



منظمة الأغذية  
والزراعة  
للأمم المتحدة

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

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## FINANCE COMMITTEE

### Hundred-and-thirteenth Session

Rome, 8 -12 May 2006

### 2005 Annual Activity Report of the Office of the Inspector General

Attached for the information of the Members of the Finance Committee is the 2005 Annual Activity Report of the Office of the Inspector General.

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Most FAO meeting documents are available on Internet at [www.fao.org](http://www.fao.org)

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## Office of the Inspector General

### Annual Activity Report

2005

#### Highlights

Highlights of the work and achievements of the Office of the Inspector General (the Office) during 2005 include the following:

- During the year, the Office issued 429 recommendations as a result of 58 internal audits and investigations conducted worldwide covering a wide range of areas. Recommendations were made to improve aspects of financial management, budgeting and procurement, establish and enhance certain policies and guidelines in the human resources, IT and security areas, improve accountability, and strengthen and enforce internal controls. More than half of the 2005 recommendations have been implemented and 22% are in progress.
- The Office also contributed to the overall process of management control by (i) providing senior management and the functions and programmes audited with analyses, counsel and information on the activities reviewed and (ii) participating in a number of important committees.
- AUD provides secretariat functions to the Audit Committee, which advises the Director-General and the Inspector General on audit planning, operations and reporting as well as other important substantive and technical areas.
- During 2005, the Office continued to act as the Organization's focal point for liaison with the Independent Inquiry Committee (IIC) for the Oil-for-Food Programme, established by the UN Secretary General. The IIC's report on the agencies was published in September 2005, and while it reported deficiencies related to FAO's management of the projects, such deficiencies came as no surprise and have generally already been addressed, having been reported in previous external and internal audit reports. No allegations of misconduct by FAO staff were made. While FAO emerged as the agency with the most internal audit activity on the Oil-for-Food Programme, having issued 50% of the 66 reports produced by all the UN Organizations in Iraq, recommendations related to audit and investigations are being taken up in liaison with ODG and the Audit Committee.
- The United Nations Development Group-Iraq Trust Fund (UNDG-ITF) was an important emerging issue in 2005, and the Office fielded a risk assessment and preliminary audit mission to Amman.
- The Office fielded missions to Indonesia, Sri Lanka and the Maldives to assess overall management of FAO's tsunami projects and identify areas for future audit attention, and furthermore reviewed the adequacy of financial and administrative controls over tsunami operations at headquarters.
- The Office dedicated an auditor to the Desert Locust programme for three months of the year, and covered major procurement and pesticide storage conditions.

- The National Special Programme for Food Security in Nigeria is a complex \$68 million programme, implemented jointly by FAO and the Federal Government of Nigeria. Internal audits of the programme carried out in 2005 revealed weaknesses in internal controls, which are being addressed by a committee of senior managers.

**Office of the Inspector General**  
**Annual Activity Report**  
**2005**

**I. Introduction**

**A. GENERAL**

1. This is the tenth annual activity report of the Office of the Inspector General (the Office). The first was developed in 1995 and was intended to provide the Director-General with a summary of the work carried out by the Office. Since 1996, the Director-General has made the annual reports available to the Finance Committee to enable its members to review the nature of the work carried out by the Office. This practice has since become a standing item on the agenda of the May sessions. The report is provided to the Secretary of the Committee for translation and distribution at the same time as it is presented to the Director-General. Since the establishment of the FAO Audit Committee in 2003, the report is also made available to Committee members at its first meeting of the year.
2. The annual report has generated discussion in the FAO Audit Committee and the Finance Committee. Both Committees have made certain suggestions for improvement in the presentation, which the Office has accommodated wherever feasible.

**B. MANDATE AND MISSION**

3. The Office has responsibility for internal audit and inspection, which includes monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal controls, enterprise risk management, financial management and use of assets. The Office is also responsible for investigating misconduct and fraud.
4. Together with the unit dealing with evaluation, PBEE, the Office provides comprehensive internal oversight coverage of the Organization. The External Auditor, with whom the Office cooperates, provides complementary external oversight.
5. The Office provides the Director-General and the functions and programmes audited with analyses, recommendations, counsel and information concerning the activities reviewed. In addition, it places emphasis on identifying possible means of improving the efficiency and economy of operations and the effective use of resources while promoting control at reasonable cost.

**C. STAFFING AND BUDGET**

6. Attachment D to this report depicts the Office's staffing situation, with some demographic information, as at 31 December 2005. In 2005, the Office's senior staff was complemented by the arrival of two new P-5 Senior Auditors, and the regional audit posts in Cairo and Santiago were filled. However, the new regional auditor in Cairo, appointed after the post had been vacant for nearly two years, is unfortunately now under separation, and the post is being re-advertised. Two P-2 posts in headquarters are now vacant, after a resignation in 2005. One submission has been made to the Professional Staff Selection Committee, and one selection process is under way in the Office. One G-6 secretary retired in 2005. The Office is seeking secretarial staff, and a submission has been made to the General Service Staff Selection Committee.

7. The Office hopes that it will soon approach full strength with a well-balanced team of highly-qualified and experienced staff both at the professional and general service levels. However, 2005 was another difficult year with significant staff vacancies and unexpected delays in filling posts. Nonetheless, the Office compensated with the use of the partnership programme, short-term consultancies and work realignments.

8. The final 2005 allotment totalled US\$ 2.6 million, compared with \$ 2.5 million for 2004. The Office operated within its allotment and ended the year with a small surplus, due mainly to savings from vacant posts, offset by the cost of consultants and travel expenditure.

#### **D. AUDIT RECOMMENDATIONS AND RESOLUTION**

9. In 2005 the Office issued 58 reports containing 429 recommendations (2004 – 60 reports with 312 recommendations) to improve efficiency and effectiveness, enhance internal controls and raise fraud awareness.

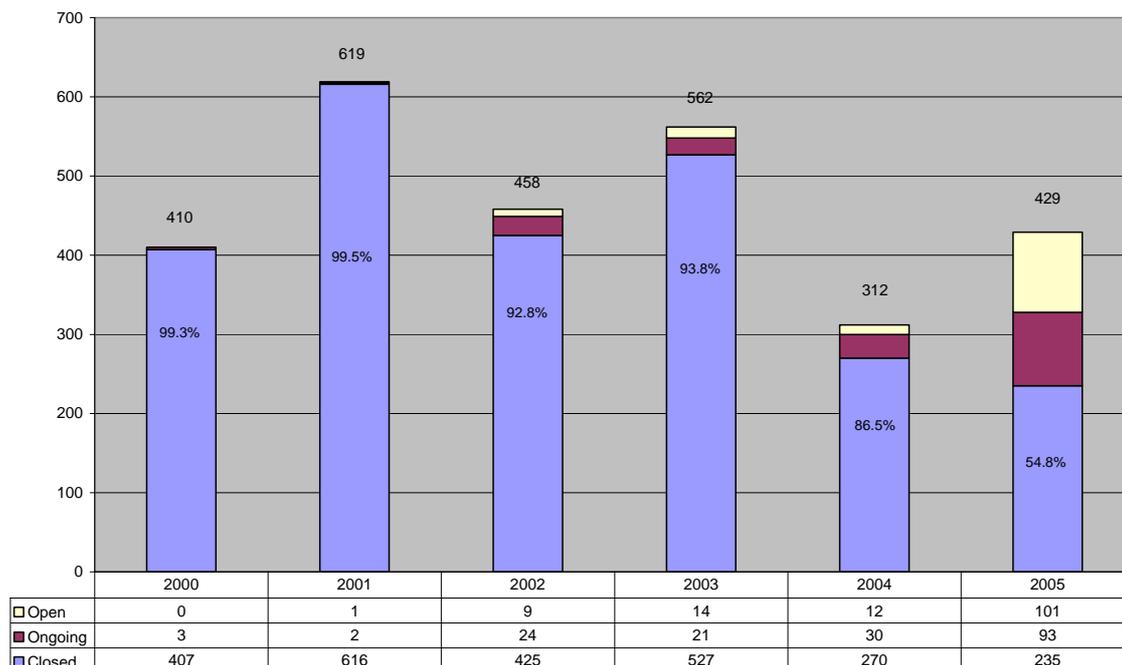
10. Attachment B lists the 2005 reports by organizational group. Statistics on implementation status of recommendations are presented in Attachment C (i), while Attachment C (ii) presents 2005 recommendations statistics by process, and C (iii) lists internal audit reports on which corrective action has not been completed.

11. The matter of audit resolution is taken very seriously at FAO. The FAO Audit Committee systematically reviews the implementation status of recommendations and has made suggestions to increase implementation rates and to take action in specific cases of non- or delayed implementation. The Office follows up on the status of recommendations regularly, both at the prescribed time after the issue of each report, and, subsequently, twice a year, through departmental audit focal points which facilitate management response.

12. Furthermore, the Directeur de Cabinet follows up on the most important audit recommendations. He accomplishes this task by informing individual programme managers of the Director-General's instructions relating to implementation, setting specific dates for information on action taken or to be taken, and following up when necessary.

13. Enhanced follow-up in 2005, combined with enhanced awareness in-house of the importance of implementing internal audit recommendations, has resulted in improved implementation rates. At 31 December 2005, 55% of the recommendations made in 2005 had already been closed, as compared to 48% of the 2004 recommendations at the end of 2004. A similar improvement is seen for older recommendations. For example, by 31 December 2005, 87% of 2004's recommendations had been closed, while only 83% of the 2003 recommendations had been closed by the end of 2004. Attachment C to this report gives further information on the status of recommendations.

Status of implementation of all recommendations issued by the Office of the Inspector General  
from 2000 to 2005, as at 31 December 2005



## II. Matters of Special Importance

14. This section highlights key matters arising from the work of the Office, or impacting on its work.

### A. FAO AUDIT COMMITTEE

15. The FAO Audit Committee, established in April 2003, met four times in 2005. The Committee provided advice to the Director-General and the Inspector General on planning, performance and reporting on the work of the Office. The External Auditor attended two meetings in 2005, in April and December, and reported to the Committee on the status of implementation of External Audit recommendations. The Director-General attended one meeting, where he expressed his support and commitment to the Office and the Audit Committee.

16. The Committee continued to address the rate of implementation of internal audit recommendations and suggested ways to improve audit resolution. Furthermore, the Committee closely followed the Office's progress throughout the year with respect to the initial plan, and noted the high number of special requests from management and others, and resulting changes in priorities.

17. The FAO Audit Committee is informed of all internal audit reports issued and chooses some of these reports for review. In particular, in 2005 the Committee concluded its follow-up on Letters of Agreement and Disaster Recovery, noting that these areas are planned for follow-up audits in the next biennium. It also reviewed the recommendations in the report of the Independent Inquiry Committee into the Oil-for-Food Programme and the Outcome Document of the World Summit, and provided advice as to how FAO could implement relevant improvements.

## **B. DISCRETIONARY REPORTS**

18. The Charter for the Office of the Inspector General, included in the Administrative Manual of the Organization, provides an opportunity, at the discretion of the Inspector General, to submit any specific report to the Finance Committee where the Inspector General deems that senior management has failed to deal appropriately with any issues raised. Again this year no such situation prevailed.

## **C. INDEPENDENT INQUIRY COMMITTEE INTO THE OIL-FOR-FOOD PROGRAMME (IIC)**

19. The UN Secretary General established a special Independent Inquiry Committee, under the chairmanship of Mr. Paul A. Volcker, to conduct an investigation into allegations of misconduct by UN staff as well as the UN's administration of the Oil-for-Food Programme.

20. Since July 2004, the IIC has requested FAO to provide details of documents and information relating to the Oil-for-Food programme. In consultation with TC and AF, the Office made available to the IIC all requested documentation and information. The IIC visited FAO for the second and third time in 2005, and issued its reports on the agencies in September 2005. The report described FAO's role in Iraq under the Oil-for-Food Programme, and made observations and recommendations on operational matters, support costs and oversight. FAO emerged as the agency with the most internal audit activity on the Oil-for-Food Programme, having issued 33 of the 66 reports produced by all the UN Organizations in Iraq. While the substantive recommendations on oversight are mainly addressed to the UN and not to the agencies, FAO can expect to see increased collaboration and liaison within the UN family as a direct result of this report, and the Office is actively working on internal enhancements to oversight in liaison with the Audit Committee and the Director-General.

21. Specifically, certain initiatives such as establishing an internet site, improving dissemination of the message on internal controls and ethics, potentially incorporating a clause in contracts for cooperation with the Office, and improving whistle-blower policy and receipt of allegations are currently being developed.

## **D. "OUTCOME DOCUMENT" OF THE 2005 WORLD SUMMIT**

22. The 2005 World Summit, held in New York in September 2005, resulted in an "Outcome Document" which has certain implications for oversight in the UN. The document notes the need to improve UN oversight and management processes, and makes concrete proposals to this end. In liaison with the Audit Committee and the Director General, the Office is taking steps to ensure that FAO's internal oversight policies and procedures appropriately reflect the recommendations of the Outcome Document.

## **E. DESERT LOCUST PROGRAMME**

23. The audit requirements relating to the Emergency Desert Locust Programme represented a significant issue in 2005. Following the Director-General's approval, the Office engaged an auditor from 4 January 2005 for a three-month assignment in Rome to review the programme. In the meantime, the Office provided support by attending the periodic ADG meetings on the Locust Campaign, ensuring immediate action on AFSP's requests for tender openings and responding quickly to requests for advice or review. The Office issued two reports on the programme: (i) a review of major procurement, concluding that the procurement process was generally carried out in an efficient manner, resulting in delivery of goods and services in accordance with needs and contract specifications, and making recommendations for improved planning, streamlining and documentation of procedures, and inspection of products, which have largely been implemented; and (ii) a review of pesticide storage conditions in two recipient countries, concluding that while in general pesticides are being stored in adequate conditions, and records of pesticide stores are

generally sufficient, improvements can nevertheless be made. Recommendations in this respect have all been implemented.

#### **F. SPECIAL PROGRAMME FOR FOOD SECURITY IN NIGERIA**

24. The National Special Programme for Food Security in Nigeria is a complex \$ 68 million programme, implemented jointly by FAO and the Federal Government of Nigeria. The Office issued three internal audit reports on the Programme in 2005, covering financial procedures, procurement and property transactions. The three reports showed that controls were inadequate. A committee of senior managers is addressing the steps required to strengthen FAO's governance, administrative and financial procedures in the programme.

#### **G. TSUNAMI**

25. The Inspector General participated in the ADGs' weekly meetings on the Tsunami emergency. The Office also participated in lower level meetings and several working groups set up to provide support and advice to management on (i) a pro-bono offer from PriceWaterhouse Coopers to support enhanced accountability and transparency of tsunami aid, and (ii) evaluation of proposed modalities for tsunami emergency activities. The Office completed a preliminary risk assessment in order to identify audit needs and timings, and as a result fielded missions to Indonesia, Sri Lanka and the Maldives to assess overall management of FAO's tsunami projects and identify areas for future audit attention. These countries account for some 90% of the total expenditure incurred on tsunami operations at the time the reviews were started. In addition, the Office reviewed the adequacy of financial and administrative controls over tsunami operations in HQ. The Office expects to publish the reports on these audits in early 2006.

#### **H. UNITED NATIONS DEVELOPMENT GROUP – IRAQ TRUST FUND (UNDG-ITF)**

26. The Office carried out a review in Amman in May/June 2005, including a risk assessment and preliminary audit of FAO's activities relating to the UNGD-ITF. The Office generally found the internal financial controls over project operations and office administration were satisfactory. However, the Office made a number of recommendations to improve controls over financial transactions made in Iraq, local procurement, financial reporting to UNDP, budgeting, and inventory of vehicles remaining from the Oil-for-Food Programme. The Office also identified relevant audit needs for future intervention, and in liaison with AFF and LEG, and jointly with UNIDO, UNESCO, WHO and UNICEF, discussed with UNDP's office of Internal Audit mutually acceptable arrangements to share risk assessments and summarized audit results.

#### **I. SPECIAL AUDITS OF EXTRA-BUDGETARY FUNDED PROJECTS**

27. Certain extra-budgetary donors, in particular some financing institutions, have pressed FAO for special audits of projects financed by them. In the past, similar pressure came from the World Bank, with which an acceptable solution is now being finalized. The Office has assisted TC and AF in working towards resolution of these issues, both through the provision of exceptional special audit reviews and through negotiations with the donors to arrive at a mutually acceptable compromise, as close as possible to the World Bank solution, in the spirit of harmonization. FAO exceptionally agreed to perform special audits of eight projects financed by the African Development Bank in eight countries. The Office engaged local audit expertise to conduct the work in seven countries, and directly reviewed the project in Cape Verde, in the absence of a local audit firm. Transactions at headquarters were audited by the Office, and eight reports were prepared, one for each project. The Finance Division reported the key findings to the African Development Bank. Partly as a result of this experience, the Office is currently collaborating with the Finance Division to negotiate arrangements with the Bank which should satisfy the needs of the donor for future projects in a more effective and efficient way.

### III. Results of Audit Operations

28. The Office plans its work on a biennial basis, using risk assessment planning methodology, coupled with its institutional knowledge of the Organization and current policy directions. In addition, the Office responds to emerging needs, such as requests from senior management for special reviews and investigations. This section of the annual report outlines key audit results, organized by major process. Decentralized offices and projects are audited in a holistic manner, covering several major processes in one audit of the office or of the operations (see section E below).

29. During 2005, the Office performed 46 audits and 12 investigations. Of these, 21 audits plus four investigations were conducted at headquarters and 25 audits plus eight investigations in decentralized offices. All audit and investigation work results in the production of specific reports. However, the Office contributes to the overall process of management control in the Organization in a variety of ways and goes considerably beyond the issuance of formal reports. Attachment A outlines the nature and extent of the work carried out throughout the year by each of the Office's three audit groups. Attachment B lists the audits performed in 2005.

#### A. FINANCIAL MANAGEMENT AND BUDGETING

##### *Headquarters audits*

30. The Office completed 15 reviews of various aspects of financial management and budgeting at headquarters. These reviews covered features of the financial statements of the Organization, budgetary control, inventory management and financial reporting of selected extra-budgetary projects, internal control and policies and procedures, as well as efficiency and effectiveness of operations.

31. One report addressed the procedure for preparing FAO's biennial financial statements, in particular post-trial balance adjustments, and noted opportunities for reducing such adjustments. The Finance Division has taken action to rationalize the chart of accounts and funds structure, and other improvements are in progress.

32. A second report addressed the procedures and operating practices relating to the management of non-FAO meetings under the responsibility of the Conference, Council and Protocol Affairs Division. The report identified certain areas with potential for improvement, including establishing criteria for (i) revising fees and charges, (ii) maintaining documentation for insurance reasons, income and expenditure accounting; and (iii) monitoring and collecting receivables.

33. The Office reviewed financial and administrative aspects of FAO's relationship with other participating organizations in the staff medical coverage scheme, and made recommendations for revising and formalizing the legal framework and administrative arrangements, as well as improving invoicing and collection of receivables. Furthermore, the Office reviewed the operation and financial situation of the Information Products Revolving Fund, making recommendations aimed to improve cost coverage.

34. The Office carried out regular annual reviews in the Credit Union and the Commissary (on a fee basis), and issued three reports in this respect. Matters examined included the Commissary's proposal for write-off resulting from breakages, deterioration of goods and cash losses, noting a lower write-off in 2005 as compared to 2004, and making recommendations for improved documentation of losses. In the Credit Union, reviews covered the financial information provided to the Board, concluding that it accurately reflects the underlying accounting records, and internal controls over Credit Union payments, making recommendations for streamlining procedures.

*Worldwide investigations*

35. The Office investigated and reported on three cases of theft, cash losses and overpayments in decentralized offices, entailing a total amount of \$ 54,163. AF is in the process of recovering the amounts. In two instances the amounts will be recovered from terminal emoluments, while the third case is pending final decision. These amounts included:

- i) embezzlement of \$ 5,998 and some US\$ 860 in local currency by a staff member in an FAO Representation;
- ii) fraudulent education grant claims submitted by a staff member in a Regional Office, resulting in overpayment of \$10,917; and
- iii) fraudulent travel expense claims submitted by an FAO Representative, resulting in overpayment of \$36,388.

**B. HUMAN RESOURCES***Worldwide investigations*

36. In 2005, the Office investigated and reported on six cases of allegations of misconduct and lack of integrity in headquarters and decentralized offices:

- i) Two staff members in headquarters were involved in outside activities, contrary to the rules of the Organization. The individuals concerned are no longer with the Organization.
- ii) An allegation of retaliation and abuse of authority in headquarters was investigated, and the results demonstrated that the allegation was unfounded. However, the Office noted procedural flaws, mismanagement and negligence and made recommendations to reinstate a staff member to her previous position.
- iii) An allegation that a staff member in an FAO Representation intended to harm the FAO Representative was investigated and the results demonstrated that the allegation was unfounded. However, as a result of the Office's investigation into the above allegation, recommendations were made on performance and conduct issues.
- iv) The Office investigated complaints about an FAO Representative's performance, and the results of the review did not support the allegations. However, areas for improvement were identified and recommendations made, covering FAO's relationship with local authorities. All recommendations have been implemented.

**C. PROCUREMENT***Headquarters audits*

37. The Office conducted four audits at headquarters on procurement matters. In addition to the review of major procurement under the locust programme mentioned in section II above, the Office also covered 2004 procurement actions over \$1 million, resulting in recommendations for streamlining procurement processes, and in financial and operational recommendations related to project management.

38. A third review addressed vendor management and made recommendations to improve the information and functionality of FAO's vendor database, among others. The fourth review covered a specific procurement action, which had given rise to problems related to product specifications, and made recommendations to address the specific case and to avoid such problems in future.

### *Worldwide investigations*

39. During an investigation of a separate matter at an FAO Representation, the Office found that a Personnel Services Agreement subscriber had altered documents relating to two purchases to circumvent procurement policy, thus violating FAO Policy on Fraud and Improper Use of the Organization's Resources. The Office recommended that FAO declare the PSA subscriber ineligible for any future contracts

40. At Headquarters, the Office investigated a specific procurement action and identified several procedural irregularities leading to operational and practical problems with the supply of goods. The Office made recommendations to ensure that the monitoring procedures and practices in place provide for adequate, prompt and timely tracking of each procurement action, and full transparency and accountability.

41. In addition, at Headquarters, the Office investigated two complaints alleging that a former FAO procurement officer had requested a bribe for the award of a purchase order. The Office did not find evidence to substantiate the allegation.

## **D. INFORMATION TECHNOLOGY**

### *Headquarters audits*

42. The Office carried out one major audit addressing aspects of information technology in Headquarters. The review assessed whether the World Agricultural Information Centre (WAICENT) contributes to efficient and effective management and dissemination of high quality information products. It concluded that WAICENT's performance would benefit from having an overall strategy which would place the various positive initiatives in a global context and identify responsibility and accountability for facilitating, encouraging and overseeing its management at Organization-wide level. The Office made specific recommendations towards this end, and the Organization is planning to address them in early 2006.

## **E. OFFICE OVERVIEW AND OPERATIONS**

### *Audits in decentralized locations*

43. The process heading "office overview" is used for the audit of FAO Representations. This covers all processes which are material collectively but not individually. Projects (including Trust Fund, TeleFood, emergencies, Special Programme for Food Security, Technical Cooperation Programme, and National Execution projects) are audited under the "operations" process. This includes monitoring impact and progress, backstopping as well as project management cycle.

44. During 2005, the Office performed and worked with local partners to complete 39 audits covering 29 countries. This included reviews in 22 FAO Representations, three Regional Offices and two Subregional Offices. In total, the Office presented management with more than 250 recommendations to improve FAO's programme and project operations. Generally, management has accepted these recommendations and has either taken or planned appropriate action to fully implement them. As in previous years, the majority of the Office's recommendations concentrated on improving controls and processes in the areas of budget, financial management, procurement, programme operations and human resource matters. The major issues within these broad categories are detailed in the following paragraphs.

45. The Office noted continued weaknesses in the budget process in a number of field offices and projects. It made specific recommendations to help budget holders better plan, implement and monitor their budgets on a more regular basis, in order to ensure programme and project funds are more effectively and efficiently used. In the area of financial management the issues and recommendations were much more diverse and often office-specific. More common financial

recommendations at the FAO Representations and projects covered such matters as managing advances, controlling inventory, correctly classifying and recording transactions, properly recording and adequately supporting disbursements, performing accurate and timely bank reconciliations, replenishing bank accounts, adequately segregating duties, using field paying agents, retaining documentation, establishing cost allocation arrangements and controls over travel, safeguarding assets, and properly using telephones and vehicles.

46. Procurement continues to be a high risk area in many FAO Representations and projects. Recommendations primarily covered compliance with FAO policies and procedures. Other common issues related to recruiting and retaining consultants and using letters of agreement.

47. From an operational standpoint, FAO Representatives and project managers need to regularly review and monitor projects being implemented, update the Field Project Management Information System regularly, and ensure staff levels are adequate and properly supervised.

48. Human resource-related recommendations at the decentralized offices and projects continued to focus on such issues as training, staff motivation, development of accurate job descriptions, performance appraisals, recruitment of Personnel Service Agreement subscribers, and establishment of arrangements for government-provided staff.

## **IV. Management activities**

### **A. AUDIT OUTREACH**

49. The Inspector General represented the Organization at the annual meeting of Representatives of Internal Audit Services of the United Nations and Multilateral Financial Institutions at the European Investment Bank in Luxembourg in November 2005. Highlights included implications for oversight arising from the Volcker report, audit committees, audits of tsunami operations, and the single audit principle. The Office also attended the sixth Conference of International Investigators in Washington, which had Mr. Volcker as keynote speaker. Participants discussed issues such as whistleblower policies, due process and conflict of interest. These meetings provided excellent opportunities for the exchange of views and experiences among internal auditors, investigators and other oversight bodies from the international community of audit and investigation professionals.

50. The Office continued its dialogue with senior oversight officials in other organizations within the UN family, as well as the international financial institutions. In particular, it exchanged views and experiences on topics of current concern, such as third party audits in the context of the Iraq Trust Fund, the work of the Independent Inquiry Committee on the Oil-for-Food Programme, and other audit and investigation matters, in order to find solutions to common problems. The Inspector General continued to have regular meetings with counterparts from the Rome-based agencies.

51. Finally, the Office keeps its intranet site under continuous review to ensure that it is up-to-date.

### **B. TENDER PANEL OPERATIONS**

52. The procurement of equipment, supplies and services is governed by the principles and procedures set out in the FAO Administrative Manual. This assigns to the Office responsibility for receiving, opening, recording and retaining under secure conditions all bids in response to tender invitations, to help ensure the independence, objectivity, security and transparency of the tendering process.

53. In the past year, the Tender Panel met on 115 occasions and dealt with 432 tenders. For these tenders 7,211 firms were invited to submit bids and 1,851 were received. The number of

tenders in 2005 (432) is considerably higher than for 2004 (329), due to increased procurement activity related to locust control, tsunami and the Iraq Trust Fund.

### **C. REPRESENTATION ON COMMITTEES**

54. The Office is represented on a number of important “standing committees” in the Organization including the Programme Policy and Advisory Board, the Human Resources Committee, Information Management Technology Committee (and its sub-committees), the WAICENT Committee, the Private Sector Partnerships Advisory Committee and its working group, the Procurement Committee, the Advisory Committee on Medical Coverage, the Committee on Investments and its Advisory Committee, the Oracle Project Management Committee and Oracle HRMS Project Executive Board, the Joint Committee on Food Services, the TeleFood Policy Coordination Committee, the Corporate Communication Committee, the Field Programme Committee and the Board of the Credit Union. The Office also participates in ad-hoc internal review groups, task forces and evaluation panels. It follows closely the deliberations of the Programme and Finance Committees, Council and Conference, and its senior members meet from time to time with senior officials and representatives from Member Nations, the External Auditor, the Joint Inspection Unit and colleagues from oversight functions in other UN and international organizations.

### **D. STAFF DEVELOPMENT**

55. Training and development continue to be important aspects of the overall management of the Office. This comprises three elements: professional audit training, language training and training in the use of office technology. On the professional side, the Office arranged two highly successful on-site workshops in Rome as follows: (i) “Enhanced Interview Skills” conducted by a highly qualified officer from the Inspectors General Auditor Training Institute, a US Government organization within the US Treasury Department; and (ii) “Evaluating Internal Controls: A COSO Based Approach” presented by the Institute of Internal Auditors and led by an international expert in internal audit. The Office staff, including the regional auditors, attended the seminars. They were joined by colleagues from AFF as well as audit colleagues from IFAD, WFP, OSCE and WMO.

56. The Office made good use of the facilities available within FAO for language and office technology training needs. In addition, staff participate from time to time in other training programmes arranged through the Human Resources Management Division or other divisions. This commitment to training is reflected in the percentage of staff time devoted to training activities, which was 3.1% in 2005, reflecting a total of 128 work days dedicated to training.

### **E. STAFF MEETINGS**

57. The Office continued to have regular theme-oriented staff meetings where experts both from FAO and other international organizations make presentations to the audit staff on current developments in their areas of expertise. This not only covers the traditional finance and administrative fields, but also draws on senior officers from technical divisions. In 2005, topics covered were evaluation, tsunami operations and the development of the field programme.

### **F. ADMINISTRATIVE ISSUES**

58. The Office’s time reporting and control system represents a useful internal management device. All staff record their time in half-hour units of activity and the time sheets are reported to the Inspector General, who uses them to monitor the audit effort against the target set at the beginning of the year. The target established for 2005 was 25% for headquarters activities, 50% for decentralized activities and 25% for special assignments and investigations. The actual audit effort reported in 2005 was very close to the target, i.e., 26% for headquarters activities, 52% for decentralized activities, and 22% for special assignments and investigations.

59. In closing, the Office would once again like to express its appreciation to all levels of staff contacted in the course of its audit work, and, particularly, to members of management for their support and positive responses, cooperation and assistance throughout the year.

## ATTACHMENT A

**Office of the Inspector General****Audit groups****Headquarters Activities**

60. One of the most important clients of the Headquarters group is the Administration and Finance Department, encompassing finance, information technology, human resources and administrative services. However, technical departments at headquarters have also been important audit clients. The main expertise in this group continues to embrace the disciplines associated with finance, treasury, accounting and administration, but the group also serves as the focal point for office technology, information systems and other aspects of electronic data processing.

61. The group also performs annual reviews of the Credit Union and the Commissary, on a fixed-fee basis, and plays an important role in advising other units at headquarters on audit-related issues. In addition, it is responsible for the review of audit arrangements and audit clauses contained in partnership and similar agreements. In 2005, 51 such agreements were reviewed. The Headquarters group is also responsible for reviewing and reporting on the financial situation and monthly expenditures in the immediate office of the Director-General as well as any related expenses carried in the budgets of other departments.

62. A total of 16 specific audit reports were released by this group in 2005. These are identified in Attachment B.

**Special Assignments and Investigations**

63. This group is responsible for detecting and investigating cases of fraud, waste of resources, abuse of authority, misconduct and other malfeasance, and for assessing potential areas of fraud by analyzing the corporate control system.

64. In addition, as the Office's prime source of expertise on contracts and procurement, it reviews requests for waivers from the competitive process, oversees tender panel operations and represents the Inspector General on the Procurement Committee and the Joint Advisory Committee on Medical Coverage (JAC/MC). The group also performs value-for-money audits of significant operational components and contracts (e.g. travel, health insurance, employee benefits and maintenance contracts for the FAO premises), in addition to responding to special requests from senior management and other organizational entities.

65. A total of 12 specific audit reports were produced in the course of the year. These are reflected in Attachment B.

**Decentralized Activities**

66. This group deals with audits, special reviews and investigations carried out at the FAO Regional, Subregional and Liaison Offices, Representations, and selected projects in the various regions. It also covers elements of decentralized activities at headquarters. The group is responsible for the direction and supervision of the out-posted audit function, including planning, clearance and review of all audits conducted at field level.

67. This group is the prime source of expertise on decentralization, regionalization and operational management arrangements for the field programme. It follows closely the work of the local audit firms engaged by the Finance Division, and frequently refers to their reports for planning audit work and monitoring management performance. The group also discusses audit concerns as part of the briefing and orientation programme for newly-appointed FAO

Representatives and other senior staff and contributes to the evaluation of FAORs' performance and the handover arrangements on the termination of FAOR assignments, as necessary.

68. In 2005 this group produced 30 reports addressing various administrative and operational aspects of Regional and Subregional Offices, FAO Representations, as well as field investigations and specific projects and other field operations. These are outlined in Attachment B.

## ATTACHMENT B(i)

**Office of the Inspector General**  
**Reports issued in 2005 - Headquarters Activities**

Subject matter	Reports Issued
Procurement over US\$ 1 million in 2004	AUD 3605
SPFS Cameroon	AUD 105
SPFS Cape Verde	AUD 205
SPFS Ghana	AUD 305
SPFS Guinea	AUD 405
SPFS Mauritania	AUD 505
SPFS Malawi	AUD 605
SPFS Mozambique	AUD 705
SPFS Tanzania	AUD 805
Locust programme – pesticide storage conditions in Mali and Niger	AUD 5005
Locust programme – HQ procurement	AUD 2605
Credit Union	AUD 5105 AUD 7305
Commissary	AUD 3805
Financial statement preparation procedure	AUD 2905
WAICENT	AUD 2805

**Special Assignments and Investigations**

Subject matter	Reports issued
Vendor management	AUD 1505
Management of non-FAO meetings	AUD 4105
Complaint of retaliation and abuse of authority	AUD 2005
Investigation of procurement activities (Iraq)	AUD 2105 AUD 2205
Aspects of medical arrangements	AUD 4205
Investigation of alleged outside activities (two cases)	AUD 1405 AUD 1605
Information products revolving fund	AUD 4705
Investigation in Mozambique	AUD 6605 AUD 6905
Review of procurement of seeds	AUD 6105

## ATTACHMENT B (ii)

**Decentralized Activities**

<b>Subject matter</b>	<b>Reports Issued</b>
<b>Regional, sub-Regional and Liaison Offices:</b>	
RLC - budgeting	AUD 8105
SLAC – performance and comprehensive management audit	AUD 5905
SEUR – performance and comprehensive management audit	AUD 7505
Investigation into education grant claim in RAF	AUD 1305
RAP – Field programme development	AUD 4305
RAF – Review of procurement with special focus on IT	AUD 5205
REU – Financial procedures	AUD 3205
Liaison Office in New York	AUD 3005
<b>FAO Representations:</b>	
FAOR Chile – FAO Representation in Chile	AUD 8205
FAOR Angola: accounting irregularities (system aspects)	AUD 3105
Audit replaced by investigation in Liberia	AUD 4005
FAOR Bangladesh – performance and comprehensive management audit	AUD 2305
	AUD 2505
FAOR Mozambique - performance/comprehensive management audit	AUD 2705
FAOR Zambia - performance/comprehensive management audit	AUD 5605
Investigation in Bangladesh	AUD 3405
Investigation in Bangladesh	AUD 3705
FAOR Indonesia - performance/comprehensive management audit	AUD 1105
FAOR Bolivia – performance and comprehensive management audit	AUD 8305
<b>Specific programmes, projects and other topics:</b>	
Overpayment of staff entitlement in FAOR Nigeria: system aspects	AUD 3305
Indian Ocean Tuna Commission	AUD 1705
	AUD 1805
Investigation in Togo	AUD 1205
Special Programme for Food Security in Nigeria	AUD 4405
	AUD 4505
	AUD 4905
UEMOA-funded project in Burkina Faso	AUD 6005
UNDG-Iraq Trust Fund	AUD 5405
Selected projects in Laos	AUD 5805
TCP project management in Indonesia	AUD 2405

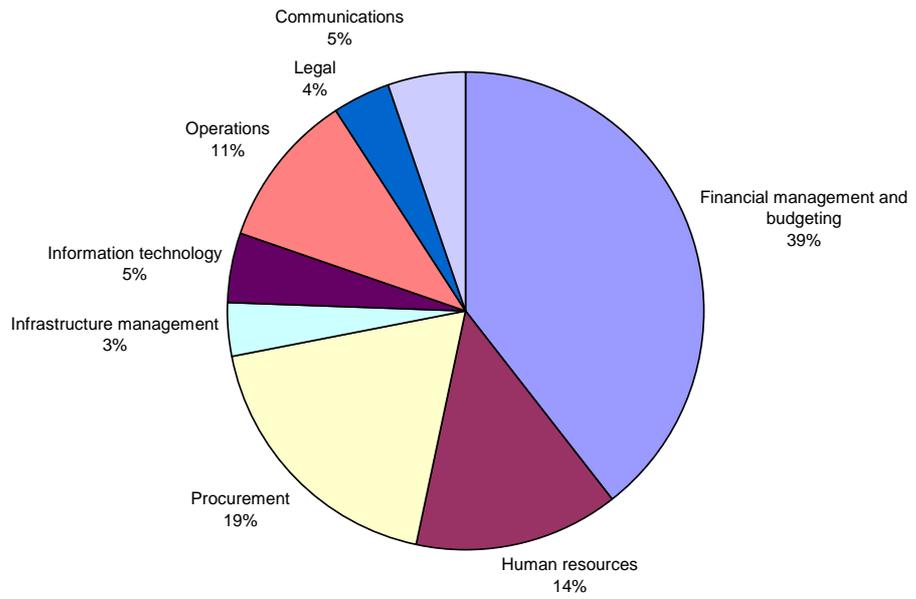
## ATTACHMENT C (i)

**Office of the Inspector General****Recommendations issued in 2000-2005****Statistics and implementation status as at 31 December 2005**

Year of Issue	Total	Open		Ongoing		Closed	
		No.	%	No.	%	No.	%
2000	410	0	0	3	0.7	407	99.3
2001	619	1	0.2	2	0.3	616	99.5
2002	458	9	2.0	24	5.2	425	92.8
2003	562	14	2.5	21	3.7	527	93.8
2004	312	12	3.9	30	9.6	270	86.5
2005	429	101	23.5	93	21.7	235	54.8
Six-year Totals	2,790	137	4.9	173	6.2	2,480	88.9

ATTACHMENT C (ii)

Chart of 2005 Recommendations by Process



## ATTACHMENT C (iii)

Page 1

**Recommendations on which corrective action has not been completed****2000-2005****A. Report issued in 2000**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	Subregional Office for Southern and East Africa	4		1	3
FAO Representations	Subregional Office for Southern and East Africa	5			5
General Affairs and Information Department	Temporary staff in GICO	10		1	9
Legal Office	Tobacco company strategies to influence the work of FAO – Final Report	2		1	1
Subregional Offices	Subregional Office for Southern and East Africa	14			14
<b>Total</b>		<b>35</b>		<b>3</b>	<b>32</b>

**B. Reports issued in 2001**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	Local Purchase Orders	12	1		11
	Staff Members' Educational Qualifications and other Selected Aspects of the Appointment and Promotion process	30		1	29
	Internal Controls – FAO Representation in Honduras	2			2
FAO Representations	Internal Controls – FAO Representation in Honduras	22		1	21
Office for Coordination of Normative, Operational and Decentralized Activities	Internal Controls – FAO Representation in Honduras	4			4
<b>Total</b>		<b>70</b>	<b>1</b>	<b>2</b>	<b>67</b>

## ATTACHMENT C (iii)

Page 2

**C. Reports issued in 2002**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	FAO Representation, Nigeria	1			1
	Proposed reform of travel processing: control implications	25	3	2	20
	Market survey for the Credit Union	9	1	1	7
	Volunteer programme	10	2	1	7
	Field bank account reconciliations at Headquarters	11		1	10
	Disaster Recovery	16	2	10	4
	Hand over Arrangements upon the Retirement of ADG/RR/RNE	1			1
	Loss of cash in Madagascar	2		1	1
	Use of author's contracts	10		2	8
FAO Representations	FAO Representation, Nigeria	22		1	21
	Loss of cash in Madagascar	2			2
General Affairs and Information Department	FAO Retail Outlet	11			11
Office for Coordination of Normative, Operational and Decentralized Activities	Hand over Arrangements upon the Retirement of ADG/RR/RNE	1		1	
	Loss of cash in Madagascar	2			2
Office of the Director General	FAO Retail Outlet	3		3	
Office of Programme, Budget and Evaluation	Status of Gender Mainstreaming at FAO	4			4
Regional Offices	Travel Unit in RAF	10	1		9
Sustainable Development Department	Status of Gender Mainstreaming at FAO	4		1	3
<b>Total</b>		<b>144</b>	<b>9</b>	<b>24</b>	<b>111</b>

## ATTACHMENT C (iii)

Page 3

**D. Reports issued in 2003**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	Commissary purchasing procedures	18		8	10
	Health and Safety in the Workplace	9	2	3	4
	FAO Representation – Central African Republic	4	1		3
	Private telephone call billing	4		1	3
	Recruitment and selection procedures for professional staff	9	2	1	6
	AFS Responsibility for Health and Safety	14	9	1	4
	Loss of cash – Nigeria	10			10
	Catering Activity – Tender Aspects	10		2	8
	Compensation plan reserve fund	8		1	7
	Collection of Project Service Costs (UTF/NIR/047/NIR)	1			1
	TeleFood extrabudgetary funds – review of progress made on financial management and internal control matters	2			2
FAO Representations	FAO Representation - Central African Republic	18			18
	Loss of cash - Nigeria	11		1	10
	FAO Representation Yemen	2			2
General Affairs and Information Department	TeleFood extrabudgetary funds – review of progress made on financial management and internal control matters	1		1	
Legal Office	Loss of Cash – Nigeria	1			1
Office for Coordination of Normative, Operational and Decentralized Activities	FAO Representation - Central African Republic	5			5
	Loss of Cash – Nigeria	20			20
	FAO Representation Yemen	2			2
Office of Programme, Budget and Evaluation	Collection of Project Service Costs (UTF/NIR/047/NIR)	3			3
Technical Cooperation Department	FAO Representation Yemen	2		1	1
	Collection of Project Service Costs (UTF/NIR/047/NIR)	2		1	1
	TeleFood extrabudgetary funds – review of progress made on financial management and internal control matters	1			1
<b>Total</b>		<b>157</b>	<b>14</b>	<b>21</b>	<b>122</b>

## ATTACHMENT C (iii)

Page 4

**E. Reports issued in 2004**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	Nigerian Intruder	3			3
	Review of Controls over Non-Expendable Items	8		2	6
	Use of FAO mobile phones to send SMS messages	5		1	4
	Financial reporting to donors - general procedural matters	3		1	2
	Financial reporting to donors - calls for funds and reporting format	6		3	3
	Financial reporting to donors - related areas of the project cycle	11		5	6
	Commissary - Identification of customers and monitoring of purchase levels	4	2		2
	ARG/00/008 – Programa de Riego y Drenaje para la provincia de Mendoza	2		1	1
	Change Control	5	5		
	Information Security	5	1		4
	Payments to consultants	8			8
	Gifts and Gratuities	4		4	
Economic and Social Department	Coffee Mould project 2003 – GCP/INT/743/CFC	6		2	4
FAO Representations	Review of FAOR Afghanistan	19		1	18
General Affairs and Information Department	Nigerian Intruder	1			1
Legal Office	Nigerian Intruder	1	1		
Liaison Offices	Review of FAO Liaison Office in Japan	7		2	5
Office for Coordination of Normative, Operational and Decentralized Activities	Review of Controls over Non-Expendable Items	1			1
	Conflictive behaviour at FAOR Nigeria	3		1	2
	Review of FAOR Afghanistan	1			1
Office of Programme, Budget and Evaluation	TCOS deficit	1		1	
	Financial reporting to donors – related areas of the project cycle	1		1	
	Payments to consultants	1		1	
Project Management	ARG/00/008 - - Programa de Riego y Drenaje para la provincia de Mendoza	3			3
Regional Offices	ADG/RAF Handover Arrangements	7	3		4

Technical Cooperation Department	TCOS deficit	4		1	3
	Financial reporting to donors – related areas of the project cycle	7		3	4
	ARG/00/008 - - Programa de Riego y Drenaje para la provincia de Mendoza	4			4
<b>Total</b>		<b>131</b>	<b>12</b>	<b>30</b>	<b>89</b>

## ATTACHMENT C (iii)

Page 5

**F. Reports issued in 2005**

Responsible Entity	Report title	Number of recommendations			
		Total issued	Open	Ongoing	Closed
Administration and Finance Department	SPFS Cameroon – UTF/CMR/023/CMR	1		1	
	SPFS Cape Verde - UTF/CVI/038/CVI	1		1	
	SPFS Ghana - UTF/GHA/027/GHA	1		1	
	SPFS Malawi - UTF/MLW/025/MLW	1		1	
	SPFS Mozambique - UTF/MOZ/068/MOZ	1		1	
	SPFS Tanzania - UTF/URT/117/URT	1		1	
	RAF-Investigation of Education Grant Claims	1	1		
	Vendor Management	14	14		
	The Indian Ocean Tuna Commission: Framework of authorities	1	1		
	Indian Ocean Tuna Commission: Administrative Issues	1			1
	Review of the Administrative Handling of PO 98363	4		1	3
	FAO Representation in Bangladesh	1			1
	ECLC - Emergency Centre for Locust Operations - procurement at headquarters	7	2	4	1
	FAO Representation in Mozambique	2	1		1
	FAOR Angola: duplicate payments	5	1		4
	Regional Office for Europe: Financial Procedures	4	1	2	1
	Overpayment of staff entitlements in FAOR Nigeria: systems considerations	5		1	4
	Procurement over US\$ 1 million in 2004	4		1	3
	Commissary write-off 2004	4		1	3
	Management of Non-FAO Meetings	1		1	
	Staff medical Coverage: Aspects of FAO's relations with Other Participating Agencies	7		7	
	Credit Union - Financial reporting to the Board and related issues	1		1	
	TCE Amman Office UNDG Iraq Trust Fund	2		1	1
	UEMOA funded project in Burkina Faso	1			1
	Procurement of Seeds under PO 166406	3		3	
	Misappropriation of the Organization's Resources - FAO Representation in Mozambique	1		1	

FAO Representations	SPFS Guinea - UTF/GUI/014/GUI	9		4	5
	SPFS Malawi - UTF/MLW/025/MLW	4		2	2
	SPFS Tanzania - UTF/URT/117/URT	7	1		6
	FAO Representation in Bangladesh	14		4	10
	Selected Projects in Indonesia	2			2
	FAO Representation in Mozambique	9	1	2	6
	FAOR Angola: duplicate payments	1			1
	Overpayment of staff entitlements in FAOR Nigeria: systems considerations	2			2
	UEMOA funded project in Burkina Faso	1			1
	FAO Representation in Chile	6		3	3
	FAO Representation in Bolivia	5		3	2
Fisheries Department	The Indian Ocean Tuna Commission: Framework of authorities	5	5		
	Indian Ocean Tuna Commission: Administrative Issues	14	11	2	1
General Affairs and Information Department	WAICENT	16	16		
	Management of Non-FAO Meetings	5		1	4
	Information Product Revolving Fund - Follow-up Review	7	2	4	1
Legal Office	The Indian Ocean Tuna Commission: Framework of authorities	5	5		
	Indian Ocean Tuna Commission: Administrative Issues	1			1
Office for Coordination of Normative, Operational and Decentralized Activities	FAO Representation in Bangladesh	1			1
	FAO Representation in Mozambique	3	1	1	1
	FAOR Angola: duplicate payments	1			1
	Review of FAO Representation in Chile	1		1	
	FAO Representation in Bolivia	1			1
Office of the Director-General	UEMOA funded project in Burkina Faso	1	1		
Office of Programme, Budget and Evaluation	Selected Projects in Indonesia	1		1	
Project Management	UTF/NIR/047/NIR- National Special Programme for Food Security in Nigeria - Financial Procedures	15	7	6	2
	National Special Programme for Food Security in Nigeria: Procurement Management	11	11		
	Review of UTF/NIR/047/NIR- NSPFS Expenditure on Real Estate	3		3	
	Implementation of GCP/RAS/209/NOR – Vegetable IPM Programme in Laos	5		4	1
Regional Offices	Overpayment of staff entitlements in FAOR Nigeria: systems considerations	1	1		

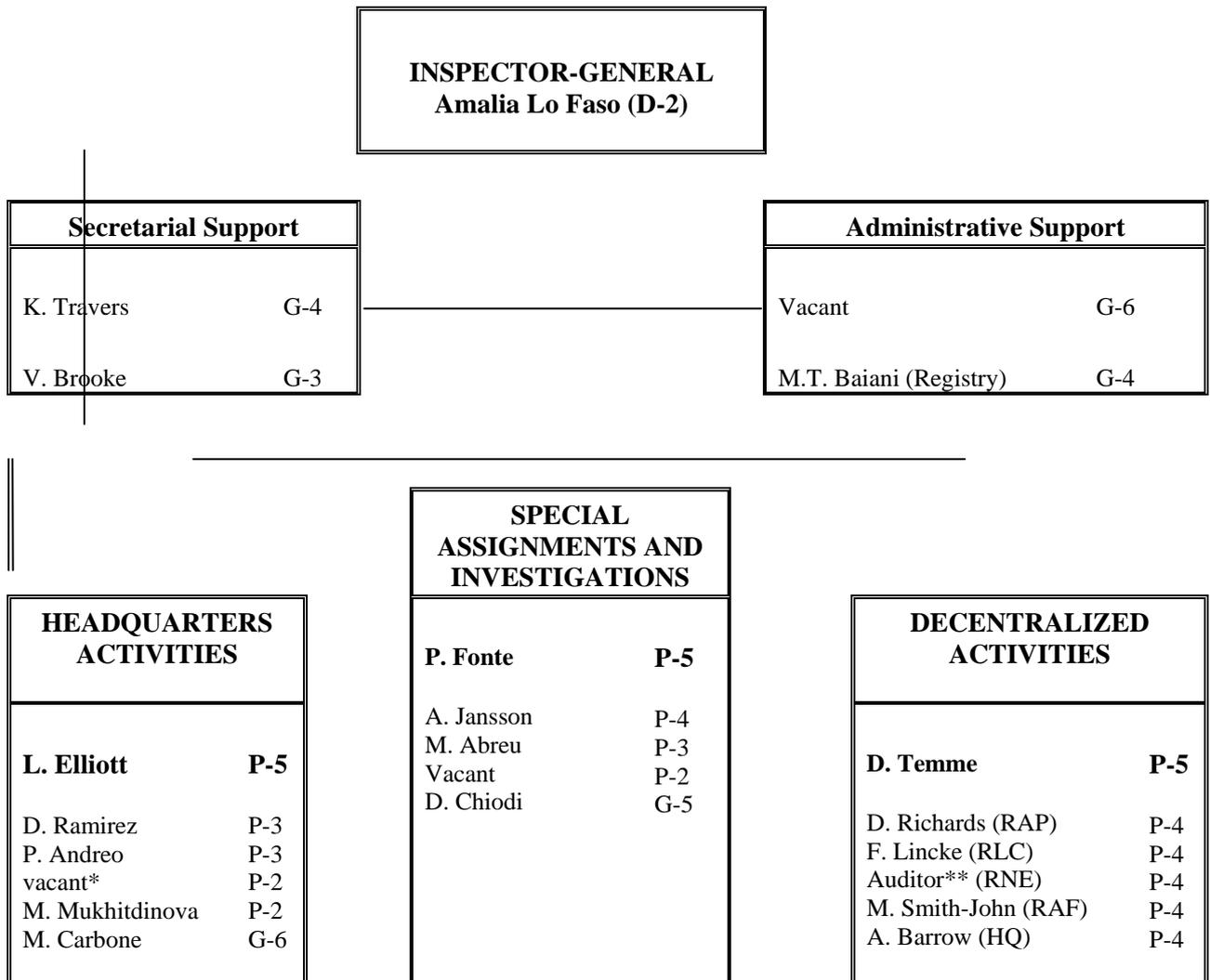
	Procurement Function in RAF	14		5	9
	UEMOA funded project in Burkina Faso	2			2
	Regional Office for Europe: Financial Procedures	11			11
	Regional Office for Latin America and the Caribbean (RLC) - Review of Budgeting	4		2	2
Subregional Offices	Sub-Regional Office for Central and Eastern Europe: Internal Administration	12	12		
	Subregional Office for the Caribbean (SLAC)	12	2	6	4
Technical Cooperation Department	SPFS Cape Verde - UTF/CVI/038/CVI	1	1		
	SPFS Ghana - UTF/GHA/027/GHA	2		2	
	SPFS Guinea - UTF/GUI/014/GUI	3	2	1	
	SPFS Malawi - UTF/MLW/025/MLW	1		1	
	SPFS Mozambique - UTF/MOZ/068/MOZ	1		1	
	SPFS Tanzania - UTF/URT/117/URT	1		1	
	Regional Office for Europe: Financial Procedures	1			1
	Overpayment of staff entitlements in FAOR Nigeria: systems considerations	1			1
	National Special Programme for Food Security in Nigeria: Procurement Management	1	1		
	Review of UTF/NIR/047/NIR- NSPFS Expenditure on Real Estate	1		1	
	TCE Amman Office UNDG Iraq Trust Fund	13		2	11
<b>Total</b>		<b>313</b>	<b>101</b>	<b>93</b>	<b>119</b>

## ATTACHMENT D (i)

## Office of the Inspector General

Organization Chart

December 2005



\* This vacant post funds the G-6 audit assistant in the headquarters activities group.

\*\* Staff member under separation.

## ATTACHMENT D(ii)

**Office of the Inspector General****Staffing Table as at December 2005**

	<u>Grade</u>	<u>Male</u>	<u>Female</u>	<u>Vacant</u>	<u>Total</u>
<u>Professional Audit Posts</u>					<b>16</b>
1 Inspector General	D2		1		
3 Senior Auditors	P5	2	1		
4 Regional Auditors	P4	3	1		
2 Auditors	P4	1	1		
3 Auditors	P3	2	1		
3 Auditors	P2		2*	1	
<u>General Service Audit Posts</u>					<b>1</b>
1 Audit Clerk	G5		1		
<u>Secretarial Support for Audit</u>					<b>2</b>
1 Bilingual Typist	G4		1		
1 Stenographer	G3		1		
<u>Other Support Staff</u>					<b>2</b>
1 Director's Secretary	G6			1	
1 Records Clerk	G4		1		
		<b>8</b>	<b>11</b>	<b>2</b>	<b>21</b>

The following countries are represented in the above:

<u>Country</u>	<u>Professional</u>		<u>General Service</u>	<u>Total</u>
	<u>Headquarters</u>	<u>Region</u>		
Argentina	1			1
Brazil	1			1
Germany		1(RLC)		1
Italy			3*	3
Jamaica		1(RAF)		1
Spain	2			2
Sweden	1			1
UK	2		2	4
USA	2	2(RAP, RNE)		4
Uzbekistan	1			1
Vacant	2*			2
	<b>12</b>	<b>4</b>	<b>5</b>	<b>21</b>

\* One P-2 post finances a G-6 audit assistant