Office of the Inspector General

Annual Report
2011

Highlights

By the end of 2011, the Office of the Inspector General (OIG) had concluded the first cycle of an enhanced biennial Risk-Based Audit Plan (RBAP), thereby completing and mainstreaming a related oversight reform action item in FAO's Immediate Plan of Action (IPA). The planning approach provides for OIG, as currently resourced, to review most major organizational risk areas over two biennia, taking into account the oversight coverage of the Office of Evaluation (OED) and the external auditor. The risk register, from which OIG prepared the 2010-2011 plan, was developed in 2009 in partnership with Deloitte and with input from management. It was updated in December 2010 and identifies 63 major Organizational risks. By the end of the biennium, OIG completed assurance and advisory field work on 42 of these risks as well as a substantial number of medium and lower ranked risks.

OIG completed field work on more than 95 per cent of its planned audits for the 2010-2011 biennium. Key areas of focus in 2011 included assessments of the Organization's overall Accountability and Internal Control Framework (ICF); implementation of the IPA in general and the Results-Based Management (RBM) system and IPSAS projects within the IPA; Programme Implementation Reporting (PIR); a review of IT security; decentralized office operations, rental subsidy, a capping report for the Organization's Implementation of the EC-FAO Food Facility Programme (EUFF), reviews of aspects of the Commissary and Credit Union operations; and audit recommendation follow-up. OIG also continued to support the Enterprise Risk Management (ERM) project through the secondment for most of 2011 to the Office of Strategy, Planning and Resource Management (OSP) of a P5 Senior Auditor to act as interim project manager. The staff member transferred fully to OSP to manage the project in September 2011.

Related to this coverage, OIG issued 40 individual audit reports to operating units throughout the Organization, including 32 on individual decentralized offices. These audit reports provided management with 567 recommendations and 142 compliance reminders to strengthen the Organization's risk management, internal controls and governance processes and there was a 98 per cent acceptance rate by management. In addition, OIG issued three reports in late 2011 and early 2012 on the results of expert consultancies, which contained a further 117 recommendations for management's consideration.

OIG had also substantially completed work on two important reviews on IPSAS implementation and Recruitment of Professional Staff, which were in the advanced stage of reporting at the time of issuance of this Annual Report.

As OIG will highlight in this report, its recommendations reinforce the need for the Organization to implement structured risk management processes and a robust accountability and internal control framework. In this regard, OIG provided substantial support in the biennium, especially in 2011, to help assist management in establishing these essential elements.

OIG also closed 88 cases following examination by its Investigations Unit and issued a total of 15 reports. The number of complaints received by the Investigations Unit increased by 31 percent compared to those in 2010. The 2010-2011 biennium showed an increase of 92 percent in the number of complaints received when compared to the 2008-2009 biennium. If the trend continues, investigation response times or Investigation Unit resourcing will need to be reconsidered. In addition, OIG continues to work with management to strengthen other elements of the Organization's integrity framework.

The following broad observations emerge from the audit and investigation work carried out by OIG in 2011:

- **Sustained attention to timely but orderly completion of the IPA actions, complemented by further attention to change management/organizational development prerequisites that are presently lacking, is needed to achieve the envisaged transformational change.** The IPA actions are essential as "catch-up" systems-building, and when fully completed will have the positive spin-off benefit of addressing many gaps that would have otherwise appeared in any benchmarking of FAO against best practice internal control frameworks. However, analysis of the IPA implementation to date indicated a need for a more holistic approach to organizational change; greater engagement and accountability throughout the Organization for promoting the implementation of reforms, and good metrics for performance indicators over the change.

- **Transformational change is achieved only through sustained, integrated attention pursued over several biennia.** The Organization needs to be prepared, for some inherently complex actions, such as RBM, ERM and performance evaluation and management (PEMS), to accept progressively better iterations commensurate with the capacity of managers and staff to adopt new ways of thinking and practice. The move from concepts and aspirations to practical implementation in each of these three areas will require the full backing of all levels of management. However, over-engineering of the processes risks killing enthusiasm and adding to the perception of excessive bureaucracy. At various points in the coming biennium the formal IPA actions can be closed, but improvement must be an ongoing goal. Careful attention to sequencing the improvements and ensuring synergies in the three areas above in particular, along with an effective mobility policy, will be key to moving the broader organizational culture from an output to a results orientation, and to breaking down the kind of silos and disparities that have been considered blocks to organizational effectiveness.

- **An increased focus on accountability, well communicated within the Organization, will be an essential factor in ensuring engaged, intelligent implementation of reform**s – whether one is speaking of the capital "R" reforms embodied in the IPA actions or the longer term continuous improvement that a healthy organization should embrace. OIG strongly encourages FAO to adopt a sound and well communicated accountability and internal control framework. This will also increase external stakeholder confidence in the Organization. In the process the Organization needs to clarify executive decision-making structures, lines of accountability, and the link between performance evaluation and decision making. Essentially, **the control framework adopted should be oriented to facilitate a rationalization of controls along risk-based criteria** – to address perceptions but also realities of over-control in some areas and under-control in others. Improvements in the availability and reliability of corporate management information, the Global Resource Management System (GRMS) and other Information System projects being key elements in this, will also be essential.

- **Successful decentralization will require focussed attention to monitoring and response mechanisms.** OIG audits and investigations point to significant capacity issues in the field offices across a range of programmatic and operational areas. Initial steps around decentralization in 2010 were challenging. A number of initiatives, including other IPA actions, Corporate Services capacity building efforts, technical networks and changes in human resource policies are aimed at addressing these. Clear responsibilities and monitoring processes – including performance standards – need to be established in the regions and headquarters to oversee progress in decentralization, to respond quickly where problems arise, and support a structure of decentralized decision-making authority accompanied by accountability.

- **In the field, procurement problems arising from undisclosed conflicts of interest, and incomplete recording of transactions of locally managed projects** are areas from our investigation work that indicate a need for focussed awareness-raising among FAO Representatives (FAORs) and field staff. **Ensuring that procurement actions avoid the risks of apparent or actual collusive behaviour by suppliers** in less developed markets is another important area, on which the Procurement Service (CSAP) has worked with OIG in 2011 to provide guidance to staff.

- **FAO has implemented successfully in challenging circumstances**. OIG's reviews of the EUFF, for which a capping report was issued in 2011, indicate that the Organization can substantially deliver, to the satisfaction of members and donors, complex and difficult programmes. The challenge will be to ensure the lessons of what worked well and what should be avoided, from the EUFF (and the earlier Initiative on Soaring Food Prices programme), can be adapted to new organizational structures.

- **Prioritization of improvements in other critical areas of operations should be transparent and well considered**. Inevitably finite resources and management attention will require deferrals of certain non-flagship improvement efforts, essential in their own way and requiring extended attention but perhaps less visible or immediately impactful. The risk is that in doing so they will lose continuity and become orphaned for extended periods. OIG

urges that an appropriate process be established for executive management to consider any deferrals and regularly reappraise their status.

In 2011, OIG continued to improve its capacity and quality. During the year it filled five internal audit vacancies, and by August 2011 only one professional (P3) post remained vacant. However, in September one of OIG's senior auditors transferred to OSP to lead the ERM project, and in December one general service support staff member resigned. As such, by the end of 2011 OIG had two professional and one general service posts vacant. The P3 vacancy was filled through internal transfer in early 2012.

In April 2011, BDO Consulting Finland completed an internal quality assessment of OIG's internal audit function. The overall results were very positive and the consultant concluded that the function now "Generally Conforms" to the Institute of Internal Auditors (IIA) standards (in 2007 it "Partially Conformed"). This will be followed up in 2012 by a mandatory external review with a broader scope.

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

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I.   Introduction

<u>General</u>

1. The present report to the Director-General provides a summary of the 2011 oversight activities of OIG. In accordance with the Organization's oversight arrangements, this report is also made available to the FAO Audit Committee and the Finance Committee.

<u>Mandate and Mission</u>

2. OIG has responsibility for internal audit, which includes monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal controls, risk management, financial management and use of assets. It is also responsible for investigating misconduct, including fraud.   Under FAO's Whistleblower Protection Policy, it also investigates allegations of retaliation against staff who report misconduct. OIG's Charter is incorporated as Appendix A to FAO Administrative Manual Section (MS) 107.

3. Together with OED, OIG provides comprehensive internal oversight coverage for the Organization. The External Auditor, with whom OIG cooperates, provides complementary external oversight.

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

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

6. With respect to its internal audit work, OIG follows the International Standards for the Professional Practice of Internal Auditing, promulgated by the IIA, the global professional body. With respect to its investigative work, OIG follows the FAO Guidelines for Internal Administrative Investigations, which are based on the Uniform Guidelines for Investigation, promulgated by the Conference of International Investigators of the UN System and Multilateral Financial Institutions.

7. The Director-General and the Inspector General receive independent advice on the effectiveness, including the adequacy and quality, of the internal audit and investigative functions of OIG from an Audit Committee comprising senior

audit and/or investigation professionals, who are fully external to the Organization. The Terms of Reference of this Committee are incorporated as Appendix C to MS 146.

II. Independence

8. During 2011, OIG undertook its professional activities independently within the Organization. No limitations of scope were encountered during the course of its audits or investigations.

III. Discretionary Reports to the Finance Committee

9. OIG's Charter provides that, at the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested member states. No such reports, additional to the annual report, were submitted in 2011.

IV. Implementing the Risk-Based Audit Plan

Development and Implementation of a Comprehensive Risk-Based Audit Plan for 2010-2011

Planning approach

10. To meet the requirements under the IIA Standards as well as to address FAO's IPA item 2.91, OIG developed and implemented a comprehensive risk-based planning approach, to provide a more systematic basis for prioritizing internal audit work. The aim is to ensure that the management of all major risks of the Organization is, in coordination with FAO's Office of Evaluation and External Auditor, independently reviewed over approximately two biennia.

11. The RBAP for the 2010-2011 biennium, prepared under this approach, took into account inputs from management and the FAO Audit Committee, and was endorsed by the Director-General in early 2010. The plan was based on a risk register developed in 2009 in partnership with Deloitte and with input from management. Implementation has been being monitored through quarterly reports to the Director- General and through trimestrial meetings of the Audit Committee. In addition, the achievement of the plan is now a performance indicator for OIG in the Organization's new RBM Framework.

12. The underlying risk assessment was updated in December 2010, with the ranking of some risks raised or lowered and some dropped or added, based on emerging risks and new information. The initial results of the ERM pilot

project were taken into account. The outcome was an updated risk register with 63 high risks, and an update of the 2011 component of the RBAP to an increased number (42) of high and (53) medium risks in 2011.

13. Based on findings from the audits of decentralized offices in 2010, OIG substantially increased the scope of coverage of these offices in 2011. The finance/administration component was expanded, and components for programme management, IT controls and physical security were added. In addition, OIG expanded in 2011 its coverage of reform topics.

14. An external expert reviewed OIG's risk-based audit planning and implementation, concluding that OIG was generally complying with international professional standards. No changes to the planning approach were recommended. A further update of OIG's underlying risk assessment was started late 2011 to underpin a new risk-based plan for 2012-2013. As the Organization's risk management under the ERM project matures, OIG will modify its approach, drawing more fully on the results of risk self-assessments undertaken by management as well as its own professional analysis to adjust and develop its future RBAPs.

Plan implementation

15. Although OIG had a higher than planned level of vacant professional auditor posts during the biennium, with the support of expert consultants it was able to substantially complete its revised 2010-2011 RBAP plan. By 31 December 2011, OIG had completed or substantially completed (i.e. reached the reporting phase) 27 of the 31 planned audit assignment areas planned for 2010-2011. This included audit missions to 86 field offices over the biennium and expanded coverage of reform topics. In 2011 the reviews addressed 42 high and 53 medium risks from the risk register (Attachment A (i)). A total of 105 audit reports have been issued in the biennium. There were four carry-over assignments for which field work will be completed in the 1st quarter of 2012 and one planned assignment was fully deferred to 2012 (Attachment A (i)).

16. In 2011 OIG issued 40 audit reports (Attachment A (ii)), which included 32 field office reviews. These reports provided management with 1391 recommendations at various levels to strengthen the Organization's risk management, internal controls and governance processes, of which management accepted more than 98 per cent.

17. In addition, OIG commissioned expert consultants to complete assessments of the Organization's overall Accountability and Internal Control Framework (ICF), implementation of the IPA, and RBM, for which three reports have been issued. OIG had also substantially completed work on IPSAS implementation and the Recruitment of Professional Staff, which were in the advanced stage of reporting at the time of this Annual Report.

18. Individual summaries of the most significant reviews completed by the end of 2011 are detailed below.

Results of Organization-wide Audits and Advisory Services

Accountability and Internal Control Framework (ICF) Assessment

19. In view of FAO's commitment to implement an ICF by 2013, and the indication from OIG audits of the need for strengthened accountability for effective implementation of organizational policies and reforms, in the latter part of 2011 OIG partnered with an international expert to complete a high level assessment of the Organization's present system of accountability and internal controls, and to advise on a structured approach to strengthening this across the Organization.

20. A high-level gap analysis of accountability and internal control was performed. This analysis covered the five main areas of internal control, as defined by the integrated framework developed by the Committee on Sponsoring Organizations of the Treadway Commission (COSO) and now widely used internationally. These address the control environment, risk management, control activities, information and communications, and monitoring. The review concluded that, through the IPA, FAO is putting in place many of the systems, tools and processes needed for effective control. Nonetheless, the gap analysis shows that the Organization still has a number of areas to improve, and the report provides a guide to management on aspects on which to to focus attention in the coming year.

21. Most of the IPA key projects (GRMS, PEMS, HR, risk assessment, decentralization, and culture change) cover the major actions needed to have an Organization more accountable to Members States and to its staff. However, they would require a final framework to link them together.

22. The review also confirmed that FAO needs a well-defined accountability and internal control framework that sufficiently holds managers and staff accountable for their decisions and actions, along with related information and training material, to create the necessary culture for accountability to thrive. Wide publication of the framework would also provide assurance to external stakeholders as to how FAO seeks to promote accountability and internal control. The report presented an illustrative draft framework to assist management move forward on this

23. The review pointed out that systems and tools alone will not solve the problem, noting the need to develop a culture of consequence. This requires commitment from the Organization's leadership to use more rigorously the accountability processes available, including making full and effective use of results-based and risk management tools being developed; and to hold regular reviews of performance at the individual and team level using PEMS and other reporting data.

Assessment of the Immediate Plan of Action

24. The IPA comprises an ambitious set of actions adopted by FAO's Conference in 2008 to enhance FAO's global relevance, efficiency and effectiveness. Some actions represented massive organizational change, and others were relatively small actions that the managers responsible could carry out comparatively quickly. Approximately 80 percent of reported actions were expected to be completed by the end of 2011. Remaining actions, some of which are large and complex, are scheduled to be completed in 2012-2013.

25. In late 2011, OIG partnered with Mannet, an international consultancy group that specializes in organizational development, change management and leadership, to conduct an overall assessment of the IPA programme. The review examined the IPA implementation against a set of change management and organizational development principles. The aim was to provide the Organization's leadership with recommendations applicable to the remaining phase of the reform in 2012-13, to assist the Organization to optimize the benefits from the considerable investment in the IPA and the engagement with members, and to demonstrate and sustain quality performance beyond the formal closure of the IPA. This rapid, high-level review followed on from OIG's sponsorship in 2010 of an initial comprehensive IPA programme and project-level risk assessment.

26. Key points from the assessment include:

- IPA actions are essential as "catch-up" systems-building, and the actions not yet finished should be completed and mainstreamed as quickly as possible. However, a number of key elements were missing for the IPA to result in the substantial change and transformation anticipated by Members and required to address the new Director-General's priorities.

- Transformational change is achieved only through sustained, integrated attention pursued over several biennia. Many organizations start by focusing on systems and processes and then, in a second phase of reform, leverage more fundamental and systemic change in strategic priorities, organizational design and organization culture.

- While the reform process has led to a broad range of initiatives designed to build FAO capacity, there is a need to continue a natural, ongoing process of organizational strengthening – where continuous improvement becomes the natural, normal, way of operating.

27. The report concludes that successful completion of pending IPA reforms in decentralization, HR management, RBM, GRMS, and ERM will be essential precursors to a deeper organizational transformation. It also identifies and provides advice on six levers of change (mobility, performance and accountability, leadership and management, programme innovation, process streamlining, and cross-functional interdisciplinary teamwork) which should

drive the organizational strengthening process going forward as a means of attaining deeper transformational change.

Review of Results-Based-Management - Assessment of the Effectiveness of the Overall Design and Implementation Strategy for RBM, including the RBM System

28. The overarching objective of FAO reform is to transform the Organization into one that manages for results. This requires successful completion of two elements: the clear articulation of Members' objectives and, within this context, the design and delivery of measurable results with clear impact. Work is ongoing to fully implement the related IPA action Reform of Programme, Budgeting and Results Based Management. During 2011, OIG partnered with an international RBM consultant John Mathiason, Associates for International Management Services, to assess the effectiveness of the overall design and implementation strategy for RBM, including the RBM system, to determine the extent to which the requirements of the Independent External Evaluation and the IPA had been met as at mid-2011 and what could be done over the next six months to advance the tasks set out in the IPA.

29. The assessment noted that although FAO has made significant progress in advancing RBM, much more needs to be done if it is to implement a fully functioning RBM system as intended and within the expected timeframe under the IPA. The report noted that RBM starts with making promises of what the Organization can make happen if it is given resources to produce outputs and deliver services. However, these have to be measurable if the Organization hopes to demonstrate that it has induced the expected outcomes.

30. An analysis of the Organizational Results and their indicators in the current medium-term plan shows that most are not measurable, either because they are drafted too vaguely, or because they do not show a plausible causal connection with what FAO produces (what is termed the attribution problem). There was improvement between the first biennium under RBM (2010-2011) and the next (2012-2013), but the problem remains. In addition, the functional objectives are not expressed in a way that coherently explains their strategic importance.

31. The central problem is that the key programming unit, called Unit Results, has been based on output rather than outcomes. The immediate outcomes that should be induced directly by the output produced and which will lead to the achievement of the organizational result is a missing link in the current RBM hierarchy. This problem carried over to the Mid-Term Review that was also output, rather than outcome, focused. A continued output focus will only serve to maintain the traditional FAO silos and organizational culture.

32. There was internal concern about the feasibility of adding a new concept (immediate outcome) or redefining unit results as outcomes in the 2012-2013 work planning process, as was recommended. As a result, this was not taken

up in the final work planning instructions for this period, and the previous ambiguity in the definition of unit results continues with the new term "organizational output". The next opportunity to significantly change the RBM approach will be in 2014. In this regard, the report provided management and the project team with 12 recommendations to move the RBM from an output driven system to an outcome based one.

Validation of the Programme Implementation Report (PIR)

33. The PIR is the Organization's main accountability report to its Members on the use of resources during the past biennium. It provides information on FAO's actual performance and progress in achieving the goals in its strategic plan and budget. A major overhaul of the PIR has been initiated under the new RBM format. To provide timely input into this reform, OIG reviewed the process for ensuring completeness and reliability of data presented in the 2008-09 PIR, tested the data of selected programme entities for evidence to support reported achievements, and assessed whether the changes being proposed for 2010-11 would address the identified weaknesses.

34. OIG concluded that substantial changes planned by OSP will address key limitations over the completeness and reliability of the reporting that have existed to date. Constraints have included the limited range of implementation status categories, the nature of some outputs which made it difficult to report achievement, and a lack of metrics for the reporting units to consistently apply the implementation status categories. Also, the process used to prepare the 2008-2009 PIR relied on self-assessment and reporting by individual operating units, without any independent verification and validation. Furthermore, OIG noted the 2008-09 PIR provided an incomplete view of programme performance because it focused on narrative highlights, and did not explain gaps between planned and actual levels of biennial outputs.

35. The new Organizational Results employed in 2010-2011 represented an improvement in terms precision and measurability over the old outputs reported against in the 2008-09 PIR. There will be a more relevant choice of implementation status categories and the proposed process will allow them to be assigned more objectively and consistently. In the proposed new PIR format, gaps between planned and actual performance targets will require explanation and mitigation, with summary information in a section with lessons learned.

36. However, at the time of the audit, OSP did not have a specific plan for establishing an internal assessment process to verify and validate data provided by individual reporting units. Furthermore, although the new RBM monitoring and reporting system will automatically detect gaps between planned and actual performance levels, OSP had not yet determined how to present these gaps, and the related lessons learned, in the new PIR. OSP agreed that a quality assurance mechanism needed to be established to ensure accuracy and reliability of performance information, and advised that it would identify good

practice in other agencies with a view to implementing a first phase of the Quality Assurance process for the PIR for 2010-11.

Promoting Enterprise Risk Management (ERM)

37. The IPA included a comprehensive ERM study. As underlined in the conclusions of OIG's assignments on accountability and internal control and on the overall implementation of the IPA programme, successful completion of an effective ERM process within the Organization is a key enabler of the transformation sought by Members, the leadership and other stakeholders. In early 2010, senior management assigned responsibility for managing and implementing the ERM project to OSP.

38. To support this, OIG identified an expert consultant and loaned a senior auditor to work with OSP from the 3rd quarter 2010 for 12 months to ensure momentum was maintained on this significant initiative, and to serve as the interim project manager for the ERM project until OSP has completed the recruitment of a permanent Strategy and Planning Officer and supporting team to assume this role. In the absence of a satisfactory recruitment, and underlining the importance to which OIG attached to ensuring that the ERM project would proceed in accordance with the IPA, it agreed with OSP to formally transfer the staff member in September 2011 to continue as the permanent project manager.

39. OIG notes that work on the project was temporarily suspended in January 2012 in order to reassess the integration of ERM in the RBM framework in light of experience so far in the pilot. OSP has identified challenges in terms of integrating ERM with the Organization's management, governance and accountability structure; getting managers to work out mitigation strategies for identified risks; and staffing the ERM project with individuals with suitable skill sets and knowledge of the Organization. ERM is, at its heart, a culture change effort and therefore OIG advises an iterative approach to implementation. With this in mind, it urges the Organization's leadership to ensure that ERM is treated as a priority action, with appropriate adjustments to the approach in light of the current reassessment, and completion of project staffing, as soon as possible in 2012.

Assessment of IPSAS Implementation

40. In late 2011, OIG partnered with an international IPSAS expert to complete an overall assessment of IPSAS implementation in FAO. Overall the assessment found that implementation has proved to be challenging to the Organization. The project started at a time when the Organization needed to significantly catch up in terms of accounting policies; procedures, systems and business processes; and support systems in FAO's extensive field office network. The project has since evolved to become part of a much larger and ambitious

GRMS project, encompassing upgrading of its headquarters Oracle system, replacing a limited field accounting system with a field solution integrated with the headquarters system, and new or upgraded subsidiary systems such as for travel. At the time of the audit, FAO had made some progress in implementing certain components of IPSAS, especially in systems development, but it had significant work remaining in delivering most of the non-systems components such as changes to financial reporting, accounting, controls and business processes, including accounting transactions.

41. OIG noted that the implementation strategy had evolved from sequentially implementing IPSAS-compliant systems and then IPSAS compliant financial statements by 2013, to one where these two objectives would be achieved in parallel. This strategy draws heavily on applying transitional provisions available for initial IPSAS adoption which will delay the achievement of the financial management benefits of IPSAS and relies on extensive manual work arounds for opening balances simultaneous with system roll out and training.

42. At the time of this annual report, the risks of this approach and related recommendations were still under discussion.

Information Security Audit

43. Following a data security incident in 2010, the Organization conducted a number of security reviews and implemented measures to address the causes. OIG analyzed the incident and subsequent follow up steps by the Information Technology Division (CIO) and reported on this to management in early 2011. During the year, an IT Security Improvement Plan was under development under a recently-appointed Senior IT Officer who is an expert in IT Security, supported by an additional staff member. CIO had also taken initiatives to secure the Oracle database and Oracle E-Business Suite environments. Later in 2011, OIG completed, with expert consulting assistance, an overall assessment of the the Organization's Information Security against best practices, including ISO 27001 for Information Security Management Systems, and the Control Objectives for the Information and related Technology (COBIT) framework. This took into account the above-mentioned follow up activities of CIO.

44. The audit concluded that significant control weaknesses remained and should be addressed as a priority. The report presented management with 36 recommendations to mitigate or resolve the main security and control weaknesses. This included establishing an information security policy framework, to assist the various departments in adopting better security practices and enhanced security across operating systems, databases, networks, and programmatic and administrative applications; developing and maintaining a comprehensive IT security risk assessment; and re-establishing an IT security unit in CIO that consolidates security-related responsibilities currently fragmented within CIO.

45. The main audit report was accompanied by a "Technical Security Assessment Report" that documents the detailed test results conducted by the audit consultant, NII Consulting. These results determined security vulnerabilities in FAO's network and the technical report provided an additional 111 detailed recommendations to enhance FAO's network security. CIO had already begun to take action on several of these recommendations during the review.

Recruitment of Professional Staff

46. The objectives of the review were to assess whether FAO's recruitment and selection policies and procedures for Professional Staff are effective (i.e. conducive to securing the highest standards of efficiency and technical competence, as per Article VIII.3 of FAO's Constitution), efficient, timely, fair and transparent.

47. The audit concluded that in a number of key areas the Organization needed to strengthen the process. These include FAO's overall strategies for recruitment and selection of Professional Staff with regard to geographic balance, gender balance and consideration of internal candidates; minimum standards and training to ensure that recruitment is conducted in a consistent, timely, transparent and professional manner across the Organization; and monitoring of the units' performance in executing the recruitment actions that have been delegated to them. At the time of this annual report the findings and recommendations were under discussion with management.

Review of Rental Subsidy Arrangements in FAO

48. The audit's main objective was to assess whether FAO's rental subsidy scheme has been implemented in an effective and efficient manner and for the purpose it was designed. To achieve this objective OIG reviewed whether: (i) adequate and comprehensive policies and procedures had been established and were being implemented to ensure the subsidy was paid only to entitled staff members; and (ii) there was an adequate monitoring system in place to ensure effectiveness of existing policies and procedures. Additionally, OIG sought to identify areas where management could improve the scheme or obtain efficiency savings.

49. According to the International Civil Service Commission, the original intent of the rental subsidy was to ensure a greater degree of parity in the ability of Professional Staff members to obtain adequate housing. The subsidy is designed to help alleviate some of the burden by subsidizing rental costs for those staff members who spend a higher-than-average proportion of their income on rent at newly-assigned duty stations. These problems are usually experienced by newcomers and staff members with large families.

50. In OIG's opinion, rental subsidy policies, procedures and practices in FAO had diverged from this intent and should be brought back into alignment.

Specifically, the report recommended that FAO should: (a) modify its current definition of a newcomer to more appropriately reflect the residency period at the duty station; (b) link the maximum allowed rental subsidy to family size rather than focusing strictly on grade level; (c) clarify the amount or deduction percentage of ineligible fees from the gross rent amount; and (d) amend the force majeure scheme to exclude non-renewal clauses.

51. The audit found that the quality of documentation of the entitlement had often not been sufficient to support the subsidy payments to staff members. Additionally, staff in the three processing offices had not consistently applied corresponding procedures, and documentation in the Process Document Management System (PDMS) was not always complete, although OIG acknowledged that the Shared Services Centre (SSC) had recently taken action to address this. Finally, the HR Management System (HRMS) reporting tools were not sufficient to ensure management has the necessary information to adequately monitor subsidy entitlements.

52. OIG noted that CSHP and the SSC had taken some steps to strengthen controls over the rental subsidy arrangements, but made nine recommendations for further action to improve the overall effectiveness and efficiency in this area.

Commissary Inventory Count and Write-offs

53. OIG observed the 2010 year-end inventory count as an agreed-upon procedure engagement performed in accordance with the International Standards on Related Services, to support the Organization's external audit. It concluded that the Commissary was complying with appropriate procedures. It also noted that the Commissary is taking action to improve the write-off process for damaged or missing items to comply with its internal policies and procedures, and ensure that related system data is reliable, complete and accurate.

Credit Union

54. The Credit Union is an integral part of FAO. OIG performed a review in 2011 requested by the Credit Union manager to assess whether segregation of duties over key business processes was adequate, and whether staff could perform additional tasks without compromising this segregation. In general this was the case, although OIG recommended separating the tasks of performing bank reconciliations and inputting credit notes in iCUSYS. Recommendations were also made to strengthen other control aspects related to letters of instructions from members; storage of credit union cheques; logical access rights to the iCUSYS; and review of system logs.

Decentralized Office Reviews

55. OIG's 2010-2011 coverage included a strong component devoted to the Decentralized Office Network (DON), which accounts for more than 65 percent of the Organization's expenditures . In 2011, OIG issued reports on audits of 28 country offices, the Regional Offices for Asia and the Pacific (RAP) and Africa (RAF), the Subregional Office in Zimbabwe (SFS), and the Liaison Office in Geneva (LOG). The scopes of these audits varied, ranging from comprehensive office reviews covering both programmes and operations to more targeted reviews focusing on the financial and administrative practices and controls of the offices. Areas of focus included the EUFF which completed in 2011 and other emergency operations (including Haiti, Sudan, Somalia and Afghanistan). OIG also issued capping reports on the financial and administrative audits conducted in 2010 and on key issues regarding decentralization reform activities.

56. These reports contained more than 516 recommendations directed locally, and in some cases to headquarters, to improve controls and processes in the areas of decentralization implementation, programme and project management, financial management, procurement, human resources, IT and security. Management accepted all but three office-specific recommendations, and had already fully implemented 354 (69 percent) of them by the end of 2011. The reports issued in 2011 are summarized below.

Key Issues Regarding Decentralization Reform Activities in Field Offices

57. OIG reviewed the status of reform in the decentralized offices network during the first full year of reform implementation, drawing on the results of audits of two regional, two subregional and ten country offices in 2010. The objective was to provide management with advice on how well the offices understood the decentralization reform objectives, the extent to which they were affected thus far, and how well poised they were to manage new responsibilities.

58. Overall, OIG found the field offices in the decentralized offices network had not been well positioned during the first year (2010) to assume the additional role and responsibilities under the Reform. While the overall objective was clear and the offices welcomed decentralization, the initial communications sent to decentralized offices on reform activities lacked coordination and complete information. The presentation of decentralization did not describe the expected outcome of decentralization reform for the different offices in the decentralized network. The communication on decentralization reform activities arrived piecemeal and from different sources, which confused some managers about the priority of activities and leadership of decentralization. Also, the transfer of new authorities and responsibilities to the decentralized offices often lacked information about the resources needed to perform the new work and the additional resources to be provided or available to the decentralized network. Many offices visited were not sure when all reforms

would apply to their offices and what resources would be available to support their efforts. This would make it difficult for decentralized offices to fully commit to making decentralization succeed.

59. Since the time of the audit work, further implementation of the Reform has addressed some aspects of these issues. In addition, to provide more coherence to the decentralization theme, the Joint Meeting of the Finance Committee and Programme Committee in October 2011 requested preparation of a comprehensive plan for decentralization

60. The report recommended a more coherent and systematic communication to the field on decentralization reforms and management assessment of field offices' capacities (skills, personnel, resources) to assume further responsibility under the decentralization process.

Implementation of the EC- FAO Food Facility Programme

61. For the EUFF programme, TCE developed an implementation strategy between December 2008 and March 2009 and then implemented the programme through to the end of 2011, under which approximately EUR 232 million (approximately USD 314 million) was provided to implement 31 projects in 28 countries. OIG carried out audit work on the programme, at headquarters and in 15 country projects[1], during the 2010/2011 biennium. A capping report issued in 2011 synthesized the results of this work and presented issues for management consideration in implementing similar large-scale projects that may follow.

62. Overall, OIG found that the programme had been successfully implemented in terms of financial delivery, execution of planned activities and working relations with the donor.

63. The main challenge noted was the time taken for TCE to obtain the active involvement of divisions concerned at headquarters and the decentralized network in programme implementation. Effectively addressing stakeholder concerns and clarifying roles and responsibilities at the start of the programme would have improved the commitment and participation of technical divisions and decentralized offices. At project level, governance structures originally planned did not function as intended in all projects, but alternative arrangements introduced, such as local level steering committees and bi-lateral discussions with key stakeholders, provided the necessary guidance and were found to be generally more appropriate.

64. Programme implementation delays were due to several factors that include delayed signing of project documents by Governments and weak

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[1] The 15 countries are: Afghanistan, Burkina Faso, Cambodia, DRC, Eritrea, Guatemala, Guinea Bissau, Haiti, Jamaica, Kenya, Liberia, Nepal, Pakistan, Sierra Leone, and Zimbabwe.

implementation planning that resulted in late initiation of project activities. Insecurity or natural disasters that occurred during implementation also contributed to delays in three of 15 projects reviewed. Project design was generally found to be overly ambitious for the available project duration. Although there was a need to prepare project proposals expeditiously, FAO's approval process should have ensured, as part of its technical assessment, that activities were in accordance with the available timeframes negotiated with the EC.

65. With a few exceptions, administrative support to implementation at country level was generally good and controls established were basically sound. Implementation of key activities such as staff recruitment, procurement and selection of implementing partners and beneficiaries improved based on lessons learnt from the ISFP-TCP programme and as implementation of the EUFF progressed. However, operational deficiencies that still needed improvement included reducing the gap between project initiation and arrival of project staff; improving timeliness of procurement-related activities such as decisions to increase delegated authorities and related procedures to expedite local procurement; and improving the documentary support for selecting implementing partners and beneficiaries. The overall impact of these delays translated into a slower than expected programme implementation rate that caused the Organization to fall short of its target of 75 percent expenditure within the first reporting period, and that five of the 15 projects reviewed had to be extended to the end of November 2011 to allow for completion of activities.

66. Performance monitoring by the Project Implementation Unit (PIU) at headquarters level was good. Close working relations with the EUFF Task Force were established that facilitated negotiations and agreements in a timely manner. Procedures ensured that comprehensive information on the programme was accessed and analysed on a regular basis by the PIU and facilitated timely narrative reporting to the EC. However, monitoring arrangements at country level varied significantly according to whether there was an established Emergency Recovery and Coordination Unit (ERCU), a clearly defined and adequately staffed monitoring function, and the Representation's experience in handling large-scale projects of this nature. In cases where these factors were absent, control over implementation was weakened.

Summary Report of the Financial Management and Administration Reviews of Decentralized Offices in 2010

67. Following a pilot in 2009, the previous Local Audit Programme (LAP) of FAO's Country Offices was transferred from the Finance Division (CSF) to OIG. The aim was to improve the quality of compliance and financial reporting audits of Country Offices, previously carried out by locally contracted external auditors.

68. OIG developed an enhanced audit programme focussing on the review of compliance with prescribed financial and administrative controls, and included a package of audits at the country level into its 2010-2011 audit plan. These audits covered accounting, asset control, procurement of goods and services, letters of agreement, banking and cash, disbursements, non-staff human resources, and overall management controls and promotion of ethics. The 2010 summary report served as the wrap-up report for the series of reports despatched in 2010, summarizing common issues and recommending improvements at the corporate level. It was based on the audit results for 37 offices, each of which was the subject of a separate report to address local findings and recommendations.

69. OIG found that 51 percent of Country Offices audited in 2010 had not adequately implemented prescribed policies and procedures and, therefore, had significant weaknesses in internal control. The respective control weaknesses of the offices reviewed varied, but all above audit areas were affected.

70. There are several issues highlighted by the summary report that need to be addressed at corporate level to enable FAO to better manage its decentralized network, and Country Offices to better fulfil their roles and responsibilities. Specifically, the Organization needs to ensure field teams are staffed with sufficient, well-trained individuals, with the skill mix and experience required to manage a complex programme. Additionally, FAO needs to strengthen monitoring of financial data reported by Country Offices to ensure accuracy. Moreover, the Organization must ensure there are sufficient arrangements in place to monitor compliance of Country Offices with FAO's policies and procedures, and that better practices at individual offices are identified and replicated across the decentralized network.

Financial Management and Administration Audits of Country Offices in 2011

71. In 2011, OIG has continued with its financial and administration audits of decentralized offices, with an expansion of scope to include security and information technology management. All regions were represented in these audits. Since 2010 to date, OIG issued 68 audit reports of country offices that include ratings of their financial and administrative controls against established criteria. These include 37 reports for 2010 and 31 reports for 2011.[2]

72. To better assist management in addressing issues identified in these reviews, OIG developed a system to assess and rate the overall performance of

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[2] The 31 reports for 2011 relate to Offices visited. They include 23 of the 28 country office reports issued in 2011 (see attachment A (ii)) as well eight further country office reports, on audits carried out in 2011, for which reports have been prepared in early 2012 until the preparation of this annual report.

individual offices in a consistent manner. The 31 country offices reviewed in 2011were grouped and rated using the following criteria[3]:

- **Satisfactory** (Green): controls are properly designed and operating as intended. No, or only limited, improvement needed.
- **Deficient** (Amber): the majority of key controls and/or management activities are in place; however a high level of risk remains. Significant opportunities for improvement have been identified.
- **Seriously deficient** (Red): key controls and/or management activities are non-existent or have major deficiencies and do not operate as intended. As designed, they are highly ineffective in mitigating risk and driving efficiency.

73. The overall results are shown in Figure 1 below:

Figure 1 - Financial Management and Administration Audit Results in 2011
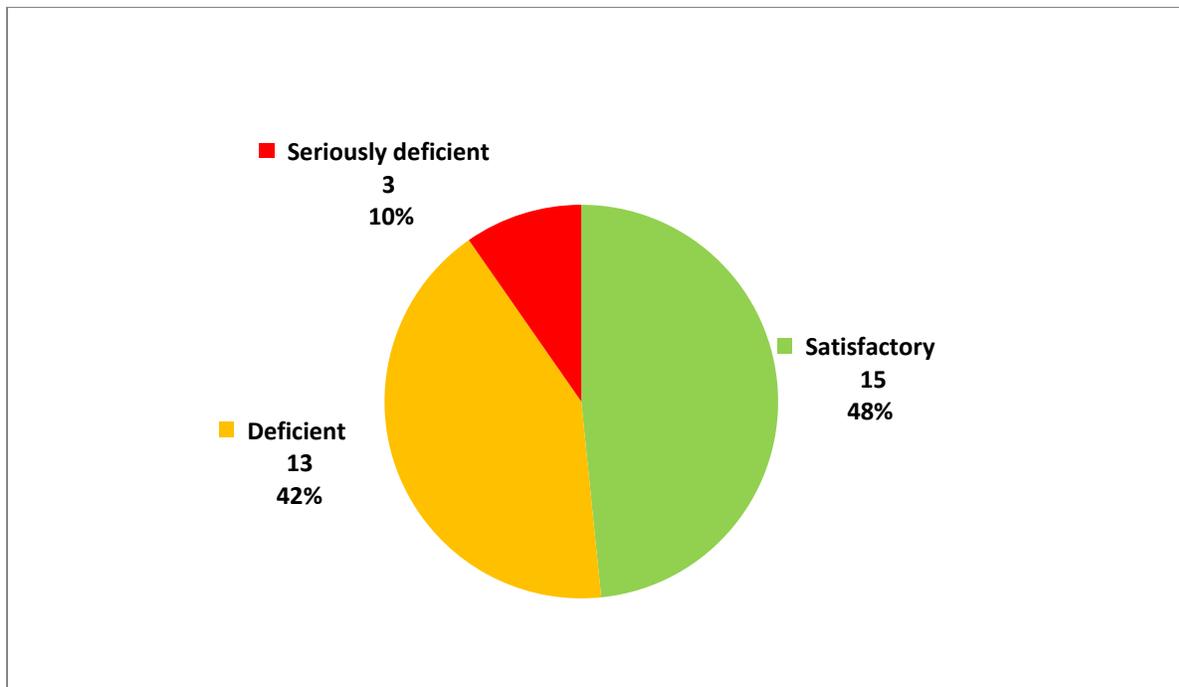
74. The overall ratings in 2011 remain largely unchanged compared to 2010, where there were 50 percent satisfactory offices (18) and 50 percent deficient or seriously deficient offices (18) in 2010.

75. As Figure 2 below illustrates, the 2011 audits identified significant control weaknesses in all eight audit areas related to finance and administration:

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[3] In 2011, OIG revised its rating methodology for the overall compliance of individual offices to make it more consistent.

Figure 2 - Control Weaknesses in Financial Management and Administration Audit Reports in 2011
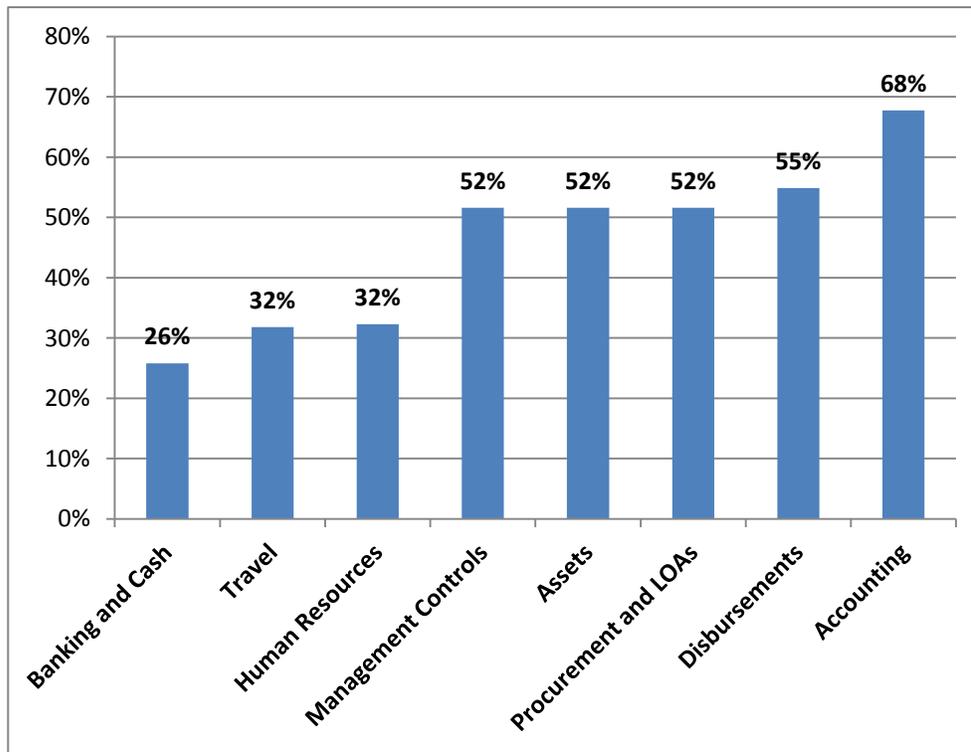
76. The weakest area was accounting where 68 percent of offices were deficient or seriously deficient. Furthermore, more than half the offices were weak in the areas of disbursements, procurement and LOAs, assets and management controls. The relatively strongest area was banking and cash but 26 percent of offices were deficient or seriously deficient.

77. The 31 country office audit reports presented local management with 367 recommendations and 244 other compliance reminders related to financial and administrative controls. The main recurring control weaknesses by audit area were:

Management Controls

- The Annual Representation Letters submitted by FAORs did not adequately reflect the actual state of internal controls in material aspects.
- Insufficient budget monitoring, which also resulted in budget overspends.
- Regular staff meetings were not held to discuss issues of common concern, including standards of conduct and ethical values.
- Local fraud control plans were not prepared and implemented, exposing the country offices to potential or actual fraud risks.

Accounting

- Financial records were often imprecise, with expenditure charged to incorrect parent account codes.
- Accounting adjustments were not adequately approved or supported with documentation.
- Guidance on Unliquidated Obligations was not adequately followed, leading to unreported Unliquidated Obligations.

Assets

- Local asset records were not complete and up to date, and did not involve all relevant details.
- Periodical independent asset counts were not undertaken for reconciliation purposes.
- Asset additions and disposals were not reported in a timely way to headquarters, resulting in corporate asset records not being up to date.

Procurement and Letters of Agreement (LOAs)

- Vendor selection processes were not transparent, adequately documented and competitive, to ensure the best value for money from procurement.
- Inadequate segregation of duties in the procurement process.
- Procurement plans were not maintained, adversely affecting procurement procedures and coordination.
- The rationale for choice of LOA recipient organizations was not documented.
- The progress of procurement contracts and LOAs was not effectively monitored.

Banking and Cash

- Independent cash counts were not undertaken on a regular basis.

Disbursements

- Disbursement vouchers were not complete, clear or duly certified and approved.
- Expenditure was not supported with sufficient, relevant and reliable documentation.
- Advances were not adequately documented, monitored and followed up.

Human Resources

- Non-staff recruitment processes were not transparent, adequately documented and competitive.
- Non-staff performance assessments were not regularly prepared.

78. The most common underlying causes for these weaknesses generally were the following:

- long delays in filling vacant posts of FAORs and/or other key staff of the offices,
- increases in operations that were not accompanied by adequate increases in human resources (also due to weak human resources planning), leading to some important tasks being neglected or becoming a lower priority,
- unawareness of the organizational policies and procedures, and of best practices, due to lack of training or lack of dissemination of knowledge within and among the offices,
- inadequate skill sets of administrative and some other personnel,
- dispersion of personnel across sub-offices, resulting in lower exchange of information and knowledge,
- inadequate staffing structures of country offices, leading to weak segregation of duties and other issues,
- insufficient management, supervision, monitoring and guidance by the FAORs and/or other key staff of the offices,
- insufficient guidance or monitoring by headquarters,
- lack of systematic procedures and approaches to be established locally,
- low level of operations by some offices coupled with the lack of career prospects, resulting in a low staff motivation and morale, and
- some instances of inadequate tone from the top and poor examples set by the office management.

IT and Security related issues

79. In 2011 the financial and administrative audits of country offices also regularly included Security and IT components, aiming to assess whether the respective office complies with Minimum Operating Security Standards (MOSS), and IT controls are adequate and complied with relevant IT policies.

80. The review results varied among the different offices (for individual results see the summaries in Attachment A (iii)). The outcome of these audits will be analysed and evaluated further in a capping report on the 2011 audits, to be issued prospectively in the 2nd Quarter 2012, which will also identify issues to be addressed at the corporate level and will assess how the recommendations made in the previous capping report on 2010 audits have been addressed by management.

Country Office Programmes and Projects

81. OIG issued nine reports on comprehensive reviews of country offices in 2011. These reviews included in their scope, besides a finance and administration audit component, the programme and project operations of the respective offices. The aim of these broader reviews was to assess whether these offices fulfil their responsibilities as a country office, according to FAO's mandate, and that the respective field programme is managed effectively and efficiently. The audits concluded that the reviewed offices assisted and supported the countries of accreditation well, and key partners recognized the contribution of the Representation and its staff. In many cases there were also good practices in project management and implementation in place. However, there were also a number of areas for improvement identified, in such areas as:

- Pace of project implementation
- Coordination with other UN agencies and implementing partners
- Identification of performance indicators and baseline data for projects
- Project monitoring and reporting.

Other Advisory Services

82. In response to OIG's 2010 review of the Organization's Business Continuity Management (BCM), senior management launched a formal project to establish an appropriate BCM framework in November 2010. At the request of senior management, OIG agreed to serve as the working group coordinator for the first phase of this project, which will result in the development of a Business Continuity Framework for the Organization, and assisted with the identification and recruitment of an expert business continuity consultant for the project. Management was presented with a proposed framework in the first part of 2011.

83. OIG also responded to more than 100 other requests for short duration advisory and consulting services during 2011. These included comments and advice on the drafting of more than 50 high-value LOAs; reviewing several project agreements; audit clauses in various draft donor contracts; providing responses to three JIU requests such as the review of investigations within the UN system; provided management with comments on various IPA activities e.g. decentralization, partnerships, RBM, ERM; worked with management to develop a policy on the Disclosure of Internal Audit Reports and a Whistleblower Protection policy and present these to the CCLM and Finance Committee. In addition, OIG reviewed and provided management with comments on draft reports of the Multilateral Organization Performance Assessment Network's assessment of FAO's organizational effectiveness and the United States Government Accountability Office's review of the IPA programme.

Audit Recommendations and Resolution

84. In 2011, OIG issued 40 reports that included 567 recommendations. The recommendations were made to all levels of management throughout the Organization to strengthen risk management, internal controls and governance processes. Management accepted more than 98 per cent of these recommendations. In addition, OIG issued in late 2011 and early 2012 reports on the results of expert consultancies in IT security, RBM and Accountability and Internal Control Framework, which contained a further 117 recommendations to improve IT security and RBM within FAO and presented management with a suggested accountability and internal control framework. Attachment A (ii) lists the 2011 OIG reports by organizational group. The majority of the recommendations fell into four main areas: operations; financial management and budget; human resources; and procurement. The percentage of recommendations by major processes are presented in Figure 3 below:

Figure 3 - 2011 Audit Recommendations by Process
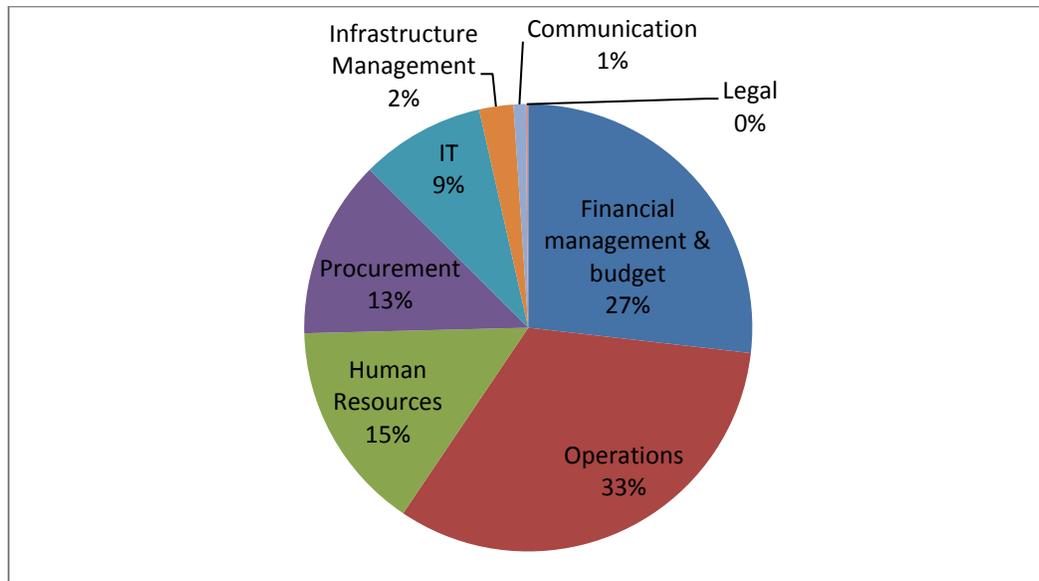
85. As Figure 4 below illustrates, as at 31 December 2011 management had closed 64 percent of the 2011 recommendations and had initiated actions to address another 28 percent. Furthermore, management continued its efforts to implement all remaining recommendations issued prior to 2011, having closed 86 percent of the recommendations made in 2010, 88 percent of all recommendations made in 2009, and more than 92 percent prior to 2009.

Figure 4 - Status of implementation of all recommendations for 2002-2011 (as at 31 December 2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ Number Open	-	-	-	4	2	-	3	9	30	48
■ Number Ongoing	3	1	2	3	11	2	19	54	86	158
■ Number Closed	455	561	310	418	409	354	268	484	708	361
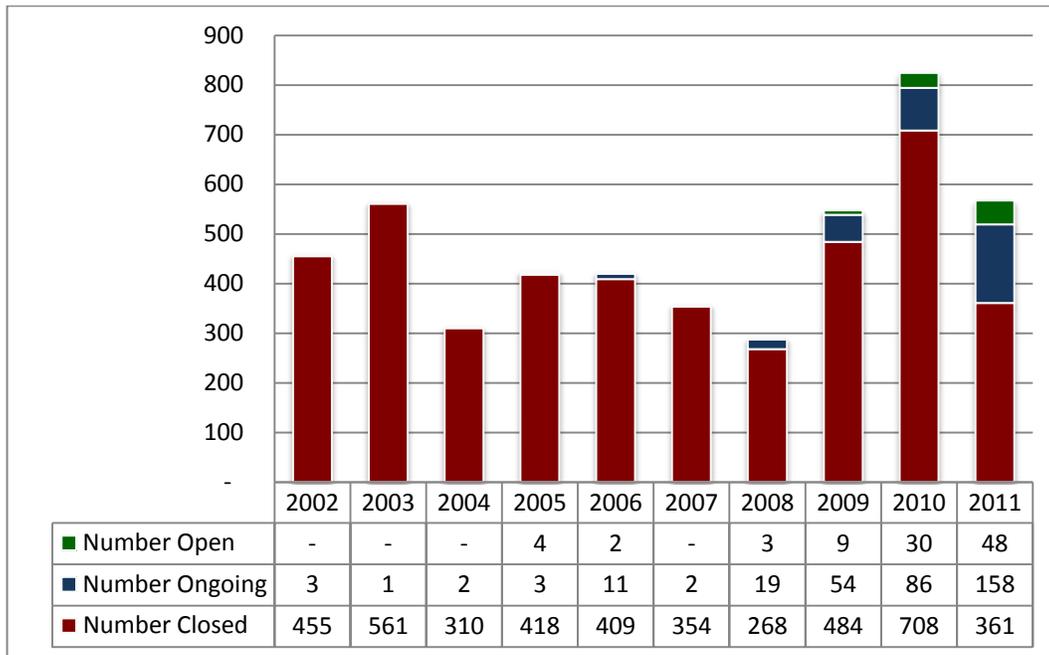
Note: Statistics are based on information reported by auditeesas at 15 January 2012.

86. As Figure 5 illustrates, the recommendation closure rates for 2011, which represent the actual implementation of the recommendations, are comparable to previous years' rates from 2007-2010. OIG finds the long-term trend an encouraging indication of management's continued commitment towards improving the Organization's system of internal controls, risk management and governance processes.

Figure 5 - Recommendation Closure Rates

Year of Issue	As of 31/12/11	As of 31/12/10	As of 31/12/09	As of 31/12/08	As of 31/12/07
2002	99%	99%	99%	98%	97%
2003	100%	99%	99%	99%	99%
2004	99%	99%	99%	97%	95%
2005	98%	98%	98%	96%	89%
2006	97%	96%	94%	89%	77%
2007	99%	99%	94%	84%	48%
2008	92%	89%	70%	45%	
2009	88%	68%	28%		
2010	86%	56%			
2011	64%				

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

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

88. Since more than 60 percent of OIG's recommendations are generated from audits at the field or business entity level, a high proportion are rated Medium and Low. However, at the business entity level these recommendations are very important to improve the system of controls and improve operational efficiencies.

89. As figure 6 below illustrates, of the 435 outstanding recommendations for 2002-2011, 36 are rated high risk, where failure to take action could result in critical or major consequences for the Organization. The 36 high risk recommendations comprise 17 made in 2011, eight in 2010, and 11 prior to 2010 (for the same reporting period at the end of 2010, there were 43 high risk recommendations which included 16 made in 2010, 17 in 2009 and ten prior to 2009). The 11 recommendations made prior to 2010 relate to:

- IT disaster recovery arrangements;
- project accounting manual;
- governance structure for FAO's information technology and knowledge management;
- framework for UTF projects funded by financing institutions;
- defining negligence and fiduciary obligations of staff towards the Organization;
- key issues affecting Regional Offices in addressing regional priorities;
- security over FAO's offices, personnel and property;
- IPA implementation arrangements; and
- consistency of decisions and disciplinary procedures.

Figure 6 - Outstanding Recommendations 2002-2011

Process	High	Medium	Low	Total
Financial management and budget	2	40	32	74
Communications	1	5	1	7
Human resources	4	37	42	83
Infrastructure management	2	7	3	12
Information technology	15	44	9	68
Legal	0	2	1	3
Operations	12	109	30	151
Procurement	0	26	11	37
Total	**36**	**270**	**129**	**435**

90. In the previous reporting period for 2010 that ended 31 December 2010, OIG reported 43 high, 269 medium and 289 low-risk recommendations that were outstanding. Taking into consideration that OIG presented management with an additional 567 recommendations in 2011, OIG concludes that management continues to address and close outstanding recommendations at a satisfactory rate.

91. Of the 435 outstanding recommendations, 50 were made prior to 2009 and are thus classified as long-outstanding. OIG defines long-outstanding recommendations as those not addressed within 36 months. This included six high, 29 medium, and 15 low risk recommendations. Figure 7 summarizes the results by risk category.

Figure 7 - Long Outstanding Recommendations by Risk

Year	High	Medium	Low	Total
2002	2	1		**3**
2003		1		**1**
2004	1	1		**2**
2005	1	3	3	**7**
2006	1	8	4	**13**
2007		2		**2**
2008	1	13	8	**22**
Total	**6**	**29**	**15**	**50**

92. In comparison, at the end of 2010, there were six high, 18 medium and nine low-risk recommendations that were classified as long-outstanding. Although management has made some progress in addressing the remaining long-outstanding recommendations, such as developing a business continuity framework and making some improvements in IT security policies, the actions are not sufficient to yet close the recommendations and more needs to be done. The current status of the six remaining long-outstanding high risk recommendations can be found in Attachment A (iv).

93. OIG continues to follow up with management on the implementation of these recommendations on a six-monthly basis.

V.   Investigating Fraud and Other Misconduct

94. OIG's Investigations Unit is responsible for promoting an environment of integrity throughout the Organization's operations through the detection, investigation and prevention of fraud and misconduct. The Unit ensures that investigations results are captured in order to develop lessons learned and recommends procedural and policy changes that enhance integrity within FAO.

95. A number of initiatives in 2011 clarified OIG's investigation mandate and promoted awareness within the Organization:

- the FAO Whistleblower Policy, issued in early 2011, established that the Office is also responsible for conducting preliminary reviews and full investigations into alleged retaliation under the policy. The strict deadlines established therein usually require the prioritization of a significant amount of resources dedicated to the preliminary review and eventual investigation of retaliation allegations.

- The clarification of OIG's responsibility to review fraud-related matters submitted by the Organization's medical claims processor (Vanbreda International), to ensure consistent adherence to the new FAO Investigation Guidelines.

- In 2011, "Guidelines on Fraud and Collusion in Procurement" were jointly developed by CSAP and OIG, to provide a reference tool for all staff to help them identify, report and address fraud and collusion by vendors in a timely manner. The guidelines define key concepts, provide examples of fraudulent and corrupt practices to illustrate key concepts, issues and mitigating actions; identify red flags and suggest pre-emptive measures. The Guidelines are one of the tools that will enable FAO to ensure that, with the increased delegation of authority, procurement is undertaken in an efficient and transparent fashion upholding high ethical standards.

Investigation Case Load Management

96.   The 2010-2011 biennium was characterized by a significant increase in the number of complaints and consultation requests received and cases investigated, including missions in the field. During 2008-2009, OIG received a total of 89 complaints and requests, while in 2010-2011 this rose to 171 (74 in 2010 and 97 in 2011), an increase of 92 percent. Additionally, the complexity of cases and the number of investigations in the field (where the risks for the Organization have been growing along with the recent and ongoing Organizational decentralization) have contributed to a greater investigative workload for the Office.

97.   The majority of investigations in 2011 related to FAO personnel or contractors/bidders in the field, including seven complaints of retaliation under the Whistleblower Protection Policy.

98.   In order to manage the caseload with the resources available, the Unit used consultancy services and received significant forensic and technical support from CIO. To ensure that attention is appropriately prioritized, during the 2010-11 biennium OIG-INV developed and refined a triage system The prioritization is based on a system that considers (i) impact on FAO's operations and objectives, (ii) impact on FAO's finances, (iii) impact on FAO's reputation, (iv) other factors (including ability to deter future wrongful practices, resources required and likelihood of resolution). Figure 8 below provides an overall view of the disposition of complaints during the year:

Figure 8 – Case Load Comparison

Case Load	2008	2009	2010	2011
Consultation Requests	4	12	14	17
Complaints	28	45	60	80
Subtotal (New Cases Opened)	**32**	**57**	**74**	**97**
Cases Carried over from previous years	18	21	37	26
Total Cases	**50**	**78**	**111**	**123**
Cases Closed	29	41	85	88
Ending Case Load	**21**	**37**	**26**	**35**

99.   In 2011, the Unit issued 12 investigation reports, one report on lessons learned from an investigation and two inspection reports, which presented information

to management analyzing the causes of particular problems encountered by the Organization. Several cases, where no disciplinary action was recommended but observations needed to be conveyed to management, were closed by issuing investigation memoranda. Some complaints were resolved without the need for a formal investigation, while others were found to fall outside OIG's mandate and were consequently referred to other Divisions in FAO. Other matters were forwarded to the Audit Unit to consider in future audit visits because they either referred to audit matters, or were classified as low priority in terms of OIG's classification criteria. Most consultation requests were closed within days of receipt. The average number of days between receipt and closure for complaints in 2011 was 122.

100. As indicated in Figure 9 below, in 2011 most complaints were received from staff members.

Figure 9 – Source of Complaints in 2011
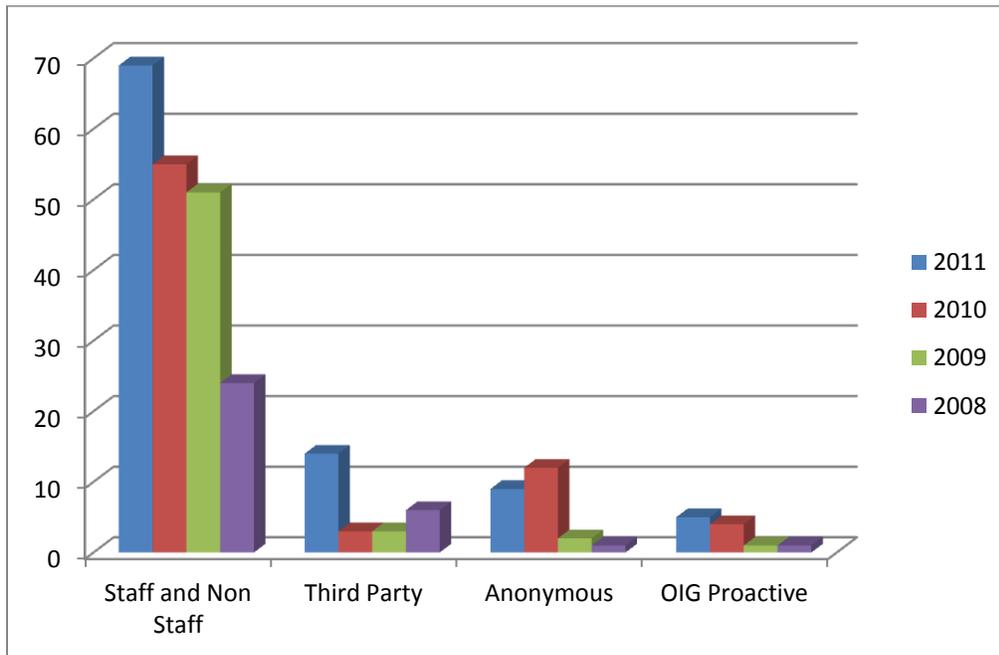
101. An OIG investigation will conclude on whether the allegations are:

- substantiated, the evidence gathered is sufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred;

- unsubstantiated, the evidence gathered is insufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred; or

- unfounded, the evidence is reasonably sufficient to conclude that the allegation is not true and no fraudulent activity or misconduct occurred.

102. Figure 10 below shows the results according to these conclusions for cases closed in 2011, based on the number of allegations. Matters identified as not within the investigation unit's mandate include those that are referred to other divisions or to OIG's audit unit :

Figure 10 – Outcome of complaints concluded in 2011

Unfounded 6%

not within mandate 32%

Unsubstantiated 46%

Substantiated 16%
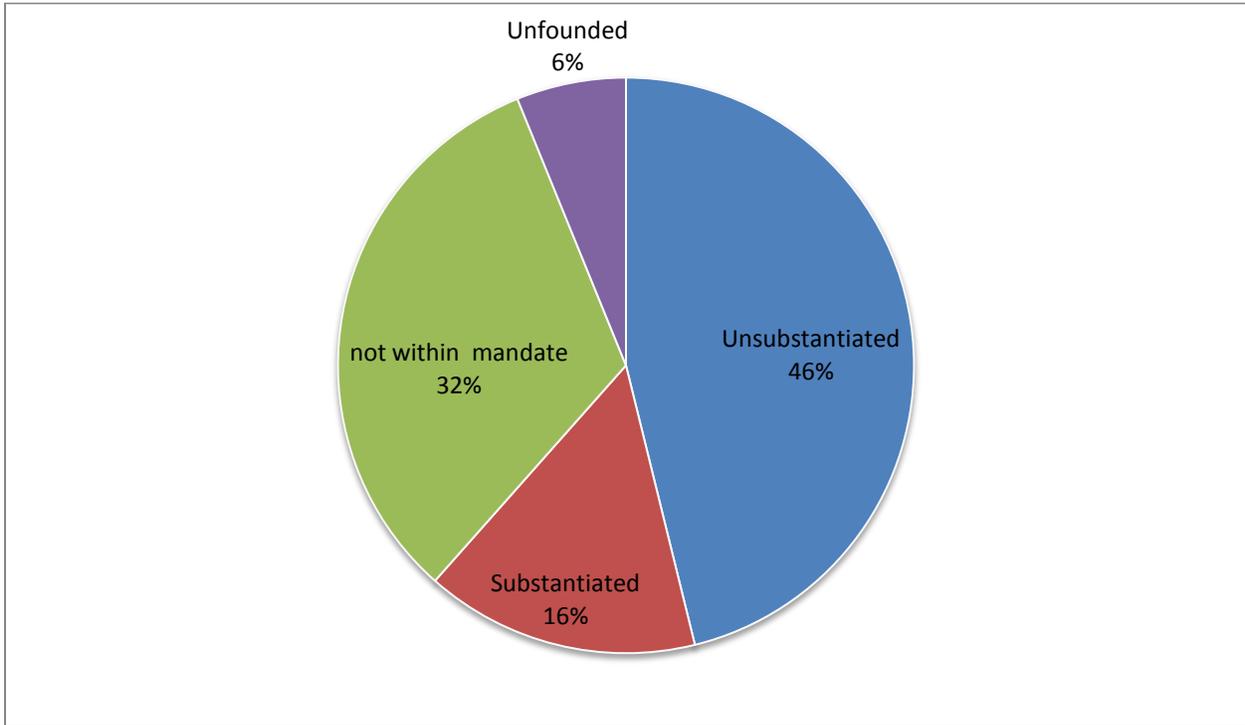
103. The chart in Figure 11 shows the types of allegations received during 2011. It is important to note that an individual complaint received by OIG may include multiple allegations. The initial classification of allegations is based on the preliminary information OIG receives. Over the course of an investigation OIG may modify the classification as more information becomes available.

Figure 11 – Type of Allegations
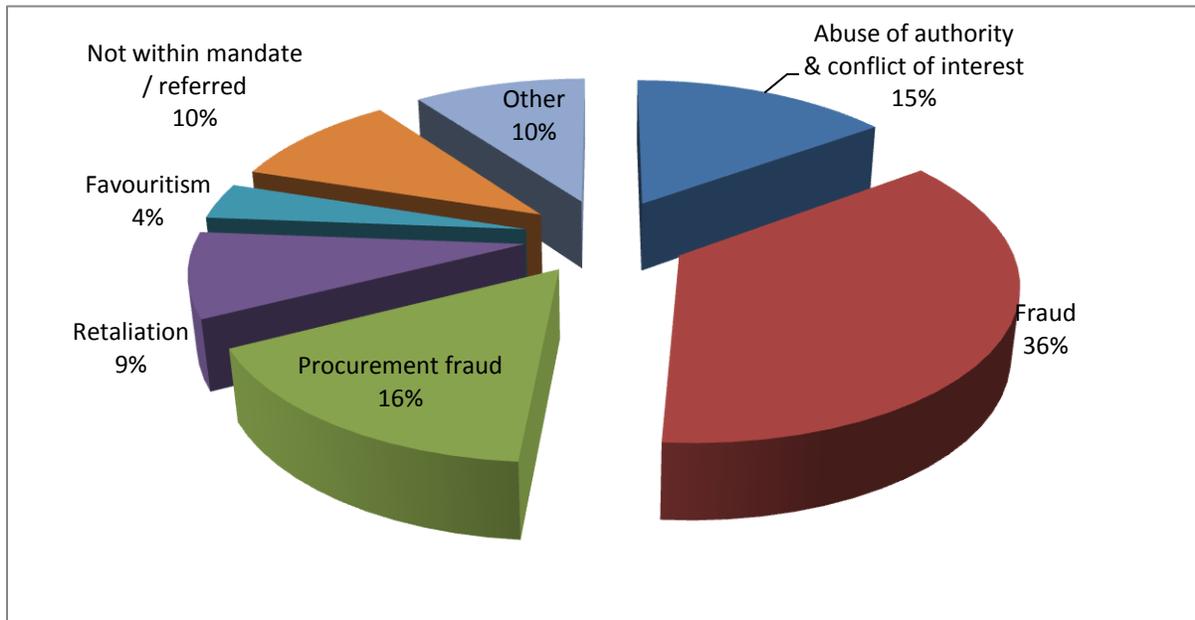
Illustrative examples of cases investigated

104. The following summary presents examples of cases completed in 2011, the findings of which led, or are likely to lead, to disciplinary measures and/or lessons learned, as appropriate:

- **Case 1:** An investigation established that a number of FAO personnel in a country office had: (i) established, and used for unauthorized purposes, a system of unreported bank accounts; (ii) established a cash fund, which was funded by diverting official funds by coercive and fraudulent means (consultant salary recovery, fabricated payments for non-rendered services, misallocation of VAT recoveries); (iii) created a fraudulent employment and payment arrangement, and (iv) undisclosed conflicts of interest. OIG recommended appropriate administrative and disciplinary action.

- **Case 2:** An investigation established that a staff member in a country office had a conflict of interest with a contractor that she failed to disclose to FAO, despite ample opportunity to do so, and had disclosed confidential bidding information to the same contractor that was not available to other bidders, which favoured the company in the tender process. OIG recommended appropriate administrative action.

- **Case 3:** An investigation established that a staff member in a country office was associated with a local FAO supplier through her husband's ownership of the business and that, by virtue of her position, she could access confidential

bidding information to favour the supplier in its dealings with the Organization.

- **Case 4:** An investigation established that a staff member in a country office favoured a company by misrepresenting its information, which allowed the company to participate in tenders for which it was not qualified. The company was subsequently awarded contracts, which resulted in financial benefits for the supplier in detriment to FAO and its beneficiaries due to the company's subsequent non- or bad performance. OIG recommended appropriate administrative action.

- **Case 5:** Upon a preliminary review of an allegation claiming that an NPP staff member may have been retaliated against as a result of his reporting concerns related to potential conflicts of interest, favouritism and the poor performance of certain implementing agencies, measures were taken to transfer the individual to another project where he would no longer be under the supervisory authority of the persons allegedly engaged in the retaliation. The review concluded that the retaliation was unsubstantiated. It confirmed that measures were taken to protect the complainant, who was also notified of the results of the review in accordance with the provisions of the Whistleblower Protection Policy.

- **Case 6:** A staff member alleged that he was being retaliated against after having submitted complaints that his supervisor had abused his authority and engaged in unethical conduct. The complainant indicated that the poor performance appraisal signed by his supervisor and the likelihood that his contract would not be extended were retaliatory actions against the complaints he had presented. OIG's review found that the complainant had engaged in a protected activity under the Whistleblower Protection Policy, but that the threat of retaliation had not materialized, since his contract was extended. In addition, subsequent information provided by relevant Offices indicated that the performance appraisal was conducted in compliance with procedures and that the conclusions on the staff member's performance were adequately supported. OIG concluded that the allegation was unsubstantiated.

VI. Implementing the OIG Report Disclosure Policy

105. The FAO Council approved an OIG report disclosure policy in April 2011, which has been incorporated in OIG's Charter. Under this policy, audit reports and reports of lessons learned from investigations issued on or after 12 April 2011 may be viewed by Permanent Representatives or their nominees upon direct request to the Inspector General, without the requirement for the Director-General's approval. One request under this policy was received in 2011. The information required by the policy to be presented in this annual report is set out below:

Figure 12 – Information on implementation of the OIG report disclosure policy

Report Disclosed	Date of request	Response times complied	Requested by	Request confirmed adherence to confidentiality requirements	Redaction/With-holding	Any difficulties or other notable aspects
AUD 1311 - Verification of PIR	8 June 2011	Yes	United States	Yes	None	None

VII. OIG Management

<u>Strengthening OIG's Internal Capacity and Operations</u>

OIG Staffing and Budget

106. As at 31 December 2011, OIG had 27 approved posts under the 2012-2013 Programme of Work and Budget. This includes the Inspector General, 20 Professional staff members, of whom four are out-stationed in each of the Regional Offices in Cairo, Bangkok, Accra and Santiago de Chile; and six General Service posts. Attachment B to this report depicts OIG's staffing situation, with some demographic and gender information, as at 31 December 2011. At the end of the year, the P-level staff on board comprised 10 males and eight females, and (including the Inspector General) with representation from all regions.

107. During 2011, the substantial number of vacancies in OIG which had existed at the beginning of the biennium had been filled, as had some additional vacancies which had arisen in 2010. By August 2011, only one Professional audit post remained vacant. OIG's recruitment efforts enabled it to recruit well-qualified and experienced new staff, while moving at the Professional level to a closer gender balance, representation from all regions, and fluency in all official languages of the Organization. Nonetheless, as at 31 December 2011 OIG had three vacancies in the headquarters posts due to transfers, promotions and resignations of one P5 (due to the transfer to OSP referred to earlier), one P3 post and one General Service post. On the audit side, OIG supplemented its own staff with internationally recognized specialists on short term consultancies to obtain expert inputs into selected audits.

108. 2011 was the first full year since 2004 that OIG's Investigation Unit was fully staffed, and increased resources were able to be devoted to investigations in the field. Nevertheless, the constant increase in numbers and complexity of matters in the field and the upward trend in caseload challenged OIG's ability to respond in a timely way to all high-priority investigative matters. As a

result, OIG effectively relied on the full time equivalent in consultancies of more than one additional investigator to supplement. In addition, OIG relied on the assistance of CIO staff for IT support to investigations.

109. A review of posts was carried out internally in OIG in the second half of 2011, in the context of finalizing adjustments to the 2012-2013 Programme of Work and Budget. This reconfirmed the need for all current posts based on the existing mandate of the Office, the established risk-based audit coverage and obligations and targets with respect to completing investigations. In view of the evolution of the investigation caseload, and the need for in-house forensic IT skills to support both audit and investigation work, the requirements for the vacant P3 post were revised to address these requirements. The post was filled in the first quarter of 2012 through an internal transfer under the Organization's mobility programme. Recruitment action on the other two vacancies was commenced in 2011, but suspended in early 2012 along with other recruitment action in the Organization pending a broader critical review of posts.

Upgrading of audit and investigation tools

110. OIG obtained a new case management system to track investigations conducted by the Investigations Unit, and serve as a management tool, with added security and confidentiality. The new management system was implemented in 2011 and will be fully functional during 2012. OIG also purchased software that will enable investigative staff to reduce requirements for external forensic assistance and allow investigators to collect and analyze electronic data, and identify material evidence more quickly with a high degree of independence and confidentiality.

Implementing gender dimensions into the work of OIG

111. During 2011, OIG appointed gender focal points in the audit and investigation units. Their role over the coming year will be to assist the Office incorporate gender issues where relevant in OIG's audit coverage, particularly of programmatic areas; ensure, in updates to OIG's organizational risk assessments, that gender-related risks are adequately identified and assessed; maintain adherence to gender-specific aspects that have been established in the investigation manual; and ensure gender equity in OIG's internal operations. The audit gender focal points will work in the coming biennium with other relevant parts of the Organization to respond to the commitment, in the recently adopted FAO Policy on Gender Equality, to implement by 2015 an annual assessment by the audit function of FAO's capacity to meet its gender equality mandate including gender parity in staffing at headquarters, regional and country levels. OIG had already included an assessment of recruitment measures related to achieving gender balance in professional staffing in its 2011 recruitment audit.

Management of Professional Staff time

112. OIG maintains a time reporting system which permits analyses of time spent by staff. Of the total 2011 Professional Staff time, including consultants, Audit absorbed 83 percent of the time while Investigations 17 percent.

Implementation of Performance Evaluation and Management System

113. In 2011, OIG fully participated in the Organization's Performance Evaluation and Management System (PEMS). PEMS is the new system for performance appraisal that is an integral part of FAO's Human Resources Strategy and is linked to other key components including career performance management.

114. For 2011, all non-probationary OIG staff completed the PEMS process and cycle and probationary staff followed an equivalent process. Annual work plans (probationary work plans in the case of all new staff), linked to OIG's Unit Results, were completed for all staff. The performance planning, evaluation and development elements of the process will support greater internal communications within the Office on performance and will be a core component of OIG's quality assurance and improvement programmes for both the audit and investigation groups.

Audit Quality Assurance and Improvement Programme

115. Following a quality assurance review of the audit function of OIG by the IIA in 2007, OIG prepared a corrective action plan to address identified gaps against international standards, with implementation monitored by the Audit Committee. Also, as part of ongoing improvement efforts, in 2011 OIG updated the surveys it undertakes with auditee managers after individual audits, developed its use of the Teammate audit management software to enhance compliance and quality in the audit processes, and updated its internal Audit Manual. In the first half of 2011, BDO Consulting Finland completed an internal quality assessment of the function. Overall results were very positive and the consultant concluded that the Office now "Generally Conforms" to IIA Standards (in 2007 it "Partially Conformed") and rated OIG as the best performing of all 17 internal audit offices they had reviewed.

Staff Meetings and Professional Development

116. During 2011, OIG held six full staff meetings, holding at least one each quarter, for information and input into professional and administrative matters. Regional staff participated when available via videoconference facilities.

117. Professional development continued to be an important aspect of the overall management of OIG. Staff development is primarily composed of three elements: professional audit/investigation, language training, and the use of technology. Individual training needs are identified under the Individual Development Plan component of the employee appraisal system of PEMS at the beginning of each year. In addition, broader staff needs are addressed in group training sessions during the year, in many cases in collaboration with counterparts in the other Rome-based agencies or other UN/intergovernmental organizations.

118. In-house training courses were organized on building skills in the communication of difficult subjects and (jointly with WFP and IFAD) on audit quality elements and their assessment. Four OIG staff were trained prior to the communications training in facilitation skills and applied these in the broader training. In May 2011, OIG hosted all audit and investigative staff from the three Rome-based agencies for the 2nd edition of a one-day "Joint Session of Internal Oversight Functions of Rome-based Agencies". The purpose of the forum is for the three groups to regularly share insights and methodologies and discuss opportunities for collaboration in audit and investigation, with the aim of improving performance. Among the individual training provided during the year, one auditor participated in the 2011 CGIAR Women's Leadership Course, one in FAO's Management Development Centre assessment, one General Service staff member participated in FAO's Foundations of Management Programme and two investigators attended the first training session for UN investigators, which was jointly organized by FAO, UNDP and WFP at the new International Anti-Corruption Academy in Vienna, Austria.

Maximizing Oversight Coverage and Harmonization through Coordination and Collaboration with other Oversight Bodies

Coordination with the Office of Evaluation (OED) and the External Auditor

119. During the year, OIG met routinely with OED and the External Auditor to discuss their respective work plans to ensure their work did not unnecessarily duplicate review activities, as well as to assist both with the planning of their respective assignments. In February 2011 a regional auditor participated as part of the OED evaluation mission in Zimbabwe. Furthermore, during the year OIG met with the External Audit staff on seven occasions to collaborate and coordinate their respective audit activities, especially on the review of IPA

activities such as IPSAS, RBM and the decentralized network. OIG reviewed and took into account the issues and recommendations the External Auditors presented to management in their long form management letter and financial audit for the 2010-2011 biennium financial audit in planning its 2012-2013 Audit Plan.

Collaboration with other UN Agencies and Intergovernmental Organizations

120. During 2011, OIG actively participated in the two major networks for internal auditors (RIAS) and investigators (CII) of the UN agencies, Multilateral Development Banks and other intergovernmental organizations. These provide the fora for information sharing, benchmarking and collaboration among the two professional communities, including guidelines and position papers to promote harmonized approaches to common issues and, in the case of the CII, the Uniform Guidelines for Investigation. Both networks meet physically on an annual basis and a UN subgroup of the audit community (UN-RIAS) meets by teleconference several times per year in between annual sessions. In 2011, the first meeting of UN Heads of Investigations Sections was held ahead of the annual CII Conference. This meeting was established as an informal forum to openly discuss issues of common interest, share experiences and information and coordinate joint activities.

121. The Inspector General was elected Chair of the UN-RIAS sub-group for 2011-2012 at its 2011 annual meeting. The OIG Senior Investigator continued to serve in 2011 as a member of the CII Secretariat and co-coordinated the first meeting of the UN sub-group of the Conference.

122. The heads of oversight of the three Rome-based agencies also met informally during the year, and coordinated the joint professional development activities in Rome mentioned above.

Categorization of Risks Covered in 2011

Category	Sub-category	Risk Area (Function/Process/Entity)	Number of risks	
			High	Medium
Governance	Internal Control System	Administrative Procedures / Internal Control Framework	2	1
	Risk management	Risk Management	1	
	Senior management Performance	Implementation of recommendations	1	
Strategic Management	Decentralization	Decentralization / Delegations of Authority	3	2
	Partnerships	Partnerships	1	
	Strategic planning	Strategic Planning		1
Planning, Budgeting and Reporting	Performance management and reporting	Programme Implementation Report (PIR)/ Reporting / Results based management	1	3
	Planning and Budgeting	Planning and Budgeting		2
Financial Management	Financial statements reporting	Compliance with accounting standards	1	
	Accounting	Accounting/ Decentralized accounting		4
	Financial Controls	Advances/ Disbursements by DOs/ Field Budget Authorizations	2	1
	Treasury	Cash flow management		1
Human Resources	Recruitment	Recruitment of Professional Staff/ Recruitment of NSHR	3	3
	HR Strategies and Policies	NSHR policies	1	
Procurement, Assets and Facilities management	Procurement	Field procurement/ Procurement planning/ LOAs/ Procurement process (low-value orders)		9
	Assets management	Expendable and non-expendable property of FAO and projects	1	1
	Contract management	Contract management/ Monitoring contracts		2
Administrative and Other Services	Entitlements	Rental subsidy		1
	Other Services	Commissary/ Credit Union		2
	Compliance with administrative policies and procedures	Compliance with administrative policies and procedures	1	
	Travel Management	Duty Travel		2
Information Systems and Technology Management	Deliver and Support	DS05 Ensure systems security.	1	
Decentralized offices	Decentralized Offices	DOs structure/ DOs strategy/ Administration of major contracts /	3	9

		Government provided staff		
Field Programme Cycle	Project Appraisal	Project Appraisal	1	
	Project management and delivery	Emergency & Non Emergency Project management and delivery	1	2
	Project monitoring	Distribution of inputs/ Project monitoring	5	
	Technical Cooperation Programme	Technical Cooperation Programme	2	
	Project Formulation and Approval	Emergency & Non Emergency Project Formulation and Approval/ Project Impact Sustainability	6	3
Reforms	Reforms	FAO Reform (overall IPA)/ IPSAS and Oracle	3	4
Safety, Security and Continuation of activities	Security	Field Security	2	
Total			**42**	**53**

Office of the Inspector General

Reports issued in 2011

(* = audit and lessons learned reports issued prior to adoption of OIG Report Disclosure Policy)

Organization-wide Activities

Subject Matter	Reports Issued
Commissary Inventory Count and Write-offs for 2010	AUD 911*
Validation of the Programme Implementation Report (PIR)	AUD 1311
Review of Results-Based-Management RBM - Assessment of the Effectiveness of the Overall Design and Implementation Strategy for RBM, including the RBM System	AUD 3211
Review of Rental Subsidy Arrangements in FAO	AUD 3311
Information Security Audit	AUD 3411
Review of Segregation of Duties in the FAO Credit Union	AUD 4011
Two reports covered in this annual report, issued in early 2012:	
Assessment of the Immediate Plan of Action	AUD 0712
Accountability and Internal Control Framework (ICF) Assessment	AUD 0412

Decentralized Activities

Subject Matter	Reports Issued
Thematic Reviews	
Financial Management and Administration Audits Capping Report of FAO Representations	AUD 2811
Implementation of the EC - FAO Food Facility Programme (EUFF)	AUD 3011
Key issues regarding Decentralization Reform Activities in Field Offices	AUD 3711
Regional, Subregional and Liaison Offices:	
Limited Scope Review of RAP	AUD 0511*
Financial Management and Administration Audit: Liaison Office in Geneva	AUD 1711
FAO Regional Office for Africa – Review of Financial and Administrative Controls	AUD 1811
Comprehensive Audit: Subregional Office and Representation in Zimbabwe	AUD 2511
FAO Representations and related programmes and projects:	
Financial Management and Administrative Audit: FAOR Somalia	AUD 111*
Financial Management and Administrative Audit: FAOR Chad	AUD 211*
Operational Risk Assessment of Country Operations in Haiti	AUD 311*
Comprehensive Review of FAO Representation in Nepal	AUD 411*
Financial Management and Administrative Audit: FAOR Brazil	AUD 611*
Financial Management and Administration Audit: FAOR Indonesia	AUD 711*
Financial Management and Administration Audit: FAOR Ecuador	AUD 811*
Financial Management and Administration Audit: FAOR Côte d'Ivoire	AUD 1011*
FAO Representation in Liberia: Field Programme Review	AUD 1111*
Comprehensive Review of the FAO Representation in Democratic Republic of the Congo (DRC)	AUD 1211*
Financial Management and Administration Audit: FAOR Mozambique	AUD 1411
Financial Management and Administration Audit: FAOR Congo	AUD 1511
Financial Management and Administration Audit: FAOR Benin	AUD 1611

Subject Matter	Reports Issued
Comprehensive Audit: Representation in Afghanistan	AUD 1911
Financial Management and Administrative Audit: Representation in Mauritania	AUD 2011
Financial Management and Administration Audit: Representation in Togo	AUD 2111
Comprehensive Audit: Representation in the Philippines	AUD 2211
Financial Management and Administration Audit: Representation in El Salvador	AUD 2311
Financial Management and Administration Audit: Representation in Costa Rica	AUD 2411
Comprehensive Audit: Representation in Guinea Bissau	AUD 2611
Comprehensive Audit: Representation in Jamaica	AUD 2711
Financial Management and Administration Audit: Iraq Office	AUD 2911
Financial Management and Administration Audit: Representation in Uruguay	AUD 3111
Financial Management and Administration Audit: Representation in Namibia	AUD 3511
Comprehensive Audit: Representation in Angola	AUD 3611
Financial Management and Administration Audit: Representation in Bolivia	AUD 3811
Financial Management and Administration Audit: Cameroon	AUD 3911
Comprehensive Audit: Representation in Sri Lanka	AUD 4111

Investigations Unit

Subject Matter	Reports Issued
Review of IT data breach	INS 111
Collusion with an FAO vendor	INV 111
Misuse of Personal data of an FAO staff member	INV 211
Solicitation of kickback payments	INV 311
Abuse of authority by an FAO staff member	INV 411
Undisclosed Conflict of interest	INV 511
Entitlement Fraud	INV 611
Undisclosed conflict of interest	INV 711
Inspection of Administrative and Financial Management of an FAO Representation	INS 211
Undisclosed Favouritism of an FAO supplier	INV 811
Entitlement Fraud	INV 911
Undisclosed Projects and Bank Accounts in a Country Office	INV 1011
Favouritism of an FAO supplier	INV 1111
Undisclosed Conflict of Interest	INV 1211
Lessons learned report on seed procurement	INVL 111

Summary of Results for Major Decentralized Office Audit Reports Issued in 2011

<u>Quarter 1</u>

AUD 111 - Financial Management and Administration Audit: FAO Office in Somalia
Financial management and administration practices and controls of the Office were found to be seriously deficient. OIG's testing indicated that imprest returns were not supported by relevant, reliable documentation and that significant weaknesses existed in the areas of budget and financial monitoring, promotion of ethical values and control over fraud risks, implementation of prior audit recommendations, monitoring the use of official assets, as well as accounting, asset management, disbursements and non-staff human resources.

AUD 411 – Review of the FAO Representation in Nepal
The main objective of the audit was to review the performance and adequacy of controls of the EU Food Facility (EUFF) project in Nepal. OIG also examined the impact of decentralization reform activities and followed up on the implementation of recommendations made in its 2009 report regarding financial and administrative controls in the Representation (AUD 2209).

The audit concluded that, overall, the EUFF project was well-managed and appeared to be on track for completion by the deadline of 30 June 2011. The project was comprised of a strong and well resourced unit with skilled staff; the field activities are supported by seven implementing partners and the monitoring of activities is adequate. Furthermore, project staff were able to overcome initial delays in the inception phase due to an overly ambitious project design which had to be significantly revised, and procurement delays due to insufficient planning and problems with the suppliers' performance. Main concerns identified included: (i) lack of an exit strategy (also reported by an EU monitoring mission in June 2010), which threatens the sustainability of project outcomes; and (ii) insufficient coordination between WFP and FAO, which has partially undermined the impact of the project. OIG also noted that the operational closure of all EUFF projects on 30 June 2011 impedes a post-harvest survey, one of the main indicators of the project's impact.
Regarding the financial and administrative management of the project, a number of issues should have been addressed to improve adherence to FAO rules and regulations. However, these issues did not represent a risk to the project achieving its objectives. Furthermore, OIG noted the Representation had implemented all recommendations from its previous audit. In a few cases, the final outcome has not been positive because the relevant action was not entirely under the Representation's control.
OIG noted that the decentralized reform activities under the Immediate Plan of Action (IPA) had not been well communicated to the Representation. Specifically, the Representation was not fully consulted in the process and received only piecemeal information. The Representation perceived a gap between the declared intentions of the process and its practical achievements, in particular as relates to strengthening FAO's field presence and building cohesion between the Representation and emergency operations. With regard to technical backstopping, the Representation noted that the Regional Office is now the primary contact point, but does not have all the technical expertise required to support the field programme, which, in the end, has to be supported from headquarters. The FAOR stated that

the technical capacity of the Representation would improve with the recruitment of additional professional staff.

AUD 511 - Limited Scope Review of Regional Office for Asia and the Pacific (RAP)

The objectives of the review included assessing (i) the effectiveness and efficiency of internal controls and (ii) the impact of recent decentralization reform activities handed over to RAP.

The review concluded that, in general, RAP had adequate internal controls for financial management and human resources, but controls over procurement procedures, in particular, were insufficient to ensure a competitive and transparent selection of vendors. The contracting of one supplier for multiple services was the subject of a separate investigation. In addition, updated reviews of the administrative staffing structure and the formula for cost recovery from non-Regular Programme offices located at the premises could improve administrative efficiency. Finally, the audit identified other controls deserving management attention, such as managing outstanding travel advances, documenting cash receipts, updating fixed assets inventories and monitoring Letters of Agreement (LOAs).

The review observed that the decentralization of responsibilities, authorities, and resources to RAP in 2010 had occurred without a coordinated approach from headquarters and without consultation with RAP with regard to resources required to perform the new activities. In the absence of priorities attached to the individual reform actions, RAP found it difficult to plan how to manage new decentralized work. Without sufficient additional resources, RAP was diverting resources from other planned programmes, which local management believed would adversely affect the office's ability to respond quickly and effectively to member country needs.

AUD 1111 - FAO Representation in Liberia: Field Programme Review
The objectives were to: (i) review management and operations of the EUFF project (GCP/LIR/014/EU), and to assess efficiency and effectiveness of its implementation; (ii) determine the Representation's understanding of Organizational reform measures and its capacity to implement the delegated responsibilities; and (iii) review management of selected non-emergency projects.

The Emergency Recovery and Coordination Unit (ERCU) of the Representation is responsible for implementing FAO's EUFF project in Liberia. OIG found that expected results and supporting activities of the project are in line with the stated objective. Despite a four month delay, implementation of the FAO-led components was expected to be timely and to fully utilize the available budget by the project's not-to-exceed date (NTE) of June 2011. This was subject, however, to management paying closer attention to a number of key issues, including: i) clarifying FAO's responsibilities with respect to interventions led by other Agencies; and ii) increasing the pace of overall implementation.
The effectiveness of decentralization reform activities in enhancing the role and function of the Representation has been negatively impacted by: (i) lack of clarity in communication

from headquarters and the Regional Office for Africa (RAF); (ii) limited human resources; and (iii) inappropriate staffing structure of the Representation. Nevertheless, despite these constraints, the Representation has been able to implement its delegated authorities.

The non-emergency field programme was relatively small with only eight operationally active projects valued at USD 13.6 million. The main issues facing field programme development and management were the limited capacity within the Government and Representation as well as the structure of the Representation to fulfil its responsibilities efficiently and effectively. Operating procedures were not documented to provide systematic guidance in the face of rapid staff turnover and practices did not always ensure adequate control over resources. Furthermore, project implementation had suffered numerous delays due to lack of financial resources, difficult coordination arrangements with the Government as well as other UN Agencies, and weakened infrastructure in the country following the civil war.

AUD 611 - Financial Management and Administration Audit: FAO Representation in Brazil
Financial management and administration practices and controls of the Representation were found to be satisfactory in all scope areas. The results of the audit were taken into account by the Evaluation team in preparing their report on the Brazil country programme.

AUD 711 - Financial Management and Administration Audit: FAO Representation in Indonesia
Financial management and administration practices and controls of the Representation were found to be satisfactory. The main area for improvement was in asset management. Asset reporting to headquarters was inadequate leading to out of date records. In addition, the Representation should establish clear procedures for documenting its asset records and monitoring vehicle fleet running costs.

AUD 811 - Financial Management and Administration Audit: FAO Representation in Ecuador
The audit identified weaknesses in the areas of accounting, asset management and disbursements. Certain management and accounting practices in the delivery of part of the Representation's programme activities were subsequently reviewed in depth and this identified significant non-compliance with FAO financial and administrative policies and misconduct by several personnel.

AUD 1011 – Financial Management and Administration Audit: FAO Representation in Côte d'Ivoire
Financial management and administration practices and controls of the Representation were found to be seriously deficient. Significant weaknesses in internal control existed in the areas of accounting and disbursements. Testing indicated that the imprest returns were not fully supported by reliable, relevant and appropriate supporting documentation.

AUD 1211 - FAO Representation Democratic Republic of the Congo (DRC)
The objectives of the review were to assess: (i) the effectiveness of reform activities as they apply to the Representation, focusing mainly on whether the reforms were clearly understood

and the Representation had been provided with adequate resources and guidance to meet the newly delegated responsibilities; (ii) the operational effectiveness and efficiency, compliance with internal controls and timeliness of implementation of the European Union Food Facility (EUFF) project, as well as compliance with the conditions of the agreement with the EC; and (iii) the adequacy and functionality of financial and administrative controls.

The Representation understood the overall objectives of the decentralization reforms. However, the following measures were required in order to meet the resulting expanded workload: (i) preparation of a detailed analysis of the available and required human resources to identify the Representation's actual needs; and (ii) development of business continuity arrangements to avoid disruption of operations during crises.

As at the end of 2010, implementation of the EUFF project was advancing satisfactorily, although slightly behind schedule. The start of implementation had been deferred due to the delayed signing of the project document by the Government. Nevertheless, project management was confident to complete the project by the June 2011 deadline established in the project document. In implementation, FAO rules, as well as European Union (EU) requirements, were generally observed. However, there were certain weaknesses in implementation management that should be addressed by the Representation in order to enhance management of future projects: (i) assurance that practical requirements for reporting on implementation by Implementing Partners are contained in LOAs; and (ii) inclusion of specific and time-bound actions in implementation plans where a project involves a civil works component.

In general, the Representation's financial and administrative controls were found to be inadequate, particularly relating to: (i) ineffective system of management of operational advances; (ii) project expenses charged to incorrect account codes; (iii) incomplete inventory list and delays in informing headquarters of the procurement of new non-expendable equipment and furniture items; (iv) delays in payment of vendor invoices; and (v) non-compliance with the applicable rules in the recruitment of National Project Personnel.

Quarter 2

AUD 211 - Financial Management and Administrative Audit: FAOR Chad
Financial management and administration practices and controls of the Representation were found to be deficient. The Representation's imprest returns were not fully supported by sufficient, relevant and reliable documentation, and included material misstatements. Some controls examined were functioning satisfactorily; but significant weaknesses were detected in control over fraud protection, observation of authority thresholds and implementation of prior audit recommendations, as well as accounting, asset management, procurement and disbursements.

AUD 1411 - Financial Management and Administration Audit: FAOR Mozambique
Financial management and administration practices and controls of the Representation were found to be satisfactory. The main areas identified for improvement were: (i) budget

monitoring; (ii) promotion of ethical values and awareness of fraud risks; (iii) implementation of prior audit recommendations; and (iv) non-staff human resources.

AUD 1511 - Financial Management and Administration Audit: FAOR Congo
Financial management and administration practices and controls of the Representation were found to be satisfactory. The main areas identified for improvement were procurement and management of non-staff human resources.

AUD 1611 - Financial Management and Administration Audit: FAOR Benin
Financial management and administration practices and controls of the Representation were found to be deficient. While some controls examined such as those relating to IT were functioning as prescribed, significant weaknesses were detected, in particular in the areas of management control, accounting, procurement and LOAs, disbursements and security.

AUD 1711 - Financial Management and Administration Audit: Liaison Office in Geneva
Financial management and administration practices and controls of the Office were found to be deficient. Of the eight areas examined, its controls were satisfactory only in imprest account management and reporting. A number of administrative procedures (e.g. budget monitoring, processing of travel and non-staff appointments) improved during 2010, following the arrival of the new Administrative Assistant in August 2010. Most of the weaknesses were due to staff unawareness of relevant procedures and policies, which underlines the continued need for training and coaching, especially in administration. In the past, Liaison Offices have not received the training normally provided to country Representations.

AUD 311 - Operational Risk Assessment of Country Operations in Haiti
At the request of TCE management, and consistent with OIG's own risk-based priorities, OIG undertook an operational risk assessment of FAO's activities in Haiti. The purpose of this assessment was to determine whether FAO properly identified, and is managing the major risks that may impede it from successfully carrying out its programme in Haiti.
In collaboration with TCE, OSD, various headquarters technical divisions, and with inputs from the internal audit departments and field operation staff of the other Rome-based agencies, OIG identified 45 risks in four categories: i) the structure and staffing of the Representation and Emergency Operations Unit; ii) the control framework; iii) programme management and guidance; and iv) the operating environment. OIG ranked these risks as high, medium or low based on its assessment of the likelihood each risk would materialize, taking into account the adequacy of controls in place, and its impact on the field programme. This ranking yielded 27 high, 15 medium and three low risks.

Although the Representation and TCEO had taken action to address many of the major risks, OIG found these actions were not always effective or well-managed. This occurred because a structured process to identify and prioritize these risks, and subsequently develop, implement and monitor appropriate mitigating actions, was never completed when emergency operations expanded in 2009, nor immediately after the January 2010 earthquake. Instead, most risk management had been performed in an ad-hoc manner, which has produced highly

variable and inconsistent results. Consequently, many key risks were managed inadequately and required mitigating action.

AUD 1811 - FAO Regional Office for Africa – Review of Financial and Administrative Controls
In general, RAF had adequate and effective internal controls in the areas of cash management, and budget monitoring and assets. However, OIG noted that compliance with procurement, disbursements and overtime practices should be improved. RAF also suffered from a large shortage of core staff due to long-standing vacant Professional posts. This has negatively affected RAF's capacity to meet its commitments under the PWB 2010-2011 and to fully achieve the related Unit Results (URs).

Quarter 3

AUD 2011 - Financial Management and Administrative Audit: FAO Representation in Mauritania
Financial management and administration practices and controls of the Representation were found to be satisfactory overall. Improvements were needed with regard to the Fraud Control Plan, segregation of duties in the disbursement process, monitoring the use of cheques, quality of supporting documentation for cash payments, and controls over advance payments to external parties. The audit also noted that MOSS and MORSS compliance assessments of the outposted project office and residential premises in Nouadhibou were pending.

AUD 2111 - Financial Management and Administration Audit: FAO Representation in Togo
Financial management and administration practices and controls of the Representation were found to be satisfactory overall. This was attributable to the Representation being adequately staffed with professional, committed and capable individuals. Improvements were needed in the areas of procurement and LOAs, physical security of the server room, and procedures and policy on software and hardware management.

AUD 2311 - Financial Management and Administration Audit: FAO Representation in El Salvador
Financial management and administration practices and controls of the Representation were found to be satisfactory. The recently appointed FAOR had implemented a positive tone from the top, increasing FAO's visibility and the transparency of personnel selection processes. The establishment of a Strategy Unit and the documentation of procedures of the Representation had significantly contributed towards improving internal communication. Improvements were needed in procurement planning and implementation; procedures for recruitment of non-staff human resources, security training and software licenses.

AUD 2411 - Financial Management and Administration Audit: FAO Representation in Costa Rica
Financial management and administration practices and controls of the Representation were found to be deficient. The need for improvements were noted in relation to: inadequate segregation of duties, accounting errors, lack of documented procedures for adjustment and

disbursement vouchers, uncompetitive and unplanned procurement activities, and lack of staff development plans.

AUD 2911 - Financial Management and Administration Audit: Iraq Office
The Iraq Office is based in Amman (Jordan), and has outposted locations in Baghdad and Erbil. Financial management and administration practices and controls were found overall to be deficient. The Office had strong controls in place in individual key areas, such as: procurement, LOAs and human resources, and had taken the initiative to document procedures, such as its Standards of Operating Practice (SOP) and Finance and Personnel procedures. However, there were also actions needed to address: inadequate segregation of duties; accounting errors; adjustments to accounting entries outside of the Field Accounting System (FAS); incomplete and unreconciled asset inventory, weaknesses in disbursement voucher certification and controls over advances. In part, these weaknesses existed because the Finance Officer had been recently recruited and the Finance Team as a whole had not been adequately trained to perform their functions. Regarding security and IT controls, the office building had insufficient stand-off distance from the street and personnel were not adequately trained in first aid, and the server room did not have uninterrupted power supplies or fire extinguishing capabilities.

AUD 1911 - Comprehensive Audit: FAO Representation in Afghanistan
With the largest field programme in the region and facing constant security threats, the FAOR had managed to cope with disruptions and provide stable financial and administrative support to approximately 15 project and area offices throughout Afghanistan. While the FAOR was generally satisfying the overall responsibilities for Representation operations, certain financial and administrative practices had led to weak controls over the management of funds. For example, the use of generic project or office names as the payees for financial transactions, inconsistency in providing justification for advances and ineffective oversight of Letters of Agreement, heightened risks that resources might not be used properly or effectively.

The review of four selected projects in the extensive field programme portfolio revealed weaknesses in planning projects beyond delivery of outputs. Three of the four projects did not identify baseline data on the expected performance indicators in the project log frames, which is an oversight issue that OIG raises for broader management attention. One of these projects with a not-to-exceed (NTE) date of December 2011 was not expected to complete its planned activities, and no clear plan had been established to complete key activities with minimal disruption as the project ends.

AUD 2211 - Comprehensive Audit: FAO Representation in the Philippines
The audit rated the Office's representation, strategy development and cooperation functions, and decentralized TCP project management as fully satisfactory. However, it should pay attention to monitoring distribution of inputs.

Financial management and administration practices and controls of the Representation were found to be deficient. All eight scope areas had deficiencies and, in some aspects, were rated as seriously deficient. In particular, the lack of current asset lists, inappropriate charges to

projects for common costs, and weak vendor selection practices, posed risks for misuse of resources. The use of continuous non-staff contracts without breaks, overlapping and confusing duties and excessive overtime, highlighted the need for a workload analysis to improve efficiency of operations. Furthermore, three audit recommendations from OIG's 2009 audit remained outstanding.

The Representation had been assessed by CSDU as substantially MOSS compliant. However, it should act quickly to implement four mandatory recommendations from a CDSU security assessment.

The Representation's IT hardware and electronic data were at serious risk because the server area had unsecured access, inadequate climate control and regular automated virus scans had not been installed on office computers.

AUD 2511 - Comprehensive Audit: Subregional Office and FAO Representation in Zimbabwe
Implementation arrangements for the EUFF ensured coordinated input delivery to the planned 150 000 beneficiaries and enabled an additional 26 000 households to benefit from project savings. Project objectives were largely achieved by the end of 2010. Lessons learnt included: ensuring appropriate delegated authorities are issued in a timely manner; the transparent and timely selection of implementing partners; and the establishment of a formal forum that facilitates closer exchange between the monitoring and operation functions.

The administration and financial management of the SFS and the Representation, including the Emergency Rehabilitation and Coordination Unit (ERCU), was generally adequate. Efficiencies could be improved, however, with respect to procurement, budget control, utilization of project resources, and in streamlining and documenting the HR processes in the ERCU.

Field programme management was fairly well structured. However, changes in the operating environment and those arising from the FAO reform required reassessment of the Representation's capacity to develop and implement the field programme. Furthermore, technical and operational support from SFS required strengthening.

Although well understood, the effectiveness of reform activities in enhancing the role and function of the SFS was hampered by inadequate resources, and inadequate communication within SFS and with other FAO Units. Trade-offs due to limited resources were not fully recognized, and the created risks were not well managed. Improving leadership and guidance of the process at the SFS level, reversing the top-down approach to the planning of decentralization, and improving quality control arrangements were all key issues to be addressed.

The results of the audit were taken into account by the Evaluation team in the preparation of their evaluation report on SFS/Zimbabwe. One of OIG's auditors formed part of the evaluation team.

AUD 2611 - Comprehensive Audit: FAO Representation in Guinea Bissau
The audit noted that the Representation had a clearly-defined strategy for FAO's activity in the country and an effective approach to developing the field programme in response to national needs in the areas of agriculture, food security and poverty reduction. Furthermore, it regularly interacted with the relevant stakeholders at the country level (Government, donors and UN agencies) and had assisted the Government in developing national strategic plans for agriculture and food security, and poverty reduction. The Representation's contribution to the development of national plans was effective and deemed constructive by relevant stakeholders. Field programming of FAO's intervention in Guinea Bissau was responsive to the national priorities of the country.

The Representation managed project implementation well, including recruitment of project staff, procurement, monitoring activities in the field, supervision of work carried out by Implementing Partners (IPs) and reporting on implementation progress to headquarters and donors. However, project management should be strengthened in the areas of monitoring eligibility criteria and selection of beneficiaries, selection of IPs, reaction to requests of beneficiaries and project sustainability.

The Representation successfully implemented most of the recommendations of the previous financial and administration controls review carried out in July 2010, which has improved the overall control environment. Nevertheless, the current review identified some further opportunities for improvement in procurement processing, disbursements and official travel by staff and non-staff.

Furthermore, the Representation should take immediate action to build IT capacity, ensure that daily automatic backup of financial transactions is in conformity with the Organization's IT policy, and increase the level of negotiations with the Government to move to a CMOSS-compliant level.

AUD 2711- Comprehensive Audit: FAO Representation in Jamaica
The Representation's programme functions, financial management and administration practices, security and information technology were found to be satisfactory overall. The FAOR and the Representation assisted and supported the countries of accreditation (the FAOR to Jamaica is also accredited to The Bahamas and Belize) according to FAO's mandate. All key partners interviewed by OIG recognized the contribution of the Representation and its staff. Field programme delivery was generally satisfactory, with improving practices in project management and implementation.

Areas identified for improvement included strengthening donor coordination to mobilize resources, and liaison on FAO's participation in the UNDAF process in Belize. The report also made recommendations to further strengthen transparency in project beneficiary selection, and consider opportunities for increasing FAO's visibility through its projects.

The audit made other recommendations in the areas of: asset records and reconciliation; travel authorization and certification procedures; defining the role of the Administrative Unit

in procurement actions; human resources management; monitoring of advance payments; reporting un-liquidated obligations and fuel consumption analysis.

<u>Quarter 4</u>

AUD 3111 - Financial Management and Administrative Audit: FAO Representation in Uruguay
Overall, the Representation's financial and administrative management practices and controls, as well as its compliance with security standards and IT controls, were found to be satisfactory.

The Representation had strong controls in place in individual key areas, such as management controls, accounting, assets, banking, and security and information technology. However, the audit identified the need to address the lacking evidence of review and approval of accounting adjustments, inadequate documentary evidence to support disbursement decisions, and uncompetitive and unplanned procurement activities.

Furthermore, as several the practices and controls are under the direct responsibility of the Administrative Assistant, who is the most senior staff member in the office with almost 32 years of service, there is the risk that the Representation's financial and administrative management could be affected when he retires. In order to avoid this, the FAOR should ensure a smooth transfer of knowledge to the new Administrative Assistant, whose recruitment should be properly planned in advance.

AUD 3511 - Financial Management and Administration Audit: FAO Representation in Namibia
Overall, financial and administrative management practices and controls, as well as compliance with IT controls and security standards, were found to be deficient. While some controls examined were functioning as prescribed, there are significant opportunities for improvement in the areas of segregation of duties, personal use of official assets, adjustments to accounting entries, procurement and certification of disbursement vouchers.

The staffing structure is not aligned with the activities and needs of the Representation to effectively and efficiently carry out its mission. While the Administrative Clerk has demonstrated her ability to deliver as the AFAOR/Administration and as the IT focal point, her excessive workload has resulted in controls not being fully applied. Furthermore, low programme activity coupled with the lack of career prospects have resulted in low staff morale.

With regard to security, the UN House building has insufficient stand-off distance, and field vehicles are often driven by non-FAO personnel. Furthermore, relating to IT controls, Representation personnel should be trained in procedures and policies on software and hardware management.

AUD 3611 - Comprehensive Audit: FAO Representation in Angola
Overall, the Representation's management of its country programme was found to be satisfactory. Strategy development and cooperation stand out with good procedures and controls. However, the Representation should give attention to developing a country-wide risk assessment to identify the impact of risks threatening FAO's operations in the country. These risks can then be taken into account in developing the field programme.
Operations in the areas of recruitment of project coordinators, application of beneficiary eligibility criteria, selection of Implementing Partners (IPs) and monitoring the implementation of Letters of Agreements (LOAs) should be strengthened.

Financial and administrative management practices and compliance with security standards were both found to be deficient. In particular, weak procurement practices, inappropriate accounting for expenditures and Unliquidated Obligations (ULOs), weak management of the Administrative and Operational Support (AOS) earnings, absence of a current asset inventory list and overtime payments to ineligible personnel pose risks for misuse of resources. Two audit recommendations from OIG's 2007 review remain outstanding.

Security controls are also deficient. The Representation is still required to ensure that recommendations from the UNDSS security assessment report of February 2011 are implemented.

While information technology controls were rated satisfactory overall, the timely recording of financial data and processing of electronic operations on corporate systems by the Representation is at serious risk due to the unstable internet connection and inadequate bandwidth.

AUD 3811 - Financial Management and Administration Audit: FAO Representation in Bolivia
Overall, the Representation's financial and administrative management practices and controls, as well as its IT controls were found to be satisfactory. Its compliance with security standards was found to be deficient.

The Representation has sound controls in place in specific key areas, such as management controls, assets, banking and cash, human resources, travel as well as information technology. However, the audit identified the need to ensure that review and approval of accounting adjustments are evidenced, unliquidated obligations (ULOs) for projects are fully reported, procurement activities are planned and competitive and there is always adequate documentary evidence to support disbursement decisions.

Regarding security standards, the key finding was that the offices outside the capital have an insufficient level of compliance with the Minimum Operating Security Standards (MOSS).

AUD 3911 - Financial Management and Administration Audit: FAO Representation in Cameroon

Overall, the Representation's financial and administrative management practices and controls were found to be deficient, in particular, in the areas of accounting, assets, procurement and LOAs, disbursements and human resources.

In some areas, the Representation has developed the necessary procedures and controls. Notably, it had developed a practical fuel consumption monitoring database, which, if further improved, could be used in other Representations.

Nevertheless, the Administrative Unit and the overall oversight and monitoring functions in the Representation should be strengthened. Recruitment of an AFAOR/Administration is currently underway, as was recommended in the previous audit report. Delay in filling this key position may have contributed to the weak financial and administrative management practices and controls in some of the audit areas.

AUD 4111 - Comprehensive Audit: FAO Representation in Sri Lanka

FAO has an active field programme in Sri Lanka, particularly focusing on rehabilitation work in the northern and eastern areas of the country, and a strong positive image. Donor and UN counterparts particularly highlighted the FAOR's efforts and expressed interest in working with FAO as the field programme moves towards development activities.

However, the audit identified control deficiencies relating to: Finance/Administration; Information Technology; and TCP Project Management. Within these audit areas, OIG identified 16 individual controls as Seriously Deficient. Country Programme and Operations and Security were found to be satisfactory.

The audit also noted that the Representation has not fully met the new TCP project responsibilities delegated in January 2010. The TCP was decentralized to field offices to improve its formulation and management, but the Representation has not completed the project appraisal process prior to requesting funds. Particular attention is needed in addressing the TCP approval criterion for projects to have catalytic effects.

Summary of Long Outstanding High Risk Recommendations (prior to 2009)
(as at 31 December 2011)

Report ID	Report Name	Recommendation
3102	Disaster Recovery	Update the study performed in 1998 and develop and implement a comprehensive IT disaster recovery plan within the framework of an Organization-wide IT strategy and an Organization-wide business continuity strategy. The IT disaster recovery plan should follow risk assessment, business impact and cost-benefit analysis and must be kept current at all times.
3102	Disaster Recovery	Prepare a schedule of regular disaster recovery tests to ensure that the Plan is complete, accurate and up-to-date. Procedures should be tested at least annually and the results thoroughly documented.
3504	Financial reporting to donors - general procedural matters	Issue a comprehensive project accounting manual
2805	WAICENT	The WAICENT Committee should develop a fully-fledged framework for WAICENT's activity. In addition, Organization-wide work plans with measurable goals should be regularly developed and the scope of the different groups dealing with information rationalized.
4506	Clearance of funding agreements with donors	TC, in liaison with other services concerned should finalize suitable frameworks for UTF projects funded by the Asian and African Development Banks and, thereafter, other financing institutions.
2408	Lessons learned	CS should define negligence and fiduciary obligations of staff towards the Organization and establish procedures on how employees should be held accountable for any breach of such obligations.

Office of the Inspector General
Organization Chart
December 2011

Inspector General

J. Fitzsimon - D2

Support Staff:

K. Travers, Secretary, G6

G. Byrd, Clerk-Typist, G4

K. Singh, Records Clerk, G4

A. Petraia, Clerk-Typist, G3

Vacant, Clerk-Typist, G3

Audit

D. Temme, Principal Auditor, D1

Vacant, Senior Auditor, P5

F. Lincke, Senior Auditor, P5

M. Mukhitdinova, Internal Auditor, P4

D. Ramirez-Léon, Internal Auditor, P4

D. Richards, Internal Auditor RAP, P4

A. Shalaby, Internal Auditor RNE, P4

M. Smith-John, Internal Auditor RAF, P4

R. Ardon, Internal Auditor RLC, P4

R. Abarquero-Grossi, Internal Auditor, P3

U. Kremers, Internal Auditor, P3

C. Nurshingdass, Internal Auditor, P3

I. Kenessy, Internal Auditor, P3

R. Hassan, Internal Auditor, P3

Vacant, Internal Auditor, P3

J. Peng, Internal Auditor, P2

D. Chiodi, Audit Clerk, G5

Investigation

P. Fonte, Senior Investigator, P5

E. Bolkart, Investigator, P4

M. Carbone, Investigator, P3

J. Ritter, Investigator, P2

Office of the Inspector General
Staffing table as at December 2011

	Grade	Male	Female	Vacant	Total
Inspector General	D2	1			1
Auditors					16
Principal auditor	D1	1			
Senior Auditor	P5	1		1	
Regional Auditor	P4	3	1		
Auditor	P4	1	1		
Auditor	P3	3	2	1	
Auditor	P2		1		
Investigators					4
Senior Investigator	P5	1			
Auditor/Investigator	P4		1		
Investigator	P3		1		
Investigator	P2		1		
		11	**8**	**2**	**21**
Audit Clerk	G5		1		1
Secretarial and Administrative Support					5
Secretary	G6		1		
Clerk/Typist	G4		1		
Records Clerk	G4	1			
Clerk/Typist	G3	1		1	
		13	**11**	**3**	**27**

The following countries are represented in the above:

Country	Headquarters	Region	General Service	Total
Argentina	1			1
Australia	1			1
China	1			1
Egypt	1	1		2
Germany	2			2
Honduras		1		1
India			1	1
Italy	1		2	3
Jamaica		1		1
Latvia	1			1
Mauritius	1			1
Spain	2			2
UK			1	1
USA	3	1	1	5
Uzbekistan	1			1
Vacant	2		1	3
	17	**4**	**6**	**27**

LIST OF ACRONYMS USED

ADG/RR – Assistant Director-General, Regional Representative
BCM – Business Continuity Management
CIO – Information Technology Division
CS – Corporate Services, Human Resources and Finance Department
CSA – Administrative Services Division
CSAP – Procurement service
CSF – Finance Division
CSH – Human Resources Division
DDG–K – Deputy Director–General, Knowledge
DDG –O – Deputy Director–General, Operations
DO – Decentralized Office
DON – Decentralized Office Network
ERCU – Emergency Recovery and Coordination Unit
ERM – Enterprise Risk Management
EUFF – EU Food Facility
FAOR – FAO Representative
FPMIS – Field Programme Management Information System
GOE – General operating expenses
GRMS – Global Resource Management System
ICF - Accountability and Internal Control Framework
IIA – Institute of Internal Auditors
IPA – Immediate Plan of Action
ISFP – Initiative on Soaring Food Prices
JIU – Joint Inspection Unit of the UN
LEG – Legal Office
LOA – Letter of Agreement
NMTPF – National Medium Term Priority Framework
OED – Office of Evaluation
OIG – Office of the Inspector General
OSD – Office of Support to Decentralization
OSP – Office of Strategy, Planning and Resources Management
PEMS – Performance Evaluation Management System
PIR – Programme Implementation Reporting
PIRES - Programme Planning, Implementation Reporting and Evaluation Support System
PWB – Programme of Work and Budget
RBAP – Results-based audit plan
RBM – Results-based management
REU – Regional Office for Europe and Central Asia
SLA – Service level agreements
SRC – Subregional Coordinator
SRO – Subregional Officer
SSC – Shared Services Centre (Budapest)
UN–RIAS – UN Representatives of Internal Audit Services