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# FINANCE COMMITTEE

**Hundred and Sixty-first Session**

**Rome, 16 - 20 May 2016**

**2015 Annual Report of the Inspector General**

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EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

- The Inspector-General ad interim is pleased to provide the Finance Committee with the 2015 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 2015 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 a three biennia cycle under OIG's current resourcing, taking into account the oversight coverage of the Office of Evaluation and the External Auditor. In 2015 coverage included a review of the Organization's use of Non-Staff Human Resources, responding to a request of the Finance Committee at its 148th session for OIG to continue monitoring in this area. The review assessed implementation in the changes to date in NSHR policy.
- The annual report provides detailed information on the results of OIG's audits and investigation work during 2015. These are in line with OIG's findings for the previous year. OIG recognizes positive measures undertaken in 2015 as part of FAO's ongoing transformation to a significantly stronger results-oriented, risk conscious and accountable Organization. At the same time OIG's audit coverage in 2015 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.

*Director-General's Comments*

- The Director-General appreciates the audit, investigation and inspection work and policy advice of OIG, which has supported the management and governance of the Organization.
- The senior managers of the Organization are accountable for 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 2015.
- Pursuant to the Finance Committee's request at its 148th session, management's status reporting on actions taken to address long outstanding high risk recommendations has, for ease of reference, has been added to Annex E of the Inspector-General's annual report. This can be supplemented by further update by management representatives at the Finance Committee's 161st session, and the status of recommendations will be monitored in the OIG quarterly reports to the Director-General.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the Inspector-General's Annual Report for 2015.

**Draft Advice**

- **The Finance Committee:**
  - **appreciated the quality of the report and the analysis of issues presented, which covered the full range of responsibilities under the mandate of the Office of the Inspector General, 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 and encouraged the good cooperation and convergence of views on internal control issues, between the Office of the Inspector General and management, and efforts to promote implementation of control improvements through agreed actions whose implementation are subject to regular follow up;**
- **noted FAO's systems of action on adverse findings from OIG investigations, in particular the vendor sanctioning process as applied to third parties engaged in FAO activities who have been found to engage in fraud, which has been in full implementation in 2015; and**
- **welcomed the positive response of the Director-General to the report.**

## **Office of the Inspector General**

### **Annual Report**

**2015**

### **Highlights**

This report presents a summary of the activities carried out by the Office of the Inspector General (OIG) of the Food and Agriculture Organization (FAO) in 2015.

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 a defined cycle, currently three biennia, taking into account the oversight coverage of the Office of Evaluation and the External Auditor.

Key corporate areas for formal audit reviews completed in 2015 included gender mainstreaming in strategic framework; corporate communications; non-staff human resources (NSHR); review of CSA activities; IT security and service management; travel arrangements; joint procurement with RBAs, UN-REDD, Delivering as One; SSC and the integration of Emergency Operations with Development Activities. As in previous years, a significant portion of OIG's activity focuses, through cyclical reviews of the Organization's decentralized office network, on field and emergency operations due to the significant risk exposure to the Organization. Some other audits in the 2015 work plan were still underway and expected to complete in early 2016.

In 2015, OIG issued 30 individual audit and two inspection reports to operating units throughout the Organization. In addition, OIG issued three audit memoranda on various issues for the attention of management. The audit reports provided management with 370 recommendations and 182 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 closed a total of 94 matters (79 cases and 15 consultations) following examination by its Investigations Unit and issued a total of 12 investigation reports and seven investigation memoranda. OIG continues to work with management to strengthen elements of the Organization's integrity framework.

The annual report provides further information on the results of OIG's audits and investigation work during 2015. OIG recognizes positive measures undertaken in 2015 as part of FAO's ongoing transformation initiatives to support 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.

At the same time, OIG's audit coverage in 2015 indicates, as summarized in the FAO risk exposure and trends of paragraph 13 of the report, 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.

As at December 2015, OIG had six vacant professional posts (four internal auditor and two P3 investigator posts). Two were filled in early 2016 and actions to fill the others were 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**

**2015**

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## **Office of the Inspector General**

### **Annual Report**

**2015**

#### **I. Introduction**

1. The present report to the Director-General provides a summary of the 2015 oversight activities of the 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 by FAO personnel and by implementing partners and vendors in the context of FAO programmes and independent reviews under the grievance mechanism of FAO's Environmental and Social Safeguards Policy. 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 (OED), OIG provides comprehensive internal oversight coverage for the Organization. The External Auditor, with whom OIG cooperates, provides complementary external oversight.

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

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.

### III. Statement of Independence

8. During 2015, OIG undertook its professional activities independently within the Organization. OIG consults with management when planning audits but no unacceptable limitations of scope were encountered during the course of its audits, or in its inspection, investigations or related activities.

### IV. 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 2015.

### V. FAO Risk Exposure and Trends

10. During 2015, FAO advanced its implementation of transformational changes aimed at further institutional strengthening and enhanced delivery and impact of programmes, incorporating lessons from 2014. OIG notes positive results as well as challenges from its work in 2015, highlights of which are noted below:

- **Further progress in achieving greater focus and results orientation in the programmatic work of the Organization:** In a review reported in early 2015, OIG identified positive elements but also some challenges on which the Office of Strategy, Planning and Resources Management (OSP) and Senior Management needed to keep focusing their attention, including clarifying the roles and responsibilities for the monitoring and reporting functions, the role of Delivery Managers for Regional Initiatives and finalizing the workforce planning exercise that was launched as part of the operational work planning phase. The Organization has subsequently implemented further significant changes to promote the delivery of the Strategic Objectives (SO), especially the restructuring of the former Technical Cooperation department (now Technical Cooperation and Programme Management Department) to host the now full-time Strategic Programme Leaders, and the assignment to the ADG, TC of oversight and coordination responsibility for the five Strategic Objectives' programmes, as endorsed by the 153rd session of the Council. Moreover, learning from the experience during the first biennium of implementation of the new Strategic Framework, OSP has focused on improving the integration of decentralized offices in the SO's work planning phase, and alignment of the Results Framework with Country Programming Frameworks and field operations. OIG will continue to review developments during 2016-17.
- **Mainstreaming of gender as a cross-cutting theme:** Management was recommended to take a comprehensive approach to ensure linkages between activities, allotted budgets and results achieved at all levels to strengthen decision-making and corporate reporting on mainstreaming gender as one of the cross-cutting themes within the Strategic Framework. Establishing gender related targets and monitoring achievements within the Strategic Framework are important elements in the process. SPLs, OSP and ESP agreed that action would continue for gender mainstreaming in the SO planning and implementation process. At the decentralized level, initial indications show COs are making efforts to include gender concerns in field programmes. Regional Representatives and ESP agreed action would be taken to use available resources at regional level to strengthen gender awareness at CO level and provide guidance on gender mainstreaming throughout the programme development and implementation processes.
- **Strengthened fiduciary and integrity policies:** FAO's vendor sanctions policy, completed its first full year of operationalization, supported by an effective vendor sanctions committee. FAO remains one of the few UN organizations with a fully functioning vendor sanctions system, in line with the UN Model Policy Framework, and fit to support related UN System-level anti-fraud and corruption initiatives. FAO's Fraud Policy was updated and fraud

definitions harmonized in 2015. An update of the FAO Investigation Guidelines to reflect, inter alia, OIG mandate changes and recommendations from the external review of the investigation function was undertaken by OIG and has been submitted for internal review within FAO.

- **Successful adoption of IPSAS accounting standards:** During 2015 OIG assisted in a consultative capacity the Organization's progress towards the achievement of FAO's first (2014) IPSAS-compliant financial statements. This important milestone was reached in 2015 with the External Auditor's unqualified opinion on these financial statements. At appropriate points in the coming biennium, OIG will continue to monitor follow-up actions, including progress in applying relevant transitional provisions permitted for certain defined periods under IPSAS, and sustained implementation of external auditor recommendations related to the preparation of the financial statements.
- **Improving controls in decentralized financial management and administration:** In October 2015 OIG issued its fourth Capping Report on Finance and Administration (F&A) Issues in Country Offices. Senior management has made several improvements since the preceding Capping Report, including: (i) issuance of a high-level FAO Accountability Policy, (ii) preparation of a plan for improvement of CO capability to develop and deliver projects, and (iii) development of a first edition of a Corporate Results Dashboard to enable analysis, aggregation and submission of results (quantitative and qualitative data) at all levels, including COs, in the context of the Strategic Framework. Fourteen of the 22 COs (64 percent) covered by the capping report were rated as Satisfactory in their internal control system, eight (36 percent) were rated as Deficient. No office was rated as overall Seriously Deficient (compared to one in the last Capping Report and three in the one before that). Consequently, two thirds of offices audited were assessed as generally operating as intended in the area of F&A. This is a marked improvement compared to the last Capping Report where only 43 percent of offices were rated as Satisfactory overall.
- **Integration of emergency operations with development activities:** Decentralization of emergency operations from TCE to the decentralized offices proceeded in line with original planning. The overall process was completed in all country offices with emergency operations, as at March 2015. Gaps still exist however in COs' technical, operational and administrative capacity. In addition, funding concerns still have to be addressed to ensure adequate integration with development activities, and, sustainability of the changes introduced through the new business model. A number of outstanding decisions remain, including those concerning the purpose and management of the humanitarian hubs located in the Africa region. OIG encourages Management to give high priority to addressing these issues, which contribute to achieving the twin objectives of improved performance and greater impact at country level.
- **Implementation and Coordination of the UN-REDD Programme by the three Participating Agencies FAO, UNDP and UNEP and the UN-REDD Secretariat:** The IAS noted that, since the inception of the Joint Programme in 2008, concepts and conditions have become more concrete and, as a result, the Programme's alignment with the needs of its partner countries and the United Nations Framework Convention on Climate Change (UNFCCC) is continually improving. Key observations made in the audit were: (i) an overlap of UN-REDD activities with those of other REDD+ implementing partners and funding sources; (ii) the lack of comprehensive principles and guidelines for the allocation of resources for Support to National Action activities and Targeted Support; (iii) an overly complex and insufficiently focused logframe; and (iv) shortcomings in interagency cooperation and coordination.
- **Misalignment between policies and practice with regard to non-staff human resources (NSHR):** NSHR currently represent approximately 70 percent of FAO's workforce. An audit in 2015 identified risks related to the growing misalignment between NSHR policies and actual practice that need to be addressed. While the use of NSHR brings some important benefits (in particular in terms of flexibility and reduced costs) there are also risks related to loss of programme continuity, institutional memory and technical capacity due to higher



turnover of the category, transparency of selection and the co-existence of two personnel categories with similar functions but different contractual conditions. Higher turnover and training requirements of NSHR may also partially offset the savings obtained through lower contractual costs compared to staff. Among other considerations, OIG recommended that each unit should assess their ideal personnel mix following a rigorous workforce planning exercise with the support of the Office of Human Resources (OHR).

- **Significant strains on the Shared Services Centre:** OIG concluded that the internal control structure and staffing of the SSC are inadequate and turnover levels are too high. Several weaknesses reported in 2010 relating to definition, relevance and measurement of service level agreement continued to persist. Specific issues such as overall capacity, staff retention, supervisory control, workload management, staff grades and career progression were long-standing concerns that remain unresolved. OIG also noted that the SSC has accumulated a wealth of institutional knowledge that would allow it to move from a primarily transactional role into a centre which delivers more value-added services (a natural evolution of administrative hubs that FAO is not actively pursuing). However a long-term strategy for this is needed to be in place and its absence aggravates some lower-level issues, especially with regard to staff motivation and turnover. OIG is pleased to note that in early 2016 the Shared Services Centre, now under the supervision of the DDGO, has initiated an ambitious transformation process, building on and expanding the reform already initiated by the former SSC management.
- **Continued challenges to ensure business continuity, secure information technology and ensure adequate IT service levels:** OIG recommendations on Organizational business continuity remain outstanding. A follow-up audit reported in January 2015 identified continuing control weaknesses relating to IT security. OIG notes progress during 2015 by CIO in addressing the latter but action on broader business continuity planning is pending. As regards IT service management, an audit finalized in 2015 concluded that IT Change Management and Service Level Management are two processes in need of improvement.
- An inspection of the Administrative Services Division in 2015 reiterated the persistence of significant organizational risks in the areas of headquarters **infrastructure** safety and delay in implementing a **procurement strategy** which was developed in 2014, agreed in 2015 and reflected in the adjusted 2016-2017 PWB. In the area of **travel management**, the situation was relatively better but concerns remain regarding the lack of integration of local travel in the travel management information system and CSA's monitoring capacity.

## VI. Implementing the Risk-Based Audit Plan

### *Planning Approach*

11. 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, with a target of completion of coverage of corporate high risks over 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. OIG's internal audit work in 2015 aimed at completing coverage proposed in its 2014-2015 risk-based audit plan (RBAP). This was developed at the beginning of the biennium taking into account inputs from management and the FAO Audit Committee, and thereafter endorsed by the

Director-General. At the end of 2014 and in each quarter of 2015 the priorities within the plan were re-assessed and adjusted where necessary. The plan is 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) activities 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 planned coverage of risks continues to be a key performance indicator for OIG.

13. As of 31 December 2015, the updated risk register identified 63 high risks, of which five risks are covered by the External Auditor or Office of Evaluation and one (technical capacity) by an independent review requested by the governing body. For the remaining 57 risks, 37 were included under planned audit assignments in the 2014-2015 RBAP. These 37 risks included 8 which are covered on an annual basis (recurrent risks). Some of the remaining 20 risks were covered by OIG in 2012-2013 and the balance were identified for inclusion in OIG's 2016-2017 planning cycle, together with the risks that were planned but remained uncovered in 2014-2015 (see 'Plan implementation' below).

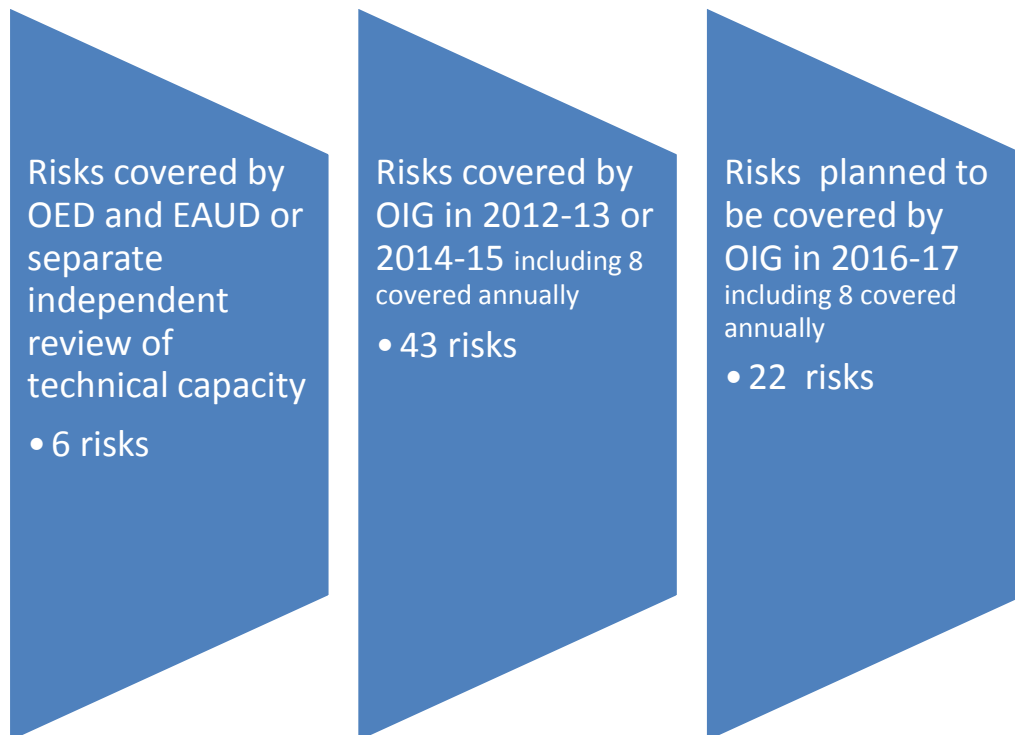
14. As the Organization's risk management under the ERM project matures, OIG will modify its approach, drawing more fully on the results of risk self-assessments undertaken by management, as well as its own professional analysis, to adjust and develop its future RBAPs.

#### *Plan implementation*

15. At the end of 2015, OIG had completed assignments that covered 32 of the 37 high risks originally included in the 2014-2015 RBAP, as well as 26 medium risks (see Annex A), while assignments still in progress at the end of 2015 covered one and partially another (compliance with donor conditions) additional high risk. The four other high risks that were originally planned but finally not covered in 2014-2015 relate to statistics and IT governance/IT strategy issues, which were postponed at the request of the responsible business units for reasons considered reasonable by OIG. These audits have been included in OIG's programme of work for 2016. To compensate for this, OIG included additional assignments in the 2015 plan that covered two other high risks (i.e. relating to fraud risk management and investments management). Work on these assignments will complete in early 2016.

16. Taking into account actual coverage in 2012-2015 and planned coverage for 2016-2017, and excluding those risks covered by evaluation, external audit or other independent reviews, as indicated in Figure 1 below OIG remains on track to meet its goal of coverage of all high risks over the three biennia period 2012-2017:

**Figure 1 - Overview of three biennia (2012-2017) audit coverage of high risks**



17. OIG continued to devote substantial resources to review field activities in the areas of programme and operations as well as finance and administration. OIG activities included completing audit missions to 18 decentralized offices during 2015. As a subsidiary coverage goal, OIG aims to review all significant decentralized offices at least once every three biennia, with larger offices and those with unsatisfactory prior audit results reviewed more frequently. At present OIG is on track to fulfil this goal for the three biennia 2012-2017 (see Annex B).

18. OIG issued 30 audit reports related to its reviews in 2015, 19 of which relate to decentralized office audits (6 of these related to missions completed in 2014 and 13 for missions completed in 2015) (see Annex C).

19. These reports provided management with assurance and advice. Summaries of results in the audit reports issued in 2015 are provided in Annex D.

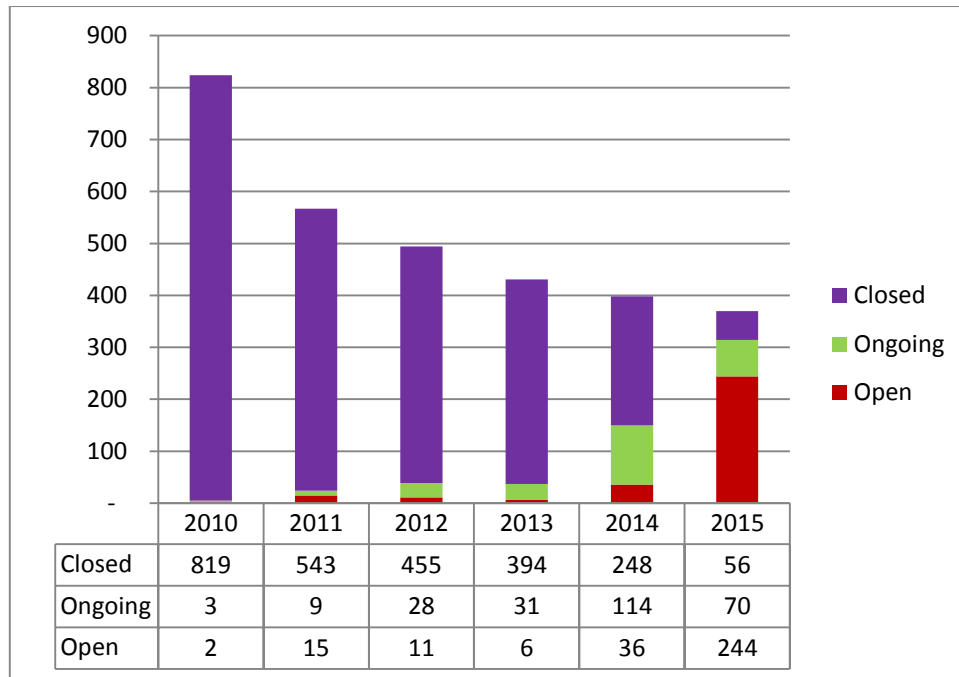
20. During 2015 OIG implemented a new approach to replace audit recommendations with agreed actions, to build into the reporting process greater management ownership of the results. OIG's 2015-issued reports contained 370 recommendations or agreed actions at various levels to strengthen the Organization's risk management, internal controls and governance processes, of which management accepted 98 per cent. The 19 decentralized office reports also raised 182 compliance points that managers in the field offices needed to address.

## **VII. Audit Recommendations/Agreed Actions and Resolution**

21. As Figure 2 below illustrates, as at 31 December 2015, management had reported closure of 15 percent of 2015 recommendations/agreed actions and initiation of action to address another 19

percent. Management continued its efforts to implement all remaining recommendations issued prior to 2015, having closed 62 percent of those made in 2014, 91 percent of all recommendations made in 2013<sup>1</sup>, and more than 92 percent of those made prior to 2013. 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 2 - Status of implementation of all recommendations for 2010-2015 (as reported by management at 31 December 2015)**



22. Figure 3 below illustrates recommendation/agreed action closure rates for 2015, which represent actual implementation of recommendations compared to closure rates for 2008-2015.

<sup>1</sup> For OIG's performance indicator (10.2.A) as reported in the Organization's Medium Term Report implementation of recommendations relates to reports issued up to two years prior to the reporting date. The result as at end of 2015 is therefore 91%, against a target of 93%.

**Figure 3 - Recommendation Closure Rates**

	As of 31/12/15	As of 31/12/14	As of 31/12/13	As of 31/12/12	As of 31/12/11	As of 31/12/10
2008	99%	99%	98%	98%	92%	89%
2009	99%	99%	97%	92%	88%	68%
2010	99%	100%	99%	96%	86%	56%
2011	96%	97%	94%	82%	64%	
2012	92%	89%	68%	39%		
2013	91%	83%	43%			
2014	62%	33%				
2015	15%					

23. In order to better assist management in developing an effective recommendation/agreed action implementation strategy, OIG classifies these into three risk categories - High, Medium and Low, based on the impact and probability of occurrence of the underlying risks. OIG developed the following definitions by risk category:

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

24. As more than 75 percent of recommendations are generated from audits at the field or business entity level, a high proportion are rated as Medium and Low risk. However, at the business entity level these recommendations are very important to improve the system of controls and improve operational efficiencies.

25. As Figure 4 below illustrates, of the 574 outstanding recommendations made over the period 2008-2015, 27 are rated high risk. These 27 high risk recommendations comprise 13 that were made in 2015, 4 in 2014, and 10 prior to that time.

**Figure 4 - Outstanding Recommendations by process 2008-2015**

Process Involved	High	Medium	Low	Total
Governance, Accountability and Management Controls	13	63	30	106
Strategy and Planning	1	34	6	41
Advocacy, Liaison and Communications	1	23	21	45
Operations	7	58	10	75
Gender equality		16	4	20
Finance and Banking	0	22	17	39
Assets Management	1	9	21	31
Human Resources	2	43	42	87
Procurement		23	27	50
Security		3		3
Travel		11	9	20
Information Systems	2	42	12	56
Legal		1		1
<b>Total</b>	<b>27</b>	<b>348</b>	<b>199</b>	<b>574</b>

26. Of the 574 outstanding recommendations, 110 were made prior to 2013 and are thus classified as long-outstanding and therefore subject to more intense follow up steps. Figure 5 summarizes the results by risk category.

**Figure 5 – Long Outstanding Recommendations by Risk Category**

Year	High	Medium	Low	Total
2008		2		2
2009	1	2	1	4
2010	1		4	5
2011	2	20	2	24
2012	4	22	13	39
2013	2	23	11	36
<b>Total</b>	<b>10</b>	<b>69</b>	<b>31</b>	<b>110</b>
<b>in %</b>	<b>9%</b>	<b>63%</b>	<b>28%</b>	<b>100%</b>

27. The ten high risk recommendations made prior to 2013, for which more information is provided in Annex E 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;
- establishing a framework for policy monitoring responsibilities within the different units of the operations arm, including procurement activities;
- establishing comprehensive guidance on how to conduct operations with due regard for segregation of duties under different staffing scenarios and providing small offices with compensating controls;
- assessing key element of a prospective field procurement and LOA monitoring programme and allocating of resources and staff required for the new monitoring function;
- completing a comprehensive IT Security risk assessment;
- developing security configuration guidelines for all network components;
- addressing the issues identified in the review of HQ infrastructure management, including a periodic reporting on HQ premises safety to the Governing Bodies, and developing proposal for a Capital Renovation Plan of the compound.

28. Although management has made some progress in addressing the these recommendations, as indicated in Annex E, these actions are not yet sufficient to close them. OIG follow up with management on the implementation of these recommendations regularly throughout the year and reported in OIG's quarterly reports to the Director-General.

29. In 2014-2015, with a view to improving the rate of internal audit recommendation/agreed actions, the Director-General emphasized senior management accountability at Assistant Director General (ADG) level, and a network of audit focal points in each Department was established to follow up with relevant managers to promote timely implementation, support verification and reporting to OIG. To support timely reporting, OIG made available a web-based access to its recommendation/agreed action data base to allow managers and focal points to directly update status information. A further step to be implemented from 2016, in response to a recommendation of the FAO Audit Committee, is for OIG to implement a new escalation policy whereby reminders and alerts will be sent to ADGs and Departmental focal points, and to the DDGs as appropriate, on recommendations/agreed actions approaching and passing overdue status respectively. The monitoring of implementation deadlines will also be refined and thereby tightened by being linked to agreed dates of recommendation rather than year of report issue.

## **VIII. Investigating Fraud and Other Misconduct**

30. 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 other forms of misconduct by FAO personnel, partners or by contractors in relation to their business with FAO, and for the promotion of preventive measures. 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 expertise.

### *Investigation Process*

31. OIG's responsibility includes investigating allegations of misconduct including fraud and other corrupt practices, retaliation against FAO personnel who report wrongdoing or cooperate with an OIG audit or investigation as well as those of sexual exploitation and abuse. OIG's investigative

mandate was expanded at the beginning of 2015 to include cases of workplace harassment as well as responsibility for administering the Grievance Handling Mechanism as part of the Organization's Environmental and Social Management Guidelines.

32. Cases of staff misconduct are investigated pursuant to FAO's Guidelines for Internal Administrative Investigations. Specific timelines are applicable to the different kinds of cases within the Office of Internal Governance's (OIG) mandate, each being set out in the Organization's policies governing the particular conduct in question. In all cases, allegations received by the OIG are subject to a preliminary review to determine whether the matter falls within the office's mandate or should be referred to another Division within FAO or to another organization. For those falling within the OIG's mandate, the preliminary review assesses whether there are sufficient grounds to initiate a full investigation. In cases in which the OIG conducts a full investigation, the OIG reports its conclusions on whether the allegations are substantiated to the Director-General (for senior staff) or the Assistant Director-General, Corporate Services (or the delegated authority in other cases) for a decision on what if any administrative action is to be taken, including disciplinary proceedings pursuant to FAO Manual Section 330.

33. Allegations of fraudulent and corrupt activities by third parties (i.e. vendors, suppliers, implementing partners) involved in programmes and operations of the Organization are reviewed to protect the Organization and to promote the full benefit of FAO programmes and projects to affected populations. These cases are subject to a preliminary review to determine if there are reasonable grounds to believe a sanctionable action has occurred. Where the OIG finds a third party engaged in sanctionable actions, the investigation results and a request to begin sanctions procedures are prepared and sent to FAO's Vendor Sanctions Committee. The Committee will decide whether to open a sanctions procedure, and if opened, evaluate the OIG's report and the vendor's response before making a recommendation to the ADG/CS on whether to sanction the third party in question.

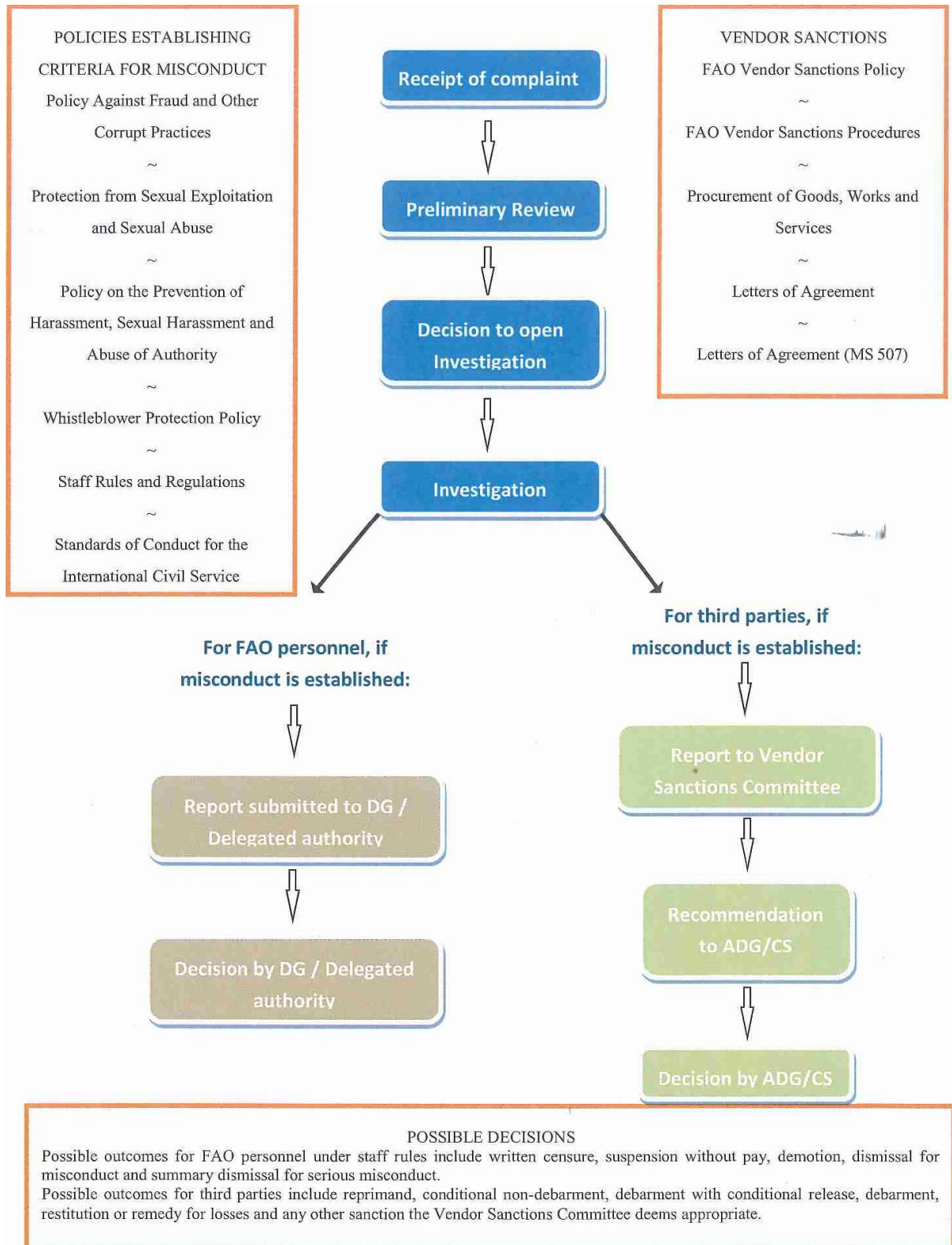
34. Reviews of complaints, made under FAO's Grievance Mechanism, of non-compliance with FAO's Environmental and Social Management Guidelines follow a similar process to that outlined above. Allegations of non-compliance are evaluated to determine if they relate to projects associated with the Organization. In those cases where a connection with the Organization is found, a public comment period is opened, after which the OIG launches an inspection to evaluate the situation in the field. A report is then prepared and submitted to the Director-General for consideration and decision.

35. Where the OIG makes adverse findings against FAO personnel or third parties, it recommends that management take appropriate administrative action, with the particular action determined by management. Disciplinary actions regarding FAO personnel can include suspension without pay, demotion and dismissal. Actions against third parties can include reprimand, conditional non-debarment, debarment and the recovery of amounts lost due to the third party's malfeasance. The OIG may also recommend the temporary suspension of vendors to protect the interests of the Organization in third party cases before a final recommendation is made. The OIG's responsibilities pursuant to the Whistleblower Protection Policy include recommendations on protective measures to protect whistleblowers, such as the suspension of a potentially retaliatory decision. At the conclusion of a case of this nature the OIG may also recommend that corrective actions be taken for those who cooperate with OIG audits and investigations and have been subject to, or are at imminent risk of, retaliation.

36. To ensure that cases are appropriately prioritized, the OIG employs a triage system. Prioritization is based on (i) the gravity of any negative effect on FAO's operations and objectives; (ii) effect on FAO's finances; (iii) effect on FAO's reputation; (iv) other facts including the ability to deter future wrongful practices, the resources required to undertake the investigation and the likelihood of resolution. The decision to initiate a full investigation is taken by the Inspector General in consultation with the Senior Investigator based on the results of the preliminary review. An overview graphic of the investigative process is provided in Figure 6 below.



**Figure 6 – Summary Overview of the OIG Investigative Process**



*Investigation Case Load Management*

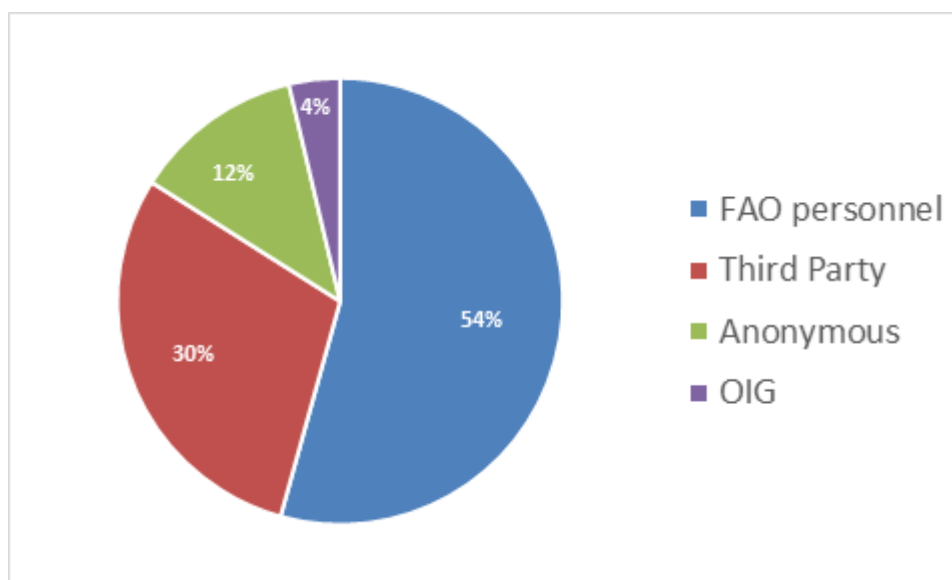
37. OIG began 2015 with 35 open cases, comprising 53 allegations. During the course of the year, OIG received 81 new complaints (comprising 108 allegations) and 16 requests for consultations/advisory services. OIG was able to close 79 complaints (comprising 130 allegations) and 16 consultations/advisory requests, including those carried over from the previous year(s). 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	2011	2012	2013	2014	2015
Complaints Carried over from previous years	26	35	20	27	35
New Complaints	80	82	62	64	81
Subtotal	106	117	82	91	116
New Consultations / Advisory services	17	37	26	27	16
Total Matters (Cases & Consultations)	123	154	108	118	132
Complaints Closed	71	97	65	53	79
Consultations / Advisory services Closed	17	37	16	30	16
Ending Case Load	35	20	27	35	35

*Origin of Complaints*

38. As indicated in Figure 8 below, OIG has consistently received the majority of complaints from FAO personnel, followed by third parties, anonymous and internal referrals of matters detected during OIG's audits, inspections and advisory work.

**Figure 8 – Source of Complaints in 2015 Compared with Prior Three Years**

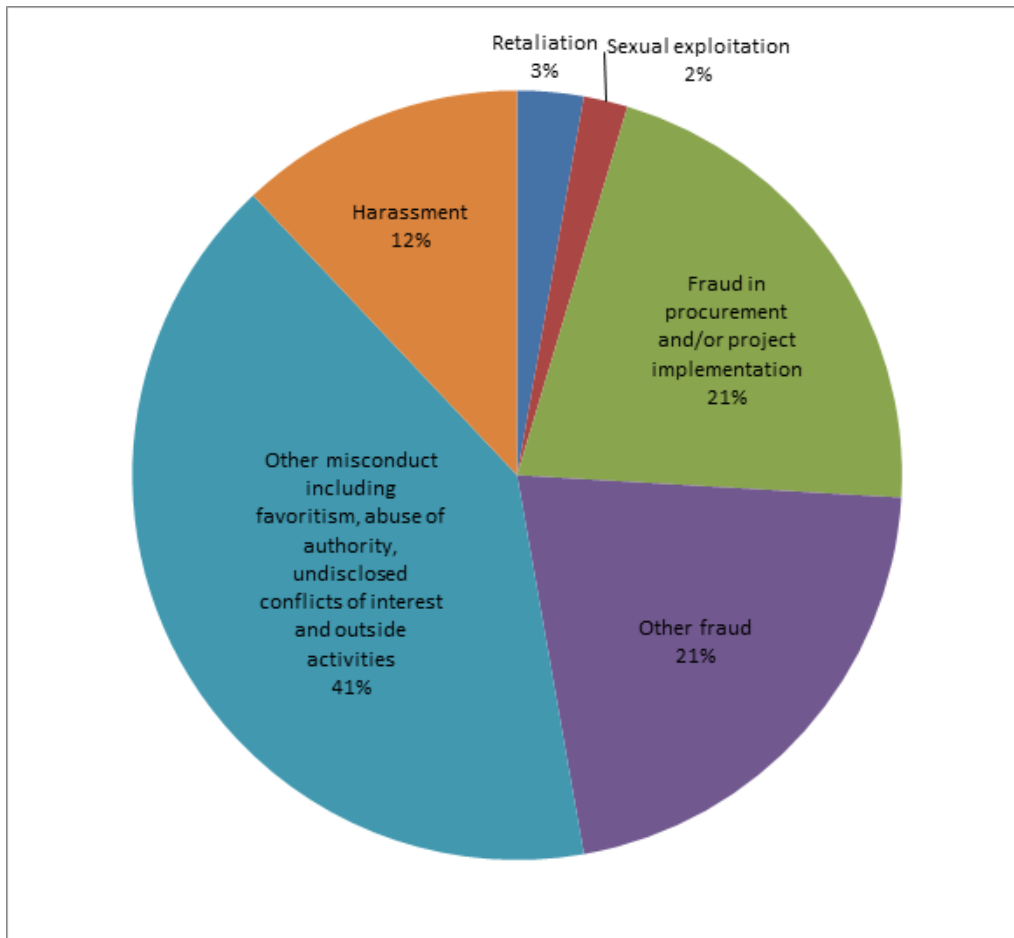
### *Types of Cases*

39. The chart in Figure 9 below shows the types of allegations received during 2015. It is important to note that an individual complaint received by OIG may include multiple allegations. The initial classification of allegations is based on the preliminary information OIG receives. Over the course of an investigation, OIG may modify the classification as more information becomes available.

40. The Grievance Handling Mechanism as part of the Organization's Environmental and Social Management Guidelines was only introduced in early 2015, and requires exhaustion of prior steps at project and Organizational level before lodging complaints with OIG, and as at the end of 2015 OIG had not received any complaints under this Mechanism.

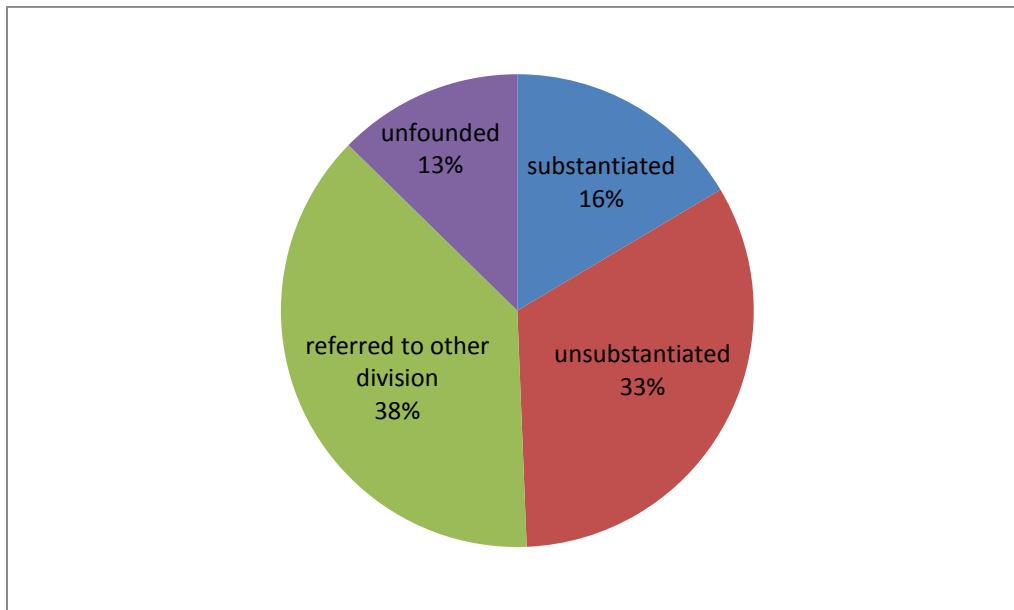
41. Allegations of misconduct which fall within OIG's other investigative mandate areas are broadly divided into the following categories:

- procurement related fraud and other corrupt practices, as set out in FAO Manual Sections on "Procurement of Works and Services" and "Letters of Agreement", respectively;
- fraud and other corrupt practices, not related to procurement, covered by the Organization's "Policy Against Fraud and other Corrupt Practices";
- sexual exploitation and abuse, as defined in the Organization's policy on the, "Protection from Sexual Exploitation and Sexual Abuse (PSEA)";
- harassment as defined in the Organization's "Policy on the Prevention of Harassment, Sexual Harassment and Abuse of Authority";
- retaliation, as defined in the Organization's "Whistleblower Protection Policy"; and
- other unsatisfactory conduct including favouritism, conflict of interest, misuse of resources, and causing damage to the reputation of the Organization, as described in FAO's Administrative Manual Section 330 and the Standards of Conduct for the International Civil Service.

**Figure 9 – Type of Allegations of Misconduct Received**

### *Outcome of Cases*

42. 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.
43. Figure 10 below shows the results according to these conclusions for all 79 cases closed in 2015. During the course of a preliminary review or full investigation, OIG/INV may establish sufficient evidence to show that the allegations are unfounded, thus clearing FAO Personnel or a third party of any wrongdoing. This is an equally important outcome for the Organization, for FAO Personnel and the third party.

**Figure 10 – Outcome of complaints concluded in 2015**

44. Of the 79 cases closed in 2015:

- thirteen were closed as substantiated following investigative action by OIG/INV;
- ten were closed as unfounded following a determination that no wrongdoing had occurred (i.e., the allegation is not true and no fraudulent activity or misconduct occurred);
- twenty-six were closed as unsubstantiated; and
- thirty 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.

45. 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 2015 was 147 (i.e. less than five months).

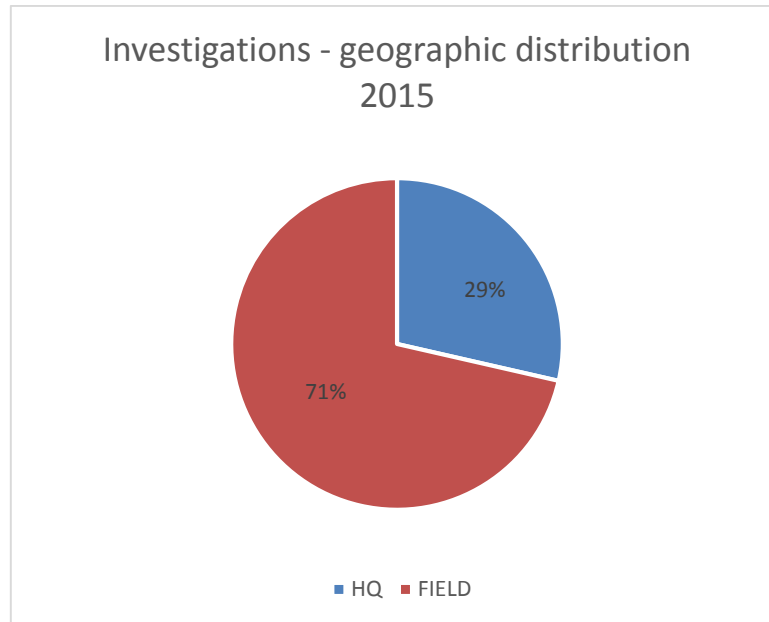
46. OIG issued 12 investigation reports in 2015 broadly covering cases of fraud in procurement or project implementation, sexual exploitation and abuse, harassment, conflict of interest, fraud, and whistleblower protection. OIG also issued seven memoranda where an investigation was carried out and a full investigation report was not required or the allegations were not substantiated but conclusions and/or observations needed to be conveyed to management.

47. Of the investigation reports with recommendations involving FAO Personnel, two are pending final decision, while for the remaining reports the Organization has taken appropriate administrative action, including disciplinary measures. Five of the investigation reports issued in 2015 were submitted to FAO's Vendor Sanctions Committee together with a request to begin sanctions proceedings. Four of these cases have been concluded. Three of the vendor sanctions procedures resulted in sanctions against the vendor in question. The fourth procedure was concluded without sanction. The remaining report was issued at the end of 2015 and the matter is still pending before the Committee. In addition, OIG submitted two requests for temporary suspension of a vendor in 2015. Both requests were granted by the Committee. The investigations in both those cases have come to an end in 2016 and the reports are being prepared for submission to the Committee.

48. As indicated in Figure 11 below, the majority of investigations in 2015 related to FAO personnel or contractors/bidders/implementing partners located in the field (where the risks for the Organization have been growing along with the recent and ongoing Organizational decentralization).

These types of investigations 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.

**Figure 11**



49. The following summary presents representative examples of cases completed in 2015:

- **Case 1: Sexual Exploitation and Abuse (SEA)** – OIG/INV received information indicating that FAO personnel in a field office was engaging in inappropriate sexual conduct with minors in exchange for money. A mission was launched to the office to interview those involved and to assess the situation. OIG/INV found that the allegations were unfounded and that individual in question had not engaged in the prohibited conduct alleged.
- **Case 2: Fraud in Project Implementation** – OIG/INV received a complaint that a supplier had provided patented agricultural inputs without authorization from the patent holder. During the course of the investigation OIG/INV was unable to substantiate these claims. However, OIG found that the supplier had committed fraud by providing false documentation to demonstrate the origin of the inputs provided to FAO. The matter is currently pending before Vendor Sanctions Committee.
- **Case 3: Cheque Fraud** – OIG/INV received a complaint that a senior local staff had arranged for a cheque to be issued to a former consultant so that it might be cashed and he could receive the funds. OIG/INV found that the staff member changed the payment modality for the consultant (from wire transfer to cheque) so that he could cash the cheque. The staff member admitted that he had cashed the cheque and repaid the sums to the office during the course of the investigation. OIG/INV concluded the staff member had committed fraud. The individual in question has since separated from the Organization.
- **Case 4: Collusion in Procurement** – OIG/INV was contacted by national authorities investigating a local company under suspicion of having paid a bribe that was accepted by two FAO personnel in connection with the award of a contract by the Organization. OIG/INV liaised with the national authorities and conducted an investigation determining that the two FAO personnel had signed commission agreements with the company for contracts awarded by FAO. OIG/INV found that both consultants and the company engaged in collusive practices as regards the award of the tender. Both personnel in question have since separated from the Organization and a summary of OIG's findings was shared with the national authorities in question.

- **Case 5: Undisclosed Conflict of Interest** – OIG/INV conducted an investigation into allegations that a senior officer in a field office had an undisclosed conflict of interest in that he used his position to promote the interests of his spouse’s private company. OIG/INV interviewed the personnel involved and conducted a company records search in the relevant national registry. OIG/INV determined that the allegations were substantiated. The individual in question has since separated from the Organization.
- **Case 6: Fraud in Project Implementation** – OIG/INV received allegations of possible theft of project funds and fraud on the part of a national project personnel in a country office. OIG/INV fielded a mission to the office in question and found that rather than fraud or wrongdoing, lapses in internal controls had resulted in a failure to ensure the timely and accurate reconciliation of project funds. A report was prepared for the head of office presenting recommendations to address the control weaknesses that were identified during the investigation.

## IX. Inspections and Other Advisory Services

50. 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. The annual work plans include provision for additional work outside the risk-based priorities by audit or investigation staff. These may be to conduct inspections of particular events or activities at management request or as part of proactive reviews. In 2015, OIG completed inspections of the Administrative Department, to assist with management transition in the second semester of 2015, and on administrative and project management aspects of FAO’s programme in the Kingdom of Saudi Arabia which included follow up of outstanding past audit and technical mission recommendations. Summary results of these inspections are included in **Annex D**. In addition, OIG issued three audit memoranda for management attention on CSAP strategy, commissary write-offs and annual representation letters.

51. OIG participated in different initiatives within FAO regarding development and update of the Organization’s fiduciary and integrity policies. In particular OIG participated in the update of policy on the prevention of harassment, sexual harassment and abuse of authority which was finalized in January 2015 and in the development of the new environmental and social safeguard accountability and grievance process for inclusion in the suite of FAO’s revised Environmental and Social Safeguard Policies. OIG also participated in the updating of the Organization’s Policy Against Fraud and Other Corrupt Practices, which was issued in March 2015, as part of a harmonization effort across fraud related rules and regulations at FAO.

52. OIG also responded to more than 20 other requests for short duration advisory and consulting services during 2015. These included comments and advice on new partnership agreements; reviews of a number of project agreements; and audit clauses in various draft donor contracts and legal templates and Administrative Manual updates.

53. OIG provided advisory services to various Representations dealing with matters of fraud reporting to donors. In addition, OIG provided similar services to other departments within the Organization for reporting results of OIG’s work and provided input on draft agreements for the sharing of information relating to fraud detection and prevention with external parties.

54. OIG also provided input on the response to a request for mutual legal assistance, which had been duly requested through the diplomatic channel, in the context of an ongoing national criminal investigation. Following contact, a dialogue was opened with the national officials for the sharing of information, in a confidential manner, to assist in the both the national and OIG’s ongoing investigations. Similar support was also provided upon request to other UN Agencies to better optimize resources and foster greater collaboration between the different investigation offices.

## X. Implementing the OIG Report Disclosure Policy

55. 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 2015, two requests for remote on-line viewing from two members, covering the following two audit reports were submitted and both were fulfilled according to the policy within the response times set out therein:

- AUD 1114 - Limited Scope Review of FAO's Publishing Activity
- AUD 2214 - UN-REDD National Programme in Viet Nam

56. There were no instances of withholding of reports. In one case text was redacted in a report provided to remove certain third party comparative information had been provided on a confidential basis. This was duly noted to the requestor and was reported with the rationale to the FAO Audit Committee through OIG's Quarterly Reports.

## XI. OIG Management Managing OIG's Internal Capacity and Operations

57. OIG delivers value through the management of its people, financial budget, technology and methodologies. Its audit and investigation functions are subject to periodic external review.

### *OIG Staffing and Budget*

58. As at 31 December 2015, OIG had 25 approved posts. These include those of the Inspector General, 18 Professional staff, four of which are out-stationed in each of the Regional Offices in Cairo, Bangkok, Accra and Santiago de Chile; and six General Service staff, four of whom are attached to audit or investigation teams and undertake audit or investigation support tasks. **Annex G** to this report depicts OIG's staffing situation, with some demographic and gender information, as at the end of 2015.

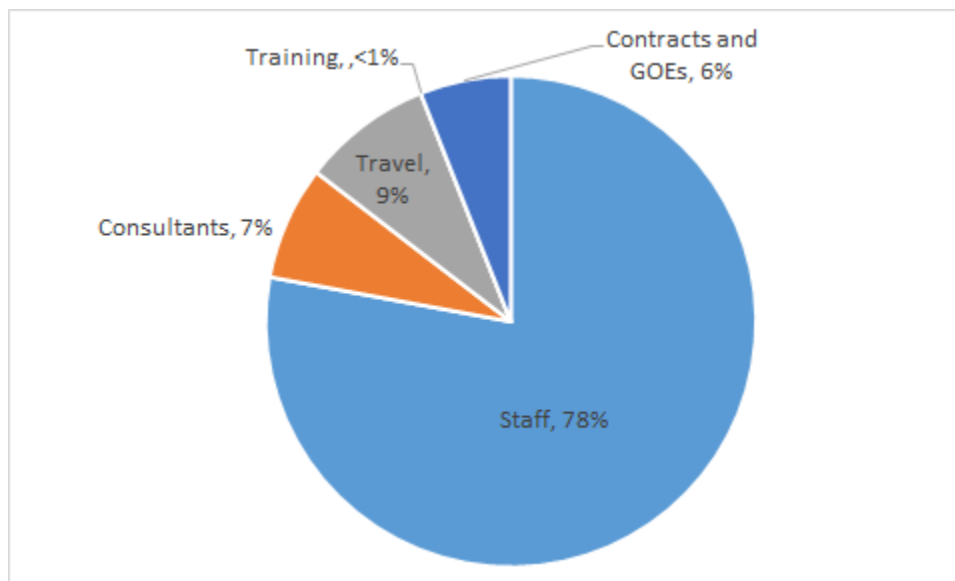
59. During 2015, the Audit Unit comprised three P5 Senior Auditors reporting to the Inspector General and leading audit teams with regular interchange of audit staff to meet work needs. Rotation between headquarters and region-based audit posts continued in 2015 with a P3 OIG staff member being assigned to OIG's post in RNE under the Organization's mobility programme. The Investigation Unit received a G6 staff member temporarily seconded from RAF to assist with forensic investigation work. At the end of 2015, OIG had four audit posts vacant (P4 Bangkok, P3 Santiago, P3 headquarters and P2 headquarters) and two investigation posts (both P3 headquarters). In two cases (one auditor and one investigator) the vacancies were filled in February 2016, in three other cases a recruitment process was in progress. In the case of the forensic investigator post, OIG is using the secondment mentioned above to further re-appraise the job profile prior to initiating further recruitment action. OIG was able to achieve its audit work plan and investigation case load results with the support of experienced and well qualified consultants. In addition, to assist with managing the investigation caseload, including provision of specialist expertise in its new mandate areas of harassment and sexual exploitation and abuse, the staffing was supplemented in 2015 with an additional 217 consultant/days beyond that required for backfilling vacancies.

60. OIG's 2014-2015 biennial budget is USD 9.1 million, mostly from Regular Programme sources. At the end of 2015, OIG estimated at the time of this report a small surplus of approximately



USD100,000. Savings from staff vacancies were largely offset by additional spending on consultancies. The breakdown of OIG's costs is as follows:

**Figure 12 – 2014 -2015 Provisional Expenditure**



#### *Staff Professional Development*

61. OIG invests heavily in staff development to ensure that it stays abreast of good practice in audit and investigation methods and organizational management and development concepts and to extend staff language skills. Individual training needs are identified under the Individual Development Plan component of the Organization's Performance Evaluation Management System (PEMS) at the beginning of each year. In addition, broader staff needs are addressed in group training sessions, where possible in collaboration with counterparts in the other Rome-based agencies or other UN/intergovernmental organizations. OIG's Training focal point oversees the implementation of an OIG training plan developed from these elements and integrated into an FAO-wide process. OIG expresses its appreciation to the Training Unit (OHRT) for extensive support it provided with the review and implementation of the 2015 training plan.

62. In 2015, OIG implemented corporate membership, covering all internal audit staff, of the Institute of Internal Auditors. This provides unlimited access to the Institute's journals, on line professional resources and discounted training. In addition OIG continued to support staff in obtaining and maintaining professional internal audit, information technology, risk management and fraud examination qualifications.

#### *Update of Job Profiles and Implementation of Performance Evaluation and Management System*

63. In 2015, OIG completed an update of the job profiles for its professional and specialized general service positions and this was taken into account in its implementation of the Organization's PEMS during 2015. 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 performance management. Although a transition year for FAO in its approach to PEMS, annual work plans for 2015, linked to OIG's Unit Results in FAO's planning and budgeting framework, were completed for all OIG staff and were assessed in early 2016. 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.

### *Technology Support*

64. OIG utilizes widely adopted audit and case management software which support professional standards compliance and process efficiencies. OIG also utilizes specialized security software to support its report disclosure policy and Audit Committee operations.

### *Audit Quality Assurance and Improvement Programme*

65. As part of its audit quality assurance and improvement programme, OIG sends a client feedback questionnaire for each finalized audit to the principal recipient of the final report. The average overall satisfaction rating of the 19 responses received from auditees for reports issued in 2015 was 5.4 from a maximum score of six. Aggregated details of the survey results are shared with management and the FAO Audit Committee through OIG's quarterly reports.

66. Independent assessments carried out by qualified external reviewers are scheduled every five years to meet international internal audit standards. Recommendations from the last review in 2012 were fully implemented and a mid-point internal quality assurance review took place at the end of 2015, with the assistance of an external expert. The report was finalized in early 2016, and the reviewer concluded that OIG is currently operating in *general conformance*<sup>2</sup> with the International Professional Practices Framework of the IIA, and that the services provided by OIG are viewed by stakeholders as value added and essential to the management oversight structure of FAO. The reviewer has identified a number of areas of improvement to be considered ahead of the next external quality assessment which is due by 2017, and these will be actioned under OIG's 2016 audit quality improvement programme and monitored by FAO's Audit Committee. Interim results of the review informed the development of OIG's 2016-2017 Audit Plan.

### *Investigation Quality Assurance and Improvement Programme*

67. An external 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. As of the end of 2015, most recommendations from this review had been implemented with closure of pending ones linked to finalization and promulgation of updates to FAO's Investigation Guidelines. The internal review process for this update was in progress within FAO as at end of 2015. Follow up action on pending recommendations is monitored by FAO's Audit Committee.

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

### *Coordination with other FAO Oversight Bodies and Ethics/Ombudsman Office*

68. During the year, OIG met routinely with the Office of Evaluation (OED) and the External Auditor to discuss their respective work plans to ensure their work did not unnecessarily duplicate review activities, and provide input into the planning of their respective assignments. OED and the External Auditor are routinely copied on all internal audit reports and meetings are held at working level on various assignments when relevant to work and assignment planning. In preparing for individual audit assignments, OIG reviewed and took into account the issues and recommendations the External Auditor presented to management in the form of management letters and of OED in its evaluation reports.

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<sup>2</sup> This is the highest rating that can be given under the IIA quality assurance standard.

69. Specific examples of close OIG and OED collaboration in 2015 include:
- South Sudan (phased evaluation and audit during same period) - Close coordination throughout scoping, detailed planning, execution and reporting phases of the 2015 evaluation and internal audit work in South Sudan. OIG used field evaluators engaged for the evaluation to also assist with evidence gathering for the audit, and a joint OED-OIG workshop was held to review results of both reviews and ensure appropriate synergies and complementarities were achieved in the reports.
  - Kyrgyzstan (evaluation following audit) – Close coordination during scoping and planning phases of the audit and Feedback by OIG to OED on preliminary findings, key concerns, risks and information on areas excluded from audit scope but relevant for the evaluation.
  - Somalia (audit following evaluation) – OIG’s audit scope was defined not to duplicate the efforts (e.g. Resilience Programme was not covered by OIG as it was reviewed by OED); OED shared information collected including meetings summaries with interviewees, and OIG referred to the OED’s recommendations on Resilience instead of making own recommendations on the topics covered by OED.
70. There was regular communication throughout the year with the Ethics/Ombudsman Office. In some cases complaints received by OIG or the Ethics/Ombudsman Office were referred to the other when these fell under the other’s mandate. The Ethics/Ombudsman Office assisted with awareness raising of OIG’s mandate and anti-fraud policies in its training activities.

*Collaboration with the Oversight Services of the Other Rome-based Agencies*

71. The 2015 edition of the annual joint session of all the staff of the audit, inspection & investigation functions of the three Rome-based agencies was hosted by WFP, in order to strengthen cooperation, interaction and networking and professional updating across the agencies. The event included a session with senior managers from the three RBAs and the Under-Secretary General UN-OIOS on future directions for oversight.

*Collaboration with other UN Agencies and Intergovernmental Organizations*

72. 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. 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. The Conference of International Investigators (CII) brings together the investigations functions of UN agencies, Multilateral Development Banks and other intergovernmental organizations, such as the European Anti-Fraud Office. The UNRIS is the UN System sub-group of this network. These networks provide valuable sources of information for enhancing OIG’s own performance, opportunities for addressing coverage of jointly management programmes and are a basis for harmonized development of the audit and investigation functions across the UN and intergovernmental sectors.

73. 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. This is being responded to collectively by the UN Internal Audit Services, including OIG, through the UN-RIAS.

74. In 2015, the Internal Audit Services of FAO, UNDP and UNEP completed a joint review of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme). The joint audit was led by OIG and the results are reported in Annex A (iii).

75. A joint audit of several UN Internal Audit Services, led by UNDP, of Delivering as One in Malawi was finalized in 2015 and is also reported in Annex A (iii). Two other joint audits of joint UN programmes in South Sudan and Vietnam were initiated in 2015 led by other UN Internal Audit Services. OIG is participating as a member of the steering committees in the planning and oversight of these joint audits, and its own South Sudan audit results will inform that joint audit. Results of these joint audits will be reported in 2016.

76. OIG participated in the 46th Plenary RIAS and 9th UN-RIAS meetings held in September 2015 at the Asian Development Bank in Manila, Philippines. The Inspector General continued to act during 2015 as co-Vice Chair and focal point for interaction with the HLCM and its various professional networks for the UN-RIAS network.

77. Topics covered in the RIAS/UN-RIAS meetings attended by the Inspector General and a Senior Auditor, and inter-sessional activities, included:

- Developments in the international internal audit profession's professional framework
- Opportunities and challenges for UN internal audit services arising from the post-2015 agenda
- Review of the UN system-wide universe of joint programmes, with a view to identify priorities for joint audits
- Early findings from the JIU review of the internal audit function in the UN System
- Integrating risks in the audit work programme (joint FAO-IAEA presentation)
- Approaches to IT auditing
- Enhancing audit process efficiency
- Harmonizing internal audit opinions and assignment audit ratings
- Applying the "three lines of defence" model in the context of integrated assurance
- Experience with public audit report disclosure

78. In late September 2014, the Inspector General and Senior Investigator participated in the 16th CII and 2nd annual meeting of UN-RIS, hosted by the Global Fund to Fight AIDs, Tuberculosis and Malaria in Switzerland.

79. Topics covered in the CII/UNRIS meetings attended by the Inspector General and a Senior Auditor, and inter-sessional activities, included:

- UN framework for joint investigations
- Proactive integrity reviews
- Digital forensic capability
- Harmonization of definitions among UN investigative agencies
- Fraud prevention programmes
- Access rights in third party investigations
- Data privacy in internal investigations
- Latest developments in interviewing research and theory
- Accessing and using open source intelligence
- Benchmarking of investigation services
- Guidance on investigation of allegations against executive heads (JIU recommendation)
- Follow up of the UN Secretary-General's 2014 annual report on prevention of sexual exploitation and abuse.

## Annex A

Risks in OIG Corporate Risk Register that were covered in audits completed or underway at end of 2015

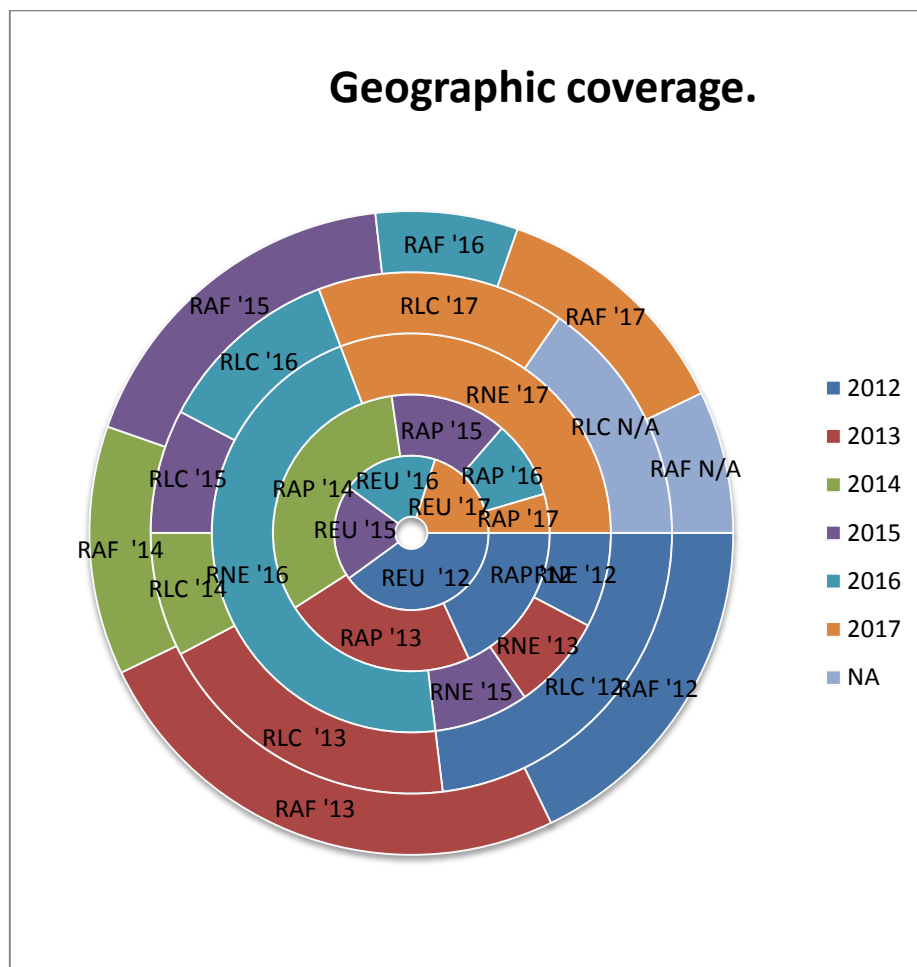
Entity Category	Sub-category	Auditable entity / high risks	
<b>Delivery of Strategic Objectives</b>	Strategic Framework governance		Strategic Planning (2 risks)
			3. Strategic Direction, Coordination and Oversight
	Formulation of SO Action Plans and results frameworks		4. Results Framework
	Workforce Planning		5. Workforce planning
	Field Programme Management and Operations	Country-level programmes and operations	6. Project Formulation and Approval
			7. Sustainability of projects' benefits
			8. Level 1 and 2 emergency projects management and delivery
			9. Distribution of inputs
			10. Project monitoring
		L3 Emergency operations	11. Level 3 emergency projects management and delivery
<b>Enabling Environment</b>	FO6-Technical quality, knowledge and services		12. Gender mainstreaming
			13. Publications
	FO8-Outreach		14-15. Resource mobilization (2 risks)
			16. Global Environment Facility (GEF)
			17. Partnerships
			18. Corporate Communication
	FO9- Information Systems and Technology	Deliver, Service and Support (DSS)	19-20. DSS03 Manage Service Requests and Incidents (2 risks)
			21. DSS05 Manage Security Services
		22. Risk Management	

	FO10- FAO governance, oversight and direction		23. Implementation of recommendations
			24. Organizational structure
	FO11-Efficient and effective administration	Financial Management	25. Treasury
		Human Resources Management	26-27. Management of NSHR (2)
		Procurement, Assets and Facilities management	28. Assets management
		Administrative and Other Services	29. Shared Services Center
			30. Compliance with administrative policies and procedures
Travel Management	31. Duty Travel		
DOs Management & Performance	DOs structure and capacity	32. DOs structure and capacity	

Decentralized Office Audit Coverage

Planned achievement of target of full coverage of all significant Country Offices over three biennia ending in 2017, by region and year:

	REU	RAP	RNE	RLC	RAF
2012	2	4	1	6	10
2013		5	1	5	14
2014		7		2	7
2015	1	3	1	2	10
2016	1	2	6	3	4
2017	1	1	4	4	7



## Annex C

## Reports Issued in 2015 Subject to Disclosure Policy

<b>Assignment Description</b>	<b>Report No. Issued</b>
Joint RBA Procurement review	AUD 0115
IT Information Technology Security	AUD 0215
Advisory Review of the Implementation of FAO's new Strategic Framework	AUD 0315
Comprehensive Country Review: FAO Representation in Mongolia	AUD 0415
Comprehensive Country Review: FAO Representation in China	AUD 0515
Comprehensive Country Review: FAO Representation in the Democratic People's Republic of Korea	AUD 0615
Shared Service Centre	AUD 0715
Joint Audit of Delivering As One in Malawi	AUD 0815
IT Service Management	AUD 0915
Financial and Administration Review: FAO Subregional Office for North Africa	AUD 1015
Comprehensive Country Review: FAO Representation in Niger	AUD 1115
Commissary Physical Inventory Count 2014	AUD 1215
Limited Scope Review of FAO's Travel Arrangements	AUD 1315
Management, Finance and Administration Review: FAO Representation in Kyrgyzstan	AUD 1415
Comprehensive Country Review: FAO Representation in the Democratic Republic of Congo	AUD 1515
Comprehensive Country Review: FAO Representation in Bangladesh	AUD 1615
Review of the Integration of Emergency Operations with Development Activities	AUD 1715
Joint Audit of the UN-REDD Programme – Implementation and Coordination by the three Participating Agencies (FAO, UNDP and UNEP) and the UN-REDD Secretariat	AUD 1815



<b>Assignment Description</b>	<b>Report No. Issued</b>
Comprehensive Country Review: FAO Representation in Mali	AUD1915
Capping Report on Financial Management and Administration Components of Country Office Audits for 2013 and 2014	AUD2015
Review of Gender mainstreaming in FAO's Strategic Framework	AUD 2115
Comprehensive Country Review: FAO Representation in Gabon	AUD 2215
Office for Corporate Communication: Communication Activities	AUD 2315
Finance and Administration Review: FAO Representation in Peru	AUD 2415
Comprehensive Country Review: FAO Representation in Afghanistan	AUD 2515
Review of Non Staff Human Resources	AUD 2615
Comprehensive Country Review: FAO Representation in South Sudan	AUD 2715
Finance and Administration Review: FAO Representation in Guinea Bissau	AUD 2815
Management, Finance and Administration Review (Desk Review): FAO Representation in Eritrea	AUD 2915
Finance and Administration Review: FAO Representation in India	AUD 3015

#### Investigations Lessons Learned Reports

<b>Description</b>	<b>Reports Issued</b>
None for 2015	

## Summaries of Results of Audits and Inspections Reported in 2015<sup>3</sup>

### *AUD 0115 - Joint Audit of the Rome-Based Agencies' Common Procurement Team*

The Offices of Internal Audit of the three Rome-based Agencies (RBAs) with the support of KPMG Advisory S.p.A., conducted a joint audit of the Common Procurement Team (CPT), established in 2010 for joint tendering of commonly procured headquarters' works and services of the three RBAs. The audit covered the period of 01 January 2010 to 31 December 2013.

According to its Charter, the CPT was setup to manage joint tenders for an estimated value of USD 25 million in the first year and a potential up to USD 100 million for the following years. In the pilot year (2010,) 15 joint tenders were conducted for a value of approximately USD 22.5 million. A self-assessment in 2011, considered these joint tenders contributed to an estimated cost savings of three percent of contract value. The number of tenders managed and awarded has since decreased and the overall tendered value (i.e. USD 39.5 million for the period under review) was lower than estimated.

Positive practices and initiatives were noted including: completion of 26 joint tenders and numerous piggy back contracts; provision for cooperation among UN agencies in purchasing procedures; implementation of common e-tendering system to facilitate and track management of tenders; integrated with the United Nations Global Marketplace (UNGM) portal; knowledge sharing and training among departments and vendors; and leveraging expertise of other agencies.

Some issues limited the CPT's effectiveness and the report includes several agreed actions to address them, i.e. working modalities and staffing, planning of activities and resources, harmonization of procurement process across the RBAs and oversight and performance reporting.

### *AUD 0215 - IT security review*

The review's objectives were to verify the implementation of previous recommendations, update OIG's assessment and propose new actions, as necessary, considering the evolution of the IT security environment.

Despite some improvements, continuing control weaknesses were identified. In several cases, action on prior OIG recommendations had been put on hold or discontinued following major restructuring of the CIO division in 2013, vacancies in key positions, or pending clarity of the corporate IT governance framework to replace an earlier one no longer operative.

Substantial action has since been taken by CIO division during 2015 to address matters raised in the follow up report.

### *AUD 0315 - Advisory Review of Implementation of FAO's new Strategic Framework*

The review concluded that there is widespread support and engagement among internal stakeholders in key managerial roles, essential for the intended results of the new Strategic Framework to be achieved. There is strong acceptance that it provides focus to key priorities, promotes and enhances an interdisciplinary approach in FAO's activities (breaking silos) and promotes a coherent corporate approach from global, regional and country levels to achieve better delivery and results.

OIG identified positive elements, but also some challenges on which OSP and Senior Management needed to keep focusing their attention, including clarifying roles and responsibilities for monitoring

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<sup>3</sup> Note that in the interests of timely reporting the results of reports AUD 0115, 0215 and 0315, which were issued very early in 2015, were also covered in OIG's 2014 annual report.

and reporting functions, role of Delivery Managers for Regional Initiatives and finalizing the workforce planning exercise launched as part of the operational work planning phase.

*AUD 0415 - Comprehensive Country Review – FAO Representation in Mongolia*

The FAOR is based in China, with the office headed by a Deputy. The review noted challenges to the performance of the office's representation, programme and operational roles, resulting in project implementation delays and ineffective risk management, leading to risks materializing into actual problems. Contributing factors identified were the limited authority of the Deputy FAOR to make local decisions and his limited financial authority; low level of staffing compared to its current and prospective field programme portfolio; and lack of financial resources to fund a commensurate operational structure.

Fifteen recommendations and one compliance issue were made to address weaknesses and deficiencies in Programme and Operations.

In general, Finance and Administration related controls were adequate considering the low volume of procurement and LoAs. Areas for improvement include selection of NSHR and performance assessments; selection of service providers for LoAs, the choice of appropriate contractual tools (service contracts instead of LoAs) especially for commercial services; data completeness and accuracy in corporate systems; local travel activities; IT and Security. The audit made five recommendations and raised 19 compliance issues in these areas.

*AUD 0515 - Comprehensive Country Review – FAO Representation in China*

The CPF meets requirements of stakeholders who were involved in its preparation, stakeholders' views of the FAOR are very positive, and FAO's image and reputation are considered outstanding. However there is no regular reporting and updating mechanism on CPF progress. Resource mobilization has predominantly focused on existing global funds and programmes.

Areas for improvement include local resource mobilization efforts, FPMIS data quality and completeness, and risk management. The audit made three recommendations to strengthen Programme and Operations.

Finance and Administration controls were, in general, properly designed and operating as intended. Processes, justifications and decisions made were well documented and transparent. Areas for improvement include timely reimbursement of private use of official resources, ECTAD administration and operations, and proper use of HR contract types, such as PSA and NPP. Seven recommendations were made and six compliance issues raised in these areas.

*AUD 0615 - Comprehensive Country Review – FAO Representation in the Democratic People's Republic of Korea*

The FAOR is based in China, with the office headed by a Deputy. The Representation is well respected and an active member of the international community in DPRK.

The review noted that the CPF was developed in consultation with relevant stakeholders, however its targets seemed unattainable. No regular status reporting or enforced reporting lines exist at CO level, rather ad hoc arrangements are in place. Information in FPMIS is not always complete or up-to-date which affects remote access including by the FAOR.

Active projects are relevant in terms of the CPF although these originate from 2012 when it was prepared. Field programme implementation is heavily affected by unstable cash flows. A number of challenges and limitations exist imposed by the particular country circumstances, including key areas of baseline data collection and needs assessment, implementing partner (IP) / service provider (SP) and beneficiary selection, staff selection, procurement and cash transfers. These constraints severely

limit application of FAO-led controls down to the IP/SP and individual beneficiary level, and it is important these be made clear in planning and reporting to donors in the case of bilateral projects. OIG makes six recommendations and raises one compliance issue.

Overall, finance and administration controls are Satisfactory. Significant weaknesses were however noted in internal segregation of duties influenced by the staffing characteristics of the office and particular care is needed in accepting deliverables before making stage payments, and in monitoring progress on LoAs, given the requirements applicable to the selection of in-country LoA service providers. Four recommendations were made and nine compliance issues raised to address weaknesses and deficiencies in these areas.

#### *AUD 0715 - Shared Service Centre*

Since the last (2010) audit, the SSC had successfully consolidated new offshored functions, introduced several improvements in internal practices and provided important support to other corporate initiatives, notably the GRMS project. This was despite some important ongoing structural constraints, especially internal organization and resources.

OIG concluded that the internal control structure and staffing of the SSC are inadequate and turnover levels are too high. Several weaknesses reported in 2010 relating to definition, relevance and measurement of service level agreement continue to persist. Specific issues such as overall capacity, staff retention, supervisory control, workload management, staff grades and career progression are long-standing concerns that SSC management has raised with Senior Management in the past, but for which a solution has not yet been reached.

There is a lack of a clear vision on how to evolve in the mid and long term. The SSC has accumulated a wealth of institutional knowledge that would allow it to move from a primarily transactional role into a centre which delivers more value-added services (a natural evolution of administrative hubs that FAO is not actively pursuing). Lack of a long-term strategy aggravates some lower-level issues, especially with regard to staff motivation and turnover.

The SSC was implementing a reform process named SSC-Evolve and OIG acknowledges several positive aspects, in particular a single point of contact for clients. However, its implementation would require significant internal staff moves, including from SSC units that OIG has assessed as already being understaffed. OIG believes it would be prudent to fix the long-outstanding structural issues highlighted before proceeding with further reforms.

Eleven agreed actions to help improve performance were made.

Two agreed recommendations from previous report AUD 1710 were reopened as OIG has assessed that underlying weaknesses persist and SSC and OHR management agree that the recommendations continue to be relevant.

#### *AUD 0815 - Joint Audit of Delivering As One in Malawi*

The Internal Audit Services of four United Nations organizations (FAO, UNDP, UNFPA, and UNICEF), conducted a joint audit of Delivering as One (DaO) in Malawi with a field audit mission in June 2014.

The joint audit assessed DaO in Malawi as Partially Satisfactory. This rating is mainly due to weaknesses observed in One Programme and One Fund. The overall “Unsatisfactory” audit rating of the draft report, circulated to management for their comments in December 2014, was changed to “Partially Satisfactory” in the final report based on the validation of additional information and follow-up actions taken by management subsequent to the end of the audit fieldwork and up to March 2015.

The audit raised 15 issues and made 16 recommendations, eight (50 percent) of which were ranked high (critical) priority. The Resident Coordinator and the United Nations Country Team accepted all the recommendations.

#### *AUD 0915 - IT Service Management*

OIG reviewed FAO's information technology service management arrangements using an internationally-adopted practice framework, ITIL. In agreement with CIO management, the scope of the review included: Service Catalogue Management, Service Level Management, Change Management, Incident Management and Problem Management.

Overall, OIG found that CIO's IT service management practices in the areas reviewed were at different levels of maturity, but generally in need of improvement. Considering the relative importance and assessed maturity of these processes, OIG believes that Change Management and Service Level Management are the two processes in need of most improvement. In addition, the review identified several opportunities for improving Problem Management and Incident Management processes. The Service Catalogue Management process was found to be working relatively well.

Based on these observations, OIG's overall conclusion is that corporate information technology service management practices for the selected processes reviewed are partially satisfactory.

OIG acknowledges that at the time of the review, CIO was already taking action to enhance its practices as part of a general IT service management initiative aimed at improving the quality of IT services provided. OIG commends CIO for their proactivity and encourages its full implementation. Moreover, OIG recommends that the initiative be strengthened by defining formal governance arrangements and specifying its deliverables. The report includes 22 agreed actions aimed at further improving the positive effects of this ongoing initiative.

#### *AUD 1015 - Financial and Administrative Review – FAO Subregional Office for North Africa*

In general, the SRO has an appropriate structure in place for efficient and effective office management and operations. Management controls could be strengthened by conducting staff meetings on a more frequent basis.

Financial and administrative management practices and controls were found to be satisfactory overall. The SRO has shown improvement from the previous Finance and Administration Audit carried out in 2010 although some weaknesses were identified. The following functions were highlighted as needing improvement:

- procurement planning should be introduced in a timely manner
- LoA progress should be monitored to avoid deviations from agreed timelines;
- the results of asset counts should be followed up, and obsolete assets should be identified and disposed of; and
- controls for Human Resources management should be strengthened.

#### *AUD 1115 - Comprehensive Country Review – FAO Representation in Niger*

The overall assessment is Satisfactory with respect to both Country Programming and Operations and Finance and Administration management.

Government and UN partners expressed satisfaction and acknowledged FAO is a key partner and the leader in the food security sector, and expressed a wish for FAO to increase its interventions, whilst also recognizing that this would require greater resources. Stakeholders were critical of the absence of an FAOR for a six-month period in 2013 and the lack of information regarding the expected length of tenure of the current retiree FAOR a.i., which creates uncertainty for the government and partners.

The Representation satisfactorily manages its current portfolio of field projects reflecting CPF priorities, but the absence of comprehensive detailed workplans and monitoring and evaluation (M&E) tools does not allow objective measurement of progress of implementation. OIG recommends that annual workplans, communication, resource mobilization, and monitoring and evaluation tools be made operational as soon as possible.

Limited funds available from both the restricted number of local donors and the government has resulted in the Regional Office and headquarters being key contacts for resource mobilization from regional and international donors.

The review made nine recommendations to address weaknesses and deficiencies with which the FAOR agreed and has already initiated corrective action.

For Finance and Administration the area of assets was considered Seriously Deficient and those of Human Resources and Banking and Cash as Deficient. The key cause was a lack of capacity in the administration department caused by inexperienced personnel, long term vacancies, and lack of management direction during the extended vacancy in the FAOR and insufficient initial training on GRMS.

The review made seven recommendations and raised 19 compliance issues to address weaknesses and deficiencies, with which the FAOR agreed and has already initiated corrective action.

#### *AUD 1215 - Commissary Physical Inventory Count 2014*

Inventory, valued at over EUR 1.7 million, is one of the most material assets in the Commissary's financial statements. Based on observation of the Commissary's 2014 year-end inventory count, and independent sample testing, OIG found the Commissary has established and implemented adequate procedures for completing the year-end count. OIG's sample test count did not reveal any material differences to that of the Commissary. The results of OIG's review were considered by the External Auditor regarding the reliability of the inventory balance for the 2014 financial statement audit.

#### *AUD 1315 - Limited Scope Review of FAO's Travel Arrangements*

OIG completed a limited scope review of FAO's travel arrangements to assess adequacy and effectiveness of measures undertaken by CSA in order to reduce travel costs. CSA's performance in the areas reviewed is satisfactory. CSA has given much attention to identifying and adopting cost-saving measures, including some for which FAO is a leading agency in the UN community. However, in view of the lack of an integrated travel management information system and capacity in CSA for a more comprehensive performance monitoring role, OIG rates travel management at corporate level as partially satisfactory.

The following key issues require improvement:

- GRMS did not provide a solution for local travel. Approximately 40 percent of travel expenses are therefore mostly unmonitored. No reports to properly monitor and analyse travel activities to support further cost-reduction efforts are available.
- The Preferred Hotel Programme has been a financial success, however, the Organization should be very prudent regarding its expansion, particularly in locations where overall quality of hotels is low and relative savings obtained are small.
- The savings-sharing mechanism introduced in the 2008 corporate travel agency contract is well conceived in principle, however, errors were found in its application.
- A more comprehensive cost-benefit assessment of other cost-savings initiatives should be conducted, including those not considered in the past, or that were discarded without rigorous assessment, especially those successfully implemented by other international organizations.

*AUD 1415 - Management, Finance and Administration Review – FAO Representation in Kyrgyzstan*

The overall assessment is Satisfactory for both Governance, Accountability and Internal Control as well as Finance and Administration management. Since the last audit in 2011, the Representation has made significant progress in enhancing its internal control environment.

There are, however, several challenges including the pending conclusion of a host country agreement, and office understaffing and lack of compensation for support services to local components of FAO supra-national projects. Other areas for improvement include: segregation of duties and data accuracy in GRMS, training of IT staff.

Management has set up appropriate workflows for key administrative processes and there were several examples of best practice, such as the selection process for NSHR, public tendering in procurement, the fraud prevention plan and related mitigating measures.

Improved procurement planning for the field programme and other supra-national project activities is required, as well as mitigating conflicting duties of the officer responsible for LoA management. Assets should be updated regularly to reflect their location. Contractual arrangements for NSHR do not always represent the best solution to secure institutional stability and capacity development.

Management had initiated corrective measures to address the weaknesses observed.

*AUD 1515 - Comprehensive Review – FAO Representation in the Democratic Republic of Congo*

Overall, Advocacy, Programming and Operations were assessed as Satisfactory. External stakeholders and partners recognized FAO as providing effective leadership in the food security, agriculture and rural development sectors. Completion and implementation of a communications strategy would support identification of further opportunities.

The 2013-17 CPF is at the mid-point of implementation; monitoring its progress would be improved by annual workplans, linking activities to the CPF and review of data collection required for the performance indicators. The resource mobilization strategy requires finalization and implementation, but appears over ambitious in comparison to the resources mobilized to-date.

Field programme management and operations were satisfactory. Progress has been made on mainstreaming gender in the Representation's strategy and field programme.

Management, Finance and Administration controls were assessed as satisfactory overall. In general, controls were consistently applied and were effective. However FPMIS is not systematically used as a document repository. Procurement and contract management controls were operating well, although there were supplier performance issues. The FAOR had been proactive in raising the issue of limited supplier capacity. Not all required HR documentation was held on personnel files and performance evaluations were often not performed. Asset controls were only partially satisfactory as although asset counts had been carried out, no reconciliation had been performed.

The audit proposed one agreed action and four compliance issues to address weaknesses and deficiencies for which the FAOR had already initiated corrective measures.

*AUD 1615 - Comprehensive Country Review – FAO Representation in Bangladesh*

Stakeholders were positive regarding FAO's image based on strong liaison and communication efforts. The CPF endorsed by the government and the RO did not include a resource mobilization plan nor an estimate of resource requirements. A planned mid-term review and update of the CPF in late 2015-early 2016 will provide opportunity to align priorities with potential resources.

The Representation actively monitors the field programme; however, the two projects reviewed had deficiencies stemming from gaps in project formulation that had not been corrected prior to approval;

and both projects developed budgets for technical backstopping, but neither described timing nor expected technical inputs.

Overall, an appropriate structure and controls are in place for efficient and effective office management and operations. Management attention is needed to correct weaknesses in: procurement planning, high number of exceptional awards, payments for Letters of Agreement (LOAs), staff overtime, recording of journal vouchers, security and storage of unused and voided cheques.

The report suggested Agreed Actions and Compliance Issues to address weaknesses and deficiencies in administration and finance and the FAOR initiated corrective action.

*AUD 1715 - Review of the Integration of Emergency Operations with Development Activities*

An earlier audit (AUD\_0713) noted capacity and funding challenges to be addressed as part of the decentralization process. The current audit examined the extent to which integration had been implemented and issues raised in the earlier report had been addressed.

As at March 2015, integration had proceeded in line with original planning and the overall process had been completed in all COs with emergency operations. Gaps still existed however in the COs' technical, operational and administrative capacity, and funding concerns need addressing to ensure sustainability of changes introduced. Some outstanding decisions still need to be taken, including the purpose and management of three resilience teams in Senegal, Kenya and South Africa. OIG encourages Management to give high priority to addressing these issues, which contribute to achieving the twin objectives of improved performance and greater impact at country level.

*AUD 1815 - Joint Audit of the UN-REDD Programme – Implementation and Coordination by the three Participating Agencies FAO, UNDP and UNEP and the UN-REDD Secretariat*

In early 2014, the Internal Audit Services (IAS) of FAO, UNDP and UNEP, began a joint audit of the UN-REDD Programme, which supports nationally led REDD+ processes aiming at 'Reducing Emissions from Deforestation and Forest through protection, better management and wise use their forest resources, contributing to the global fight against climate change. The UN-REDD Programme was launched in 2008 and builds on the convening role and technical expertise of the three participating UN agencies. At the time of the audit, which was carried out in three phases over 2014-2015, the overall UN-REDD Programme totalled USD 228 million.

The Programme has supported national REDD+ readiness efforts in 55 partner countries, spanning Africa, Asia and the Pacific, and Latin America, in two ways: (i) supranational normative support through common approaches, guidelines, methodologies, tools, data and best practices, developed through the UN-REDD Support to National Action Programme (SNA) under the Global Programme Framework 2011-2015; and (ii) direct national support to countries through the design and implementation of UN-REDD National Programmes as well as Targeted Support, both based on country-driven requests.

The first and second phases of the audit, which focussed on country and agency level, were reported individually by the three IAS in 2014. The audit reported in 2015 focused on assessing overall and interagency implementation and coordination of the Programme by the three Participating Agencies and the UN-REDD Secretariat. As the UN-REDD Programme moved forward and objectives, plans and frameworks were being drawn up for a second Phase starting in 2016, the joint audit aimed at identifying areas for improvement in the current structures, processes and approaches.

The IAS noted that, since the inception of the Programme in 2008, concepts and conditions have become more concrete and, as a result, the Programme's alignment with the needs of its partner countries and the United Nations Framework Convention on Climate Change (UNFCCC) is continually improving. Key observations made in the audit were:



- an overlap of UN-REDD activities with those of other REDD+ implementing partners and funding sources, such as the Forest Carbon Partnership Facility (FCPF), Forest Investment Program (FIP), Biocarbon Fund (BCF), Global Environment Facility (GEF), and Green Climate Fund (GCF);
- the lack of comprehensive principles and guidelines for the allocation of resources for SNA activities amongst the Participating Agencies and for the division of resources between SNA normative support at the supranational level and the National Programmes and Targeted Support at the country level;
- an overly complex and insufficiently focused logframe;
- shortcomings in interagency cooperation and coordination which needed to be addressed by clarifying the governance arrangements, including the TORs, roles and responsibilities of the Strategic Group, the Management Group, as well as the Secretariat of the Programme.

The joint report made 11 recommendations mainly addressed to the 'Management Group' of the Programme (composed of key UN-REDD managers of Participating Agencies and the Secretariat).

*AUD 1915 - Comprehensive Country Review – FAO Representation in Mali*

Internal controls in Country Programming and Operations were satisfactory. Capacity in liaison and advocacy was particularly strong and has resulted in a number of projects in the pipeline. FAO's initiatives and coordination were appreciated by both government and donors. However, the Country Programming Framework needs to be updated, particularly in regard to gender mainstreaming, and progress should be periodically monitored by the relevant committees. FPMIS should also be updated. Project implementation was regularly monitored but primarily based on budget spending, rather than result-based indicators.

Internal controls in Finance and Administration were partially satisfactory. Some improvement compared to the last audit was noted, particularly once the establishment of a Procurement Unit was made in 2014. Other areas remained weak: segregation of duties for prepaid fuel cards, warehouse inventory control system, travel planning and reporting, supporting documentation for disbursement vouchers, advance payments, accuracy and consistency of account codes, accruals and risk control of petty cash and cheques. The key cause of these shortcomings was underestimation of risks, lack of awareness of rules and inadequate training.

The report had 30 Agreed Actions and 23 Compliance Issues to address the above weaknesses and deficiencies for which Representation management has begun implementation.

*AUD 2015 - Financial Management and Administration Capping Report on Country Office Audits for 2013 and 2014*

OIG issued its fourth annual Capping Report on Financial Management and Administration audits (F&A audits) of Country Offices (COs), covering 22 reviews carried out from November 2013 to December 2014. These audits focus on control elements relating to the following critical areas of performance: economy and efficiency, policy compliance, reporting and protection of assets.

The report notes that senior management has made several improvements at corporate level to strengthen these aspects across the decentralized office network, including the issuance of a high-level FAO Accountability Policy, outline of a plan for improvement of CO capability to develop and deliver projects, and development of a first edition of a Corporate Results Dashboard to enable analysis, aggregation and submission of results (quantitative and qualitative data) at all levels, including COs, in the context of the Strategic Framework.

The report indicated two thirds of offices audited were assessed as generally operating as intended in the area of finance and administration - a marked improvement to the prior capping report where only 43 percent of offices in the previous audit cohort were rated as satisfactory overall.

Corporate attention continues to be required to address persistent weaknesses, which varied from office to office but ranged across all areas: (i) development of an overarching internal control framework; (ii) ongoing monitoring of CO compliance with policies and procedures by those divisions owning the respective business processes, in particular Corporate Services in the case of finance and administration controls; and (iii) addressing weak management and insufficient administrative skills in the decentralized office network.

*AUD 2115 - Review of Gender mainstreaming in FAO's Strategic Framework*

OIG assessed the adequacy and effectiveness of gender mainstreaming at corporate level as a cross-cutting theme in the reviewed Strategic Framework, and as being implemented in the country Representations' activities.

A strong foundation had been established for mainstreaming gender. The five Strategic Objectives (SO) all reflected gender-related considerations based on a gender analysis carried out for each SO. However, there is significant variation in the extent to which gender considerations were mainstreamed in the SOs. A corporate monitoring mechanism that included gender markers was established and results achieved on gender equality were reported in qualitative terms in the first mid-term review issued in early 2015.

This was the first year of the Strategic Framework implementation and a monitoring mechanism for mainstreaming gender equality had not yet been fully defined. Management was recommended to take a comprehensive approach to defining measures to ensure linkages between activities, allotted budgets and results achieved at all levels to strengthen decision-making and corporate reporting on gender equality mainstreaming. Establishing clear gender equality targets for each SO is an important element in the process. SPLs, OSP and ESP agreed that action would be taken to strengthen gender mainstreaming in the SO planning and implementation process.

At the decentralized level, initial indications show COs are making efforts to include gender concerns in field programmes but are hampered by limited awareness of how to realistically include gender equality issues in programme design, monitor implementation, increase visibility of gender efforts and assess results achieved. Regional Representatives and ESP agreed action would be taken to use available resources at regional level to strengthen gender awareness at CO level and provide guidance on gender mainstreaming throughout the programme development and implementation processes.

*AUD 2215 – Comprehensive Country Review – FAOR Representation in Gabon*

OIG carried out an audit of the FAO Representation in Gabon (the Representation), including a three week audit mission in May 2015. Given the operational and administrative integration of the Representation and the Subregional Office for Central Africa - SFC (SRO) in Libreville, which are co-located, and the low number of projects for which the FAOR is budget holder, testing of transactions covered both the Representation and the SRO.

Overall there was satisfactory governance, accountability and internal control in operations in the Representation and the SRO, although at the time of the audit there were substantial arrears in GCCC payments which represent a risk for the adequacy of the operational budget. There was also uncertainty regarding the adequacy of office space in the new joint UN premises being planned. Segregation of duties was highlighted for improvement, as was monitoring of MOSS and MORSS security assessments and implementation of remedial actions.

Programme and operations were also assessed as Satisfactory. The FAOR liaises and advocates effectively and there is a structured approach to communication. The CPF was prepared in a structured process and reflects the sectoral priorities of the government. The resource mobilization plan is unrealistic but this is partially offset by the use of performance indicators which are set at a level reflecting more realistic estimates of resource mobilization. While reporting of CPF implementation at the country level and corporate Strategic Objective level indicates that progress is satisfactory, there is

insufficient data collected to date on the performance indicators to provide an objective measure of implementation progress. The Representation's field programme is small, limited to TCP projects and Gabon components of Subregional projects.

Finance and Administration was assessed as satisfactory overall. Controls over procurement and Letters of Agreement (LoAs) were adequate within the context of a limited pool of local suppliers. Controls over assets were assessed as partially satisfactory as the reconciliation to the asset ledger had not been completed. Controls over human resources, travel, accounts payable, payments and advances were all satisfactory although some individual controls require improvement.

The audit concluded with eleven Agreed Actions and raised seven Compliance Issues to address the above weaknesses and deficiencies. Representation management has begun implementation of the Agreed Actions.

#### *AUD 2315 – Office for Corporate Communication: Communication Activities*

OIG completed a review of the communication activities of the Office for Corporate Communication (OCC). The specific objectives of the audit were to: i) assess the adequacy and completeness of the Communication Strategy; ii) assess the adequacy of the structure and operations of the department and the Global Communication Network; and iii) assess the adoption of a value-for-money approach to corporate communication activities.

Management has assigned high priority to enhancing Corporate Communications. OCC has responded to this challenge with significant improvements in recent years, such as the increased use of strategic partnerships, the establishment of a Global Communication Network (GCN), a significant increase in social media presence as well as strengthening the FAO brand (e.g. rationalizing FAO's web presence and use of logos).

In 2014, OCC developed a new FAO Corporate Communication Strategy and Corporate Communication Policy. These two documents established the key principles for management of communications across the Organization. A number of issues identified in our review can be attributed to the early stage of implementation of the Communication Strategy. In addition, OIG also found areas for potential improvement.

OIG found that most FAO units, in particular at headquarters, perceive OCC mainly as a control function, rather than as a unit providing advice and support. While acknowledging that OCC is not primarily a service-oriented unit, OIG believes that this represents an important opportunity for further increasing OCC's value.

OIG assessed FAO's overall corporate communication function against a standard maturity model and determined it to be mostly between stage 2 (planned) and 3 (institutionalized). The CC Policy and Strategy imply that FAO seeks to achieve a more advanced phase along the maturity scale and for this reason, acknowledging the progress and achievements made by OCC over the past two years to improve performance, OIG concludes that Organizational performance vis-à-vis the processes reviewed in this audit, is partially satisfactory. However, OIG acknowledges that OCC has already put foundations in place and is on track to make progress with the Strategy. OIG's report includes 12 Agreed Actions to help consolidate and extend the progress already made by OCC. In OIG's view, management should give priority to the following:

- Develop and disseminate a plan to implement the Communication Policy;
- Systematically implement the Organizational communication planning processes envisaged in the Policy;
- Continue to build and develop the Global Communication Network based on objective cost-effectiveness criteria;

- Formalize and enhance the coordination mechanism for communication activities across the Organization;
  - Review and revise performance metrics;
  - Develop effective arrangements in support of the communication needs of the SO teams;
  - Perform a OCC staff skill mix and capacity assessment;
  - Incorporate value-for-money concepts into OCC decision-making, planning and monitoring; and
- Consider strategies and processes to enhance internal communication as an instrument to improve staff engagement and enable Organizational change.

*AUD 2415 – Finance and Administration Review – FAO Representation in Peru*

OIG carried out an audit of the FAO Representation in Peru (the Representation), including a three week audit mission in May 2015.

Representation management satisfactorily carries out FAO's mandate in the country. Goals are established through the CPF, progress against which is regularly reported; project implementation is monitored through regular discussion with project management; and risks are identified and communicated. Management has established an adequate control environment, previous audit recommendations have been addressed and the FAOR is committed to compliance with safety and security standards. There are also several challenges for the Representation which may impact its operational capacity. These include difficulties specific to the country in mobilizing resources, and which have led to a significant decrease in the current country programme. A further decline in the FAOR-held project portfolio may lead to the unsustainability of the current office structure given that the support services to supra-national projects, (which are larger than the country portfolio) are not sufficiently compensated, including the lack of direct costing for the premises' rent and utilities. Other areas for improvement include: (i) optimizing the existing office structure to strengthen project management; (ii) monitoring, through re-profiling fixed-term positions and (iii) sharing project resources involved in administration; and segregation of duties and data accuracy in GRMS.

In the area of Finance and Administration, the Representation should improve procurement planning for the national field programme and supra-national project activities, mitigate the conflicting duties in LoA management, and strengthen the monitoring of Implementing Partners' (IP) work progress. The contractual arrangements for NSHR (NPPs and PSAs) to cover staffing gaps in administration did not always represent the best solution to secure institutional stability, or build capacity in the Representation.

The audit concluded with ten Agreed Actions and raised 16 Compliance Issues to address the above weaknesses and deficiencies. Representation management has begun implementation of the Agreed Actions.

*AUD 2515 – Comprehensive Country Review – FAO Representation in Afghanistan*

OIG carried out an audit of the FAO Representation in Afghanistan (the Representation), including a three week audit mission in April-May 2015.

The Representation management team understands FAO's role and the challenges in Afghanistan, but immediate attention is needed to address government and donor concerns about FAO's value as a development partner. As part of this effort, the FAOR should create a strong organizational structure with clear roles. Additional work is needed to accurately identify the costs of FAO's presence in the country.

Implementation and monitoring of FAO's Country Programming Framework (CPF) (2012-2015) was suspended in 2014 due to new national elections. The CPF's goal of mobilizing USD 328 million was largely unrealistic. A new CPF is under development. The Representation employs several monitoring

tools for its field programme; however, two completed projects had approximately USD 536 000 in over-expenditures due largely to miscommunication among the Representation, FAO headquarters and donor offices. Two of the three selected projects reviewed by OIG demonstrated weaknesses in technical backstopping services: inaccurate charges for TSS secondment claims and constraints on the Lead Technical Officer (LTO) to provide direct technical backstopping, due to regional application of corporate travel restrictions.

Overall, the Representation has the appropriate structure and controls in place for efficient and effective financial and administrative management. Attention is needed to correct weaknesses in: (i) contract management, to strengthen controls against fraud and misuse of resources; (ii) asset recording and reconciliation with the results of physical verifications in project/area offices; (iii) maintenance of the vendor database; and (iv) issuance of advances for project or Representation operational expenses, not related to training and workshops.

The audit concluded with twelve Agreed Actions and raised eleven Compliance Issues to address the above weaknesses and deficiencies. Representation management has begun implementation of the Agreed Actions.

#### *AUD 2615 – Non Staff Human Resources - NSHR*

OIG carried out a review of Non Staff Human Resources (NSHR) in FAO. This category includes consultants and personal services agreement subscribers. The main objective of the review was to assess the extent to which policies and procedures provide a reasonable framework for the management of NSHR. Specific objectives were to assess the:

- existence and soundness of FAO's vision/strategy for the use of NSHR;
- efficiency and effectiveness of NSHR selection procedures; and
- adequacy of monitoring and oversight process of NSHR.

NSHR represent a key HR category to achieve FAO's goals and objectives, and the number of NSHR has increased significantly over the past few years, representing approximately 70 percent of FAO's workforce at any point in time. The Office of Human Resources (OHR) has made significant improvements in the way NSHR are managed, including, inter alia: the establishment of honorarium bands, delegation to hiring managers full responsibility for determining remuneration rates, payment of honoraria and living allowances through payroll, and establishing guidelines for granting living allowances in a more equitable and transparent way.

While acknowledging the efforts made by OHR, with regard to the main objectives of the review, OIG concluded that:

- Divergence continues between policy and practice on use of NSHR as they are often used to perform tasks of a continuing and core nature which usually correspond to staff members. While this is in part driven by budgetary pressures, there is a need for a clearer vision in this regard.
- The NSHR selection process is generally conducted without the level of transparency and rigour expected in established policy. In most cases, selection is not competitive (or there is not sufficient evidence of it) and not well documented. The main cause of this is excessive flexibility regarding the rules and lack of monitoring.
- Upgrades in corporate information systems provided significant improvements in the monitoring and oversight of NSHR functions in that much more reliable information is now available. However, OIG found that the increase in information available did not always result in active monitoring, mainly due to roles and responsibilities for monitoring and oversight not having been defined.

In addition to these overarching issues, OIG also found other areas for potential improvement to address such as the lack of clear criteria for choosing either Personal Service Agreement or Consultant contracts.

In view of the foregoing, OIG concludes that Organizational performance vis-à-vis the established processes, policies and best practices, is Partially Satisfactory. The report includes 19 Agreed Actions to streamline and improve the NSHR process. OIG believes Management should give priority to the following:

- ) Establish basic guidance on the hire of NSHR, especially in relation to vacant staff positions. In the long-term, request FAO units to address their NSHR needs in the context of a rigorous workforce planning exercise.
- Explore the options and implications of merging Consultant and PSA contracts.
- Establish a mechanism to monitor the use of NSHR, including clear monitoring roles and responsibilities.
- Revise NSHR selection procedures to increase the number of competitive selections and make wider use of rosters.
- Ensure adequate TORs are prepared to reflect in detail duties, key performance indicators and completion dates.

*AUD 2715 – Comprehensive Country Review – FAO Representation in South Sudan*

OIG carried out an audit of the FAO Representation in South Sudan (the Representation), including a mission in June 2015.

The audit mission was timed with the agreement of the Representation so as to overlap that of an evaluation mission, and was closely coordinated with colleagues from OED and information between the two oversight functions was shared regularly to ensure wider risk coverage while avoiding duplication.

Currently, the Representation works under the Level 3 Emergency Response modality with many profound country-specific challenges. In spite of this, the Representation has accomplished significant achievements in reaching beneficiaries, by distributing crop and vegetable seeds, tools and fishing kits, and by vaccinating livestock.

OIG highlighted the following areas for improvement in the management of opportunities and risks:

- FAO should finalize and communicate its overarching vision in the country with clear objectives for emergency, resilience and development action, and the related strategy of how to achieve this;
- based on the overall objectives, the potential for mobilizing resources and key sources should be realistically estimated, and different resource partners approached;
- HR resources should be aligned with the implementation strategy to build national staff capacity and ensure sustainability and continuity when the L3 response is lowered;
- workflows and structure of units should be streamlined to enhance the accountability chain;
- operational risks should be assessed to ensure mitigating actions are identified to achieve objectives in the most effective and efficient way; and
- specific criteria for beneficiary selection should be developed, and IPs closely monitored for application of the principles of Accountability to Affected Populations and gender mainstreaming.

Furthermore, OIG highlighted the following areas of improvement for headquarters' divisions, i.e. DDO, OSD, TC and CS:

- OSD should accelerate efforts for the selection of a permanent FAOR.

- TC, in consultation with CIO, should finalize and test the newly developed and piloted system for input distribution (MAGIC), including the creation of an interface with GRMS.
- For countries such as South Sudan, with significant exchange rate fluctuations, CS should develop policy guidance, in consultation with other relevant units, to manage legal, operational, financial and reputational risks resulting from working in an environment with parallel local currency exchange rates combined with official limitations on the usage of US dollars.

The report contains 24 Agreed Actions and raises 12 compliance issues which the Representation has begun to address.

#### *AUD 2815 – Finance and Administration Review - FAO Representation in Guinea Bissau*

OIG carried out an audit of the FAO Representation in Guinea Bissau (the Representation), including a three week audit mission in May 2015.

The Representation has established an adequate control environment by communicating clearly with staff in a timely manner through regular meetings. Roles and responsibilities, operational challenges and the necessary mitigating measures, organizational strategy and objectives, and results-based management tools were all documented and explained to staff.

The area of Finance and Administration management is rated as partially satisfactory. The Representation should:

- improve procurement planning, preparation of purchase requisitions, Local Procurement Committee reporting and filing of procurement actions;
- ensure complete and up-to-date stock records;
- improve the quality of selection panel reports for NSHR; in addition pay rate justification and performance assessments should be documented and filed;
- more thoroughly prepare supporting documentation for disbursement vouchers;
- record advance payments as prepayments in GRMS and reconcile them with receipts.

#### *AUD 2915 - Finance and Administration Review - FAO Representation in Eritrea (Desk Review)*

OIG carried out an audit of the FAO Representation in Eritrea (the Representation), in October-November 2015. This audit was conducted remotely, without OIG travelling to the country and is a pilot for future such reviews where security or other factors limit audit missions. Physical verification of certain items like assets and inventory was therefore not carried out.

Project delivery has increased each year for the past three years. Project implementation is monitored through regular discussion with project management. Nevertheless, FPMIS reports that a number of projects are “in need of urgent management action”. Representation management has difficulty in carrying out FAO’s mandate in Eritrea. The Representation faces numerous challenges that are unlikely to be resolved in the short term and which are difficult to mitigate. Staff roles and responsibilities are assigned and communicated, but low staffing levels and capacity constraints make genuine segregation of duties difficult and there are indications that the control environment needs to be strengthened. Other areas for improvement include: data accuracy in GRMS, training and assessment of staff and NSHR.

Representation management has established a proper workflow for most of the key administrative processes (procurement, HR, local travel and the payment/receipt cycle). However, the workflow for assets needs to be improved, and Representation staff do not consistently adhere to the correct procedures within the workflows for all processes. A high risk for FAO is the difficulty in verifying if project inputs are being distributed to the intended beneficiaries due to in-country travel restrictions. The contractual arrangements available for NSHR (NPPs and PSAs) to cover the staffing gaps for

administration management do not always represent the best solution to secure the institutional stability and capacity development of the Representation.

The audit concluded with fourteen Agreed Actions and raised twelve Compliance Issues to address the above weaknesses and deficiencies. The previous audit recommendations (2010) had all been reported as addressed, however some have been reopened in this report, one as an Agreed Action and two as Compliance Issues. Representation management has begun implementation of the Agreed Actions.

*AUD 3015 - Finance and Administration Review - FAO Representation in India*

OIG carried out an audit of the FAO Representation in India (the Representation), including a three week audit mission in May 2015.

The Representation has an adequate control environment. Its staff complement is sufficient to handle the current and projected field programme portfolio, provided that key positions (currently vacant) are filled. Staff roles and responsibilities are clearly assigned and communicated. Management is aware of the key risks for FAO programming and seeks to mitigate them. Programmatic and operational capacity may be affected by the lack of a complete Country Programming Framework (CPF) endorsed by the government and agreed with stakeholders. The FAOR has already initiated corrective measures to address this.

In the area of Finance and Administration proper, workflows have generally been established which comply with FAO's rules and regulations and documentation standards were appropriate. As regards Procurement and Letters of Agreement (LoAs), OIG noted good practices in using adequate contractual formats, however, an increased effort should be made to ensure more competitive selection of goods/service providers where possible.

The audit concluded with three Agreed Actions and raised six Compliance Issues to address the above weaknesses and deficiencies. Representation management has begun implementation of the Agreed Actions.

*INS 0115 - Inspection of the Administrative Services Division (CSA)*

OIG carried out an inspection of CSA in order to inter alia provide an overview of functions, projects and contracts managed by CSA and update analysis of the risks relating to them and how they are being managed. The review supported the management transition in CSA in the second semester of 2015. It comprised limited testing, and synthesis of results of other audits and recommendation follow up information, but due to time constraints not to the extent of a regular audit assignment.

CSA provides some essential services in support of the Organization's operations, which have a significant financial and operational impact. This includes FAO's procurement expenditure (under the overall authority of CSAP) and travel expenditure (monitored by CSAD) amounted to USD 104 million. CSAI is primarily responsible for the maintenance of headquarters premises, keeping it operational and safe for the approximately 2 700 employees who regularly work there, with peaks reaching 5 000 including visitors during conferences and events.

The inspection noted that CSA has experienced significant changes over the past four years, in particular due to the need to streamline its activities and identify cost-savings in order to accommodate the budgetary reductions requested by the Organization. Both its RP budget allocations and its staffing have decreased significantly in this period. While CSA has generally been successful at identifying and implementing cost-saving measures in almost every area, the successive budget and staffing reductions have reached the point where its ability to deliver its services effectively, while protecting the Organization from related risks, is under substantial strain.

In terms of the most critical current Organizational risks related to CSA's functions, OIG highlighted the following:



- Compliance with infrastructural safety standards: Accelerated attention is needed on several areas of the headquarters compound which require important degrees of safety hazard reduction. This is challenging for the Organization, given that the most recent estimate for required measures is EUR 40 million.
- CSAP staffing: the environment in which CSAP operates has changed significantly (more delegation to decentralized offices, pressures to reduce costs, etc.). However, CSAP continues to be directly or indirectly responsible for approximately 50 percent of the Organization's procurement and has overall monitoring responsibility for procurement activities FAO-wide. As a result of staff reductions and unfilled vacancies, CSAP is not currently configured to deliver its functions effectively and has to rely excessively on temporary staff. This represents a serious risk for the Organization given that procurement is one of the major areas of financial risk (and much more so given the increasing complexity of FAO's procurement) also considering that procurement is not only an administrative activity, but a key component of FAO's field operations, in particular in emergencies. A CSAP Strategy to adapt its structure was developed in 2013, but its full implementation was pending as at the end of 2015, though was provisioned in the Adjusted 2016-2017 PWB.
- Occupational safety and health (OSH) issues: FAO is overdue to undertake a periodic OSH risk assessment of the work premises the last being conducted in 2006.

Other important Organizational risks highlighted by the inspection for the closer management attention relate to:

- Technical clearances for procurement: All procurement actions must have sufficiently good technical specifications to ensure value for money is achieved. In some cases, the technical specifications that CSAP receives are inadequate. The consequences of having incorrect technical specifications are delays in project activities, overspending and underperformance. The latter can also have significant reputational repercussions.
- Travel management: CSA's successive budget reductions, together with a lack of adequate tools, have limited its ability to monitor FAO's travel activity effectively in order to identify the drivers of Organization-wide travel costs and devise effective corrective measures. This was covered in more depth in the travel audit reported separately in 2015.
- Management of contractors and concessionaires: CSA units are responsible for managing some complex service contracts and concessionaires, but does not always have sufficient resources to effectively monitor all these contracts. This could potentially prevent the Organization from detecting underperformance in a timely manner, as well as from identifying savings opportunities therefore increasing the likelihood of risks and exposure.
- Long-term planning of headquarters maintenance: Apart from the more urgent safety-related works required, there is a need for an overall Capital Renovation Plan of the headquarters premises that could prevent the ongoing, gradual obsolescence, increase efficiency and reduce utilization costs. However, due to lack of funds to cover the high investment required and other priorities in the area, a plan has not been implemented.
- Integrated Workplace Management System (IWMS): OIG's 2013 review of CSAI highlighted weaknesses in the division's annual planning process, tracking of work carried out and reporting. Despite some improvements, the lack of an IWMS is a major constraint.
- Management of Letters of Agreement (LoAs): CSAP has introduced significant improvements in the management of LoAs, however the large amounts of money disbursed using them and the flexibility of the instrument creates inherent risks which require more active monitoring. OIG is pleased to note that CSAP is preparing a major upgrade of MS507, which will improve the current policies, taking stock of experience gained over the past few years. However, there are also resource requirements that will need to be addressed in order to put into place an effective LoA monitoring function.

OIG/INV conducted an inspection to follow-up on past internal audit recommendations and examine specific concerns raised by technical missions and a departing staff member. The inspection concluded that although some efforts have been made to implement previous audit recommendations, a number of previously identified critical issues have not been addressed since 2008. OIG recommended that the new Programme Coordinator, together with RNE, OSD and CSF, take appropriate action to resolve outstanding matters, including those concerning income generated by Programme projects to ensure compliance with applicable rules and proper control of funds. OIG further recommended that an experienced International Procurement Officer conduct a comprehensive review of the procurement process and provide guidance to Programme Coordination Unit staff in order to reduce inefficiencies, strengthen controls and ensure that resources are adequately used and protected.

## Annex E

## Summary of Long Outstanding High Risk Recommendations

Recommendation Title	Recommendation	Updated Status Information
AUD1409 Disciplinary Procedures Analysis - Consistency of Decisions and Procedures - Rec 13	AFH should update MS 330 and MS 303 with a definition of gross negligence and recklessness	<p>In progress</p> <p>Draft Administrative Circular prepared by LEG and consulted with OHR. LEG has undertaken to conclude on the recommendation.</p>
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.	<p>In progress</p> <p>Since the beginning of 2015 the implementation of a Business Continuity Management programme in FAO has been considered within a new UN-wide framework. In December 2014 the UN Chief Executives Board (CEB) adopted a Policy on the Organizational Resilience Management System (ORMS), with Business Continuity as its core element. The Policy provides for the implementation by all UN Agencies, funds and programmes of the Organizational Resilience Management System (ORMS) on the basis of a specific set of KPIs adopted by the UN Chief Executives Board.</p> <p>In compliance with this, a proposal to establish an ORMS in FAO was submitted to DDO in October 2015. The main elements of this proposal were also included into the narrative and the skills gap analysis of the CSD work plan for 2016-17. So far no decision has been taken on the proposal.</p>
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	<p>In progress</p> <p>CIO has appointed a Global Operational Security IT Officer and is actively progressing on all outstanding audit recommendations.</p>

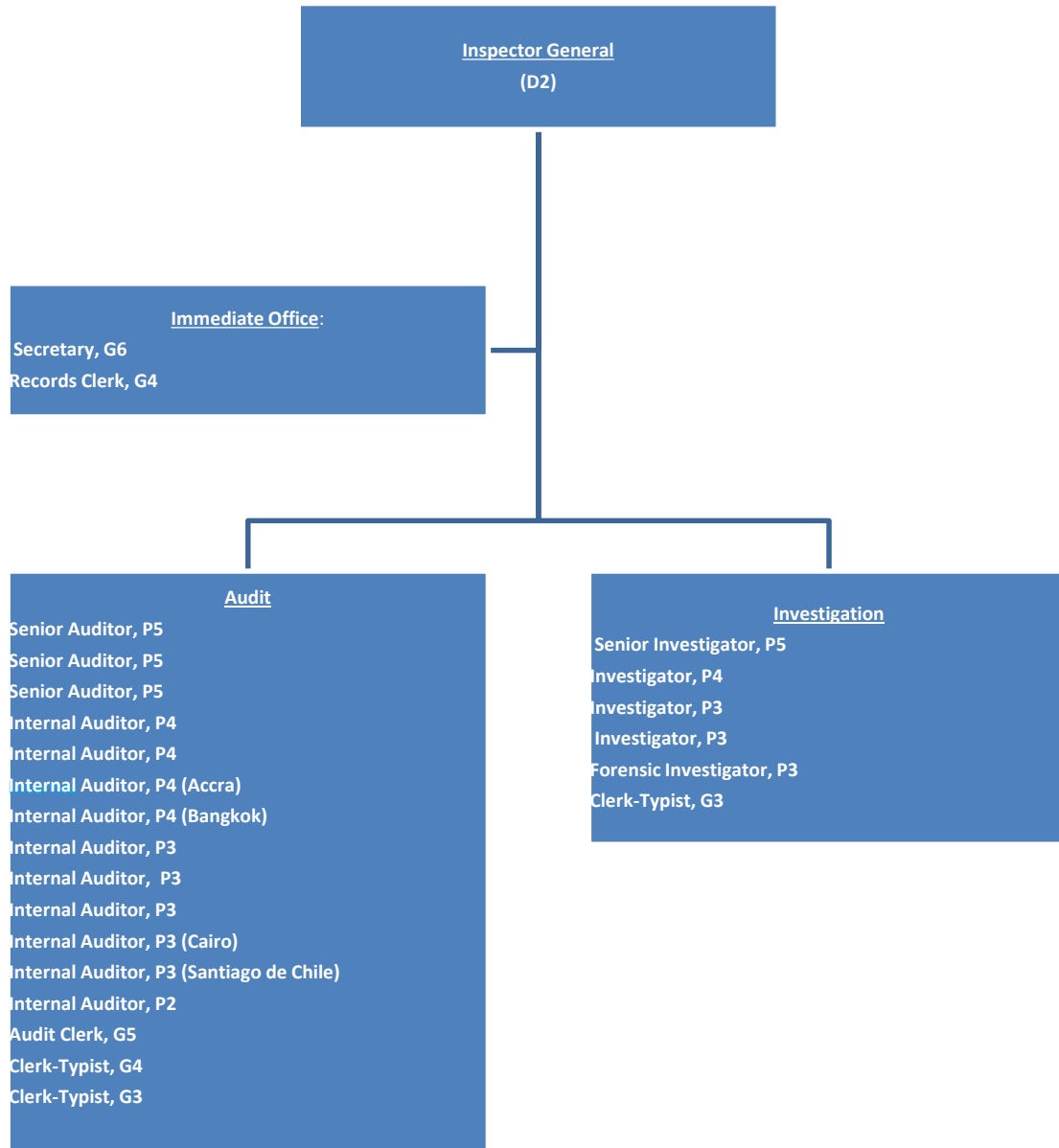
	the risk assessment would assist in developing the information security roadmap for the future.	<p>The division engaged Dell SecureWorks to perform a formal risk assessment as stated – an extract of the TORs includes:</p> <ul style="list-style-type: none"> <li>● Live Network Assessment;</li> <li>● Historical Log Assessment (which includes DNS, Proxy/Web traffic logs, Firewall and IDS/IPS logs);</li> <li>● Endpoint Assessment (of up to 12,000 endpoints).</li> </ul>
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.	<p>In progress</p> <p>CIO is also proceeding with this recommendation. The plan consists in reviewing the high level design of the FAO global network and subsequent scanning of all the components to develop comprehensive hardening guidelines.</p> <p>It should also be noted that recently introduced QA, Change Management and Security Sign-off procedures will help ensure that any and all changes to network components are properly tested and recorded to ensure confidentiality, integrity and availability of the IT infrastructure across FAO.</p>
AUD3312 Financial Management and Administration Capping Report for 2011 Country Office Audits - Rec 3	The DDO must establish a framework for policy monitoring responsibilities within the different units of the operations arm. A needs assessment for monitoring functions in light of existing funding and capacity of policy issuing units, specifically of CS units, should be undertaken.	<p>In progress</p> <p>A high-level corporate accountability policy was prepared and approved by the Corporate Programme Monitoring Board end 2014 and FAO committed to finalize an Internal Control Framework (ICF) during 2015 to provide the context for defining policy monitoring responsibilities within the different units of the Operations arm. A draft ICF was submitted to ODG and OSP is currently revising this based on guidance received.</p>

AUD3312 Financial Management and Administration Capping Report for 2011 Country Office Audits - Rec 10	CSF and OSD should establish comprehensive guidance on how to conduct operations with due regard for segregation of duties under different staffing scenarios and provide small offices with compensating controls that must be put in place to mitigate the risks of inadequately segregated duties.	In progress  This recommendation is being addressed as part of the wider efforts to strengthen the organization's internal control framework and as reported to the Finance Committee on this matter. .
AUD1412 Review of Monitoring of Procurement and Letters of Agreement in Field Operations - Rec 1	The DDG-O, taking into account the principles defined in the recent Accountability and Internal Control Framework report, should collaborate with CSA and OSD to develop and implement a programme that adequately monitors field procurement and LOA activities. This should include identifying specific processes/activities to be undertaken, and the unit which is responsible for the monitoring programme and its activities (CSAP, Regional Office, etc.), access staffing (establishing or redeploying staff posts) and non-staff (travel, etc.) resource requirements, and determine how the programme will be institutionalized in the Organization's policy framework (e.g. the Administrative Manual, Circulars, post descriptions, or other).	In progress  Management agreed to implement a CSAP strategy which inter alia sought to address this recommendation. The strategy, which had been reviewed and endorsed by OIG, involves a number of staffing actions which have been incorporated in the PWB 2016-2017. Staffing actions to fill existing vacancies in positions envisaged by the Strategy are pending, with consultants backfilling.
AUD1412 Review of Monitoring of Procurement and Letters of Agreement in Field Operations - Rec 2	A key element of a prospective field procurement and LOA monitoring programme will be an assessment and the allocation of resources and staff required for the new monitoring function. DDG-O should ensure that a resource/staffing assessment is completed and appropriate resources/staffing allocated for the new functions. CSAP does not currently have sufficient staff to cover the monitoring function for either procurement or LOAs.	In progress  See status information above.
AUD 3213 - HQ Infrastructure Mgmt - Rec. 3	The DDG-O should initiate a periodic reporting on headquarters premises safety to the relevant Governing Bodies, through which the Governing Bodies can monitor efforts to reach full compliance with the host country building safety standards and provide guidance and decisions on funding.	In progress  The detailed list of the most urgent works required to make the HQ premises fully compliant with the European Building Safety Law was prepared jointly by Italy and FAO experts and sent to the Permanent Representation of Italy as a follow-up to the letter signed by the DG to the four relevant Italian Ministers (Infrastructure, Foreign Affairs, Beaux Arts, and Agriculture).

		<p>The estimated cost of the works is 40 million Euro, over a five year period. FAO has not yet received an official reply from the Government. In the meantime, the Italian unit dealing with state properties of historic value in the Lazio Region, Office of the Provveditore, has increased its allocation to the extraordinary maintenance of the FAO building. CS are in contact with the Permanent Representation of Italy on the next step that will be probably a meeting with the Government (Ministry of Infrastructure and or Foreign Affairs).</p>
<p>AUD 3213 - HQ Infrastructure Mgmt - Rec. 5</p>	<p>In addition to the information to be submitted to the Governing Bodies in the context of Recommendations #2 and #3, the DDG-O and ADG, CS should consider developing a proposal for a Capital Renovation Plan of the compound, based on a needs assessment coordinated by CS (with internal and external support as necessary).</p>	<p>Agreed</p> <p>Senior Management is awaiting to receive first a response from the Italian government on the list of urgent works required (as per the previous recommendation) before developing the proposal of a Capital Renovation Fund and presenting it to the Governing Bodies. If an official response to this first request is delayed, CS will bring up again the idea of a Renovation Fund with DDG-O and then ODG. The proposal could probably go to the FC earliest in autumn 2016.</p>

**OIG - Organization Chart**

**December 2015**



## Annex G

**Office of the Inspector General****Staffing Table as at December 2015**

	<b>Grade</b>	<b>Male</b>	<b>Female</b>	<b>Vacant</b>	<b>Total</b>
Inspector General	D2	1			1
Auditors					13
Senior Auditor	P5	2	1		
Regional Auditor	P4	1		1	
Regional Auditor	P3	1		1	
Auditor	P4	1	1		
Auditor	P3	1	1	1	
Auditor	P2			1	
Investigators					5
Senior Investigator	P5	1			
Investigator	P4		1		
Investigator	P3		1	2	
		8	4	6	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	9	5	25



The following countries are represented in the above:

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

**List of Acronyms Used**

ADG/CS – Assistant Director-General, Corporate Services, Human Resources and Finance Department

CIO – Information Technology Division

CII – Conference of International Investigators

CO - Country Office

CPF – Country Programming Framework

CS – Corporate Services, Human Resources and Finance Department

CSAP – Procurement service

CSF – Finance Division

OHR – Office of Human Resources

CSPL - Learning, Performance and Development Branch

DDG-O – Deputy Director-General, Operations

DO – Decentralized Office

ERM – Enterprise Risk Management

FAOR – FAO Representative

GRMS – Global Resource Management System

LoA – Letter of Agreement

MOU – Memorandum of Understanding

NSHR – Non-Staff Human Resources

OED – Office of Evaluation

OIG – Office of the Inspector General

OSD – Office of Support to Decentralization

OSP – Office of Strategy, Planning and Resources Management

PEMS – Performance Evaluation Management System

PWB – Programme of Work and Budget

RBAP – Results-based audit plan

SRC – Subregional Coordinator

SRO – Subregional Office

UN-REDD Programme - United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

UN-RIAS – UN Representatives of Internal Audit Services

UN-RIS – Investigation Services of UN Agencies