



联合国  
粮食及  
农业组织

Food and Agriculture  
Organization of the  
United Nations

Organisation des Nations  
Unies pour l'alimentation  
et l'agriculture

Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الأغذية والزراعة  
للأمم المتحدة

# FINANCE COMMITTEE

**Hundred and Fifty-fourth Session**

**Rome, 26-30 May 2014**

**2013 Annual Report of the Inspector-General**

Queries on the substantive content of this document may be addressed to :

**Mr John Fitzsimon**

**Inspector-General, OIG**

**Tel: +39 06 5705 4884**

*This document can be accessed using the Quick Response Code on this page;  
a FAO initiative to minimize its environmental impact and promote greener communications.  
Other documents can be consulted at [www.fao.org](http://www.fao.org)*



mk203e

## EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

- The Inspector-General is pleased to provide the Finance Committee with the 2013 Annual Report of the Office of the Inspector-General (OIG) as provided to the Director-General. The report contains information on the audit, investigative and inspection work of the Office in 2013 as well as its internal management.
- OIG's audit activity is based on a rolling plan aimed at ensuring that all high risks of the Organization, as captured in an OIG corporate risk register, are independently reviewed over multiple biennia (in the 2012-13 biennium this was a two biennia cycle), taking into account the oversight coverage of the Office of Evaluation and the External Auditor.
- Key areas for formal audit reviews completed in 2013 included cyclical assessments of the Organization's decentralized field network; the decentralization and integration of emergency operations to the field offices; programme closure and immediate post-implementation phase of the Global Resource Management System IPSAS preparedness; the South-South Cooperation programme; Headquarters infrastructures management; security over FAO's offices, personnel and property; the management of administrative services subject to internal chargeback such as temporary assistance, interpretation, translation, courier and pouch services; and internal mechanisms for audit recommendation follow-up. As in previous years, a significant portion of OIG's activity focuses on field and emergency operations due to the significant risk exposure to the Organization.
- Five of 18 corporate-wide planned 2013 audit assignments (relating to information technology, non-staff human resources, corporate communications and a technical department) were deferred due to organizational restructuring or policy changes. In substitution, OIG expanded its coverage of FAO reform activities and in 2013 this included an audit of the GRMS Programme closure and two audits of IPSAS readiness. It also undertook an expanded review, with validation, of prior audit recommendations. With reference to a request of the Finance Committee that OIG continue to monitor the Organization's use of Non-Staff Human Resources, made at its 148th session, OIG reviews aspects as part of its audit of decentralized offices, but a more comprehensive corporate-level audit (deferred from 2013) will be carried out in 2014, timed to review the implementation from late 2013 of a change in policy in this area.
- OIG's closed a total of 81 matters (65 complaints and 16 consultations) following examination by its Investigations Unit and issued a total of 17 investigation reports and memoranda. OIG continues to work with management to strengthen other elements of the Organization's integrity framework. OIG undertook a number of inspections related to projects in Zambia and Mozambique, the Liaison Office in Geneva, FAO's Internal Appeals Process, and a security incident in Pakistan as well as providing other ad hoc advice to management throughout the year.
- The annual report recognizes positive measures undertaken in 2013 as part of the FAO's transformation supporting a significantly stronger results-oriented, risk conscious and accountable organization. Further improvements to FAO's integrity framework were made and management has been responsive to the results of investigations carried out in relation to staff and third party misconduct. Management have supported a transparent approach with donors on investigations into losses on projects they have financed.
- At the same time OIG's audit coverage in 2013 indicates that there remain important challenges in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved – in GRMS and IPSAS implementation; decentralized programme delivery, finance and administration; security; physical infrastructure; and delivery of internal administrative support services.

- In 2013, OIG's Investigation function was subject to an external review which concluded that OIG complies with applicable international investigation standards as well as FAO's internal investigation guidelines. Nonetheless recommendations for improvement were made which are implemented or in progress.

*Director-General's Comments*

- The Director-General appreciates the audit, investigation and inspection work of OIG, which has supported the management and governance of the Organization. The Director-General welcomes the overall conclusion of the 2013 external review of OIG's investigation function that OIG complies with applicable international investigation standards as well as FAO's internal investigation guidelines.
- As noted in this report, and in comments accompanying the 2013 Annual Report of the FAO Audit Committee, the Director-General has emphasized the accountability of senior managers of the Organization in ensuring appropriate implementation of agreed OIG recommendations, which is subject to periodic review during the year as well as at year-end. These include the recommendations in the important areas covered by OIG in 2013.
- Pursuant to the Finance Committee's request at its 148th session, management has prepared a status report on actions taken to address long outstanding high risk recommendations, which for ease of reference has been added to Attachment A (iv) of the Inspector-General's annual report. This can be supplemented by further update by management representatives at the Finance Committee's 154th session, and the status of recommendations will be monitored in the OIG quarterly reports to the Director-General.

GUIDANCE SOUGHT FROM THE COMMITTEE

- The Finance Committee is invited to take note of the Inspector-General's Annual Report for 2013.

Draft Advice

- The Finance Committee welcomed the Inspector-General's Annual Report for 2013 and
  - **appreciated** the quality of the report and the analysis of issues presented, noting that the work of the Office of the Inspector-General presented was very relevant and a useful tool for the management and governance of the Organization;
  - **welcomed** the conclusion of the 2013 external quality assurance review that the Office's investigation functions generally complies with applicable international investigation standards as well as FAO's internal investigation guidelines;
  - **encouraged** regular consideration of an appropriate balance between OIG resourcing and the timeframe for internal audit coverage of high risks and **requested** a further update on this at its next regular session in Autumn 2014;
  - **welcomed** management's commitment to improve the rate of implementation of agreed internal audit recommendations, including the emphasis on accountability promoted by the Director-General and **looked forward** to a further update on this in the context of a progress report at its next regular session in Autumn 2014 on implementation of the FAO Audit Committee's recommendations.

**Office of the Inspector-General  
Annual Report  
2013**

**Table of Contents**

	Paragraph Nos.
I. Introduction.....	1 – 7
II. Independence.....	8
III. Discretionary Reports to the Finance Committee .....	9
IV. FAO risk exposure and trends.....	10
V. Audit Services	
A. Development and Implementation of a Risk-Based Audit Plan.....	11 - 19
B. Results of Organization-wide Audits .....	20 - 48
C. Results from Decentralized Office Audits.....	49 - 65
VI. Internal Audit Recommendations and Resolution.....	66 - 73
VII. Investigating Fraud and Other Misconduct.....	74 - 88
VIII. Inspections and Other advisory activities.....	89 - 90
IX. Implementing the OIG Report Disclosure Policy.....	91
X. OIG management.....	92 - 111

Attachment A – Reports

Attachment B – OIG organization

Attachment C- List of Acronyms Used

## Office of the Inspector-General

### Annual Report

2013

#### Highlights

This report presents a summary of the activities carried out by the Food and Agriculture (FAO)'s Office of the Inspector-General (OIG) in 2013.

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

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

Key areas for formal audit reviews completed in 2013 included cyclical assessments of the Organization's decentralized field network; the decentralization and integration of emergency operations to the field offices; programme closure and immediate post-implementation phase of the Global Resource Management System; IPSAS preparedness; the South-South Cooperation programme; Headquarters infrastructure management; security over FAO's offices, personnel and property; the management of administrative services subject to internal chargeback such as temporary assistance, interpretation, translation, courier and pouch services; and internal mechanisms for audit recommendation follow-up. As in previous years, a significant portion of OIG's activity focuses on field and emergency operations due to the significant risk exposure to the Organization.

Some other planned audits were still underway and expected to complete in early 2014, while reviews in CIO and use of consultants were postponed at the request of the respective managers due to significant restructuring or revisions to policies and will be undertaken in 2014.

OIG issued 39 individual audit and inspection reports to operating units throughout the Organization, including 29 on individual decentralized offices and ten reports that addressed Organization-wide issues. The audit reports provided management with 429 recommendations and 265 compliance reminders to strengthen the Organization's risk management, internal controls and governance processes, from which there was a greater than 98 per cent acceptance rate by management.

OIG's closed a total of 81 matters (65 complaints and 16 consultations) following examination by its Investigations Unit and issued a total of 17 investigation reports and memoranda. OIG continues to work with management to strengthen other elements of the Organization's integrity framework.

The annual report provides further information on the results of OIG's audits and investigation work during 2013. OIG recognizes positive measures undertaken in 2013 as part of the FAO's transformation supporting a significantly stronger results-oriented, risk conscious and accountable organization. Further improvements to FAO's integrity framework were made and management has been responsive to the results of investigations carried out in relation to staff and third party misconduct. Management have supported a transparent approach with donors on investigations into losses on projects they have financed.

At the same time, OIG's audit coverage in 2013 indicates that there remain important challenges in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved – in GRMS and IPSAS implementation; decentralized programme delivery, finance and administration; security; physical infrastructure; and delivery of internal administrative support services.

In 2013, OIG's Audit Unit underwent considerable restructuring, associated with budget actions to support the Organization's efforts to reduce expenditure on non-technical areas of the Organization. A flatter structure of 3 P5 Senior Auditors was introduced, and two P3 auditor posts at Headquarters were abolished. Audit grades were adjusted in some cases which will facilitate more regular rotation

of auditors between Headquarters and Region-based posts. As of December 2013, OIG had four vacant professional posts (P5 senior auditor, P4 investigator, P4 auditor and P3 investigator posts). The vacant P5 and P4 auditor posts were filled in the first quarter of 2014 and recruitment to fill the investigator vacancies was underway.

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

## **Office of the Inspector-General**

### **Annual Report**

**2013**

## **I. Introduction**

### *General*

1. The present report to the Director-General provides a summary of the 2013 oversight activities of Office of the Inspector-General (OIG). In accordance with the Organization's oversight arrangements, this report is also made available to the FAO Audit Committee and the Finance Committee, and thereafter it is also made available publicly through the Organization's website.

## **II. Mandate and Mission**

2. OIG has responsibility for internal audit, which includes monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal controls, risk management, financial management and use of assets. It is also responsible for investigating allegations of misconduct, including those concerning fraud, retaliation against staff who report concerns about misconduct and sexual exploitation and abuse. OIG also draws on its audit and investigation expertise to conduct fact-finding inspections of specific events or activities, to support senior management decision-making on them. OIG's Charter is incorporated as Appendix A to FAO Administrative Manual Section (MS) 107.

3. Together with FAO's Office of Evaluation, 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 Institute of Internal Auditors, the global professional body. With respect to its investigative work, OIG follows the FAO Guidelines for Internal Administrative Investigations, which are based on the Uniform Guidelines for Investigation, promulgated by the Conference of International Investigators of the UN System and Multilateral Financial Institutions. Both sets of standards have been adopted by the audit and investigation services across the UN System.

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

### *Independence*

8. During 2013, OIG undertook its professional activities independently within the Organization. No limitations of scope were encountered during the course of its audits, investigations or related activities.

### 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 2013. As Secretary of the FAO Audit Committee, the Inspector-General submitted a status report on FAO Audit Committee recommendations and submissions for new membership of the Committee in 2013 regular sessions of the Finance Committee.

### IV. FAO Risk Exposure and Trends

10. Although the reform elements associated with the Immediate Action Plan for FAO Renewal (IPA) were formally completed during 2013, FAO remained an Organization in significant change. Additional transformational changes aimed at further institutional strengthening and enhanced delivery and impact of programmes, proposed by the Director-General and approved by the governing bodies, were underway. OIG notes positive results as well as challenges from its work in 2013:

- **FAO transformation:** The definition of new cross-cutting Strategic Objectives (SOs), the elaboration of new responsibilities within the technical arm aligned with the new SOs, further development of results-based management in planning and budgeting, expansion of partnerships, integration of emergency and development work in the country offices, developments in human resources policies and the development of new emergency protocols are examples of progress aimed at ensuring FAO is better placed to meet the challenges of hunger and food security worldwide. OIG welcomes the above initiatives as helping the Organization address some of the "missing elements" identified in the Mallet report on the IPA issued in early 2012. OIG has stressed in recent annual reports, that transformational change is achieved only through sustained, integrated attention pursued over several biennia, and that initial approaches should not be overly complicated and be open to progressively better iterations commensurate with the internal capacity to adopt new ways of thinking and practice. In this respect OIG supports the "learning by doing" approach to the initial implementation phase of the new Strategic Framework. OIG welcomed the adoption of enterprise risk management (ERM) policies that embed ERM in core processes of the Organization, and elaboration of FAO's approach to accountability as presented to the governing bodies in late 2013. OIG will continue to review implementation in the coming biennium.
- **Global Resource Management System (GRMS) and adoption of IPSAS accounting standards:** The GRMS programme comprises a major enhancement to the Organization's information systems as well as supporting the adoption of IPSAS accounting standards. These initiatives are an essential platform for broader transformational efforts in the Organization. The GRMS programme was formally closed in June 2013 upon the deployment of the ERP to decentralized offices. The system and new accounting framework will have an important impact in the Organization's ability to manage its information in a more integrated, comprehensive and timely fashion, and will help empower decentralized offices to discharge their expanded responsibilities. Taking into account the results of, and management responses to, OIG audits and advisory work, OIG considers that the major focus of management efforts going forward will need to be on the stabilization and ongoing support of the enhanced system. OIG also observed a number of important risks relating to the completion of the IPSAS project, which will require significant efforts to be mitigated so that FAO can efficiently meet its target for IPSAS compliance in the 2014 financial statements. OIG will devote further attention in its 2014 audit work plan to follow up on both the new system and the IPSAS project.
- **Decentralized Programme Delivery:** OIG audits in 2013 continue to point to challenges in ensuring consistently high performance in project efficiency, delivery and compliance with donor conditionality across FAO's portfolio. OIG's review of emergency and non-emergency projects as part of field office audits, continue to identify the need for more attention to

guidance, quality assurance and monitoring for projects throughout their lifecycle. OIG completed a review of the process of decentralization of the Emergency and Rehabilitation Division's (TCE) operational responsibilities for emergency projects and their integration with development activities. This review highlighted the need to define the extent and duration for the operational support needed for decentralized offices to build their capacity, as well as the need for clear monitoring arrangements for the combined programme to track performance through resource mobilization and delivery levels. OIG also assessed the South-South-Cooperation Programme's (SSCP) operations and activities, and found that SSCP opportunities are, for the most part, identified, selected and formulated in a structured and systematic way. However, with the expansion to all five Strategic Objectives, a set of criteria should be developed for the review and analysis of individual requests for SSCP activities and to assess whether SSCP is the best option available. This review also identified the need to improve the SSCP Monitoring and Evaluating system and associated reporting.

- **Decentralized Financial Management and Administration:** Further decentralization of responsibilities from headquarters to FAO's extensive network of field offices is a key element of FAO's transformation. A significant proportion of the Organization's expenditure is being disbursed through these offices. OIG audits and investigations continue to point to significant capacity issues in the field offices across a range of programmatic and operational areas. Risk remains high in decentralised financial management and administration, where over half of the Country Offices reviewed in 2013 were found to 'not fully operate as intended' due to significant weaknesses in their internal control systems. Control weaknesses varied among the offices, but in aggregate were present in all areas of financial management and administration. Accountability of FAORs and Regional ADGs for prompt attention to audit recommendations has been emphasised by the Director-General, and other actions at corporate level to make more substantial improvement to audit results in 2014-15 are being considered by the Operations arm.
- **Security:** The Director-General has the overall responsibility for the security and safety of FAO personnel, within the framework of the UN Security Management System. In 2009, OIG reviewed FAO's security arrangements and found significant deficiencies, which prompted management to develop a Security Action Plan to improve its performance in the area. OIG conducted a follow-up review in 2013 and concluded that FAO's security arrangements have improved significantly compared to the situation prevailing in 2009, but additional important work remains to be done.
- **Infrastructure management:** Despite several improvements made over the past few years, the challenges for compliance in many respects of the headquarters premises with Italian safety regulations represents a major risk for the Organization. Resource requirements to definitively address the requirements are significant. Although this is a long standing issue, having been the subject of a 2003 audit, OIG recommended that senior management place greater priority to this issue, including considering its possible escalation to the Governing Bodies.
- **Efficiency of internal services:** FAO's constant quest for savings from efficiency in non-technical activities of the Organization makes it imperative that support services, which are backcharged to Departments, Divisions and Offices are delivered as efficiently and economically as possible. OIG identified several areas that need significant improvement to ensure that backcharged services, such as temporary assistance, interpretation, translation, courier and pouch services, are carried out in a more transparent, efficient and effective way.
- **Business continuity and disaster recovery:** During 2013 management made good progress in addressing the recommendations made by OIG in its 2010 review of business continuity. A new set of policies is at its final stage of preparation and discussions are ongoing with regard to the creation of a permanent position to manage the function. Completion of work in this area will help FAO ensure that it is able to respond to accidents, disasters, emergencies and/or threats without any stoppage or hindrance to its key operations. OIG will continue to monitor progress in this area in 2014.

## V. Audit Services

### A. Development and Implementation of a Comprehensive Risk-Based Audit Plan for 2012-2013

#### *Planning approach*

11. To meet the requirements under the International Standards, as well as to implement FAO's IPA item 2.91, OIG follows a risk-based planning approach to identify and select its activities to review. This approach provides a more systematic basis for prioritizing internal audit work. The aim is to ensure that the management of all major risks of the Organization is, collectively with FAO's Office of Evaluation and External Auditor, independently reviewed within a defined cycle. In some cases risks are covered annually, in others over one or more biennia. In the period 2010-2013 the cycle for completion of coverage of corporate high risks was two biennia and from 2014-2015 this has been modified to three biennia. Given the dynamic nature of risks facing the Organization, OIG essentially maintains a rolling plan of coverage updated provisionally on an annual basis and more fully each biennium. Through its coverage of those risks not reviewed by the other oversight functions, OIG provides assurance over the implementation of risk management measures and advice on how these measures can be improved.

12. The risk-based audit plan (RBAP) for the 2012-2013 biennium took into account inputs from management and the FAO Audit Committee, and thereafter endorsed by the Director-General. The plan was based on a risk register, originally developed in 2009 in partnership with Deloitte and with input from management, and regularly updated since to reflect emerging risks and changing risk priorities. The results from FAO's Enterprise Risk Management (ERM) pilot project have also been incorporated into the risk register. In the course of updates, the ranking of some risks may be increased or decreased and some risks dropped or added based on emerging risks, action taken by management and new information. Implementation of the RBAP is monitored through quarterly reports to the Director-General, and by the Audit Committee, which meets three times each year. In addition, the achievement of the plan continues to be a key performance indicator for OIG in the Organization's Results-Based Management Framework.

13. As of 31 December 2013, the updated risk register identified 71 high risks, of which 36 were included under planned audit assignments in the 2012-2013 RBAP. These 36 risks included 23 which are covered on an annual basis (recurrent risks). Some of the remaining 35 risks were covered by OIG in 2010-2011. Others that are not covered by the External Auditor or Office of Evaluation will be included in OIG's 2014-2015 and 2016-2017 planning cycles.

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

#### *Plan implementation*

15. At the end of 2013, OIG had completed assignments that covered 27 of the 36 high risks included in the 2012-2013 RBAP, as well as 41 medium risks (**see attachment A (i)**), while assignments still in progress at the end of 2013 covered three other high risks. The 27 high risks covered in 2013 include the 23 which are covered on an annual basis. The shortfall against plan arose from deferrals of some audits from 2013 to 2014, due to significant changes underway in the units or policies, which were not substituted due to higher than planned auditor vacancies in the year. They will be covered in the 2014-2015 planning cycle. In some other cases the risks are being covered under audits where field work was still in progress at the end of 2013 and they will be reported in 2014, with coverage counted against that year.

16. Based on its prior findings from the audits of decentralized offices, OIG continued to devote substantial resources to review field activities in the areas of programme and operations as well as finance and administration. In 2013 the scope of these reviews was adjusted to include comprehensive coverage of the new corporate guidance on the project cycle and Country Programme Frameworks

(CPFs), and to reflect the roll-out of FAO's upgraded enterprise-wide resource management system (GRMS) in the decentralized offices. OIG activities included completing audit missions to 26 field offices, including two Subregional and two Liaison offices.

17. OIG issued 34 audit reports related to its reviews in 2013 and late 2012 (see **Attachment A (ii)**). A capping report summarizing the field review results from 2012/13 and addressing corporate issues arising from these reviews was prepared in late 2013 and issued in final version in early 2014. A report issued in early 2013 provided management with an assessment of the Technical Cooperation Programme – the results were covered in OIG's 2012 annual report. OIG subsequently issued reports on the backcharging of support services, decentralization of emergency activities and their integration with the development programme, a review of the GRMS programme closure, IPSAS implementation, headquarters infrastructure management, the South-South Cooperation Programme and security of FAO's offices, personnel and property.

18. These reports provided management with assurance and advice, including 429 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. The 25 field office reports also raised 265 compliance points that managers in the field offices needed to address.

19. The annual audit work plans include provision for additional work outside the risk-based priorities, primarily to conduct inspections of particular events or activities at management request.

## **B. Results of 2013 Organization-wide Audits**

### *Decentralization of TCE Operations*

20. In late 2012 and early 2013, OIG conducted a review of the process of decentralization of responsibilities for the management of emergency operations from TCE to the country offices, and the integration of the emergencies programme with development activities. OIG found that the decentralization and integration process was progressing according to the schedule established at corporate level, and that there was a clear vision and strong support from senior management, effective leadership in place, good engagement with the governing bodies and a strong project management team.

21. The report also highlighted a number of challenges that required management attention, most of which originated from the very tight timeframe established (18 months) to complete a rather complex process. The main issues related to the operational support arrangements, capacity of the decentralized offices network, performance monitoring and accountability, the new funding model and the operating procedures for Level 3 corporate emergency response. OIG is pleased to note that TC management has since made good progress at addressing the recommendations made in our report.

### *GRMS - Review of Programme closure*

22. The implementation of upgrades and deployment to field locations of FAO's Oracle-based enterprise resource planning system represent a substantial investment by the Organization in improving its financial management capacities, as well as supporting the move to IPSAS-compliant financial reporting. These were managed under the Global Management Resource System (GRMS) Programme, which ended in June 2013. As in previous years, an important component of OIG's review of reform/transformation activities focussed in 2013 on this Programme.

23. The deployment target of rolling out GRMS to all decentralized locations that had been using the old Field Accounting System, as well as some additional offices, was achieved despite the very tight timeframe following the decision to accelerate the Programme's completion. OIG strongly commends the Programme Manager and all staff of the GRMS Programme and the rest of the Organization who participated in the Programme, for succeeding in this challenging endeavour, despite the many constraints, not always under the Programme's control.

24. In the last quarter of 2013, OIG reviewed the closure of the GRMS Programme with the completion of the deployment of the system to decentralized offices. Overall, OIG found that: (i) most high-level project objectives had been achieved, even though a complete reconciliation of deliverables

against user requirements was not possible thus scope gaps cannot be fully quantified; (ii) arrangements for GRMS production support beyond June 2014 had not yet been completely defined and implemented across all business units involved, absent which the sustainability of the system and effective user support is not yet adequately assured; (iii) any action relating to assessing the realization of benefits were on hold indefinitely; and (iv) arrangements for the long-term governance of the system were unclear. OIG also identified a number of system internal control weaknesses for management consideration.

25. OIG agreed with the GRMS Steering Group a number of recommendations to help address the shortcomings observed, in particular to commission a specialized assessment to help define the capacity/resources required for GRMS production support across the business units and the most effective long term governance arrangements. OIG will be closely following developments with regard to the stabilization and governance of the system in 2014.

#### *GRMS – Assessment of IPSAS Implementation*

26. As indicated in OIG's 2012 annual report, the endorsement of the Governing Bodies in 2012 to adjust the IPSAS implementation strategy back to an earlier one of first implementing the systems and non-system components before production of IPSAS-compliant financial statements with a new target of 2014, markedly reduced the implementation risks.

27. OIG conducted two follow up reviews of IPSAS implementation progress in early and late 2013. In the late 2013 report, issued in early 2014, OIG concluded that the overall risk rating, related to a successful IPSAS implementation, had increased from "Medium" in December 2012 back to "High" in December 2013. OIG identified 20 risks, of which seven are critical, ten are high, and three are medium. The review also found that key risks which were raised in the last audit report had not yet been addressed and this negatively impacted on the current state of IPSAS implementation.

28. In addition to the risks that had already been identified in the previous review (e.g. with regard to project governance, budget and resources, programme delays, data supporting financial statements and system dependencies), OIG's latest review identified additional governance related issues and implementation challenges, sustainability-related risks associated with GRMS and additional project dependencies issues. The main issues in 2013 have been:

- IPSAS implementation has tended to be viewed as strictly an issue for CSF, mostly technical in nature; and there was no significant oversight at senior management level to monitor the project's progress. This affected the IPSAS project risk management, i.e. several risks which are outside of CSF control were not escalated to senior management; and support of the project within FAO when assessing resource priorities with other competing priorities.
- It was not clear if CSF would have sufficient budgetary and staffing resources needed to timely complete the project, and more importantly, maintain a longer term sustainability to ensure that CSF can deliver IPSAS compliant financial statements every year.
- Completion of a significant project milestone, the first dry-run, was significantly delayed at the time of OIG's review in late 2013. It was difficult to define at what stage the dry-run had reached - including its activities, resources and the time needed to complete it. In addition, the project plan had not accurately reflected dependencies between different activities, the quality and deadlines for the specific outputs, which had led to delays and tensions between the different CSF units.
- Since full deployment of GRMS to field offices, CSF and other business process owners (e.g. Procurement and HR) have realized that the data quality from field offices is often poor. Capacity constraint in the field could not be fully addressed through initial deployment training which had nonetheless been successful at that point in the system rollout. There was no long-term strategy and dedicated resources for post-deployment training, and while some training was being delivered ad-hoc by different CS divisions, it does not cover all field offices. Further capacity building, as well systematic application of the accountabilities for compliance by offices, requires a coordinated corporate response, including Regional Offices as well as relevant headquarters units.

- There is a high dependency on the upgraded system but some CSF system-related requirements were still not fully completed at the time of OIG's review in late 2013, and the system still needed to stabilize.
- An internal communication strategy on IPSAS implementation was lacking, and project progress reports could have benefited from more information analysing key challenges faced in IPSAS implementation.
- Accountability for the data quality assurance process (recording, validating, processing and reporting) was not clear, which could have ongoing impact on data quality supporting financial preparation and consequent workload to mitigate this.
- Additional project dependencies issues included problems with CITRIX bandwidth, which is not sufficient in some offices. Therefore, the system could be down for extended periods or it is very slow and therefore it is difficult to upload supporting documents. As a result the benefit of availability of supporting documents in the system is not yet realized.

29. Programme management and CSF proposed actions, some now taken or underway, to address the matters raised and ensure the 2014 implementation is successfully concluded. OIG will closely monitor progress during 2014.

#### *Review of Headquarters Infrastructure Management*

30. OIG conducted a review of infrastructure management activities which are the responsibility of the Infrastructure and Facilities Management Service (CSAI) within the Administrative Services Division (CSA). The review focused specifically on the maintenance, construction, technical upgrading and renovation of the headquarters premises, regardless of the funding source.

31. Overall, OIG concluded that CSAI performs effectively and has managed to keep the headquarters compound operational with minimal disruptions, and adapted well to a tight budgetary situation. As regards complex infrastructure projects, CSAI has, in general, successfully delivered project objectives. OIG appreciates in particular CSAI's strong technical skills, thorough knowledge of the headquarters premises and results-oriented approach and a range of positive practices recently adopted by CSAI.

32. On the other hand, to ensure that the Organization maximizes value for money in the current context of financial constraints, it appears necessary to further enhance how CSAI plans and monitors its activities and to strengthen its project management practices. In addition, there are other opportunities to improve economy and efficiency in the area of infrastructure management that CSAI should exploit. OIG is pleased to note that many of these opportunities had already been identified by CSAI and were at different stages of formulation or implementation at the time of the review.

33. There remains a significant challenge in attaining full compliance in many respects of the headquarters premises with Italian safety regulations. This situation, which is mainly due to the high investment needed to address this and the insufficient funding either from FAO's budget or as provided in kind by the Italian Government according to the 1951 Headquarters Agreement, was previously reported by OIG in 2003. Despite several improvements, OIG notes that essentially the problem remains.

#### *Security over FAO's Offices, Personnel and Property*

34. In 2013, OIG conducted a follow-up of a 2009 audit of this subject. OIG determined that over 60 percent of the 71 recommendations included in OIG's and UNDSS's reports, had either been implemented by CSDU or were now superseded. As at the date of the report, implementation was also ongoing for six other recommendations. Furthermore, OIG noted CSDU had implemented several additional security improvement measures on its own initiative. As a result, OIG concluded FAO's security arrangements have improved significantly compared to the situation prevailing in 2009, but additional important work remains to be done.

35. Among the main improvements achieved, OIG would highlight the: i) development of sound governance arrangements to facilitate the discharge of the Director-General's responsibility as

Designated Officer for security in Italy; ii) development and regular update of key security documents (such as risk assessments and security plans); iii) increased communication with UNDSS; iv) strengthening of access controls at headquarters (e.g. new visitors centre, magnetic building passes); and v) strengthening of the field security unit, including the establishment of a team of field security advisors.

36. However, OIG concluded there were 11 recommendations that have not yet been implemented and eight that have only been partially implemented and on which CSDU should continue to focus its attention.

#### *South-South Cooperation Programme*

37. OIG undertook an advisory review of the SSCP and concluded that the ongoing expansion and restructuring process is on track to anchor SSCP in all five Strategic Objectives (SOs). OIG confirmed with the management of the SSCP that while it is important to ensure that SSCP is available as a corporate instrument to support all five SOs, the actual use of SSCP under each SO should be decided holistically, based on the outcomes expected and with consideration of other instruments available, to provide the best possible solutions both for recipient as well as cooperating countries.

38. Regarding the organizational set-up of the South-South Cooperation Team (TCSS), the unit responsible for implementing SSCP, OIG notes that options are being examined to outpost staff to the regions. In this context, OIG confirmed with the management of the SSCP that eventual incumbents for such posts should have in depth knowledge of the Organization and experience in SSCP, so as to minimize start-up difficulties, taking into account the heightened exposure inherent to such outposted positions.

39. OIG found that SSCP opportunities are, for the most part, being identified, selected and formulated in a structured and systematic way. However, with the expansion of the SSCP modality to all five SOs, OIG recommended that TCSS should develop a set of criteria for the review and analysis of individual requests for SSCP activities and assess whether SSCP is the best option available. It should also ensure that SSCP activities correspond with the Country Programming Framework of the respective recipient country.

40. Finally OIG noted a need to improve the SSCP Monitoring and Evaluating (M&E) system and associated reporting. TCSS is currently seeking to address this need to ensure FAO can communicate its successes and learn from any difficulties encountered.

#### *Review of Pool Accounts Management (Back-charging for internal services)*

41. FAO internal service providers supply basic services to divisions, offices and staff, such as temporary assistance, interpretation, translation, courier and pouch services. The costs are accumulated in pool accounts within the Organization's financial system and 'back-charges' are the allocation of the charges incurred by these service providers to the client divisions and offices, for the purpose of closing their biennial accounts at breakeven (zero balance). These charges represent a significant cost for the Organization, and underline the importance of optimizing the value for money for the related services produced and consumed across FAO.

42. OIG undertook a review of back-charging arrangements to determine whether the process is performed in a transparent, efficient and effective way, and whether service users are charged reasonable and competitive rates for the services received. The review covered areas related to procedures, oversight function and performance management, including quality and efficiency of services, timeliness and transparency of billing.

43. Overall, users considered services provided by pool account providers satisfactory. However, OIG identified several areas that need significant improvement to the back-charging arrangements. Specifically, the Organization does not have adequate corporate policies and operating procedures to effectively manage back-charges, and actual oversight is currently limited. As such, pool accounts have been able to operate rather independently with limited accountability, which has affected cost efficiency, quality, transparency and timeliness of billing of the services provided.

44. That said, OIG also noted that several pool account providers used a number of best practices to improve the quality and delivery of services, visibility of requests for budget holders.

45. The report made eight recommendations to improve in a more comprehensive way the effectiveness, efficiency and transparency of back-charging arrangements. The recommendations relate to clarity of policies and procedures regarding price structure; eligibility of cost; planning and performance measurement, and establishment of an adequate oversight and monitoring function to ensure that procedures are followed, cost efficiencies are observed and back-charge rates are in line with the external market.

46. The findings and recommendations were discussed and agreed with relevant management units, including ODG, OSP, CS, CPA and CIO.

#### *Commissary Inventory Count and Write-offs*

47. OIG performs this annual review to assist the External Auditor in evaluating the existence and completeness of the inventory balance as at the end of each year.

48. Procedures for completing the year-end inventory count and sample counts undertaken by OIG supported the Commissary's year-end reporting during 2013. Internal policies and procedures for write-off of inventory were applied satisfactorily. OIG made recommendations to the Commissary management on timely, regular recording of all inventory discrepancies in the Discrepancy Reports and Management System and timely reporting so that, when applicable, recovery from an insurance carrier or suppliers on discrepancies can be pursued.

### **C. Results from Decentralized Office Reviews**

49. In 2013, OIG issued reports on audits of 23 Country Offices (COs), one Liaison Office and one Subregional Office. The scopes of these audits varied, ranging from comprehensive office reviews, including programmes and operations, to more targeted reviews, focusing on the financial and administrative practices and controls of the offices. The individual reports issued in 2013 are summarized in **Attachment A (iii)**.

50. These reports contained a total of 370 recommendations, primarily directed locally but in some cases to headquarters units, to improve controls and processes in the areas of programme and project management, financial management, procurement, human resources, IT and security. Management accepted all recommendations, and had already begun implementing a substantial number of the recommendations by the end of 2013.

#### *Capping Report of the Financial Management and Administration Reviews of Decentralized Offices*

51. In addition to the 25 individual decentralized office reports issued in 2013 to address local findings and recommendations, OIG issued in early 2014 a capping report (AUD 0514) for 28 financial and administrative reviews conducted in 2012 and 2013.<sup>1</sup> This capping report outlines the crosscutting issues and conclusions that go beyond the individual COs, and makes recommendations at the corporate level to improve the efficiency and effectiveness of the decentralized offices network as a whole. It also assesses how the recommendations made in the previous two capping reports on 2010 and 2011 audits (AUD 2811 and AUD 3312), have been addressed by management.

52. In the latest capping report, the 28 offices reviewed were grouped based on OIG's rating criteria:

- **Satisfactory** (Green): controls are properly designed and operating as intended. No or only limited improvement is needed.

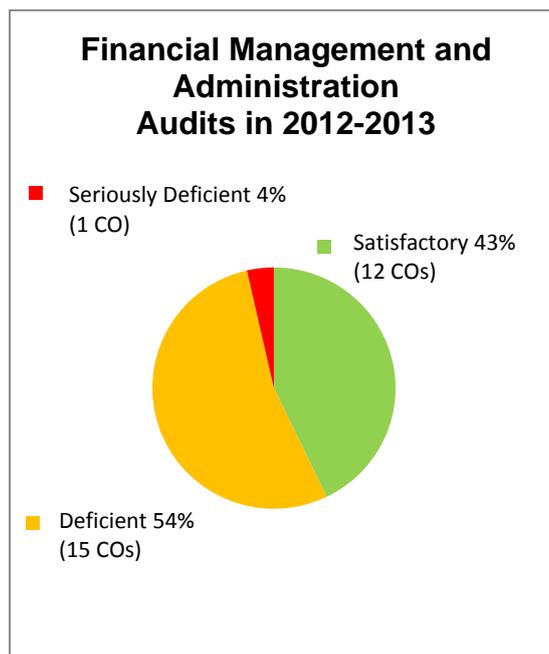
---

<sup>1</sup> The capping report was substantially completed and circulated in draft form in December 2013, and finally issued in February 2014 (AUD 0514). In the interests of timely reporting it is included in this annual report. It covers the period January 2012 to October 2013 and includes 12 audits from 2012 with reports issued in 2012, eight audits from 2012 with reports issued in 2013, and eight audits from 2013 with reports issued in 2013.

- **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.

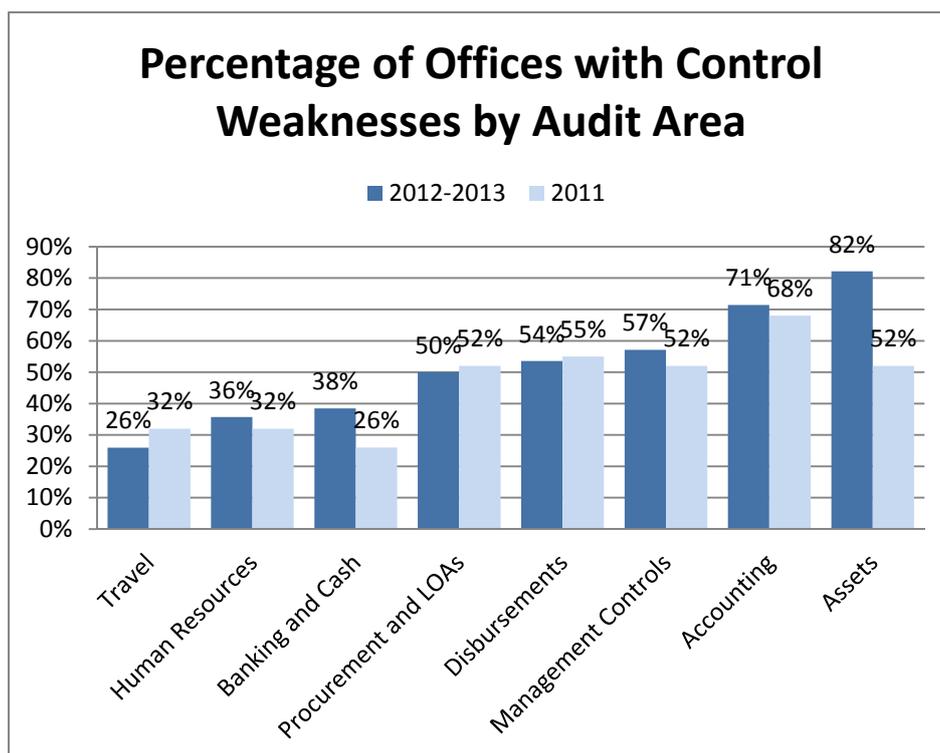
53. Similar to findings on cohorts of offices audited in 2010 and 2011, over half of the offices included in the capping report had significant weaknesses in internal control and were rated deficient or seriously deficient (see Figure 1 below).

**Figure 1 - Financial Management and Administration Audit Results**



54. The capping report identifies good practices observed. Firstly, the out-posting of International Procurement Officers (IPOs) to COs with complex procurement risk profiles is identified as a good practice example from a business process owner at corporate level (CSAP), which notably strengthens the control environment in the area of procurement. Secondly, observations on well-performing COs and their good practices at country level are reiterated and complemented at the end of the capping report, to reinforce the key elements that facilitate their good management.

55. Control weaknesses varied among the offices reviewed, but in aggregate were present in all areas within the audit scope. In some areas the results were less satisfactory than compared to the cohort covered in the prior year (see Figure 2).

**Figure 2 - Control Weaknesses in Financial Management and Administration Audit Reports**

56. Control weaknesses were most frequent and significant in the areas of Assets, Accounting and Management Controls. As already stated in the preceding capping reports, these weaknesses significantly undermine the capacity of the offices to manage operations well and support decentralization reform. If not addressed in a timely fashion, they expose the Organization, as a whole, to financial, operational and reputational risks such as:

- FAO's failure to deliver its programme objectives;
- fraud, waste and abuse of official resources and assets; and
- mis-representations in FAO's financial statements.

57. The same causal factors identified in the previous capping reports contributed to the current results, specifically: (i) absence of a cohesive accountability and internal control framework, through which (inter alia) management and staff in the offices are informed of, and held to account on, their responsibilities; (ii) insufficient monitoring and guidance by headquarters' units; (iii) inflexible and delayed resource allocation in terms of staffing and funding; and (iv) weak management and insufficient administrative skills.

58. Nineteen of the 30 recommendations from the previous capping report (AUD 3312) and four of ten from the one before (AUD 2811), designed to address these issues, had still not been implemented conclusively. Two key obstacles to their prompt implementation continued to be: (1) lack of clarity in and enforcement of roles and responsibilities in implementing audit recommendations affecting the decentralized network, including monitoring and validation of actions reported by implementing offices; and (2) lack of ongoing monitoring of offices' compliance with policies and procedures by divisions owning the respective business processes, in particular CS divisions in the case of finance and administration controls.

59. The outstanding recommendations have been reiterated and further supported in the current capping report, and five additional recommendations have been formulated to complement them. These, inter alia, aim at: (i) clarifying roles and responsibilities within FAO's Operations arm; (ii) establishing a framework for policy monitoring responsibilities by business process owners; (iii) enhancing the approach to opening, maintaining, and scaling-up and -down, COs; and (iv) correcting

weaknesses in individual audit areas covered by OIG's financial management and administration audits.

60. Altogether, the current capping report includes 23 outstanding recommendations from previous capping reports as well as five new ones, addressed either directly to the DDG-O, or to OSD, individual units of the Operations arm, in particular CS, CSF, CSAP, and OHR. The Operations arm is reviewing steps to address these recommendations.

#### *Country Office Security and IT related issues*

61. In 2013 the financial and administrative audits of country offices continued to include Security and IT components, aiming to assess whether the respective office complies with Minimum Operating Security Standards (MOSS), has adequate IT controls in place and complies with relevant IT policies. The review results varied among the different offices. For individual results see the summaries in **Attachment A (iii)**.

#### *Country Office Programmes and Projects*

62. OIG issued 14 reports on comprehensive reviews of country offices in 2013. 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 how these offices were fulfilling their responsibilities as a country office, according to FAO's mandate, and whether their field programme was managed effectively and efficiently.

63. Concerning the fulfilment of responsibilities, most offices received positive conclusions. However, there were also a number of areas for improvement identified for individual offices, in such areas as:

- Coordination and cooperation with other UN agencies and government entities
- Comprehensive stakeholder involvement in the preparation of the Country Programming Framework
- Clarity on the resource mobilization strategy
- Capacity to reliably deliver field activities
- Extended vacancies of key management positions
- Integration of emergency operations into the Representations

64. The audits noted good practices in project management and implementation in place in many cases, but also areas for improvement, in such areas as:

- Pace of project implementation
- Project monitoring and reporting
- Identification and mitigation of known risks to project implementation
- Endorsement of project amendments by donors
- Selection of Implementing Partners
- Establishment and application of criteria for beneficiary selection
- Management and monitoring of input distribution
- Timeliness and adequacy of technical backstopping support (TSS)
- Securing the sustainability of project outcomes.

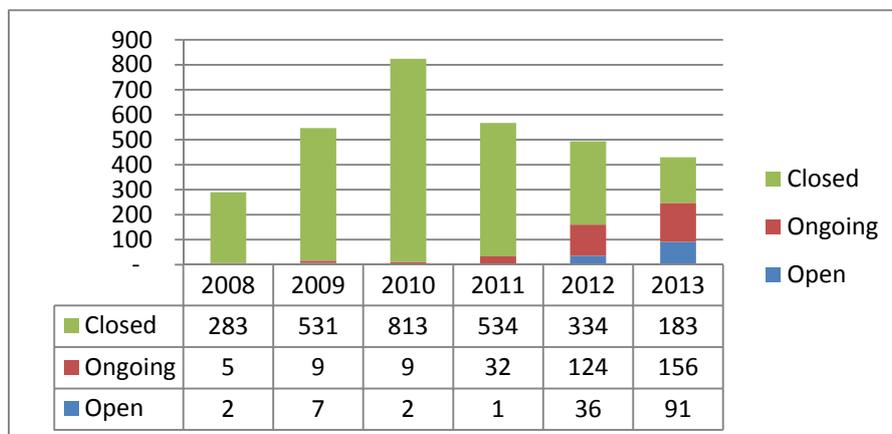
65. Summaries of the results for each office are presented in **Attachment A (iii)**.

## **VI. Audit Recommendations and Resolution**

66. As Figure 3 below illustrates, as at 31 December 2013, management had closed 43 percent of 2013 recommendations and had initiated action to address another 36 percent. Management continued its efforts to implement all remaining recommendations issued prior to 2013, having closed 68 percent of those made in 2012, 94 percent of all recommendations made in 2011, and 98 percent of those made prior to 2011. This compares favourably to the previous year. The information is based on auditee

reporting in some cases subject to OIG verification at the time but often during a later audit of the unit/function.

**Figure 3 - Status of implementation of all recommendations for 2008-2013 (as at 31 December 2013)**



Note: Statistics are based on information reported by auditees as at 31 December 2013.

67. As Figure 4 below illustrates, the recommendation closure rates for 2013, which represent the actual implementation of the recommendations compared closure rates for 2007-2012. The 2010 and 2011 figures were boosted by the inclusion as recommendations of compliance reminders issued to field offices. There was increased internal audit coverage of field offices from 2009 implemented in replacement to the old CSF-managed local audit programme. These compliance reminders tend to be immediately responded to. Since 2012 they have been separated into a different category than recommendations for reporting purposes.

**Figure 4 - Recommendation Closure Rates**

	As of 31/12/13	As of 31/12/12	As of 31/12/11	As of 31/12/10	As of 31/12/09	As of 31/12/08	As of 31/12/07
2005	99%	99%	98%	98%	98%	96%	89%
2006	99%	99%	97%	96%	94%	89%	77%
2007	100%	99%	99%	99%	94%	84%	48%
2008	98%	98%	92%	89%	70%	45%	
2009	97%	92%	88%	68%	28%		
2010	99%	96%	86%	56%			
2011	94%	82%	64%				
2012	68%	39%					
2013	43%						

68. 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:

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

69. Since more than 80 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.

70. As Figure 5 below illustrates, of the 482 outstanding recommendations made over the period 2002-2013, 46 are rated high risk, where failure to take action could result in critical or major consequences for the Organization. The 46 high risk recommendations comprise 12 made in 2013, 26 in 2012, and eight prior to that.

**Figure 5 - Outstanding Recommendations by process 2002-2013**

Processes	Low Risk	Medium Risk	High Risk	Total
Operations	8	138	28	174
Financial Management and Budgeting	37	54	2	93
Human Resources	23	52	14	89
Procurement	18	29	-	47
Assets Management	25	22	-	47
Information Systems	9	10	2	21
Security	-	9	-	9
Travel	1	-	-	1
Legal	-	1	-	1
<b>Grand Total</b>	<b>121</b>	<b>315</b>	<b>46</b>	<b>482</b>

71. Of the 482 outstanding recommendations, 75 were made prior to 2012 and are thus classified as long-outstanding. Figure 6 summarizes the results by risk category.

**Figure 6- Long Outstanding Recommendations by Risk**

Row Labels	Low	Medium	High	Total
2003	-	1	-	1
2005	-	3	-	3
2006	3	1	-	4
2008	2	5	-	7
2009	2	10	4	16
2010	5	5	1	11
2011	6	24	3	33
<b>Grand Total</b>	<b>18</b>	<b>49</b>	<b>8</b>	<b>75</b>

72. The eight recommendations made prior to 2012, for which more information is provided in **Attachment A (iv)**, relate to:

- Finalizing and beginning implementation of an Organization-wide business continuity management framework;
- Defining gross negligence and recklessness to support investigations and disciplinary actions when such cases arise;
- Developing an action plan to implement pending UNDSS recommendations to support FAO's role as lead agency for UN security in Italy;
- Undertaking a comprehensive risk assessment of the current access arrangements for the Headquarters building given the wide range of visitors with different access needs;
- Establish global targets and priorities for field security requirements;
- Reviewing the administrative resource requirements for country offices, linking the size of administrative teams and workload in the offices ;
- Completing a comprehensive IT Security risk assessment;
- Developing security configuration guidelines for all network components.

73. Although management has made some progress in addressing the remaining long-outstanding recommendations, as indicated in **Attachment A (iv)**, the actions are not sufficient to yet close the recommendations. OIG continues to follow up with management on the implementation of these recommendations on a six-monthly basis.

## VII. Investigating Fraud and Other Misconduct

74. OIG's Investigation Unit (OIG-INV) is responsible for promoting an environment of integrity throughout the Organization's operations through the detection and investigation of allegations or indications of fraud and misconduct by FAO personnel, partners or by contractors in relation to their business with FAO, and the promotion of preventive measures. The Unit ensures that investigation results are captured in order to develop lessons learned and recommends procedural and policy changes that enhance integrity within FAO. The Unit provides advisory services on integrity-related matters and also assists the Inspector-General in the conduct of other fact finding inspections requiring legal or investigative knowledge.

75. At year end, there were two vacant Investigator posts, one at P4 level and one at P3 level. Recruitment is in progress and, in the meantime, experienced consultants have been used to backfill the vacancies and manage the caseload. This was supplemented in 2013 with an additional 286 consultant/days beyond that required for backfilling, particularly to support FAO's Somalia Programme.

*Investigation Case Load Management*

76. In 2013, OIG received 62 new complaints (comprising 120 allegations) and 26 requests for consultations/advisory services. OIG was able to close 65 complaints and 16 consultations/advisory requests, including ones carried over from 2012. Figure 7 below provides an overall view of the disposition of complaints during the year and comparison with the four prior years:

**Figure 7 – Case Load Disposition**

Case Load	2010	2011	2012	2013
Complaints Carried over from previous years	37	26	35	20
New Complaints	60	80	82	62
<b>Subtotal</b>	<b>97</b>	<b>106</b>	<b>117</b>	<b>82</b>
New Consultations / Advisory services	14	17	37	26
<b>Total Matters (Cases &amp; Consultations)</b>	<b>111</b>	<b>123</b>	<b>154</b>	<b>108</b>
Complaints Closed	71	71	97	65
Consultations / Advisory services Closed	14	17	37	16
<b>Ending Case Load</b>	<b>26</b>	<b>35</b>	<b>20</b>	<b>27</b>

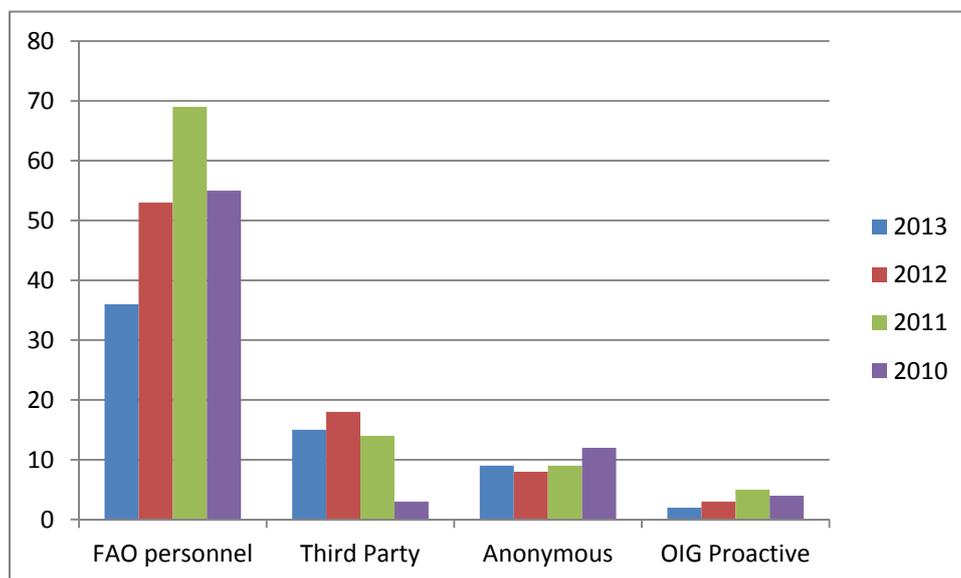
77. All complaints received are subject to preliminary review to determine whether the matter falls within OIG's mandate or should be referred to other Divisions in FAO or to other organizations. For those falling within OIG's mandate, the review assesses whether there are sufficient grounds to initiate an investigation. Decisions to initiate an investigation are made by the Inspector-General in consultation with the Senior Investigator, based on the results of the preliminary review. To ensure that attention is appropriately prioritized, OIG/INV relies on 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).

78. Of the 65 complaints closed in 2013, 22 were closed after completion of a full investigation. The other 43 were closed after completion of the preliminary review. In 17 of the 43 cases, the matters were referred to other Divisions within FAO, as they were either determined to fall outside OIG's mandate or alternative measures could be taken to address the concerns raised by the complainant; or in the absence of sufficient information to warrant investigation at this time, were referred to OIG-AUD for consideration in a future audit. The remaining 26 complaints were determined to be either unsubstantiated or unfounded.

### *Types of complaints*

79. As indicated in Figure 8 below, most complaints were received from staff members.

**Figure 8 – Source of Complaints in 2013**

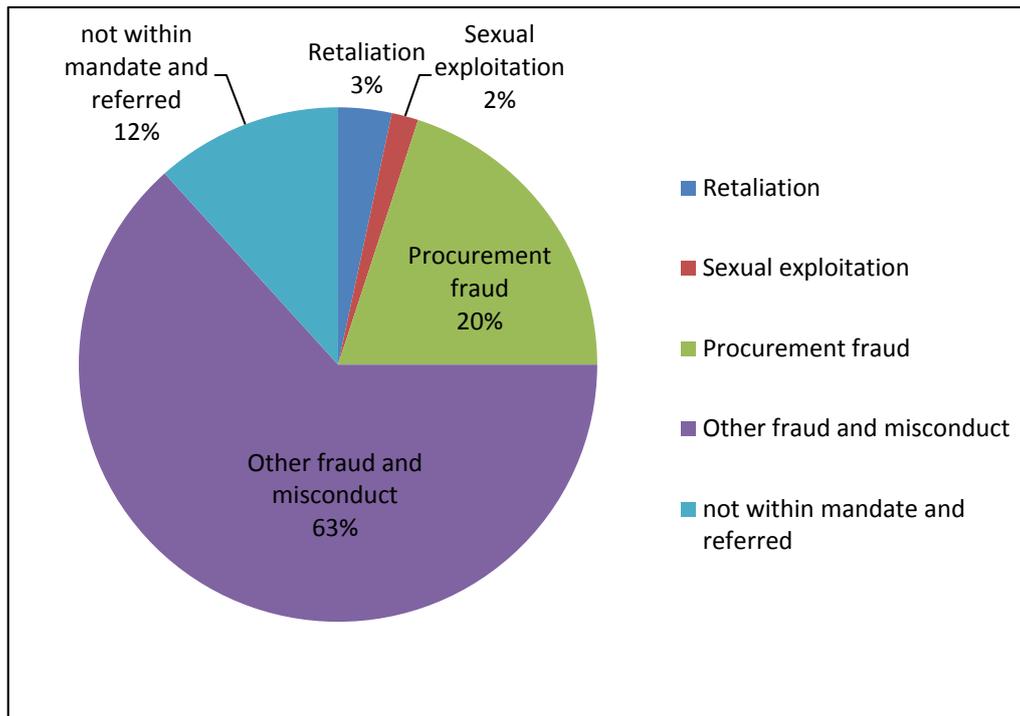


80. The chart in Figure 9 below shows the types of allegations received during 2013. It is important to note that an individual complaint received by OIG may include multiple allegations. The initial classification of allegations is based on the preliminary information OIG receives. For example, in 2013 the 62 new complaints received involved 120 allegations. Over the course of an investigation, OIG may modify the classification as more information becomes available.

81. Allegations not referred to other Divisions are broadly divided into the following categories:

- procurement fraud, which includes allegations into any of the four definitions included in FAO Manual Section on “Procurement of Works and Services” – corruption, fraud, collusion and coercion;
- sexual exploitation and abuse, as defined under FAO’s Policy on Prevention of Sexual Exploitation and Abuse
- Whistleblower retaliation, as defined under FAO’s Whistleblower Protection Policy; and
- other unsatisfactory conduct under FAO’s investigation mandate, which includes non-procurement related fraud, favouritism, conflict of interest and other matters as described in FAO’s Administrative Manual Section 330 (Disciplinary Measures).

**Figure 9 – Type of Allegations Received**

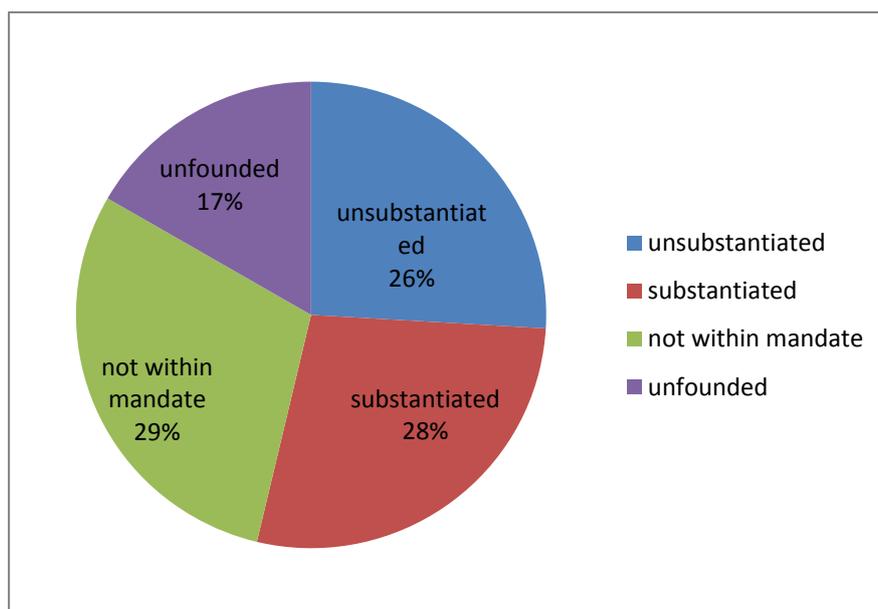


82. An OIG investigation will conclude on whether the allegations are:

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

#### *Outcome of complaints*

83. Figure 10 below shows the results according to these conclusions for all 65 cases closed in 2013. Notably, 2013 showed an increase in the percentages of cases that were substantiated after investigations and a decrease of matters referred to OIG that were not within its mandate. These changes may be a reflection of staff being more and/or better aware of OIG's mandate and complaints (reports to OIG) being more unequivocal. Those cases identified as not within the investigation unit's mandate include those that are referred to other divisions or to OIG's audit unit.

*Figure 10 – Outcome of complaints concluded in 2013*

84. The Unit issued 11 reports on investigations. A further six memoranda were issued on investigations carried out where full reports were not required or the allegations were not substantiated but conclusions and/or observations needed to be conveyed to management. OIG-INV's target is to close complaints within six months of receipt. The average number of days between receipt and closure of complaints in 2013 was just under six months.

85. The majority of investigations in 2013 related to FAO personnel or contractors/bidders in the field (where the risks for the Organization have been growing along with the recent and ongoing Organizational decentralization). These tend to be more resource intensive, in terms of staff time as well as travel, compared to headquarters-based cases, contributing to a greater investigative workload for the Office.

86. OIG continued to focus its attention and resources to sensitive cases investigated in Somalia involving several contractors and implementing partners. An important number of cases dealt with in 2013 arose from the emergency operations programme. Given the inherent risks posed by operations in parts of the country which cannot be subject to FAO's usual supervision processes due to the prevailing security situation, OIG and TCE agreed to scale-up further OIG/INV coverage of the Somalia Programme. This includes the assignment of the full-time equivalent of one investigator for the Programme from late 2012, in parallel with enhanced monitoring by the FAO Somalia Office (FAOSO), to follow up on all allegations and indications of potential diversion, particularly in the cash for work and agricultural inputs elements of the Programme. OIG is working closely with FAOSO and TC in this regard.

87. The following summary presents examples of cases completed in 2013, the findings of which led, or are likely to lead, to disciplinary measures and/or lessons learned, as appropriate. These examples were chosen as illustrative of the main issues subject to investigation in the year:

- **Case 1:** An investigation established that Letters of Agreements were awarded to companies in which former FAO staff members and government officials had interests. OIG concluded that part of the work contracted was either not or partially completed. Furthermore, OIG uncovered evidence that a government official involved in the project was signatory to a bank account of one of the implementing partners contracted and that former staff members were involved in the selection and supervision of the entities contracted. OIG recommended that the associations and the former staff members be declared ineligible for future work with

FAO. In addition, FAO is assessing with local authorities whether to submit the matter for criminal or civil action including recovering the funds fraudulently obtained.

- **Case 2:** An investigation established that an NGO failed to report and knowingly misrepresented deviations from a system to be implemented with beneficiaries under a Letter of Agreement signed with FAO. FAO terminated all contracts with the NGO and declared ineligible for participation in future FAO tenders or contracts. Management is considering restitution of costs.
- **Case 3:** An investigation into allegations of under-implementation of activities under a programme by an NGO established that the NGO had deviated from the planned activities and payment modalities to beneficiaries. OIG concluded that the contracts deviations were significant and recommended considering removing the NGO from the list of potential partners, and refraining from inviting them to participate in future tenders. Action is under consideration by management.
- **Case 4:** An investigation established that a staff member failed to exercise proper oversight over the procurement process under his supervision and that his actions and omissions enabled manipulation of tenders by vendors. The investigation further concluded that this resulted in actual financial loss to the Organization with contracts not being awarded to the lowest cost offers and also potentially not being awarded to the technically acceptable offer. The staff member resigned and FAO accepted his resignations.
- **Case 5:** An investigation established that a staff member had presented fraudulent invoices and prescriptions for reimbursement of medical expenses under the Organization's staff medical insurance scheme for almost six years for herself and her dependents. The matter is under review by management.

#### *Vendor Sanction Procedures*

88. OIG, CSAP and LEG worked together to draft Sanctions Procedures for vendors found to have engaged in misconduct, and these were issued in late 2013 to come into full effect from January 2014. These will assist with FAO's implementation of the Model Policy Framework for Vendor Eligibility adopted by the UN Chief Executives Board in 2012 for application across the UN System.

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

89. In addition to scheduled audits and investigations responding to allegations of misconduct, OIG undertakes inspections on particular subjects or events to clarify facts or provide information for management decision-making. In 2013 OIG completed inspections of projects in Zambia and Mozambique, the Liaison Office in Geneva, FAO's Internal Appeals Process, and a security incident in Pakistan.

90. OIG also responded to more than 50 other requests for short duration advisory and consulting services during 2012. These included comments and advice on 18 new partnership agreements; reviews of a number of project agreements; audit clauses in various draft donor contracts; review of FAO's new investment policy; and input of comments on various JIU reports and various IPA activities prior to their closure in 2013.

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

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

four audit reports, were submitted and all were fulfilled according to the policy, without withholding or redaction and within the response times set out in the policy:

- AUD 0312 Comprehensive Country Review: FAO Representation in Uganda
- AUD 0912 – Financial Management and Administration Audit: FAO Representation in Peru
- AUD 2212 – Recruitment
- AUD 0513 - Review of IPSAS Implementation Progress in FAO.

## **X. OIG Management**

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

#### *OIG Staffing and Budget*

92. A review of OIG's Audit Unit organization was undertaken in the second half of 2013 as part of a corporate response to the FAO Conference decisions on the 2014-2015 Programme of Work and Budget (PWB). Taking into account the need to reduce OIG's Regular Programme budget by approximately USD0.9m from the original PWB proposal (and by USD 0.4m from the 2012-2013 budget) almost entirely from staff costs, a flatter structure with three P5 Senior Auditors reporting to the Inspector-General was adopted, the headquarters-based component of the Audit Unit was reduced by two P3 auditor posts and two region-based audit posts were reduced in grade which will facilitate more regular rotation of audit staff between the headquarters and region-based posts. The post changes were incorporated in the Adjustments to the 2014-2015 PWB approved by the Council in December 2013.

93. Accordingly, as at 31 December 2013, OIG had 25 approved posts. This includes the Inspector-General, 18 Professional staff members, four of whom 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 the end of 2013. At the end of the year, the D and P-level staff on board comprised nine males and six females, and representation from all regions. Collectively, OIG also has, among its professional staff, full capability in all six official languages and Italian.

94. At the end of 2013, OIG had two audit posts (P5 and P4) and two investigation posts (P4, P3) vacant. In February 2014 the two audit vacancies were filled by internal transfer and promotion, the latter resulting in a new P4 auditor vacancy. Recruitment for the Investigator posts is still in progress.

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

95. An external quality assessment of the investigation function took place in June 2013. Overall, the review concluded that OIG complies with international investigation standards, and had positive conclusions with regard to case management, documentation and reporting. Most recommendations were addressed to OIG (including fine tuning the case management system; additional investigation records; clarification of OIG's inspection work; formalizing periodic reviews of physical and logical security of investigation records; more awareness-raising activities and anti-fraud training internal to FAO) but some were addressed to FAO senior management and to the Audit Committee (including align internal policy definitions of fraud; re-assess responsibilities for harassment investigations and preliminary reviews of retaliation complaints; reconsider the deadlines in the FAO investigation guidelines for notifying subjects of investigations; update data seizure policy; referral of proven cases of fraud and corruption to national authorities for prosecution). As of year-end, many OIG-related recommendations have been closed and the implementation of almost all remaining ones is in progress. OIG will work with relevant offices within FAO to address policy-related recommendations during the coming year. The status of all recommendations is being reported periodically to management and to the FAO Audit Committee.

#### *Implementing gender dimensions into the work of OIG*

96. In 2013, OIG's gender focal points continued to work with other relevant parts of the Organization to respond to the commitment, in the 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. The audit programme for CO reviews was enhanced to include a dedicated section to assess the COs capacity to advocate for and develop programmes that address gender equality and women's empowerment; the extent to which gender equality and women's empowerment objectives have been mainstreamed in implementing the field programme and are systematically monitored and reported on; and the extent to which the COs have incorporated principles of gender equality and the empowerment of women in the staffing and operations of their office.

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

97. In 2013, OIG continued to fully participate in the Organization's Performance Evaluation and Management System (PEMS). PEMS is FAO's system for performance appraisal that is an integral part of its Human Resources Strategy and is linked to other key components including career management. Annual work plans, linked to OIG's Unit Results in FAO's planning and budgeting framework, were completed for all staff. The performance planning, evaluation and development elements of the process support internal communications within the Office on performance and is a core component of OIG's quality assurance and improvement programmes for both the audit and investigation groups.

#### *Staff Professional Development*

98. OIG staff training is focussed primarily on professional audit/investigation, management, language, and technology training. Individual training needs are identified under the Individual Development Plan component of the PEMS employee appraisal system at the beginning of each year. In addition, broader staff needs are addressed in group training sessions during the year, where possible in collaboration with counterparts in the other Rome-based agencies or other UN/intergovernmental organizations.

99. Two professional level OIG staff participated in FAO's management and leadership programme training during 2013. In-house training courses were organized during the year for audit staff on the new Global Resource Management System (GRMS) and its implications on the audit work at the decentralized offices. Two internal auditors participated in external training on value-for-money auditing with the IIA and operational risk management at the World Bank. One investigator attended a training session on "Investigating Cases of Sexual Exploitation and Abuse" organized by WFP in collaboration with the Swedish Police Academy. OIG staff also observed technical sessions of the RIAS and UN-RIAS networks meetings held at FAO in 2013, and participated in a joint Rome-based Agency (RBA) joint training day for audit, inspection and investigation staff of the three agencies (these are further described in the section below).

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

#### *Coordination with other FAO Oversight bodies and Ethics Office*

100. During the year, OIG met routinely with OED and the External Auditor to discuss their respective work plans to avoid unnecessarily duplicate review activities, and provide input into the planning of their respective assignments. OIG also held a workshop with OED to present its risk register and Risk Based Audit Planning methodology to strengthen collaboration between the two offices.

101. OIG met with the External Audit staff on several occasions in 2013 to collaborate on and coordinate their respective audit activities, including the review of GRMS/IPSAS implementation, and decentralized office financial and administrative operations. In updating its risk register, preparing its 2014-2015 Audit Plan, and in individual audit assignments, OIG reviewed and took into account the issues and recommendations the External Auditors presented to management in the form of management letters.

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

*Collaboration with other UN Agencies and Intergovernmental Organizations*

103. OIG continued to be an active member of the professional networks for audit and investigation in the UN System and the wider international organization sector.

104. Responding to the UN General Assembly resolution on the Quadrennial Comprehensive Policy Review, the UN Chief Executives Board system has prioritized the development of UN System-wide joint internal audits of joint programmes including the UN Delivering as One initiative. This is being responded to collectively by the UN Audit Services, including OIG, through their professional network, the UN-RIAS.<sup>2</sup> In 2013 OIG participated in a joint audit of One UN in Pakistan. In addition, a pilot joint audit was undertaken in the Democratic Republic of Congo on the UN-REDD programme, conducted by an external audit firm on behalf of the internal audit services of UNDP, FAO and UNEP and funded by that programme. The development of a consolidated UN joint audit framework, replacing a number of old ones developed for specific purposes, has been prioritized by UN-RIAS, and is expected to be finalized in 2014.

105. The 44th Plenary RIAS and 7th UN-RIAS meetings were held in September 2013 on FAO premises, with the Inspector-General co-chairing the proceedings and audit staff of the three Rome-based UN Agencies (RBAs) undertaking rapporteur and logistical functions in joint teams.

106. The theme of the Plenary meeting was "Auditing What Matters", with active participation from members and observers from the Institute of Internal Auditors, the UN Board of Audit and the Joint Inspection Unit, and guest presentations from three of the Big 4 audit firms and the audit services of a major national development agency and one multinational private sector firm. The RBA co-hosts received very positive feedback from across the membership on the relevance and quality of the agenda and presentations. Topics covered included:

- Aligning internal audit coverage to the strategic objectives of the organization
- Internal audit's role in organizational transformation
- Assurance mapping
- Auditing what matters in IT
- Giving assurance opinions
- Best practices in audit reporting and report disclosure
- Innovations in audit recommendation follow up
- Messages for RIAS members from a Big 4 firm's 2013 State of the Internal Audit Profession Survey
- Auditing what matters from a national development agency perspective.

107. The Inspector-General was confirmed as co-chair of the Plenary RIAS for 2013-2014.

108. OIG further collaborated with WFP and IFAD counterparts in the evaluation of a WFP-led tender to enter into Long Term Agreements with firms to assist with audits and investigations worldwide. OIG will be able to draw on these agreements when appropriate, especially where local audit or investigation support is needed to supplement or in lieu of OIG audit or investigation missions.

109. A further edition of the annual joint session of all the staff of the audit, inspection and investigation functions of the three Rome-based agencies was also held in 2013, hosted by WFP, in order to strengthen cooperation, interaction and networking, and professional updating across the

---

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

agencies. This year's meeting was attended by over 60 staff. The one-day event included two external presentations and two breakout sessions for the audit and investigation sections to explore more in-depth items of common interest and potential for coordination.

110. In September 2013, OIG's Senior Investigator participated in the 14th Conference of International Investigators (CII) and its UN subgroup, which was hosted by the African Development Bank in Tunisia. This annual conference brings together the investigations functions of UN agencies, Multilateral Development Banks and other intergovernmental organizations, such as the European Anti-Fraud Office. The Conference was attended by more than 120 professionals from member agencies. The Senior Investigator, who is a member of the organizing secretariat for the Conference, was a speaker in a special session on Conducting Investigations in Conflict and Fragile States.

111. The Conference approved the General Principles and Guidelines for Conducting External Reviews of Investigation Offices, which was prepared by a working group comprised of representatives of different agencies, including FAO. The Conference covered several relevant topics in workshops and plenary sessions, including Rights and Obligations during Fact Finding Investigations, Investigating Harassment: Policies and Practice, Analytic Review of Whistleblowing Policies and Conduct of Retaliation Investigations in three different institutions.

## Attachment A (i)

*Categorization of Risks Covered in 2013*

			Number of risks	
Category	Sub-category	Risk Area (Function/Process/Entity)	High	Medium
Governance	Internal Control System	Administrative Procedures / Internal Control Framework	2	-
	Senior management Performance	Implementation of recommendations	1	-
Planning, Budgeting and Reporting	Planning and Budgeting	Budget Management	-	1
Financial Management	Accounting	Accounting/ Decentralized Accounting	-	4
	Financial Controls	Advances/ Disbursements by DOs/ Field Budget Authorizations	2	1
	Financial Statements Reporting	Compliance with Accounting Standards	1	-
	Treasury	Cash flow management	-	1
Human Resources	Staff Development	Training and Development	1	-
	Recruitment	Recruitment of FAORs	(2)	-
	Recruitment	Recruitment of NSHR	-	2
Procurement, Assets and Facilities management	Assets & Facilities Management	Expendable and non-expendable property of FAO and projects	1	1
	Contract Management	Contract management/ Monitoring contracts	-	4
	Procurement	Field Procurement / LOAs / Procurement process	-	6
Administrative and Other Services	Compliance with administrative policies and procedures	Compliance with administrative policies and procedures	1	-
	Other Services	Commissary/ Credit Union	-	2
	Travel Management	Duty Travel	-	2
Information Systems and Technology Management	Plan and Organise	Manage projects. (COBIT - PO10)	GRMS programme covered (part of FAO Reform)	

Knowledge Management, Communication and External Relations	Publications	Publications	(1)	-
Safety, Security and Continuation of activities	Security	Field Security	2	-
Decentralized offices management	Decentralized Offices	DOs strategy/ Administration of major contracts (travel agent, building maintenance, cleaning, mail service) / Government provided staff	3	8
Field Programme management	Project Formulation and Approval	Emergency Project Formulation and Approval/ Non-emergency Project formulation and approval/ Project Impact Sustainability	4	3
	Project management and delivery	Emergency Project management and delivery/ Non-emergency Project management and delivery	-	2
	Project monitoring	Distribution of inputs/ Project monitoring/ Project monitoring tools	5	-
Reforms	Reforms	FAO Reform (overall IPA)/ GRMS/ IPSAS	4	4
Total (note 1)			27	41

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

## Attachment A (ii)

**Office of the Inspector-General**  
**Reports Issued in 2013 Subject to Disclosure Policy**  
**Organization -wide Audit Reports**

<b>Assignment Description</b>	<b>Reports Issued</b>
Review of pool accounts management in FAO (Backcharging of support services)	AUD 0213
Review of the Technical Cooperation Programme  Note: In the interests of timely reporting, AUD 0313 was covered in OIG's 2012	AUD 0313
Review of IPSAS Implementation Progress in FAO	AUD 0513
Commissary Physical Inventory Count 2012	AUD 0613
Security over FAO's Offices, Personnel and Property (Follow-Up Review)	AUD 1713
Capping Report on Implementation of Audit Recommendations	AUD 2913
Review of the South-South Cooperation Programme Operations and Activities	AUD 3113
Infrastructure management	AUD 3213
IPSAS Implementation Progress  Note: In the interests of timely reporting, AUD 0314 is covered in OIG's 2013	AUD 0314
Review of GRMS Programme Closure  Note: In the interests of timely reporting, AUD 0414 is covered in OIG's 2013	AUD 0414

**Decentralized Activities Audit Reports**

<b>Description</b>	<b>Reports Issued</b>
<b>Thematic Reviews</b>	
Financial Management and Administration Capping Report of FAO Country Office Audits for 2012 and 2013  <i>Note: In the interests of timely reporting, AUD 0514 is covered in OIG's 2013 annual report, as the work and draft reporting was substantially completed in 2013</i>	AUD 0514

Decentralization of TCE operations and integration with development activities	AUD 0713
<b>Regional, Subregional and Liaison Offices:</b>	
Financial and Administrative Review: FAO Liaison Office Japan	AUD 1513
Limited Review of the Subregional Office for the Gulf Cooperation Council States and Yemen (SNG)	AUD 1813
<b>FAO Representations and related programmes and projects:</b>	
Comprehensive Audit: FAO Representation in Ecuador	AUD 0113
FAO Representation in the DRC - Audit of the Pooled Fund Projects	AUD 0413
Comprehensive Country Review: FAO Representation in Burundi	AUD 0813
Financial Management and Administration Audit: FAO Representation in Argentina	AUD 0913
Comprehensive Review of the FAO Representation in the Central African Republic (CAR)	AUD 1013
Comprehensive Review of the FAO Representation in Cambodia	AUD 1113
Review of critical issues affecting the set-up and direction of the FAO South Sudan Office	AUD 1213
Comprehensive Review: Fao Representation in Laos	AUD 1313
FAO Somalia Field Programme and Operations	AUD 1413
Financial Management and Administration Audit: FAO Representation in Guatemala	AUD 1913
Financial Management and Administration Audit : FAO Representation Guyana	AUD 1613
Review of Selected Operational, Financial and Administrative Processes and Related Controls: FAO South Sudan Office	AUD 2013
FAO Representation in Mozambique: Comprehensive Review	AUD 2113
Financial and Administration Audit: FAO Representation in Trinidad and Tobago	AUD 2213
Comprehensive Review: FAO Representation in South Africa	AUD 2313
Comprehensive Review: FAO Representation in Afghanistan	AUD 2413
Comprehensive Review: FAO Representation in Pakistan	AUD 2513
Comprehensive Review: FAO Representation in Sri Lanka	AUD 2613

FAO Representation in Haiti: Review of Finance and Administration	AUD 2713
Comprehensive Review: FAO Representation in Cuba	AUD 2813
Comprehensive Review: FAO Representation in Brazil	AUD 3013
Comprehensive Review: FAO Representation in Chad	AUD 3313
Comprehensive Review: FAO Representation in Indonesia	AUD 3413

**Investigations Lessons Learnt Reports**

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

## Summary of Results for Decentralized Office Audit Reports Issued in 2013<sup>3</sup>

### *Report AUD 0113 - Comprehensive Audit: FAO Representation in Ecuador*

At an aggregated level, the Representation's management of its country programme and operations was **satisfactory**; financial and administrative management practices and controls on the whole were **deficient** due to a number of control weaknesses detected, in particular in the areas of accounting, asset management, disbursements and travel, which were a legacy of administrations prior to the then new FAOR. Compliance with security standards was also **deficient**; and information technology controls were found to be **satisfactory**.

In OIG's view, the situation in the Ecuador office was illustrative of the need to ensure FAOR positions are not left effectively vacant for long, as in this case it was a main factor contributing to the irregularities. The new FAOR and staff of the Representation, with assistance from CSF, undertook considerable efforts to address irregularities identified in office and project management and improve the overall control environment of the office.

The report made 20 recommendations to improve the Representation's country operations, finance and administration management, and security and information technology practices OIG also underlined the importance of appointing a new Assistant FAOR for Administration as soon as possible. In addition, OIG identified 21 compliance issues during the audit for which it issued reminders. These recommendations and compliance issues are addressed to the FAOR and other senior staff at the Representation and, in one case, to the Regional Office. These have been agreed and actions on them initiated.

### *Report AUD 0413 - FAO Representation in the Democratic Republic of Congo (DRC) – Audit of the Pooled Fund Projects*

The audit objective was to assess the effectiveness and efficiency of the Representation's: (i) management of the Food Security cluster in DRC; (ii) selection of implementing partners; (iii) monitoring of implementing partners; and (iv) management of project implementation.

FAO has been leading the management of the Food Security cluster satisfactorily. There are nevertheless opportunities for improvement in the areas of monitoring the activities of the cluster, resource mobilization and development of standard operating procedures.

The selection of implementing partners is generally **satisfactory**, but the Representation should develop a system for monitoring Letters of Agreements (LOAs) with a view to ensuring they are implemented in a timely manner. The Representation should also ensure that changes to project objectives and activities are notified to the Pooled Fund Board for endorsement and reflected in the project's logical framework.

OIG made ten recommendations, agreed by the Representation, to improve the Representation's management of the Food Security cluster, selection and monitoring of implementing partners, and management of project implementation.

### *Report AUD 0813 - Comprehensive Country Review: FAO Representation in Burundi*

Three of the four audit areas, Country programme and Operations, Finance/Administration, and Information technology were rated **satisfactory** at an aggregated level. Compliance with security standards was assessed as **deficient**.

OIG concluded that the FAOR a.i. and the Representation have satisfactorily met their roles in assisting and supporting Burundi 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. However,

---

<sup>3</sup> These assessments reflect the overall state of FAO operations in the respective country at the time of the audit and should not necessarily be interpreted wholly as a reflection of the individual FAOR's performance.

some delays in project implementation were noted and the focus on securing sustainability could be improved. The audit made three recommendations in this regard. The Representation has agreed and is addressing these issues.

The Representation has established reasonable controls in the area of Finance/Administration that have notably improved compared to OIG's last audit. Nevertheless, a number of weaknesses and deficiencies were still identified by the audit and addressed through five recommendations and six compliance issues for which OIG issued reminders. The FAOR agreed with all recommended actions and initiated response actions before the conclusion of the audit mission.

*Report AUD 0913 - Financial Management and Administration Audit: FAO Representation in Argentina*

At an aggregated level, Finance/Administration and Information Technology were rated **Deficient**. Security was rated **Satisfactory**. Within the audit areas, OIG in particular found Management Controls, Accounting, Asset Management, Procurement, Banking & Cash, and Information Technology to be Deficient. Altogether, of the 51 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 27 controls, **Deficient** for 21 and **Seriously Deficient** for three.

The audit made 25 recommendations and identified 11 compliance issues for which it issued reminders, to address weaknesses and deficiencies identified. The then FAOR agreed with recommended actions.

*Report AUD 1013 - Comprehensive Review: FAO Representation in the Central African Republic (CAR)*

The audit was carried out prior to the dramatic deterioration of conditions in the country in early 2013. At an aggregated level, the Representation's development of its strategy and cooperation with stakeholders, as well as compliance with security and information technology standards were found to be **satisfactory**. Operations management as well as finance and administration practices were found to be **deficient** with some areas deteriorating since the prior audit.

OIG noted that the Representation had assisted the Government in developing the national strategic objectives in relation to agriculture and food security. It had been in close contact with the Government and other stakeholders, such as donors and other UN agencies, in formulating FAO's intervention strategy in the country in line with national priorities. However, management and implementation of projects needed to be improved. In particular, the Representation needed to address deficiencies in the sub-offices' review of the validity and application of eligibility criteria for selection of beneficiaries and introduce monitoring to improve management of project implementation. The report made six recommendations related to Country Programming and Operations.

The review noted weaknesses in various administrative areas including transactions recorded to incorrect accounting codes and insufficient supporting documentation for accounting adjustments; out of date asset records and lack of project input asset records at the sub-offices; absence of proper vendor list and annual procurement plan and lack of Purchase Order/LOA monitoring systems; delayed reporting of long outstanding bank reconciliation items to CSF; and the need to better ensure proper segregation of incompatible duties during the absence of the AFAOR/Administration. The review made four recommendations and identified twenty-one compliance issues to address weaknesses and deficiencies among all areas of Finance/Administration.

In addition one recommendation was made in the area of Security and two compliance were raised in the area of Information Technology.

The FAOR agreed with all recommended actions and had initiated response actions before the conclusion of the audit mission. Unfortunately since the audit, the security situation in CAR dramatically deteriorated and a fresh review of the Office's requirements will be needed once the current level 3 emergency has passed.

*Report AUD 1113 - Comprehensive Review: FAO Representation in Cambodia*

All four audit areas, Country Programme and Operations, Finance/Administration, and Information technology and Security were rated **satisfactory** at an aggregated level.

Nonetheless, FAO was facing two significant risks in Cambodia that affect efficient and effective Country programming and Operations. While the government is strongly interested in assuming project management under the national execution modality used by UNDP and other UN agencies in Cambodia, a recent review of Harmonized Cash Transfers (HACT) in Cambodia identified 11 high risks in this regard. FAO's reluctance to transfer project management under such circumstances and based on its own experience has contributed to long project implementation delays due to negotiations on this matter. In addition, the high dependency on foreign assistance poses risks to the sustainability of project benefits upon completion due to resources constraints.

In OIG's view, AFAOR/Administration training and coaching has resulted in improvements in the efficiency and effectiveness of operations of the Administrative Unit since the last audits.

The report contains 11 recommendations to improve the Representation's practices and internal controls in a number of areas. It also identified six compliance issues that required management attention, in some cases temporarily, prior to the roll-out of GRMS which provided more permanent solutions to these issues.

*Report AUD 1213 - Review of critical issues affecting the set-up and direction of the FAO South Sudan Office*

The objectives of the audit mission to the FAO South Sudan Office were to: (1) provide management with assurance that critical issues affecting the set-up and future direction of the Office are being adequately managed; and (2) assess whether operational, financial and administrative processes and related controls are sound. Report AUD1213 addresses the first audit objective, while the second was addressed in a separate report AUD 2013 issued in the 3rd Quarter. OIG noted that the Office had benefited from a strongly committed and dedicated national staff pool that has continued to work with FAO for years amidst challenging conditions and that, since 2012, TCE at headquarters has been actively strengthening the Office's complement of international staff and consultants despite South Sudan being a non-family hardship duty station. New management is risk aware and knowledgeable of the country context. Together with TCE headquarters, the new Head of Office had successfully re-engaged with donors and has been active in project development. However, OIG noted some critical issues requiring immediate corporate attention, for which it made recommendations:

- The accountability structure for risks, results and the rapid resolution of issues in the field network remained unclear and weak and were a fundamental challenge to FAO's ability to perform in South Sudan.
- There were gaps with respect to existing capacity, training, coordination among teams, and instability of the office structure persisted; these gaps threatened the ability of the Office to deliver against its growing operations and achieve country programme objectives.
- Overall, remuneration packages and employment conditions of contracted national staff under National Project Personnel contracts were not aligned to market rates and sister agency conditions.
- The Office obtained a plot on a compound of the UN Mission in the Republic of South Sudan and, in the absence of adequate infrastructure, constructed its head office on that site. Ownership of the building and related legal considerations needed to be adequately clarified.

*Report AUD 1313 - Comprehensive Review: FAO Representation in Lao PDR*

Country Programme and Operations, Finance/Administration, Security, and Information Technology were all rated **Satisfactory** at an aggregated level. However, OIG noted the need for the FAOR to take action to address shortcomings in Country Programme and Operations related to communicating with the UN community, finalizing and implementing a Country Programme Framework (CPF), and

engaging more with the donor community in order to mobilize sufficient resources for the CPF's implementation. The Representation also needed to improve controls related to Finance and Administration in the areas of Accounting, Asset Management and Disbursements. Of the 70 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 51 controls, **Deficient** for 16 and **Seriously Deficient** for three. The report contained 14 recommendations to improve the Representation's practices and internal controls in a number of areas. It also identified 14 compliance issues that required management attention, in some cases temporarily, prior to the roll-out of GRMS which would address these on a more permanent basis. The FAOR agreed and already initiated corrective action during the mission.

#### *Report AUD 1413 - FAO Somalia Field Programme and Operations*

This report, drawing on the results of OIG's coverage of FAO's corporate response to the Horn of Africa (HOA) crisis, follows on from a 2012 report on the Somalia Office's financial and administrative practices and controls. The specific objectives covered in AUD 1413 were to assess (i) whether the FAO Representation in Somalia had fulfilled its responsibilities in managing the field programme efficiently and effectively; and (ii) whether its preparedness and effectiveness in responding to the HOA drought crisis at country level were adequate. OIG has also undertaken investigations of particular issues reported on project implementation, which are reported separately.

In the period since October 2010, FAO's Somalia programme has grown rapidly, with a budget of over USD 101 million in 2013. The largest part of the field programme is made up of Cash-for-Work (CFW) activities. In 2011-12 such activities have been implemented through 16 projects valued at approximately USD 68 million, or close to 86 percent of the FAO component of the response to the UN Consolidated Appeal Process. The programme's objective has been to infuse cash into communities as quickly as possible to facilitate the speedy recovery of livelihoods.

FAO has been aware that the most significant operational risk in these activities lies in the limited direct access to beneficiaries and project sites in the South-Central region of the country, largely controlled by Al-Shabaab or other armed groups with shifting affiliations during most of the review period. This has forced the Representation to rely entirely on NGO partners to implement and report on project progress, and on money vendors to make payments on its behalf. Without direct access to the project sites, monitoring key activities, such as beneficiary selection and project work carried out by service providers, has been seriously hampered. Management of the associated risks of service provider under-performance or inappropriate beneficiary selection has required constant innovation, as improper practices of some NGO partners and unreliable progress reporting have shown weaknesses in the initially established controls, set up in the context of a UN-declared famine requiring urgent delivery of life-saving assistance to populations in the South-Central region.

OIG commended the Representation in its efforts to continually improve risk management on the Programme, noting that it had instituted such measures as: increasing due diligence checks of potential NGO partners; applying a more rigorous service provider selection process; triangulating information between community, district and village levels; and instituting independent third party verification that beneficiaries receive the stated amounts of cash or other inputs. Most recently, the use of GPS mapping to confirm works completed under the CFW programme had been introduced.

Nonetheless OIG was of the view that the particular risks in South-Central Somalia of diversion of programme funds, including diversion to Al-Shabaab and other proscribed entities, cannot be completely mitigated under the prevailing conditions in the region. FAO management has appropriately observed that, at a time when the affected populations would face humanitarian crisis without assistance, this does not and should not automatically mean withdrawal. However, it then falls on FAO and its funding partners to agree on what would be an acceptable degree of loss in its programme in Somalia, and on the appropriate responses to such losses.

The remaining 14 percent of the field programme focuses on livestock, agricultural production and marketing in the Somaliland and Puntland regions. OIG found that project design could be further strengthened through improving targeting and selection of beneficiaries. Programme management could be improved through streamlining internal arrangements for implementing projects across all

sub-sectors; systematizing monitoring and evaluation activities; and strengthening communication with stakeholders to address criticism of limited sharing of knowledge and experience.

*Report AUD 1513 - Financial and Administrative Review: FAO Liaison Office in Japan*

Finance/Administration and Information Technology were rated satisfactory at aggregate level. In general, the Office has sound finance and administrative controls; however the Director should improve those related to procurement and disbursement activities.

Altogether, of the 46 individual criteria tested in this audit, OIG found the Representation to be **satisfactory** for 40 controls and **deficient** for six.

The audit made three recommendations and identified seven compliance issues to address weaknesses and deficiencies in Finance/Administration and one recommendation relating to IT backup. The Director agreed with the recommendations and had already initiated corrective action at the time the report was issued.

*Report AUD 1613 - Financial Management and Administration Audit: FAO Representation in Guyana*

Finance/Administration and Security were generally rated **Satisfactory** at an aggregate level. Information Technology was rated **Deficient**. With regard to Finance/Administration, improvement was required in all areas but particularly accounting, procurement, and banking/cash controls.

The audit made 14 recommendations and raised 11 compliance issues. The FAOR agreed with recommended actions.

*Report AUD 1813 - Limited Review of the FAO Sub-regional Office (SRO) for the Gulf Cooperation Council States and Yemen (SNG)*

The audit focused on two areas: (i) the technical supervision role of SNG and its compliance with the conditions of the agreement signed with the government; and (ii) the financial and administrative practices and controls in place.

Following its inception in 2011, SNG took approximately two years to complete the recruitment of the Multi-Disciplinary Team (MDT), and to initiate its engagement in a number of technical supervisory activities within the subregion. Compensating adjustments were made by the Government to the supporting project timetable. However, SNG's role in the subregion has not yet been fully determined, and it does not have status as an SRO, as per Administrative Manual Section 117.

The agreement establishing SNG envisages affiliation of seven Emirati junior technical officers with SNG's MDT in order to build their capacity but difficulty in finding candidates has presented constraints to FAO meeting this goal scenario.

Generally, SNG has a satisfactory financial and administrative control environment and adequate controls in its disbursement procedures to ensure compliance with FAO's financial rules and procedures.

OIG made five recommendations to improve the effectiveness and efficiency of SNG's technical supervision role and compliance with the conditions of the agreement establishing SNG as well as financial and administrative controls.

*Report AUD 1913 - Financial Management and Administration Audit: FAO Representation in Guatemala*

The area of Finance/Administration was rated **Deficient**. OIG found weaknesses in particular in the areas of Management Controls, Accounting, Asset Management, Banking and Cash, Disbursements, and Travel. Security and Information Technology (IT) were rated **Satisfactory** at an aggregate level. Altogether, of the 51 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 24 controls, **Deficient** for 21 and **Seriously Deficient** for six.

OIG made 21 recommendations and raised 13 compliance issues to address identified weaknesses and deficiencies. The FAOR agreed with recommended actions.

*Report AUD 2013 - Review of Selected Operational, Financial and Administrative Processes and Related Controls: FAO South Sudan Office*

OIG noted that finance, administration and operations areas reviewed were not working smoothly and threatened the ability of FAO South Sudan to achieve its objectives, and rated as **seriously deficient**. OIG's review identified particular weaknesses in the areas of planning and monitoring of resource needs, logistics, asset control, human resources and accounting for project expenses.

Altogether, of the 35 individual criteria tested in the Finance and Administration component of the audit, OIG found the Office to be **satisfactory** for 14 criteria, **deficient** for 12 and **seriously deficient** for nine.

OIG made 24 recommendations and raised 19 compliance issues to address identified weaknesses and deficiencies. The new Head of Office agreed with all recommended actions and initiated response actions on many of them before the conclusion of the audit mission to turn around the state of the Office.

*Report AUD 2113 - FAO Representation in Mozambique Comprehensive Review*

Three audit areas: Country Programme, Security and Information Technology were rated as **Satisfactory** at an aggregate level, while two audit areas: Operations and Finance/Administration were rated **Deficient**.

OIG noted that the Representation actively engages all stakeholders, namely UN, donors and the government, on strategy development and operations. However, past coordination between the local Emergency Unit and the FAOR did not operate efficiently or effectively. This situation contributed to several operational weaknesses which, in one project, were the subject of an in-depth OIG inspection. The Emergency Unit operations have now been fully integrated into the Representation.

With regards to Finance/Administration, OIG found that the areas of Accounting and Non-Staff Human Resources were seriously deficient, and those relating to Management Controls, Assets, Procurement and Letters of Agreement, Disbursements and Travel were deficient.

Altogether, out of the 85 individual criteria tested during this audit, OIG found the Representation to be Satisfactory for 36 controls, Deficient for 40 controls and Seriously Deficient for nine controls. The audit made 30 recommendations and raised 23 compliance issues to address the weaknesses and deficiencies identified. The FAOR agreed with recommended actions.

*Report AUD 2213 - Financial Management and Administration Audit: FAO Representation in Trinidad and Tobago*

Finance and Administration as well as Information Technology were rated Deficient. Security was rated **Satisfactory**. Within the Finance and Administrative audit areas, OIG found Management Controls, Accounting, Assets, Procurement and LOAs, and Disbursements to be **Deficient**.

Altogether, of the 50 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 27 controls, **Deficient** for 20 and **Seriously Deficient** for three. The audit made 17 recommendations and raised 13 compliance issues to address the weaknesses and deficiencies identified. It also reopened one prior audit recommendation.

*Report AUD 2313 - Comprehensive Review: FAO Representation in South Africa*

Country Programme and Operations and Finance/Administration were rated **Deficient** while Information Technology was rated **Satisfactory**. Within these audit areas, OIG found controls to be satisfactory in Strategy Development and Cooperation, Banking and Cash Management. While controls in Operations, Management Control, Accounting, Asset management, HR management, and Procurement were considered **deficient**, in some cases, these areas had improved from the last audit

where they had been rated seriously deficient. However controls over Disbursements were found to be **seriously deficient**.

Altogether, of the 71 individual criteria tested in this audit, OIG found the Representation's internal controls to be **Satisfactory** for 33 criteria, **Deficient** for 24 and **Seriously Deficient** for 14. The audit made 25 recommendations and identified 17 compliance issues to improve the weaknesses identified.

*Report AUD 2413 - Comprehensive Review: FAO Representation in Afghanistan*

The audit areas of Advocacy, Programming and Operations, Finance and Administration, and Information Technology were rated **Satisfactory** at an aggregate level. Security was assessed as **Deficient** because of current gaps in compliance with security requirements and insufficient recognition of security risks in project planning.

The Representation actively engages government and donor stakeholders in strategy development and operations. There are also further opportunities to work with civil society groups through the Food Security and Agriculture cluster. The Country Programming Framework (CPF) is in place and a draft resource mobilization strategy is ready. However, the government has not yet convened the Joint CPF Steering Committee to oversee its implementation.

The field programme in Afghanistan is among the largest for FAO in the region, with a mix of UTF and trust fund projects. Despite high expenditure rates, four of the five projects selected for review were significantly behind schedule, largely because known problems were not addressed in the planning phase. Integration of emergency operations into the Representation is underway, which will improve operational efficiency, but additional work was needed to identify and coordinate responsibilities among the units. The Representation had a reasonable control environment. The audit noted strained working relationships among staff and between units, which may be resolved when reorganization of the Representation is completed. Several deficient practices in the areas of Accounting, Banking and Cash, and Disbursements will be resolved with the introduction of GRMS. Asset management and accounting required attention.

Of the 79 controls tested in this audit, OIG found the Representation to be **Satisfactory** for 57 controls, **Deficient** for 21 and **Seriously Deficient** for one. The audit made 13 recommendations and identified five compliance issues to address the weaknesses identified.

*Report AUD 2513 - Comprehensive Review: FAO Representation in Pakistan*

Three of the four audit areas, Programme and Operations, Finance and Administration, and Information Technology, were rated **Satisfactory** at an aggregate level. The audit area for Security was assessed as **Deficient**.

The then FAOR had established a broad network of contacts among government counterparts and resource partners. In 2012, he created a FAO Alumni Associations Network (AAN) in Pakistan as a network to facilitate communication and learning among government, farmers, and other stakeholders with food interests. This network and other email networks increased FAO's visibility as a partner and facilitator in food security. The Representation actively engaged with UN, donor and government stakeholders on strategy development and operations. The stakeholders complimented the FAOR's efforts to engage them in discussions of national priorities and opportunities for FAO to provide assistance.

The FAOR received regular updates on the status of the field programme through monthly reports and frequent meetings with programme and administrative staff. Integration of the emergency programme with the Representation was underway, accompanied by reorganization of the office. Overall, the selected projects were well-managed and address national priorities. However, identifying and mitigating known risks to implementation, such as recruiting periods and security conditions, during the risk assessment process in the project planning stage could assist projects to better complete their objectives on schedule and within budget. Technical backstopping support was inconsistent.

The Representation maintained reasonable and satisfactory controls for the overall management environment, procurement, banking and cash handling, and travel. Asset management required

particular attention, accuracy of financial records needed to be improved to show correct charge accounts, and performance appraisals prepared, among other issues identified.

Of the 82 controls tested in this audit, OIG found the Representation to be **Satisfactory** for 63 controls, **Deficient** for 19 controls.

The report made 13 recommendations for action by the FAOR. It also identified eight compliance issues where more attention is needed to comply with established procedures.

*Report AUD 2613 - Comprehensive Review: FAO Representation in Sri Lanka*

All four audit areas, Advocacy, Programming and Operations, Finance and Administration, Security as well as Information Technology were rated **Satisfactory** at an aggregate level.

The then FAOR had been proactive in representing FAO interests and exchanging information, and had good working relationships with stakeholders. The Representation developed its first CPF and received government endorsement. However, the implementation of the CPF strategy was exposed to increased risks by incorporating programmes of government institutions without sufficiently involving other key stakeholders, such as civil society and the donor community.

Implementation of the field programme was largely successful, with close FAOR oversight. Full integration of emergency and developmental operations, accompanied by office restructuring and clearer staff roles and responsibilities, were expected to improve efficiency and effectiveness. OIG encouraged additional attention to anticipating risks during project planning and addressing delays to improve timely project implementation. Risk areas identified included: beneficiary and implementing partner selection; distribution of inputs; high volume and complex procurement activities; technical support and guidance; and an understaffed monitoring and evaluation function.

In the area of Finance and Administration, the Representation needed to improve management of assets and inventory to ensure that records are complete and accurate, and assets are safeguarded and used for intended purposes by eligible users. The high volume and complexity of procurement also deserved attention in the form of improved segregation of duties, procurement planning and set up of the contract management function. The use of Letters of Agreement (LOAs) or contracts needed to be carefully reviewed to ensure that adequate contractual instruments are utilized in order to protect FAO's interests.

Altogether, of the 78 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 44 controls, **Deficient** for 31, and **Seriously Deficient** for three.

The audit made 25 recommendations and raised 15 compliance issues to address the weaknesses and deficiencies identified. The outgoing and incoming FAORs agreed with the recommended actions.

*Report AUD 2713 - Financial Management and Administration Audit: FAO Representation in Haiti*

All three audit areas, Finance and Administration, Security as well as Information Technology were rated **Deficient**. Within Finance and Administration, the two sections Banking and Cash, and Travel, were rated Satisfactory; six others, Management Controls, Procurement and Letters of Agreement, Disbursements, Non-Staff Human Resources, Security and Information Technology were rated **Deficient**, while the remaining two, Accounting and Assets, were rated **Seriously Deficient**.

The Representation suffered from systemic challenges applicable to Haitian operations which include the prevailing contracting economic environment, the lack of suitably qualified personnel for extended periods (Administrative and Procurement Officers), and the lack of an evaluation of staffing requirements to highlight priority activities in line with limited financial resources and the frequent staff turnover.

Overall, of the 66 individual criterion tested during this audit, OIG found the Representation to be **Satisfactory** for 27 controls, **Deficient** for 29 and **Seriously Deficient** for nine. One criterion was not applicable to the work carried out.

The audit identified 25 recommendations and 11 compliance issues to address the weaknesses and deficiencies identified.

*Report AUD 2813 - Comprehensive Review: FAO Representation in Cuba*

The overall assessment of the Representation was **Deficient** with respect to strategy, programme and operations and **Satisfactory** for finance and administration management, security and IT controls.

Deficiencies noted related to the relevance of operations vis-à-vis the Representation's priorities, delays in project implementation, selection of beneficiaries and control over distribution of project inputs.

Regarding finance and administration, the audit identified control deficiencies in the areas of assets, and banking and cash.

Altogether, of the 66 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 49 controls, **Deficient** for 14, and **Seriously Deficient** for three. The audit identified 4 recommendations and 9 compliance issues to address the weaknesses and deficiencies identified.

*Report AUD 3013 - Comprehensive Review: FAO Representation in Brazil*

All four audit areas, Advocacy, Programming and Operations, Finance and Administration, Security as well as Information Technology were rated **Satisfactory** at an aggregate level.

OIG considered that the FAOR and the Representation had assisted and supported Brazil according to FAO's mandate. Nevertheless, the audit noted that realignment of the Representation would better serve the new needs created by Brazil's evolution as a donor as well as programme country, national executor of some of the projects, and a leader in South-South Cooperation.

Management and implementation of country-level projects were generally satisfactory. However, the Representation needed to handle delays in project implementation promptly.

Financial and Administrative Management Practices and Controls were also rated overall as Satisfactory but some weaknesses were identified, in particular in the areas of Management Controls, Assets and Disbursements.

Altogether, of the 69 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 53 controls, **Deficient** for 15 and **Seriously Deficient** for one. The audit made 12 recommendations and raised eight compliance issues to address weaknesses and deficiencies identified.

*Report AUD 3313 - Comprehensive Review: FAO Representation in Chad*

The Representation's management of its country programme, programme operations, and compliance with security and information technology standards were found to be **satisfactory**. However, financial and administrative management practices and controls were found to be **deficient**.

The Representation has been in close contact with the government and other stakeholders, such as donors and UN agencies, in formulating FAO's intervention strategy in the country. It assisted the government to develop the national strategic objectives in relation to agriculture and food security. Management and implementation of projects was generally satisfactory. The FAOR received regular updates on the status of the field programme, was aware of issues affecting timely project implementation and proactively addressed problems encountered. Overall implementation of the four projects selected for detailed review was on schedule. However, the Representation needed to review the validity and application of eligibility criteria for selection of beneficiaries by service providers and introduce a system for independent review of distribution of inputs to beneficiaries by the service providers. It also needed to ensure prior endorsement of project amendments by donors.

In the area of Finance and Administration OIG found Accounting and Assets to be particularly weak. Management Controls and Procurement and LOAs also required increased attention.

Altogether, of the 77 individual criteria tested in this audit, OIG found the Representation to be **Satisfactory** for 57 controls, **Deficient** for 11 and **Seriously Deficient** for nine. The review made

eleven recommendations and identified twelve compliance issues to address weaknesses and deficiencies. These have been accepted by the FAOR.

*Report AUD 3413 - Comprehensive Review: FAO Representation in Indonesia*

All four audit areas, Advocacy, Programming and Operations, Finance and Administration, Security as well as Information Technology were rated **Satisfactory** at an aggregate level. However for Advocacy, Programming and Operations there are important individual weaknesses that the FAOR needs to address:

- The Representation's current approach to liaison and advocacy was inadequate for the new operating environment in Indonesia, in which the government displays strong confidence in managing development and resource partners are scaling down assistance to the country or shifting to new priorities. The FAOR has taken initial steps to resolve concerns in this regard.
- The UN thematic working group structure and the food security cluster system were not well developed, with FAO playing only a limited leadership role.
- Additional steps needed to be taken to advance implementation of the NMTPF for Indonesia, and begin resource mobilization.

In addition, weak project formulation, inadequate procurement practices and discrepancies between planned and actual technical support services contributed to problems for the three projects selected for in-depth review.

In Finance and Administration, the Representation has appropriate controls in place to manage its bank accounts and cash handling, disbursements, human resources function, and travel. There are, however, a number of deficient and seriously deficient controls and practices in the areas of management controls, accounting, assets, and procurement and Letters of Agreement.

On the individual controls tested, OIG found the Representation to be **Satisfactory** for 54, **Deficient** for 22 and **Seriously Deficient** for five.

The review made eleven recommendations and identified twelve compliance issues to address weaknesses and deficiencies. The FAOR has accepted them and begun implementation.

## Attachment A (iv)

## Summary of Long Outstanding High Risk Recommendations

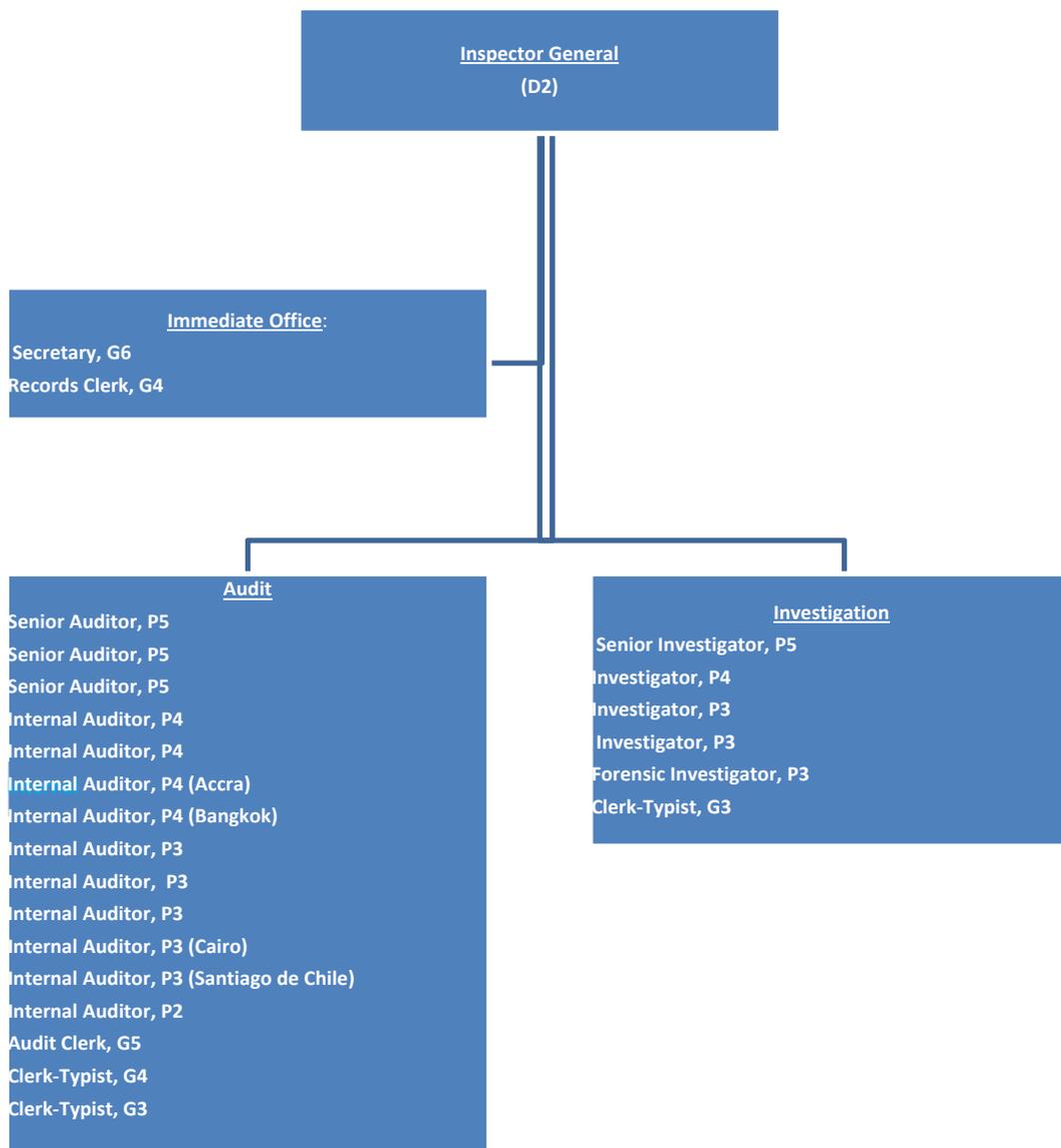
Recommendation Title	Recommendation	Updated Status
AUD1409 Disciplinary Procedures Analysis - Consistency of Decisions and Procedures - Rec 13	AFH (redirected to LEG) should update MS 330 and MS 303 with a definition of gross negligence and recklessness	<p>In progress</p> <p>Preliminary work on initial draft Administrative Circular are underway. Draft Administrative Circular is expected to be circulated by LEGA for internal comment in the first semester of 2014.</p>
AUD2109 Security over FAO's Offices, Personnel and Property - Rec 10	<p>UNDSS identified 15 action points in Annex 4 that FAO needs to implement to bring its performance as Designated Officer for Italy up to the required standards. The HQ Security Unit (redirected to DDOS) should prepare a prioritized, costed action plan to implement these action points. The action plan should contain clear milestones so that progress can be monitored by management and the inter-agency security committees, and that action can be completed within as short a timescale as possible, preferably within 12 months. Particular consideration should also be lent to contracting external expert assistance.</p>	<p>Pending</p>
AUD2109 Security over FAO's Offices, Personnel and Property - Rec 21	<p>Within the global FAO security risk assessment (recommendation 9), AFDU (redirected to CSDU) should specifically identify, assess and prioritize the risks associated with the wide range of uses for which the building is utilized, and propose to management appropriate remedial measures to mitigate and manage these risks.</p>	<p>In progress</p> <p>A general plan for a gradual limitation of access to sensitive areas in FAO by expanding the use of access control systems, was prepared including technical feasibility and funding was granted. Final cost estimates are underway.</p> <p>Update of the access control system underway with CIO in order to introduce differentiated levels of access for each group of users, and per building area as necessary and as per security risk assessment. Risk assessment was partially conducted on certain areas to introduce ad hoc security measures for those areas : E.g. ODG area, Access to Commissary (new Administrative Circular</p>

		was presented to LEG), new SOPs procedures for money conveyors and alarms of commercial services in FAO, new Key Management policy (draft presented to Staff Representative Bodies for consultation), ongoing security assessment for the new Childcare structure.
AUD2109 Security over FAO's Offices, Personnel and Property - Rec 29	The Field Security Unit (now DDOS) should establish realistic targets for improvements in security arrangements in the field, specify the priorities it will apply, and highlight the implications, as regards offices or issues that will receive less attention.	In progress Recommendation has been included in the Field Security Action Plan 2014 approved by DDG-O. Its full implementation is still ongoing.
AUD2811 Financial Management and Administration Audits Capping Report - Rec 2	The DDG (Operations) should ensure that the Regional Representatives and OSD work together to review the administrative resources required to enable Country Offices to implement their activities. There should be a clear linkage between the size of administrative teams and their workload.	In progress The action plan for addressing this recommendation must be framed in the recognition that the only source of funds for supporting administrative work, at the country level, will be from the existing RP allotment and AOS. No new resources will be available, except those generated by projects. Having said that, and building on the recent/ongoing evaluations of the Decentralized Offices, DDG-O will work with OSP/OSD and other units to ensure: (i) increased transparency, to ensure that DO managers are aware of present and future AOS flows; (ii) improved timeliness of AOS to DOs; and (iii) review of the levels received by DOs. DDG-O will require respective units to establish targets for 2014/2015 and will monitor progress towards these targets.
AUD3410 Business Continuity Management - Rec 1	The DDG-O should establish and begin implementing an organization-wide Business Continuity Management framework, which takes into account the guidance included in this report as well as other good practices.	In progress In the period August-December 2013 a full revision of existing FAO policies and arrangements in the field of business continuity, critical incident management and risk management was conducted by CS with the assistance of the Chief, UN Business Continuity Management Unit. As a result of this, a set of initiatives will be implemented in order to build a strong Organizational Resilience Management System in FAO both at

		headquarters and in the field. An important aspect of this initiative is the focus on seeking synergies with the other Rome-based UN Agencies in the area of business continuity.
AUD3411 IT Security - Rec 3	A comprehensive It security risk assessment should be carried out. Such an exercise would assist in identifying critical information assets, threats to these assets and existing controls, or lack thereof, which would allow risks to materialize. Results of the risk assessment would assist in developing the information security roadmap for the future.	In progress After discussions with CIO it was agreed to maintain the recommendation as ongoing, given that a risk assessment has not yet been completed. The actual implementation is on hold until CIO hires a new Chief Information Security Officer to replace the previous incumbent, who resigned in 2013.
AUD3411 IT Security - Rec 19	Security configuration guidelines should be developed for all network components. This would ensure that changes made to these components do not increase the security risk, as has been noted in the previous observation.	In progress Guidelines in Security framework have been published in Intranet. Servers and WSs configuration have been compared with CIS benchmarks. Work on guidelines for network devices and consideration for NIST NCP checklist will be conducted in 2014 upon the appointment of the new Chief Information Security Officer.

**Office of the Inspector-General**  
**Organization Chart**

December 2013 (reflecting posts under Adjusted 2014-2015 PWB)



## Attachment B(ii)

## Office of the Inspector-General

## Staffing table as at December 2013

	Grade	Male	Female	Vacant	Total
Inspector-General	D2	1			1
Auditors					13
Senior Auditor	P5	1	1	1	
Regional Auditor	P4	1		1	
Regional Auditor	P3	1	1		
Auditor	P4	1	1		
Auditor	P3	2	1		
Auditor	P2		1		
Investigators					5
Senior Investigator	P5	1			
Investigator	P4			1	
Investigator	P3	1	1	1	
		9	6	4	19
Audit Clerk	G5		1		1
Secretarial and Administrative Support					5
Secretary	G6		1		
Clerk/Typist	G4		1		
Records Clerk	G4	1			
Clerk/Typist	G3	1	1		
		11	10	4	25

The following countries are represented in the above:

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

## Attachment C

**LIST OF ACRONYMS USED**

ADG/RR – Assistant Director-General, Regional Representative  
CII - Conference of International Investigators  
CIO – Information Technology Division  
CPFs - Country Programme Frameworks  
CPA - Conference, Council and Protocol Affairs Division  
CS – Corporate Services, Human Resources and Finance Department  
CSA – Administrative Services Division  
CSAI - Infrastructure and Facilities Management Service  
CSAP – Procurement service  
CSDU - Security Service  
CSF – Finance Division  
DDG –O – Deputy Director-General, Operations  
DDOS - Field Security Service  
DO – Decentralized Office  
ERM – Enterprise Risk Management  
ERP - Enterprise Resource Planning system  
EUFF – EU Food Facility  
FAOR – FAO Representative  
GRMS – Global Resource Management System  
HR - Human Resources  
IFAD - International Fund for Agricultural Development  
IIA – Institute of Internal Auditors  
IPA – Immediate Plan of Action  
IPO - International Procurement Officer  
IPSAS - International Public Sector Accounting Standards  
JIU – Joint Inspection Unit of the UN  
LEG – Legal Office  
LOA – Letter of Agreement  
NGO - Non-governmental Organization  
ODG - Office of the Director-General  
OED – Office of Evaluation  
OHR - Office of Human Resources  
OIG – Office of the Inspector-General  
OIG-AUD - OIG Audit activities unit  
OIG/INV - OIG Investigation unit

---

OSD – Office of Support to Decentralization  
OSP – Office of Strategy, Planning and Resources Management  
PEMS – Performance Evaluation Management System  
PWB – Programme of Work and Budget  
RBAP – Risk-based audit plan  
RBM – Results-based management  
REU – Regional Office for Europe and Central Asia  
SRC – Subregional Coordinator  
SRO – Subregional Officer  
SSC – Shared Services Centre (Budapest)  
SSCP - South-South Cooperation Programme  
TCE - Emergency and Rehabilitation Division  
TSS - Technical Backstopping Support Service  
UNDP - United Nations Development Programme  
UNDSS - United Nations Department of Safety and Security  
UNEP - United Nations Environment Programme  
UN-REDD - United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries  
UN-RIAS – UN Representatives of Internal Audit Services