicable guidance for its implementation. Contracts with the Service Providers which are non-profit entities, are covered by Letters of Agreement (LoA) where procurement and implementation thereof are administered under MS507. Unlike normal procurement actions, the agricultural inputs distributed or services paid for the cash for work using the voucher scheme are not actually bought, received and/or inspected by FAO, thus, could not be classified under MS502 which is applicable for the procurement of goods, works and services.

34. FAO engages money vendors (MV) to pay the cash vouchers, serving as the financial intermediary between FAO and selected beneficiaries. Payments to MVs consist of the commission for the service rendered and the reimbursement of the cash vouchers paid.

35. FAO Somalia (FAOSOM) records in GRMS showed payments to MVs aggregating to at least USD 34 million in 2015 were recorded through various accounts. These accounts were classified in the Statement of Financial Performance under Contracted Services and under Supplies and Consumables used.

36. FAOSOM explained that the current accounting policies do not cover transactions under the Cash and Voucher Schemes. Since the payments relate to the MV contracts, these are recorded in Account 5571 (Contract services). It was also highlighted out that there is no distortion in its reporting in terms of total project or programme expenditures.

37. CSF confirmed that the guidance on the accounting treatment of transactions under the cash and voucher scheme is pending the issuance of related administrative rules and manual sections.

38. In the absence of administrative rules and manual sections, there is a lack of consistency in recording transactions related to Cash and Voucher Schemes, which may impact the fairness of expenses reported in the financial statements. Thus, the risks associated with the implementation of the cash and voucher scheme cannot be effectively managed.

**39. We recommended and Management agreed to formulate and issue administrative rules relating to the use of the Cash and Voucher Schemes to ensure that the best value for money is obtained; guarantee validity and regularity of said transactions; and assure fair presentation of the affected accounts in the financial statements.**

40. Management agreed with the need for a Cash Voucher Scheme policy framework and has set up an inter-departmental working group coordinated by the Resources Mobilization Division (TCS) to refine the Cash and Voucher Scheme policy.

**41. We recommended that CSF provide accounting guidance to the decentralized offices concerned in the recording of expenses for agricultural inputs distributed and the cash for work paid to beneficiaries, which are reimbursed through MVs, to ensure**

consistency in the recording thereof. CSF may also consider the use of new accounts to distinguish transactions through the cash voucher scheme.

42. Management agreed to pursue the formulation and issuance of accounting guidance in parallel with the issuance of the administrative rules/relevant manual sections related to the Cash and Voucher Scheme.

#### B.1.4 Prepayments and employee receivables

43. Our review of the 2015 FAO Outstanding Advances Report generated from GRMS disclosed past due advances subject for recovery in the aggregate of USD 4.10 million, of which USD 1.76 million pertains to prior years' advances from 1999 to 2014. These advances primarily relate to travel, education grants, salary, terminal emoluments, US tax, operational and vendor advances, payroll write backs and other charges. The breakdown of the advances are as follows:

**Table 1– Outstanding prepayments (in USD)**

Type of Prepayment	Days Past Due	Prior Years Balance (1999-2014)	Current Year 2015	Total Past Due	% to Total Past Due
Education Grants	31 to 517	1,185,365.28	62,071.10	1,247,436.38	30.46%
Operational Advances	1 to 6070	15,444.97	397,781.06	413,226.03	10.09%
Other Charges	1 to 3882	42,115.12	95,311.25	137,426.37	3.36%
Payroll Writeback	15 to 6057	65,171.28	34,728.24	99,899.52	2.43%
Salary Advance	1 to 6057	24,864.83	190,509.93	215,374.76	5.26%
Terminal Emoluments Advance	7 to 6057	23,113.03	205,751.15	228,864.18	5.59%
Travel Advance	1 to 5802	289,067.27	1,135,043.77	1,424,111.04	34.77%
US Tax Advance	77 to 442	32,299.30	-	32,299.30	0.79%
Vendor Advance	1 to 933	79,233.04	217,651.97	296,885.01	7.25%
<b>Total</b>		<b>1,756,674.12</b>	<b>2,338,848.47</b>	<b>4,095,522.59</b>	

44. We also noted that subsequent operational advances have been granted to staff members and consultants in FAORAF and FRZIM although previous advances remained unsettled and not fully accounted for.

45. Management noted that the reasons for the delayed clearance and recovery of these outstanding advances are due to late submission of claims, incomplete documentation of submitted claims by staff members and consultants, non-recovery of overpayments and delays in processing of submitted claims. For multiple operational advances, the urgency of the activities to be funded prompted the CSF to grant additional advances.

46. These observations resulted in the further accumulation of outstanding advances and affected the accuracy and correctness of the recorded and reported prepayments for the reporting date; in particular, advances concerning travels since almost all of these travels had been completed during the year. As such, appropriate expenses should have been recorded if claims had been submitted and processed on time and/or recovery been effected.

**47. We recommended that FAO strengthen its monitoring mechanisms over the timely clearance of advances through the enforcement of policies relating to the recovery of outstanding advances and ensuring the timely processing of claims.**

### **B.1.5 Shared Services Centre (SSC)**

48. We reviewed selected business processes of the SSC relating to staff payments, Non-Staff Human Resources (NSHR), travel, journal voucher processing and asset management. We took note of the following gaps that need to be addressed by SSC to ensure that transactions are processed in accordance with the prescribed financial and staff rules and regulations in a timely manner:

- a) Claims against FAO were processed and paid despite the two-year claim rule under Staff Rule 302.3.17 which provides that “the right of a staff member to claim any allowance, grant or payment existing but unpaid, shall lapse two years after the date on which the entitlement arose.”
- b) Processed journal vouchers on adjustments for staff secondment costs were not recorded in the correct financial period contrary to GLP001 and the Closure Instructions;
- c) Not all Educational Grants Advances/Claims processed and approved by SSC HR Unit were uploaded in the Process and Data Management System (PDMS); and
- d) Physical Verification of Assets Report (PVAR) were submitted by decentralized offices after due dates.

**49. We recommended that the SSC in coordination with CSF further improve its processing and review of transactions by enforcing strict compliance with relevant staff and financial rules, regulations and procedures.**

50. The SSC highlighted that the Education Grant Claims (EGCs) beyond the two-year allowable claim period were inadvertently processed by the responsible servicing hub. CSF also continuously emphasizes to Budget Holders (BHs) the importance of adherence to GLP001 and

the Financial Closure Instructions. The SSC and CSF also worked very closely with Country Offices to complete the PVARs and will continue to emphasize the importance of compliance with the schedule that is already in place as well as remind the decentralized offices on the conduct of physical verification.

### **B.1.6 Global Resource Management System (GRMS)**

51. Our review of GRMS was focused on the application of the different functionalities in the decentralized offices, which disclosed various concerns/limitations of the system indicating the need to address/enhance the system to bring about more efficiency and effectiveness to the processes.

#### ***Purchasing/Procurement (PO) Module***

- a. In the HQ, the non-capture of the correct receipt date by the system has prevented the Procurement Unit of the Administrative Services Division (CSAP) from readily identifying POs for application of liquidated damages. This impacts on the value/price of the goods purchased in a given financial period which could have been less. The unreliable data in GRMS thus limits its usefulness for decision-making purposes and impacts on the integrity of the system.
- b. Inaccurate information generated from the PO Service Accruals required manual adjustments totaling USD 1.85 million based on the actual contracts. The system has an embedded Commercial Lease Analysis that is intended to serve as a useful tool in overriding limitations under the module; however, because it is done manually, results are vulnerable to errors.

#### ***Accounts Payable (AP) Module***

- c. The inability of the system to automatically apply the prepayments against the recorded accounts payable caused Management to manually post in the GL the unrecorded AP sub-ledger transactions. While we were informed that this system error is currently under consideration by Management, we encourage the immediate and complete fix of the system error to deter occurrence of the same problem in subsequent periods.

#### ***Travel (TVL) Module***

- d. The following system limitations on the Quarterly Travel Plan (QTP), did not allow full utilization of the functionality:
  - The system does not allow automatic locking of the document and only allows one user to save the working documents. Multiple users can open a plan at the same time without getting any warning message that someone else is also using the plan. The first user who saves the plan will be able to save it, while the other users lose their work and need to start again.

- There is a short window for approval of the QTP which is set up at the department level considering that every single line in the plan has to be approved/disapproved by the concerned Budget Holder before the QTP is accepted by the system.
- The setup in the GRMS, compared to the manually prepared QTP calls for precision of planned events with certain programmed details and it is therefore not easy to fit normal duty travels.

52. In addition, we noted weaknesses in the access control of the system. Some GRMS accounts beyond user end dates remained active and not yet tagged as having ended.

53. **We recommended that the relevant offices conduct a review and analysis of the identified issues and limitations affecting the application of the GRMS functionalities to fully achieve benefits from the system.**

## **B.2 GOVERNANCE MATTERS**

54. In line with our mandate to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the management and operations of the Organization pursuant to Regulation 12.4 of the FAO Financial Regulations, we reviewed the management controls implemented in key areas of operations; risk management; and operations of decentralized offices with a focus on the technical cooperation programme, country programming framework, and the fraud risk response mechanism. The key areas of operations covered in the review of controls are on the management of the work programme, procurement, letters of agreement, human resources, cash, assets and inventory, reporting to donors, and travel. Value-adding recommendations were communicated and discussed with Management to enhance efficient and effective management of the Organization.

### **B.2.1 Management controls in key operational areas**

55. The governance mechanisms currently in place demonstrate FAO's commitment to have a well-controlled operational environment where accountabilities are strengthened, internal controls are functioning as expected and risk management capabilities are enhanced for the effective mitigation of business risks. The Organization's resolve to deliver quality frameworks for accountability, risk management and internal control were highlighted and appreciated.

56. A system of internal control allows management to stay focused on the organization's pursuit of its operational and financial performance goals. Control activities occur throughout the organization, at all levels and in all functions. For internal control to work, it must be linked to individual staff performance; foster a motivational culture; define clear roles and responsibilities; and should pave the way for enhancing transparency and accountability.

57. Central to an effective governance mechanism in any organization, is the pervading level of risk management maturity and how the assessed risks drive the embedding of internal controls across decisions and processes within that organization. Thus in order to sustain success in governance, risk management and control activities need to be functioning in accordance with their

intent and design. While a sound design of risk management and internal control infrastructures provide the right environment for better controlling operational processes within an organization, it is from the actual operation of these established controls that information on their effectiveness is determined.

58. We reviewed the operation of FAO's front line controls, its recognized first line of defence for the effective control of its operations, as these are implemented across several critical processes in selected offices. Our tests centred on determining their level of effectiveness and the identification of opportunities for process improvements. In addition, our review was undertaken in line with International Standards on Auditing 265 pertaining to the auditor's responsibility to communicate with those charged with governance and management, the deficiencies in internal control that the auditor has identified in the audit of the financial statements.

59. The results of our review will be used to define future audit scopes and support our provision of an Assurance Letter on FAO's internal control that will coincide with timing of the preparation by FAO of an Annual Statement of Internal Control to be appended to the financial statements.

60. The results of our review are presented below.

### **B.2.1.1 Programme management**

#### ***Project implementation efficiency gaps***

61. Our review disclosed challenges on the efficient implementation of projects in HQ and in decentralized offices, as follows:

- a) *Projects were implemented beyond their Not-to-Exceed (NTE) dates.*** Management explained that the "Activities Completed" date indicated in the Field Programme Management Information System (FPMIS) is an unreliable indicator of the completion of implementation of the project, as this is a manually entered data field in the system, usually done at the time of operational closure. The usefulness of this indicator is also impacted when budget revisions to postpone the NTE date have not been duly uploaded in the FPMIS.
- b) *Projects were financially closed with budget deficits.*** We noted 49 projects of the Economic and Social Development (ES), Fisheries and Aquaculture (FI), and Forestry (FO) Departments that have been financially closed with budget deficits, and thus, not in compliance with the "No budget deficit" rule of the Organization. The financial closure of projects with budget and/or cash deficit is an indication of less than effective monitoring by the Budget Holder. Aside from being a departure from the established organizational policy on project implementation, access to resource mobilization activities may not always be available or allowed for projects with over-expenditures. It can also weaken the ability of the Budget Holders and Project Task Force (PTF) members to account for the progress of implementation of the projects.

- c) ***Projects with cash deficits.*** This was noted in 21 projects in FAORAP, FAORAF and FRZIM. Management explained that the noted deficits were attributed, among others, to the: a) late arrival of funding and/or replenishments from donors and Headquarters; b) delayed submission of requirements to the donors before final payment is made; c) requests of the donor for an audit of a project; d) charges still incurred after closure; e) reduction of the budget without consideration of the hard and soft commitments for the new biennium; and, f) spending based on the budget without regard to the cash received.
- d) ***Lengthy operational closure activities.*** Management commented that the delay is mainly due to the transfer/disposal of all project assets/equipment, and the preparation and submission of the required terminal report.
- e) ***Delayed financial closure of projects.*** Management explained that outstanding commitments significantly influence the time it takes to achieve full closure. In particular, where corrective action needs to be taken, several units may be involved until a solution for the issue is identified and implemented. In the case of FAORAF, information on projects, which were managed during the old RAF operations, were not available, thus, hindering the closure of the projects.
- f) ***Low project deliveries.*** In the reviewed projects in FAORAP and FAORAF, low project deliveries were less than 40 per cent of their budget or cash. Four projects in FAORAF and Malaysia were noted to have low delivery rates past their NTE dates, which, according to Management, was caused by non-funding by the donor or because action to close the project was overlooked. Management further provided several reasons, such as, the existence of political issues; natural disasters which slowed the initiation of procurement related activities, delays in the recruitment process and the identification of participants, and the non-funding of activities/projects.

### ***Project monitoring tools drawbacks***

62. A sample of operationally active projects in ES, FO and FI Departments revealed that: a) risk management was not clearly articulated; b) baselines and targets of outcomes and/or outputs were not indicated; c) some of the outcomes, outputs and indicators were not measurable and time-bound; and d) the duration of project implementation was not divided into milestones precluding assessment of project performance at any given time.

63. Management explained that the finer detail of the exact modality (baseline and performance metrics) of a project can only be determined once the Programme has begun implementation. It also confirmed the difficulty of developing SMART indicators for the country-level projects that are unknown at the point of inception because the project was developed as a demand-driven support mechanism.

64. We emphasize that the project document is prepared during the planning stage of a project. The completeness, therefore, of the information therein provides feedback on the quality of planning undertaken and may make the difference in the quality of actual implementation of the project. Thus, it is important that the necessary information in the results matrix and other

monitoring tools provide adequate information to the implementers of the project. Further, the determination of baseline data and identification of targets for the projects during implementation, increases the risk that the targets were conveniently identified to suit the actual performance of the project, rather than on what was envisioned during project formulation, thereby, rendering the assessment of implementation performance ineffective.

### ***Outdated and limited data in FPMIS***

65. We validated that some information in the FPMIS such as the required work plans, budgets, outcome and output level reports, as well as project data revisions particularly on the Entry of Duty/Expected Start Date (EOD) and NTE dates, were either outdated or not available, thus, limiting its effectiveness as an information and management tool. The maintenance and update of information in the FPMIS will enhance transparent progress reporting of projects. On the other hand, outdated information will reduce the effectiveness of the system as a monitoring tool for informed decision-making.

**66. We recommended that FAO strengthen its oversight in ensuring adherence with established guidelines on project closure, and better management of project information, through closer monitoring of the on and off system project data, to improve support to project management decisions.**

### ***Divisional, global and cross-cutting themes product deliveries not visible in the Programme Implementation Report (PIR)***

67. We observed that the deliveries of the Departments, the achievements on cross-cutting themes and some global products have not obtained visibility within the PIR. Management explained that under the results-based programme and monitoring system in the reviewed Strategic Framework and Medium Term Plan 2014-17, the performance of individual technical departments is not visibly identifiable in the PIR itself, although it gathered internally through the end-of-biennium assessment. Delivery Managers report on output achievements at the country, regional and global levels, altogether against the outputs and outputs of the Strategic Programme results framework. The contribution of each delivery unit to corporate outputs is not necessarily explicit in the results dashboard, as the outputs are inter-sectoral/inter-disciplinary and do not account for the result delivery of a single office.

68. The current situation for the 2014-15 biennium does not ably support the Departments and other delivery units from performing self-assessment. While the purpose of the PIR is to report on the Organization-wide performance of FAO, it would be helpful on the part of the Organization and each unit in the FAO to be able to know their specific outputs which have been validated as having contributed to the expected results, as well as the reasons for non-inclusion of some outputs in the PIR. Self-assessment at the Department level on the results achieved will enhance accountability and measurement of performance in the management of financial resources it is given to manage.

69. We recommended that FAO provide within the PIR process or in other functionalities, a mechanism that would allow delivery units to measure their own performance in the achievement of results.

#### **B.2.1.2 Procurement of goods and services**

70. FAO intends to realize its objective on the timely procurement of goods, works and services in a competitive and transparent manner and at the same time ensure the best combination of whole life benefit versus cost to produce as required by the user, is met. We reviewed Purchase Orders (POs) for goods and services to determine whether the processes used by FAO were in compliance with the requirements set forth under Manual Section (MS) 502, FAO IPSAS Accounting Policy and other pertinent FAO rules and regulations. For the period under audit, the total value of POs raised for goods and services amounted to USD 138.48 million. The following observations were noted:

71. In the audit of the decentralized offices, we found that FAVIE and FEGEO have no Procurement Plan (PP) while FAOREU, FAOSLM, FAORAP and FAORAF have incomplete PPs. Similarly, the audit of the FI at the HQ disclosed that only three Divisions of the Department namely, Agricultural Development Economics Division (ESA), Statistics Division (ESS) and Trade and Markets Division (EST) submitted to the CSAP their PPs but the Nutrition and Food Systems Division (ESN) did not submit any as it had no major procurements planned for 2015. In several instances, particularly in decentralized offices, procurements of LoAs, equipment and other assets with significant amounts were not included in the PPs at all.

72. It is stressed that all units in FAO are recommended to come up with PPs since procurement planning provides the guidance for the entire procurement process. Absence of planning leads to exceptional awards, unnecessary direct procurement, lack of transparency, substandard quality and late or no delivery of inputs/services/works. In fact, we have noted that in FAOREU deliveries of 23 POs were made beyond the promised dates with delays ranging from 15 days to four months. In FAORAF, delivery delays in seven LoAs ranging from four to 150 days were noted.

73. In ES and FI, a number of Low Value Orders of the Departments were classified as Very Low Value Procurements (VLVP) even when the transaction amounts ranged from USD 1,000 to USD 15,000 and the related Vendors were selected through Direct Procurement, a selection method that is allowed to be used for VLVP. We noted that the procurements on 29 transactions amounting to USD 73,762, where the competitive selection procedure was not possible or feasible, were not sufficiently documented. Our review of the procurements of the ES disclosed that there were 11 printing services with a total amount of USD 15,134 with external Vendors rather than with the Printing and Distribution Group.

74. On the matter of approvals, we noted in FRZIM that the Purchase Request of one PO for USD 164,164 for a TCP project was approved in the GRMS by the National Administrative Officer instead of the Budget Holder. Likewise, a PO was signed by the Procurement Officer even though it was for USD 860,568, which is beyond the General Re-delegated procurement authority of USD

150,000. We also noted that several POs in FAVIE, FAOSLM and FEGEO were not signed by the supplier, whose signature is important as it signifies conformity with the terms and conditions.

75. A fundamental element of internal control is the segregation of certain key duties. We noted however that procurement personnel in some decentralized offices and at ES and FI were performing incompatible functions. For example, in FAVIE, one employee who was a purchaser and member of the Local Procurement Committee (LPC) and another who was the purchaser and at the same time the receiver of goods. In FEGEO, the LPC members who opened and evaluated the sealed bids for two purchase orders with a total amount of USD 54,063 were the same persons who reviewed the offers. At the ES and FI, the proper segregation of roles and responsibilities was not observed in 123 procurements for an aggregate amount of USD 190,460 where either: a) requesting and buying functions; b) buying and approving functions; or c) requesting and approving functions, were performed by the same person.

76. We likewise noted that some decentralized offices did not conform to the requirements of GRMS, since not all documents pertaining to procurements were uploaded in the system.

77. The complete supporting documents of POs raised in FAORAF were also not scanned and uploaded in the system. In FAOSLM, we noted incomplete documentation in GRMS on 11 POs and five LoAs. Likewise, we noted in FRZIM that there were two POs whose purchase requisitions were not raised using the Purchase Requisition (PR) function in the GRMS.

78. The Organization needs to immediately address the aforementioned lapses. Further, all procurement processes should be monitored by process owners to ensure compliance with relevant regulations and rules.

**79. We recommended that FAO reinforce its monitoring control on compliance with applicable rules and regulations by activity owners in the procurement process; and build further competency of staff charged with procurement delivery to effectively address the observed gaps.**

### **B.2.1.3 Letters of Agreement**

80. FAO recognizes that non-governmental, voluntary and community organizations have a crucial role in the delivery of public services and the capacity to deliver high quality services. FAO accesses this sector by contracting these entities under MS507. A standard template called a Letter of Agreement is issued to set the minimum requirements of the contract.

81. For 2015, contracted services involving LoA amounted to USD 124.94 million. We reviewed LoA control procedures for risk assessment, procurement, management and recording as required in MS507 and related guidelines. The Manual Section establishes the principles and rules that govern the use of LoAs by FAO for the timely acquisition of services from Eligible Entities. In a transparent and impartial manner, it considers contracts for the "Best Value for Money".

82. Our audit found the following gaps in controls:

**Table 2 – Control gaps in LoA**

	<b>Control gaps</b>	<b>Office</b>
1	Review and segregation of functions in procurement were not strictly observed	HQ, FAVIE
2	Payments clearance and related performance appraisal of Service Provider to support final payment were not prepared	HQ
3	Delays in the completion of LoA	HQ, FAORAF
4	Initial payments were more than the 30% Ceiling for Advance Payments and were without justification required in MS507.10.33	FAVIE
5	Incomplete / non-uploading of documents to GRMS	HQ, FAORAF

83. Management commented that these issues cannot be completely eliminated. We recognize Management’s concern on the possible recurrence of the audit issues and thus directed our recommendations to process owners who are responsible for observing management and financial controls. We observed however that the recurrence of the exceptions were due to the varying level of skills of concerned officers in the different operating units and decentralized offices. FAO should build capacity and capability of the concerned officers and further improve review or oversight control over transactions.

84. **We recommended that FAO strengthen the review and monitoring of LoA activities to ensure compliance with regulations, accuracy of documentations, efficiency in implementation and improve accountability.**

#### **B.2.1.4 Human resource management**

##### ***Status of staffing in the three Departments of HQ***

85. As of the review dates, there were 109 job vacancies of the ES, FI and FO Departments.

86. Delays in filling these positions were due to the following factors: a) the length of the recruitment process; b) lack of qualified candidates for some positions; c) structural adjustments leading to changes in the description of positions; d) temporary suspension of recruitment actions for G and P positions; d) revision of Vacancy Announcements (VAs) or Terms of Reference (TORs); e) downgrading of some positions; and, f) maintenance of a 10-15 percent vacancy rate for Programme of Work and Budget (PWB) posts of each Division.

87. To continue Organizational work, Non-Staff Human Resources (NSHR) constituted 42 percent for ES, 49 percent for FI and 53 percent for FO at the time of the respective audits. At other times, existing staff shared the workload of the vacant positions.

88. The assumption of additional tasks by the existing staff because of vacant positions can impair their effectiveness and efficiency in fulfilling their main functions and delivering results. The Departments, thus, have to consider the long-term effects of their HR strategies on the achievement of results. On the other hand, hiring the services of consultants can pose a number of risks when they not only provide analytical or consultative service but also when they temporarily fill in the post vacancies. These circumstances are beyond the control of the Departments, and limit their options in managing HR, leading them to use available resources, which may pose additional risks to the Organization.

### ***Selection process of the NSHR***

89. The Electronic Personnel Processing Requests (EPPRs) and folders of the sampled NSHR recruited by the FAVIE and FAORAF revealed that there were no records explaining the selection process. The reason for this is the fact that the hiring units did not systematically upload the documents in GRMS to support the selection process. Further, there is no comparative selection process for NSHR where no recommendations are received, although the need for recruitment is initially communicated to the different units in the Regions and other UN agencies. Also, there is no uniform recruitment process as disclosed by the 12 sampled National Project Personnel (NPP) in the FAOREU, such that recruitment is undertaken separately by each Office/Programme/Unit.

90. The lack of documentation of the recruitment process increases the risk that recruitment may not have been conducted in accordance with the rules and regulations of FAO, placing in doubt the selection process and the qualification of the selected candidates.

### ***Terms of reference (TORs) of Consultants***

91. Our review of the TORs of the NSHRs of the three Departments at the HQ and at the decentralized offices observed that:

- a. There were two existing TORs for the same Consultant;
- b. A number of the activities performed by a Consultant/Subscriber to Personal Services Agreement (PSA) pertain to duties/functions that should have been performed by a regular staff;
- c. Expected outputs/indicators of a Consultant were not measurable and objective;
- d. The contract with a Consultant was entered into much earlier than the first due date of delivery, and the output to end much later than the last due date of delivery of an output;
- e. A consultant was given administrative supervision without specified limits over employees and other consultants;
- f. Incomplete information on the TOR;
- g. The TOR for a PSA was used for a Consultant;
- h. The services of a Consultant was extended despite the absence of expected start and completion dates in the previous TOR; and
- i. Revised TORs were not prepared for contract extensions.

92. These gaps indicate weakness in the definition of roles, responsibilities and accountabilities in contracts with service providers. With these weaknesses, the ability of the Units to effectively monitor the NSHRs' performance and delivery of results is reduced.

93. **We recommended that FAO ensure that future TORs detail clearly the roles and responsibilities of consultants and other contracted parties to strengthen controls and protect the interests of the Organization.**

#### *Performance assessment of the NSHR and NPPs*

94. The Quality Assurance Reports (QAR) of the NSHRs of the FAVIE, FRZIM, FAORAP, FAOREU and FAORAF were not attached to their respective personnel files after the end of their contracts. It should be noted that most of these offices re-hired NSHRs even in the absence of completed QARs. The same is true with the sampled NPPs of the FRZIM where the evaluation report of the NPPs were completed only on an annual basis, although several contracts of each have been concluded in 2015.

95. We were informed that there is no regulation that prohibits the Organization from hiring employees for whom supervisors did not complete the QAR. Before an NSHR is re-hired, a follow-up on the submission of the QARs can be made from the previous supervisors or in the alternative, the new supervisors can complete reference checks instead of limiting the rehiring actions only to those consultants whose supervisors have completed the QARs. On this, FAORAF cited that users assigned to the functional task to initiate EPPRs in GRMS did not systematically upload the QARs in the system prior to the extension or rehire of the PSA/Consultant..

96. One of the Representations confirmed that they had not consistently prepared the QAR in early 2015 and agreed that they will follow the requirement of MS 375.9.1, which states that it is mandatory to complete a QAR at the end of each contract.

97. The lack of NSHR performance measurement will deprive the decision makers of vital information and objective evidence/justification for rehiring the NSHR.

98. **We recommend that FAO optimize the value obtained from employing non-staff human resources through adequate review and clarification of their TORs, timely assessment of their performance, and appropriately controlling the risk of work disruptions and information security breaches brought about by the nature of their employment.**

#### **B.2.1.5 Cash management**

99. We reviewed the Organization's cash management practices and assessed their compliance with existing financial rules and regulations governing the different facilities used to settle financial obligations such as the Cash in Bank, Regular Petty Cash, Out-posted Petty Cash (OPC), Operational Cash Account (OCA), and other Imprest Accounts. We also reviewed whether prescribed controls were in place or were operating effectively.

100. The evaluation of the Organization's cash management noted the following gaps for which Management agreed that improvements to address them are necessary:

**Table 3 – Gaps noted in cash management**

<b>No.</b>	<b>Control gaps</b>	<b>Office</b>
1	Disbursements in excess of allowed limit for single petty cash payments	FAVIE, FAOREU FAOSLM
2	Non-observance of the established utilization level of 20% for Fund replenishment	FAVIE, FAOREU FAOSLM
3	Disbursements for temporary operational activities not appropriately sourced from OCA	FAVIE
4	Non-segregation of incompatible duties	FAVIE
5	Cash count not regularly performed	FAOREU, FAOSLM
6	Insufficient and/or inappropriate supporting documentation for disbursements	FAOREU, FAOSLM FRZIM
7	Control measures to ensure prevent double payments not observed	FAOSLM, FAOREU, FEGEO, FRZIM
8	Non-liquidation of cash advances and grant of additional cash advances without liquidation of previous advances	FRZIM, FAORAF
9	Long outstanding bank reconciling items	HQ, FAORAF

101. We recommended that FAO strengthen the process controls over the management of cash, its recording and reporting by improving compliance and related monitoring activities to guarantee its safe custody and its efficient and economic utilization.

#### **B.2.1.6 Asset and inventory management**

102. FAO reported fixed assets with a net book value of USD 23.20 million and inventories of USD 14.60 million as at 31 December 2015. The audit assessed whether FAO maintains an adequate fixed asset and inventory management system which ensures that records are complete. This includes additions, transfers, retirements, safekeeping of assets, and the performance of periodic physical counts and reconciliation with records. The adequacy and effectiveness of financial controls were also reviewed to ensure that transactions are recorded and reported in accordance with FAO IPSAS Accounting Policy and Financial Regulations. For 2015, we noted various control gaps or areas that need improvement:

**Table 4 – Gaps noted in asset and inventory management**

	<b>Control gaps</b>	<b>Office</b>
1	Non-reconciliation of asset records	FECEO, FAOSLM, FAOREU, FRZIM, FAORAF, FI
2	Attractive items not in the Asset Register (AR)	FECEO
3	Non-trackable items included in the AR	FAORAF
4	Incomplete information on the AR and/or assets without tag	FECEO, FAORAP, FAOSLM, FAOREU, FAVIE, FRZIM, FAORAF, ES
5	Assets not in the name of Custodian or non-use of prescribed Property Loan Form (PLF)	FAORAP, FAOSLM, FAOREU, FAVIE, FRZIM, FAORAF, ES
6	Asset disposals not reported and/or without observing the procedural guidelines	FAOREU, FRZIM, FAORAF, ES
7	Improper conduct of physical verification of assets and or non-submission of complete and finalized Physical Verification of Assets Report (PVAR)	FAVIE, FRZIM, ES, FI

103. We noted that invoiced assets amounting to USD 0.73 million, although accrued in 2014, were only added to the Oracle Assets Module in 2015 along with its depreciation expenses of USD 0.06 million. Furthermore, there was a discrepancy of USD 1.20 million between the reported figures in the Inventory Quantity Report (IQR) of South Sudan compared with the data in GRMS. We also noted non-moving publications inventory of USD 0.85 million. We recognize the efforts taken by FAO to present fairly the accounts by effecting recommended adjustments.

104. **We recommend that FAO enhance the upkeep of its Fixed Assets and Inventory through improved monitoring by process owners of compliance with prescribed Organizational guidance and regulations to ensure better asset safeguarding, asset information quality; and, support the transition to IPSAS.**

#### **B.2.1.7 Reporting to donors**

105. The purpose of a technical report is to provide a record of work done by the project while the objective of the financial report is to provide the financial position and performance which are useful to donors in evaluating progress. This is dependent on timely, periodic and terminal reporting, information availability and reliability. It also requires appropriately designed and effectively functioning systems. These systems provide monitoring controls over project responsibilities and information that supports the Organization’s donor reporting accountability. The inability of the Organization to deliver accurate and timely reports could result in possible sanctions imposed by partners, withholding of funding tranches and even withdrawal by funding partners. All these serve as parameters in the audit of donor reporting.

### *Delayed submission of technical and financial reports to donors*

106. FAO recognizes its accountability and puts emphasis on efficient and effective delivery of partnership projects. Partnerships are an effectively way to deliver its global efforts. Based on the FPMIS data for biennium 2014-2015, FAO delivered USD 832.10 million (86.78 percent) and USD 794.40 million (94.08 percent) of the approved projects for the years 2014 and 2015, respectively. Of these deliveries, USD776.60 million (93.33 percent) for 2014 and USD 726.30 million (91.43 percent) for 2015 were donor funded. These figures do not only highlight the dependency of the Organization on funding from partners but also underscore the importance of donor reporting.

107. During the course of our evaluation of donor reporting responsibilities in the FO, ES, and FI, the following gaps were observed:

- a. delayed delivery of project activities (activities exceeding NTE) were noted in the implementation of 124 projects by ES; 72 projects by FI; and 102 projects by FO;
- b. delayed or non-submission of periodic reporting deliverables (progress reports) as indicated by the 149 progress reports on ES projects; 92 progress reports on FI projects; and 170 overdue progress reports on FO projects;
- c. delayed submission of terminal reports noted in 54 projects of the ES; 18 projects of the FI; and 24 projects of the FO.

108. Management representations disclosed that delayed delivery of responsibilities by process owners especially by the Budget Holders and inadequacy of monitoring controls over project responsibilities and information, were the common causes of the above noted issues.

109. Due to the delay in delivery of project activities; non-submission of periodic reporting deliverables; and delays in submission of terminal reports; financial closure as well as preparation and transmission of Final Financial Reports (FFRs) are delayed.

110. For 21 out of 83 financially closed projects in 2015 for the HQ operating group sampled, FFRs were sent to donors from between 316 and 1,552 days after the actual NTEs. It was further noted that three projects were financially closed on the same day financial closure was requested, ten within the month and eight from between a month to over a year, or an average of 37 days. Fifteen out of 21 projects required submission of FFRs to donors of which three FFRs were sent to donors within the day the projects were financially closed, eight within a month, and four after a month and less than three months.

111. The operational closure, which is the responsibility of the Budget Holders of 10 projects in 2014 and 11 in 2015, took from 78 to 1,447 days after actual NTE. Thereafter, the financial closure of these projects ranged from 4 to 437 days.

112. On the processing of requests for financial closure, the Trust Fund Liaison Unit (CSFE) emphasized that the receipt of financial closure requests does not mean that the projects are

actually ready to close. A Financial Closure Checklist enumerates the steps that have to be complied before a project can be financially closed. If any of these are not completed, CSFE has to go back to the project team to request their completion.

113. We emphasize that the release of the FFR long after the actual NTE diminishes the usefulness and relevance of the report to the donor-user and may impact the credibility of the Organization to implement and manage voluntary contributions based on Funding Agreements.

114. The above challenges on donor reporting, highlight two areas of action: (i) project responsibilities of process owners especially the Budget Holder, and (ii) the corresponding monitoring controls over project responsibilities and information. Current operation processes place the bulk of the responsibilities on the Budget Holders. Hence, exacting delivery is crucial to ensure that activities are carried-out on time and reports are submitted within prescribed timelines. Furthermore, the enhancement of monitoring controls over project responsibilities and information is equally important to backstop and enforce delivery of responsibilities. Needless to say, system functionalities should be improved particularly on project responsibility triggers, reports tracking, and data accuracy and completeness. Management agrees that CSF has to work closely with Budget Holders to minimize processing time of Requests for Financial Closure and clean up backlogs by enhancing the capability of Budget Holders to timely submit and fully comply with all the requirements in the Financial Closure Checklist.

**115. We recommended that FAO enhance monitoring controls over project responsibilities and information, including financial reporting, through system functionality improvements supporting project responsibility triggers, reports tracking, and data accuracy and completeness that ensures efficient donor reporting.**

#### **B.2.1.8 Travel management**

116. In 2015, FAO incurred travel expenses of USD 105.46 million. It represents 8.27 percent of the total expenses of the Organization. Travel can be categorized as duty travel, rest and recuperation travels, travels of consultants, non-staff members, associate professional officers and those that are in-charge of providing technical assistance to field projects.

117. The Organization has established and issued policies and procedures in the various phases of travel; planning, approval, payment and final processing of travel claims for effective and efficient management of travel.

118. We reviewed if existing policies, procedures and controls are in place and are functioning effectively and efficiently. We identified the following control gaps:

**Table 5– Gaps noted in travel**

	<b>Control gaps</b>	<b>Office</b>
<b>1</b>	Unplanned international duty travels	ES, FI and FO Departments in HQ, FAORAP, FEGEO, FRZIM

2	Travels undertaken beyond the Travel Day Limits provided under Director-General's Bulletin (DGB) No.2013/54	ES and FI Departments in HQ
3	TA form used for local travels not in the prescribed format	FAVIE
4	Grant of additional travel advances despite non-settlement of previous advances for prior trips	FAOREU, FAOSLM, FRZIM, FAORAP, FAORAF
5	Non-submission of TECs within the prescribed period	FEGEO, FAOREU, FAORAP, FAORAF
6	Delays in the approval claims by Budget Holder and overlapping of Travel Authorization	FRZIM
7	Non-submission of Back-to-Office Reports (BTORs) for international duty travels	ES, FI and FO Departments in HQ, FAORAP, FAOSLM, FAVIE, FRZIM, FAORAF

119. Management commented that the reasons for the control gaps are due to: limitations of the travel module functionality; restriction of the duty travel planning to members on duty travel funded from the Regular Programme only; incorrect details of proposed international duty travels in the Travel Authorization; non-submission of claims by travelers within the prescribed period by the Manual Section; delayed approval of claims by respective Budget Holders; non-liquidation of previous advances due to tight travel schedules; and submission of BTORs not mandatorily required from the traveler who underwent international duty travels. Thus, the Organization is prevented from obtaining adequate assurance that travels undertaken and completed are within and/or according to plan due to lack of compliance with the existing policies and procedures. Similarly, for multiple advances, this might increase the likelihood of non-recovery once claims are not submitted on time.

120. **We recommended that FAO further improve the efficiency and effectiveness of staff travel through (a) adequate planning; (b) the strengthening of monitoring mechanisms to prevent granting of additional advances where prior advances remain unsettled and are overdue; (c) adequate monitoring of the timely submission and processing of travel claims, and (d) submission of supporting documents such as BTORs after completion of duty travels.**

## **B.2.2 Risk management**

121. The commitment of FAO to manage internal risk is evident in its declaration that the Organization is embedding risk management into existing practices and processes so that it becomes part of FAO culture. This is supported by FAO's Corporate Policy on Risk Management which recognizes the benefits from risk management adoption that involve more robust planning and informed decisions, and the ability of line managers and staff to remedy serious gaps and provide timely information on these gaps. Premised on the above thrust and the paramount importance of managing risks in achieving Organizational results, our reviews were made on the risk management practices of different Departments in the Organization.

122. It is recalled that risk management has been an integral part of our past scope of audits, and since 2011 we had provided a number of recommendations for the finalization of the FAO risk management framework to provide risk management guidance to be embedded into the operational processes of the Organization. Our reviews for the current financial year found that risk management practices awareness in the Organization were becoming more widespread, but that

challenges still remain. These challenges include the need to strengthen contextual analysis and formal risk management documentation.

123. One of the most apparent weaknesses that we observed is in the area of risk identification, where more appropriate contextualization that influences succeeding risk management actions have to be adopted. We emphasize that documenting all significant risks is paramount to ensuring that all important operational risks are brought to the attention of the decision makers. On the other hand, formal documentation of the risks is an absolute necessity as this creates working references that provide risk information to management, such as risk logs so these can be effectively tracked and facilitate more informed risk control decisions.

124. FAO had already instituted two primary guidelines on Risk Management, and related workshops were already conducted in the past biennium. Further, as an operational and management tool, FAO's risk management policy framework and guidance have to support the control of its operations since assessed risks influence the design of risk controls in all processes. The Organization should pursue its risk management more vigorously and not just view it merely as a compliance exercise. Action to increase FAO's risk maturity level and imprint a good risk culture will strengthen this area.

**125. We recommended that FAO ensure that risk management effectively permeates into its operational processes and decisions as planned through: a) better-coordinated corporate action and monitoring; and b) institution of related measures to build a risk aware culture.**

### **B.2.3 Operations of decentralized offices**

126. The FAO Decentralization Handbook provides that decentralization is part of a wider reform of the Organization to strengthen its role as a centre of excellence and better define its work programme and responsibilities in support of sustainable agricultural development. FAO's decentralization strategy aims to improve the effectiveness of the Organization's work at the country, subregional and regional levels. The decentralization entailed not only a more decentralized structure, but also a new management approach with increased delegation of authority and an environment that encourages staff creativity and initiative. Given these context, we aligned our audit on major activities affecting decentralization. Hence, we focused our audit on the implementation of decentralized TCP, the functioning of the country programming framework, and the adoption of a fraud risk response mechanism.

#### **B.2.3.1 Technical cooperation programme (TCP)**

127. The TCP, financed from FAO's regular programme resources, aims to respond to its constitutional function "*to furnish technical assistance as governments may request*" by providing its technical expertise to its Members through targeted, short term, catalytic and sustainable projects. Effective management of activities and processes during engagements with governments, from project inception to approval, budget indication and allocation, and project implementation, is essential for the success of the TCP. Otherwise, FAO may not only be challenged in the delivery

of its constitutional function but could also face negative reputational repercussions. Our audits of the Organization's TCP delivery tread along these lines as assessments of the above activity and process continuum were made.

128. From the data available as at 31 December 2015 in the FPMIS, we noted that FAO delivered USD 72.96 million or 51.10 percent of its approved USD 142.78 million TCP projects funded from biennium 2014-2015 resources. Details are presented below.

Table 6 – TCP delivery

<b>DELIVERY FOR BIENNIUM 2014-2015</b>				
	<b>Allocation</b>	<b>Approval</b>	<b>Delivery</b>	<b>% of Delivery</b>
<b>Development Support</b>				
Africa (FAO)	\$ 42,297,848.00	\$ 46,732,398.00	\$ 21,878,151.00	46.82%
Asia (FAO)	\$ 25,378,227.00	\$ 27,702,300.00	\$ 14,010,317.00	50.57%
Europe (FAO)	\$ 10,509,610.00	\$ 11,627,582.00	\$ 4,765,047.00	40.98%
Interregional (FAO)	\$ 3,861,009.00	\$ 2,614,000.00	\$ 609,328.00	23.31%
Latin America (FAO)	\$ 19,034,572.00	\$ 20,964,447.00	\$ 10,756,277.00	51.31%
Near East (FAO)	\$ 9,205,964.00	\$ 10,388,588.00	\$ 4,769,930.00	45.92%
<b>Total Development Support</b>	<b>\$ 110,287,230.00</b>	<b>\$ 120,029,315.00</b>	<b>\$ 56,789,050.00</b>	<b>47.31%</b>
<b>Emergency Assistance</b>				
Africa (FAO)		\$ 13,807,000.00	\$ 10,590,845.00	76.71%
Asia (FAO)		\$ 3,914,000.00	\$ 2,132,482.00	54.48%
Europe (FAO)		\$ 488,000.00	\$ 405,799.00	83.16%
Latin America (FAO)		\$ 2,300,000.00	\$ 1,823,913.00	79.30%
Near East (FAO)		\$ 2,243,000.00	\$ 1,215,192.00	54.18%
<b>Total Emergency Assistance</b>	<b>\$ -</b>	<b>\$ 22,752,000.00</b>	<b>\$ 16,168,231.00</b>	<b>71.06%</b>
<b>GRAND TOTAL</b>	<b>\$ 110,287,230.00</b>	<b>\$ 142,781,315.00</b>	<b>\$ 72,957,281.00</b>	<b>51.10%</b>

129. Through the course of our audits, it was identified that the delivery of TCP is still challenged by issues on:

- a. *material time lags on project approval* noted in the FAORAP and the FAORAF due to difficulties with a specific number of projects although at a corporate level the overall time lag has improved;
- b. *resource allocation such as actual exceeding indicative allocation and zero actual allocation* seen in the, FAOREU, FAORAP and the FAORAF;
- c. *resource commitment during the first year of the biennium being less than the suggested 70 percent* which Regional Representative are encouraged to reach, observed in FAOREU, FAORAP and the FAORAF; and
- d. *low level of delivery* initially present in the FRZIM, FAOSLM, FAOREU and FAORAF.

130. The relatively lower number of government requests received and converted into approved projects early in the biennium was the reason why actual allocations differ from the indicative

allocation values communicated to country offices and why resource commitments in the regions were less than the suggested 70 percent of the regional allocation by end of the first year of the funding biennium. Nevertheless, before the end of the 2014-15 biennium, 100 percent of the TCP appropriation allocated to projects had been committed into approved projects. On the other hand, the reason why project approval experiences some time lag (80 percent of the projects are however formulated and approved within four months of receipt of the official request) and TCP delivery was initially low was due to delays in activities and issues on the execution of responsibilities of process owners, especially the Budget Holders.

131. Issues on project approval, resource allocation and commitment, and delivery level affect the decentralized offices, inter alia for TCP projects. Collective understanding of the above identified challenges and the corresponding causes will improve implementation in particular TCP projects. Pursuing higher effectiveness of representations to Member States through modalities like the Country Programming Framework (CPF) and its related TCP indicative pipeline annex, will ensure that possible TCP projects are identified at the earliest, paving the way for improved approval time and increased level of TCP resource commitment. It will also provide valuable information for issues on resource allocation. The pursuit of more effective representations will be complemented by exacting delivery of TCP project responsibilities of process owners which will result in better TCP delivery levels.

**132. We recommended that FAO continue to pursue robust representation to Member States for early identification and approval of projects, and exact the discharge by process owners of TCP project responsibilities that are vital to the approval of TCP projects, commitment and allocation of TCP resources and attainment of the desired level of TCP delivery, to ensure overall effectiveness in TCP implementation.**

#### **B.2.3.2 Country programming framework (CPF)**

133. The CPF demonstrates the commitment of FAO to support governments in their efforts to achieve development objectives and to implement the Millennium Development Goals (MDGs) and other Internationally Agreed Development Goals (IADGs). It defines the development priorities for collaboration between FAO and a Member country and planned achievements contributing to national priorities and FAO corporate results as well as the resources and partnerships required. It is the corporate strategic document at country level and is an agreement between the government and FAO. Formulation of the CPF is the first step to effective country programming.

134. However, some member countries do not still have duly endorsed CPFs, while some of those that have CPFs, are not compliant with the policies and guidelines set for the preparation thereof which manifested in the results of our current visit to selected decentralized offices.

135. In FAORAP, four countries are still in the process of completing their CPFs. The same is true in four countries of FAORAF. In the case of FAOREU, the CPFs of eight countries were not compliant with the policies and guidelines set in early 2012, and except for one country, there were no noted documentation as to review conducted before the CPFs were finalized and duly endorsed.

136. While FAVIE and FEGEO already have approved CPFs, their corresponding CWPs were not prepared and did not have the CPF Resource Mobilization Strategy/Action Plan. The CWP provides the more detailed plan in carrying out projects for the desired outputs. On the other hand, the Resource Mobilization Strategy/Action Plan embodies a comprehensive information on the resource requirement for the implementation of the CPF. FEGEO only planned to diversify its resource mobilization activities by approaching representatives of non-traditional donors at the country level in support of its CPF. As part of the integral regional structure of the FAO, FEGEO follows the Resource Mobilization Plan adopted by FAOREU without developing its own. Further review of the CPF of FAVIE disclosed that the monitoring and evaluation section has no clearly defined protocol for Monitoring and Evaluation.

137. In FRZIM, whether the expected results on the implementation of their projects were achieved or not could not be determined since the reported accomplishments in the Country Annual Report did not provide quantifiable information that could be used to measure or assess the progress of the identified CPF indicator. Reported achievements were not validated due to the absence of information or data which could be used as reference in determining the linkage of the project results to the CPF monitoring framework. In fact, accomplishments of three TCP projects in FRZIM have no linkage to the CPF outputs and outcome.

138. In the absence of CPFs, the priorities and the outcomes to be achieved in the medium-term in support of national agriculture, rural development and food and nutrition security development objectives may not be defined. Without the CWP, the progress in the implementation of the CPF could not be concretely determined and prevents the concerned parties from identifying and accommodating additional elements which are not foreseen at the time of the CPF formulation. Finally, in the absence of the CPF Resource Mobilization Strategy/Action Plan, resources necessary for CPF implementation in the countries may not be effectively mobilized by FAO with the resource partners.

**139. We recommended that FAO ensure that Country Programming Frameworks are supported with the CWPs that are fully documented and have undergone inter-disciplinary technical and quality assurance review in compliance with CPF Guidelines to ensure that the CPFs contribute towards achieving the Organization's Strategic Objectives. We recommended further that FAO ensure that Resource Mobilization Strategy and Action Plans are prepared to help operationalize strategies more effectively and efficiently, in support of the CPF implementation in the Country Offices.**

### **B.2.3.3 Fraud risk response mechanism in country offices**

140. The objective of the audit is to assess and evaluate the Fraud Risk Response Framework adopted by the Organization, if any and to review the same as to its operating effectiveness.

141. We noted in our verification that the Fraud Control Plans (FCPs) in FAORAP and in FAOSLM as well as in FAVIE and FEGEO were not updated. FAORAP did not even have the FCP on which the country offices' respective FCPs should ideally be anchored on. The 17 country offices under this regional office were not able to prepare updated FCPs.

142. Further, review of the different risk categories in the FCP of FAVIE revealed that the possible risks in project implementation and in reporting were not addressed. The identification of inherent risks under project implementation and reporting could provide a wider and more comprehensive scope of the FCP.

143. In the FCP of the FEGEO, the requirement for a fraud awareness statement under their FCP was not complied with by their human resources and vendors. Meanwhile, the administration of LoA was inadequately addressed in the FCP of the FRZIM which was not also uploaded in the Country Office Information Network (COIN). The FAORAF, on the other hand, is still in the process of preparing their Fraud Risk Response Mechanism (FRRM).

144. The regular updating of the FCP would have provided FAO an avenue to incorporate recent trends and developments affecting the Organization's response mechanisms against fraud and other related practices.

**145. We recommended that FAO ensure that all country offices update their FCPs including the fraud and other corrupt practices risk assessments to warrant a more comprehensive view of current developments affecting the level of risks. In addition, we recommended that FAO ensure that the succeeding context for risk assessments and FCPs include Project Implementation Reporting as one of the Fraud Risk Categories to improve the quality of resulting risk management strategies.**

## **C. DISCLOSURES BY MANAGEMENT**

### **C.1 Write off of losses of Cash and Receivables**

146. In 2015, total write-offs amounted to USD 2,463 representing an invoice for a supplier dated 22 September 2011. The write off was authorized by the Assistant Director-General for Corporate Services pursuant to Manual Section 202.92.

### **C.2 Ex-gratia payments**

147. Management reported that there were no ex-gratia payments made by the Organization in financial year 2015.

### **C.3 Cases of Fraud and Presumptive Fraud**

148. Pursuant to paragraph 6 I (i) of the Additional Terms of Reference Governing External Audit (Annex 1 to the Financial Regulations), Management reported cases of fraud and presumptive fraud.

149. In the letter dated 19 May 2015, one pending case of fraud was reported as well as closed cases. The pending case under review was from the year 2014. The case is now closed after the Implementing Partner (IP) agreed to redistribute the inputs (seeds and cowpeas) at its own expense,

which was done in early 2015 and verified by FAO Representation in Somalia. This case pertains to fraudulent documentation demonstrating that the distribution of the inputs had taken place even though the IP failed to make the distribution as required under its LoA with FAO. The IP was reinstated by FAOSOM on 17 June 2015.

150. For 2015, there were 11 cases reported with two of the cases involving the same employee. Both of the cases were about undisclosed conflicts of interest of two different companies with a FAO staff member in violation of the UN Supplier Code of Conduct. The companies were sanctioned with debarment with conditional release for 3 years as they did not comply with the conditions imposed by the Assistant Director-General/Corporate Services (ADG/CS) after initial sanction of conditional non-debarment. The cases are now closed.

151. Only one of the 11 cases for 2015 is pending while the rest were resolved. The OIG report on the pending case was issued in December 2015. It was determined that the documents of the vendor to show the source and type of seeds supplied to a FAO Office, is in fact fraudulent. The matter is currently being considered by the Committee for recommendation of sanctions to the ADG/CS.

152. Other fraud or presumptive fraud reported in 2015 involved: a) misrepresentation by the IP's employees of the implementation of Cash for Work (CfW) activities in Somalia in order to retain a portion of payments owed to beneficiaries and/or to retain or resell agricultural inputs with a loss amounting to USD 52,489; b) improper use of the Organization's resources and undisclosed conflict of interest by a staff member who used his position and professional network for the furtherance of his wife's business interest; c) misappropriation for personal use by a staff of groceries belonging to the Organization; d) encashment by a staff member of payment cheques to other employees for his own personal use; e) submission by a staff member of claims for reimbursement of medical expenses amounting to approximately USD 1,800 that had been partially or totally covered by other insurance policies, or never been paid to a medical practitioner; f) alteration of invoices by a staff member in support of claims for reimbursement of medical expenses amounting to USD 3,809; and g) collusion between a FAO personnel with a potential construction contractor through the sharing of confidential tender information thereby helping the latter win a contract.

153. We noted that 82 percent or 9 out of the 11 cases of fraud or presumptive fraud were committed by staff members and 45% percent or 5 out of the 11 cases also involved third parties. Four out of the nine cases involved misappropriation of assets which constituted the most number of cases reported in the year 2015.

**154. FAO is encouraged to further strengthen its fraud risk governance through a review of the currently identified fraud risk factors and the adequacy of related risk response mechanisms to better manage fraud vulnerabilities.**

#### **D. ACKNOWLEDGEMENT**

155. We wish to express our appreciation for the cooperation and assistance extended to the External Auditor by the Director-General, Deputy Director-General, Assistant Directors-General, Regional Representatives, HQ Directors, Director of Finance, Country Representatives and their staff during our audit.

**Michael G. Aguinaldo**  
**Chairperson**  
**Commission on Audit, Republic of the Philippines**  
**External Auditor**

**Quezon City, Philippines**  
**7 July 2016**

## List of Acronyms

Acronym	Description
ADG	Assistant Director-General
AP	Accounts Payable
BH	Budget Holder
BTORs	Back-to-Office Reports
CfW	Cash for Work
COIN	Country Office Information Network
CPF	Country Programming Framework
CS	Corporate Services
CSF	Finance Division
CSFE	Trust Fund Liaison Unit
CSAP	Procurement Unit of the Administrative Services Division
CWP	Country Work Plan
DGB	Director-General's Bulletin
EOD	Entry of Duty/Expected Start Date
EGC	Education Grant Claims
EPPR	Electronic Personnel Processing Request
ES	Economic and Social Development
ESN	Nutrition and Food Systems Division
ESA	Agricultural development Economics Division
ESS	Statistics Division
EST	Trade and Markets Division
FAO	Food and Agriculture Organization of the United Nations
FAORAF	FAO Regional Office for Africa
FAORAP	FAO Regional Office in the Asia and the Pacific
FAOREU	FAO Regional for Europe and Central Asia
FAOSLM	FAO Sub-regional Office for Mesoamerica
FAOSOM	FAO Representation in Somalia
FAVIE	FAO Representation in Vietnam
FC	Finance Committee
FCP	Fraud Control Plan
FE GEO	FAO Representation in Georgia
FFRs	Final Financial Reports
FI	Fisheries and Aquaculture
FO	Forestry
FPMIS	Field Programme Management Information System
FRRM	Fraud Risk Response Mechanism
FRZIM	FAO Representation in Zimbabwe
GEF	Global Environment Facility

<b>Acronym</b>	<b>Description</b>
GRMS	Global Resource Management System
HQ	Headquarters
IADGs	Internationally Agreed Development Goals
IPSAS	International Public Sector Accounting Standards
IQR	Inventory Quantity Report
LoAs	Letter of Agreements
LPC	Local Procurement Committee
MDG	Millennium Development Goals
MS	Manual Section
MV	Money Vendor
NSHR	Non-Staff Human Resource
NPP	National Project Personnel
NTE	Not-to-Exceed
OCA	Operational Cash Advance
OIG	Office of the Inspector General
OPC	Outposted Petty Cash
OSP	Office of Strategy, Planning and Resources Management
PDMS	Process and Data Management System
PIR	Performance Implementation Report
PR	Purchase Requisition
PSA	Personal Services Agreement
PTF	Project Task Force
PVAR	Physical Verification of Assets Report
PWB	Programme Work Budget
QAR	Quality Assessment Report
SMART	Specific, Measurable, Attainable, Realistic, Timely
SSC	Shared Service Centre
TC	Technical Cooperation Department
TCP	Technical Cooperation Programme
TCS	South and Resources Mobilization Division
TOR	Terms of Reference
TPF	Terminal Payment Fund
UNDP	United Nations Development Programme
VLVP	Very Low Value Procurements