EXECUTIVE SUMMARY


The audit took place during a major review of OED following the appointment of a new Director in May 2022. As a result of this review, a new organizational structure for the office was planned for Q1 2023 to address key issues of excessive personnel workloads and the need to better match personnel profiles with a changed operating context for evaluations. An external, independent evaluation of the evaluation function will also take place in 2023. As a result of the ongoing review and the planned evaluation, the scope of this audit focused primarily on administrative and financial functions. Specifically, the audit assessed OED's:

- internal governance arrangements (control environment);
- financial and administrative controls; and
- planning, monitoring and reporting on programme implementation.

Main observations and conclusions

Overall, OIG is of the opinion that Some Improvement is Needed in OED’s internal governance arrangements, financial and administrative controls and programme reporting to further strengthen the effectiveness and efficiency of the evaluation function and to reduce the risk of financial irregularities.

OIG found that:

- Inadequate processes are in place to ensure compliance with fungibility rules for the allocation of expenses to the Regular Programme and the OED Trust Fund. Timely processing of secondments, supported by a time recording process for staff and consultants, is required for an equitable allocation of costs between the two funding sources.
- Budgetary controls for OED structural costs charged to the OED Trust Fund are inadequate. Analysis and monitoring of these costs, dependent on a shadow monitoring system, is not carried out on a timely basis.
- Budgetary controls for individual evaluation budgets are inadequate. Budgets are managed in the shadow monitoring system that requires extensive manual input and leads to significant delays in the monitoring process.
- Budgets for personnel expenditure funded by the OED Trust Fund are consistently understated as there is no budgeting for the security, occupancy and information technology components of personnel costs.
- The Programme Evaluation Report does not have a rigorous methodology for calculating reported evaluation costs and provides limited financial reporting information. Transparency and accountability would also be improved by increasing financial reporting on the use of the OED Trust Fund.

Agreed actions

This report contains six Agreed Actions. The priority actions relate to enhancing budgetary controls.

Mika Tapio
Inspector General

03 May 2023
### ANNEX: DEFINITION OF AUDIT TERMS

#### AUDIT RATINGS

<table>
<thead>
<tr>
<th>Rating System</th>
<th>An audit rating system (defined below) has been used to rank the adequacy of internal controls&lt;sup&gt;1&lt;/sup&gt; in each area.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>The assessed controls, governance arrangements, and management of opportunities and risks, are adequate and effective to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Some Improvement Needed</td>
<td>A few specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; generally however, they are adequate and effective to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Major Improvement Needed</td>
<td>Numerous specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; they are unlikely to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>The assessed controls, governance arrangements, and management of opportunities and risks, are not adequate or effective to provide reasonable assurance that objectives are met.</td>
</tr>
</tbody>
</table>

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<sup>1</sup> FAO’s accountability policy, in an extension of the COSO internal control objectives, establishes five critical areas of performance relevant for assessing the adequacy of controls – effectiveness, economy and efficiency, compliance, reporting and protection.