

February 2007



منظمة الأغذية
والزراعة
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粮食及
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Agriculture
Organization
of
the
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des
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Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

E

FINANCE COMMITTEE

Hundred and Eighteenth Session

Rome, 17 - 25 May 2007

2006 Annual Activity Report of the Office of the Inspector General

Attached for the information of the Members of the Finance Committee is the 2006 Annual Activity Report of the Office of the Inspector General.

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Office of the Inspector General
Annual Activity Report

2006

Highlights

Highlights of the work and achievements of the Office of the Inspector General (the Office) during 2006 include the following:

- The Office issued 425 recommendations as a result of 52 internal audits conducted worldwide under a risk-based plan, covering a wide range of areas. Recommendations were made to improve aspects of financial management, budgeting and procurement, establish and enhance certain policies and guidelines in the human resources, IT and security areas, improve accountability, and strengthen and enforce internal controls. Forty-six percent of the 2006 recommendations have been implemented and 23% are in progress. Areas of high risk that received special audit attention included the following:
 - FAO's Avian Influenza operations - the Office carried out a risk assessment to review and identify areas for future audit attention and fielded missions to Indonesia, Vietnam and Laos in this regard.
 - UNDG Iraq Trust Fund – AUD noted generally satisfactory management controls in an environment of constraints, mostly outside the control of FAO.
 - Tsunami operations - after audit missions in 2005-06, the Office's reports concluded that the programme generally achieved satisfactory progress.
- The Office issued 16 investigation reports, ten of which covered cases of abuse of the lump-sum option for entitlement travel. The others addressed issues of fraud and misconduct involving either staff members or suppliers.
- The Office also contributed to the overall process of management control by (i) providing senior management and the functions and programmes audited with analyses, counsel and information on the activities reviewed and (ii) participating in a number of important committees.
- The Office provides secretariat functions to the Audit Committee, which advises the Director-General and the Inspector General on audit planning, operations and reporting, as well as other important substantive and technical areas.

Office of the Inspector General
Annual Activity Report
2006

I. Introduction

A. GENERAL

1. The present report, which is addressed to the Director-General, provides a summary of the oversight activities of the Office of the Inspector General (the Office) during 2006. Since 1996, the Director-General has made the annual reports available to the Finance Committee, and the report has since become a standing item on the agenda of the May sessions. The report is provided to the Secretary of the Committee for translation and distribution at the same time as it is presented to the Director-General. Since the establishment of the FAO Audit Committee in 2003, the report is also made available to Committee members at its first meeting of the year.

B. MANDATE AND MISSION

2. The Office 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. The Office is also responsible for investigating misconduct and fraud.

3. Together with the unit dealing with evaluation, PBEE, the Office provides comprehensive internal oversight coverage of the Organization. The External Auditor, with whom the Office cooperates, provides complementary external oversight.

4. The Office provides the Director-General and the functions and programmes audited with analyses, recommendations, counsel and information concerning the activities reviewed. In addition, it places emphasis on identifying possible means of improving the efficiency and economy of operations and the effective use of resources while promoting control at reasonable cost.

C. STAFFING AND BUDGET

5. The Office had 19 posts, which included the Inspector General, 14 Professional and four General Service posts. Attachment D to this report depicts the Office's staffing situation, with some demographic information, as at 31 December 2006.

6. While the Office's senior staffing was complete throughout the year, staff separations, involving both auditors and support staff, resulted in a difficult situation in 2006, exacerbated by the Organization's difficult budgetary situation.

7. More specifically, the P-4 regional auditor in Cairo left in January 2006, and selection of his replacement was still in progress at 31 December 2006, having been delayed due to the Organization's budgetary constraints and redeployment policy. In addition, a P-2 post in the special assignments and investigation team was cancelled due to budget cuts, while the P-4 regional auditor in Bangkok left in December 2006. Advertisement of the latter post was in progress at 31 December 2006.

8. With regard to support staff, a G-3 support post, that became vacant in March 2006, was cancelled due to budget cuts. A G-4 support post became vacant in the year upon promotion of the incumbent, and selection of a replacement was under way at 31 December 2006.

9. The Office partially compensated for staff shortages with the use of the partnership programme, short-term consultancies and work realignments. However, the cancellation of two posts and the vacancies prevented the Office from conducting all the reviews foreseen in the audit plan. The Office recently received an additional allocation for 2007, which will permit reinforcing the staffing contingent.

10. The final 2006 allotment totalled US\$ 2.7 million, compared with \$ 2.6 million for 2005. The Office operated within its allotment and ended the year with a small surplus, due mainly to savings from vacant posts, offset by the cost of consultants and travel expenditure.

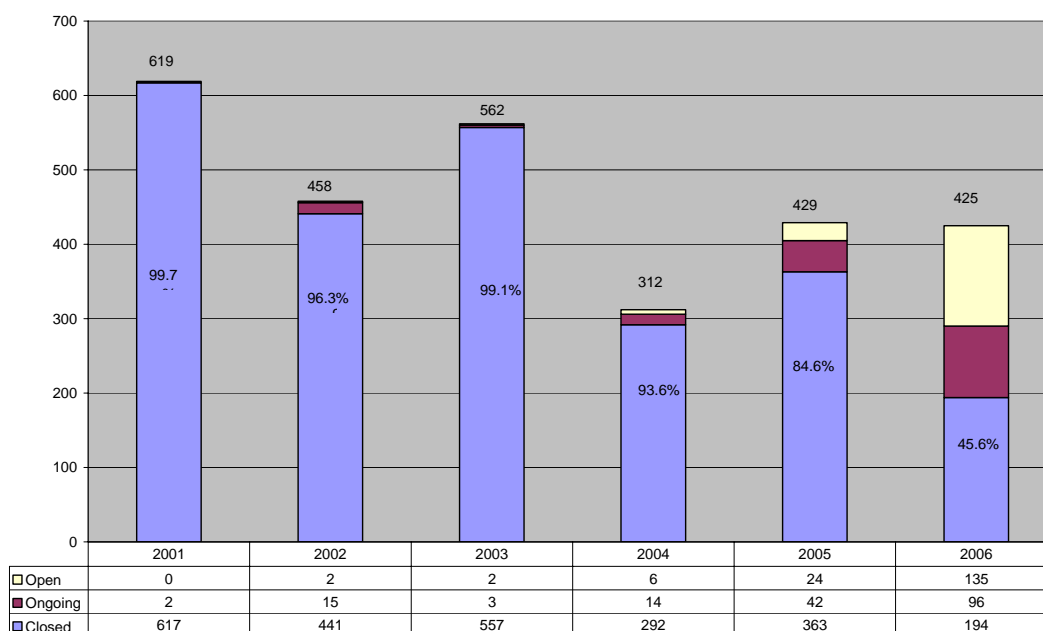
D. AUDIT RECOMMENDATIONS AND RESOLUTION

11. In 2006 the Office issued 52 audit reports containing 425 recommendations to improve efficiency and effectiveness, enhance internal controls and raise fraud awareness. Attachment A lists the 2006 reports by organizational group. Statistics on implementation status of recommendations are presented in Attachment B (i), while Attachment B (ii) presents 2006 recommendations statistics by process.

12. The matter of audit resolution received significant attention. The FAO Audit Committee systematically reviews the implementation status of recommendations and has made suggestions to increase implementation rates and take action in specific cases of non- or delayed implementation. The Office follows up on the status of recommendations regularly, both at the prescribed time after the issue of each report and, subsequently, twice a year, through departmental audit focal points, which facilitate management response. Furthermore, the Directeur de Cabinet follows up on the most important audit recommendations by informing individual programme managers of the Director-General's instructions relating to implementation, setting specific dates for information on action taken or to be taken, and following up when necessary.

13. After intense follow-up in 2005, in-house awareness of the importance of implementing internal audit recommendations was raised that year and implementation rates improved. During 2006, however, implementation rates as reported by the auditees slightly worsened in percentage terms, partly due to complex recommendations issued near year-end, with implementation plans into 2007 and 2008. At 31 December 2006, 46% of the recommendations made in 2006 were reported as closed, as compared to 55% of the 2005 recommendations at the end of 2005. A similar slight deterioration is seen for older recommendations. For example, by 31 December 2006, only 85% of 2005's recommendations were reported as closed, while 87% of the 2004 recommendations had been closed by the end of 2005. Attachment B to this report gives further information on the status of recommendations.

Status of implementation of all recommendations issued by the Office of the Inspector General
from 2001 to 2006, as at 31 December 2006



14. The longer recommendations remain open or ongoing, the higher the risk to the Organization. Of the 110 recommendations still not closed from the years 2001-2005, 75 are considered to be high risk, that is, with potential critical impact on the operations of the Organization. The Office continues to follow up with management on the implementation of these recommendations.

E. INVESTIGATIONS

15. For the first time in this Annual Report, investigations are fully separated from audits, reflecting the evolution of the organization of the Office, the growing demand for investigations in International Organizations and an increased need to distinguish between separate functions, as recommended by the Audit Committee.

II. Matters of Special Importance

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

A. FAO AUDIT COMMITTEE

17. The FAO Audit Committee, established in April 2003, met three times in 2006. The Committee provided advice to the Director-General and the Inspector General on planning, performance and reporting on the work of the Office. The Committee continued to address the rate of implementation of internal audit recommendations and suggested ways to improve audit resolution.

18. The FAO Audit Committee is informed of all internal audit and investigation reports issued and chooses some of these reports for review. In particular, in 2006 the Committee reviewed the Office's budgetary situation and supported its request for higher budgetary protection, reviewed and advised on the Office's work plan for the biennium 2006-2007, followed

progress on the implementation of certain oversight recommendations arising from the Independent Inquiry Committee's report on the Oil-for-Food Programme, and stressed that the Office should carry out a Quality Assurance Review in the near future.

19. I am pleased to report that in December 2006, the Office contracted the Institute of Internal Auditors to carry out a Quality Assurance Review of the audit operations of the Office, required under the Standards for the Professional Practice of Internal Auditing. The review will be accomplished in the first quarter of 2007.

B. AVIAN INFLUENZA

20. FAO has currently 96 projects either underway or about to start on Avian Influenza with a total budget of some \$103.5 million. An additional 11 projects, with a budget of \$72.6 million, are being negotiated with donors and recipient governments.

21. AUD carried out a risk assessment and completed country reviews for Indonesia, Vietnam and Laos. The results of these reviews will be issued in early 2007.

C. SPECIAL PROGRAMME FOR FOOD SECURITY IN NIGERIA

22. The National Special Programme for Food Security (NSPFS) in Nigeria is a complex \$67.9 million programme, implemented jointly by FAO and the Federal Government of Nigeria. An expansion phase of \$365 million is due to start in early 2007. The Office issued two internal audit reports on the Programme in 2006, covering governance arrangements and site activity.

23. The first report concluded that many of the ongoing problems associated with the first phase of the programme resulted because FAO and the Government of Nigeria did not incorporate adequate governance mechanisms into the programme when it was designed or during its implementation and reporting and monitoring mechanisms were weak. The Office emphasized that if FAO were to continue its active involvement in the NSPFS in Nigeria in the expansion phase, it needed to resolve these governance issues by placing high priority on clearly establishing its role and responsibilities with the Federal Government of Nigeria, and strengthening FAO's capacity to monitor and direct the project from headquarters.

24. The second report, which reviewed the NSPFS's site activity, concluded that the Programme had not established adequate management and financial controls to ensure project funds were used effectively and efficiently in support of project-related activities, and that state agencies collected and reported accurate performance data on the project activities. Thus, the Office questioned whether project resources had been used effectively and the benefits produced by the project were sustainable or commensurate with its cost. The Office recommended that the extension phase should not be launched until a detailed independent assessment of the first phase has been undertaken by FAO and the Federal Government of Nigeria.

25. However, in early February 2007 the Government of Nigeria advised FAO that under the expansion phase, the Government would assume full responsibility for the administrative, financial and operational management of the project/programme in accordance with its own rules and procedures. FAO's role would be limited to the provision of advisory and technical services, as and when required, and to the management of the South-South Cooperation component. If this shift in the direction of the programme materializes, the recommendations the Office made in the two reports, and certain concerns expressed by the Audit Committee, will no longer be applicable or be under the responsibility of FAO.

D. TSUNAMI

26. The Office issued three reports on tsunami operations for Sri Lanka, Indonesia and the Maldives. These countries accounted for about 80% of the total expenditure incurred in FAO's tsunami operations. Generally, the tsunami programme achieved satisfactory progress in

implementing its relief activities after overcoming a number of environmental constraints and administrative issues.

27. In Sri Lanka, a lack of continuous leadership in the FAO Representation and delays in obtaining the agreement of the Government of Sri Lanka on project documents and tax exemptions affected programme implementation and delivery of outputs to the beneficiaries. The Office's field review also highlighted the need for FAO to enhance monitoring of key programme activities, including boat and engine repair work undertaken by third parties and distribution of fishing gear and agricultural inputs to final beneficiaries. All recommendations to address the identified weaknesses have been agreed and are under implementation.

28. For Indonesia, delivery of emergency relief to victims in the disaster-affected area started in June 2005, six months after the tsunami, due to a combination of environmental constraints and administrative problems. These included a decimated local infrastructure and government functional capacity and the time taken by FAO to develop an appropriate implementation strategy. Furthermore, the FAO administrative structure that was established to support field operations was not particularly effective; administrative and financial procedures were not sufficiently adapted to support an emergency operation; and effective monitoring over the distribution of outputs to beneficiaries had not been established. The Office made a number of recommendations to strengthen the administrative capacity of the Emergency Coordination Unit in Banda Aceh, which have been implemented.

29. In the Maldives, FAO established a permanent operations office early, in order to quickly respond to the emergency. However, delivery of assistance to beneficiaries was delayed in some cases due to weaknesses in the procurement process. Specifically, qualified suppliers were not properly identified and invited to the tender process, technical clearance was not always timely and information regarding the inputs to be procured and technical specifications was not gathered before a procurement mission had begun so procurement could be effected in a more expedient manner. Further, on a local level, the Emergency, Rehabilitation and Reconstruction Unit did not always follow FAO procedures for local procurement and needed to improve its cash management and project inventory processes. The Office made a number of recommendations to improve the procurement process and to strengthen financial and administrative controls, which were accepted by management.

E. UNITED NATIONS DEVELOPMENT GROUP – IRAQ TRUST FUND (UNDG-ITF)

30. The Office carried out a follow-up review of the UNGD-ITF in Amman and issued two reports at the end of 2006.

31. The Office found the management controls exercised by TCE over its UNGD-Iraq operations in the areas of budget, financial reporting, payments, banking and monitoring of project implementation were generally satisfactory. However, FAO faced a number of constraints that hampered the initial planning, curtailed the scope and delayed the implementation of several large projects. These constraints, which are mostly outside the control of FAO management, include (i) a significant deterioration of security within Iraq, which requires projects to be remotely managed from Amman and Rome, (ii) a developing government support capacity, and (iii) funding delays for approved projects.

32. Despite these constraints, FAO made significant progress in implementing its UNGD-ITF projects since their inception in July 2004. The accumulated spending rate, in relation to approved funding (\$66 million), steadily increased from 18 per cent during the second half of 2004 to 75 per cent in December 2006 when total spending on the six UNDP-ITF projects managed by TCE totalled over \$49 million.

F. ABUSE OF LUMP SUM FOR ENTITLEMENT TRAVEL

33. Several cases of abuse of the lump sum for entitlement travel have emerged from an ongoing audit of this area. During 2006, the Office submitted ten investigation reports for recovery of funds and disciplinary action, as appropriate.

34. The incidence of abuse is of concern to the Office. In an umbrella report issued in January 2006, the Office highlighted weaknesses in the system and controls of the lump-sum scheme that have made it more permeable to violations. The existence of abuse by staff across the board, including senior staff with supervisory and managerial responsibilities, indicates that the ethical environment and tone from the top in FAO requires the Director-General's attention. This was brought to the attention of the Director-General and of the Audit Committee in July and December 2006, respectively, and initiatives are under way to increase staff awareness of the issue.

G. DISCRETIONARY REPORTS

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

III. Audit Results

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

37. During 2006, the Office issued 52 audit reports. Of these, nine were conducted at headquarters and 43 in decentralized offices. All audit work results in the production of specific reports. However, the Office contributes to the overall process of management control in the Organization in a variety of ways and goes considerably beyond the issuance of formal reports. Attachment A lists the audit reports issued in 2006.

Headquarters

A. FINANCIAL MANAGEMENT AND BUDGETING

38. The Office completed three reviews of various aspects of financial management and budgeting at headquarters. These reviews covered features of budgetary control, inventory management and financial reporting of regular programme activities and selected extra-budgetary projects, internal control and policies and procedures, as well as efficiency and effectiveness of operations.

39. One report addressed the budgetary monitoring system in place in the Investment Centre, TCI, now greatly improved after problems experienced in prior years. The Office assessed completeness and accuracy of income, expenditure and forecasts, and made recommendations for further improvement as needed. The recommendations have been accepted and implementation has already started. The report notes the demand-driven nature of TCI's services to external development partners and the difficulty of fitting such consultancy-like activities into a biennium-bound budgetary framework, an issue which merits consideration for potential future flexibility.

40. In a second report the Office reviewed a selected extra-budgetary project, examining the recorded transactions and underlying records. The review showed that, overall, financial monitoring of project activities was satisfactory. However, some issues, noted in previous reviews regarding audit of funds advanced to Collaborating Institutions and verification of inventory of project equipment provided to these institutions, had not been properly addressed. In addition, controls and clarification of arrangements for non-staff travel needed enhancement. All recommendations have generally been agreed, and most are already being implemented.

41. A third report addressed the clearance process for funding agreements with extra-budgetary donors and made recommendations on written procedures, standard acceptable arrangements, consistency of nomenclature, consistency of applicable legal instruments and other documents, clarity of in-house roles and responsibilities, clarity of FAO's accountability for financial administration, particularly in some national execution arrangements, practicality of application of Financial Regulations, and availability of information and documentation. The recommendations have generally been welcomed and implementation is in progress.

42. The Office carried out regular annual reviews in the Credit Union and the Commissary (on a fee basis), and issued two reports in this respect. Matters examined included the Commissary's financial statements for 2005, with recommendations for improved disclosure and financial reporting. In the Credit Union, the Office examined the impact on internal controls of certain streamlining proposals included in the Credit Union's information systems replacement project.

B. HUMAN RESOURCES

43. The Office reviewed the application of lump-sums to cover staff travel entitlements, and recommended strengthening the documentary evidence requirement, both for duty and entitlement travel. The recommendation has been accepted and procedures are under development to require submission of boarding passes with travel expense claims for all travel, failure to do so resulting in recovery of lump-sums paid. Furthermore, the Office recommended reviewing the calculation basis for the lump-sum, as considerable savings could be generated, without impacting the standard of travel, safety and flexibility of travel for staff members. This has been agreed and work has already started on the issue.

C. PROCUREMENT

44. The Office reviewed one of FAO's largest contracts, for staff health protection, which was re-tendered in 2006. The report identified several areas for improvement in the operation of the contract by the provider in order to increase efficiency and benefit the medical scheme as a whole. Recommendations were made for improved performance, calculation of ceilings as well as fraud detection and response for inclusion in the tendering and contracting process.

D. INFORMATION TECHNOLOGY

45. The Office carried out two major audits addressing aspects of information technology in Headquarters, Oracle database security and Oracle security administration.

46. As with any large software package, the default installation of Oracle does not provide for the most secure system. Oracle, in particular, has been criticized for the number of security vulnerabilities identified in the applications. The database administrator must, therefore, ensure that the system is correctly configured, protected and maintained in order to avoid security problems. The Office made recommendations designed to address weaknesses in Oracle database security management. While any decision on enhancements will depend on resource availability, FAO has already incorporated many of the recommendations in an ongoing "security enhancement task".

47. As regards security administration, the Office reviewed access control, security monitoring and auditing, management of users and responsibilities, segregation of duties and control over high-risk functions and responsibilities. The Office found FAO's Oracle security management processes to be generally at Phase 3 'Defined Process' of COBIT's Maturity Model. Significant effort is still needed to bring FAO in line with best practice, and the "security enhancement task" project will improve the situation. The Office made recommendations to address the weaknesses, all of which have been agreed and some of which are already under way.

Field

E. OFFICE OVERVIEW AND OPERATIONS

48. During 2006, the Office completed 43 audits covering 26 countries, including two Regional Offices and two Subregional Offices. In total, the Office presented management with more than 300 recommendations to improve FAO's programme and project operations. Generally, management has accepted these recommendations and has either taken or planned appropriate action to fully implement them. The majority of the Office's recommendations concentrated on improving controls and processes in the areas of budget, financial management, procurement, programme and project management, human resource matters and reporting to donors, governments and FAO headquarters.

IV. Investigation results

49. The Office has implemented a system to track investigation matters. During 2006, AUD received 26 new complaints. We define 'complaint' as any allegation, concern or evidence known to AUD claiming wrongdoing in FAO or involving FAO, which AUD may investigate. Attachment C summarizes the disposition of complaints throughout 2006. The Office issued 16 investigation reports, as listed in Attachment A.

50. Of the 16 reports, 10 covered cases of abuse of the lump-sum option for entitlement travel, eight of which at Headquarters and two in the field. Staff members had violated FAO policies governing the option of taking a lump-sum for entitlement travel, through various mechanisms. More specifically, in some cases the staff members or their dependents had not travelled, while in other cases, staff had combined duty travel with entitlement travel and also claimed the lump-sum, thus making the Organization pay twice for one journey.

51. One report addressed collusion in a tender process under the United Nations Development Group-Iraq Trust Fund (UNDG-ITF). As a result, AUD recommended that four companies, and their owners, be declared ineligible to be invited for future tenders. In addition, two former FAO consultants were also declared ineligible to be contracted by FAO in the future. Two reports dealt with an alleged kickback paid to a staff member in an FAO Representation; two other reports covered procurement-related fraud and cheque fraud in FAO Representations. The last report covered misrepresentation of educational qualifications and salary details by a staff member at a subregional office. In all cases the Office recommended recovery of funds and disciplinary or administrative action, as appropriate.

52. Four staff members received the disciplinary measure of dismissal in 2006 as a result of investigations recommendations. In one case the issue was not considered to merit a disciplinary measure but money was recovered from the staff member's emoluments, and other cases are pending decision.

V. Management activities

A. AUDIT OUTREACH

53. The Inspector General and the Senior Investigator attended the seventh Conference of International Investigators in London hosted by EBRD, where the keynote speaker was Mr Bill Hughes, Director General of Serious Organized Crime Agency, a UK public agency. Participants discussed issues such as standards for the investigative functions, investigative procedures, evaluation of evidence, and post-investigation actions. The Senior Auditor, Decentralized Activities, represented the Organization at the annual meeting of Representatives of Internal Audit Services of the United Nations and Multilateral Financial Institutions hosted by OIOS in Kenya in December 2006. The theme and focus of the meeting dealt with coordinating and standardizing oversight and governance reviews in the United Nations system. These meetings provided excellent opportunities for exchange of views and experiences among internal auditors, investigators and other oversight entities from the international community of audit and investigation professionals.

54. The Office continued its dialogue with senior oversight officials in other organizations within the UN family, as well as the international financial institutions. In particular, it exchanged views and experiences on topics of current concern, such as audit arrangements for multi-donor trust funds and other pooled funds, as well as other audit and investigation matters in order to find solutions to common problems or draw on the experience of international oversight colleagues. The Inspector General also met regularly with counterparts from the Rome-based agencies on issues of common interest.

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

B. TENDER PANEL OPERATIONS

56. In the past year, the Tender Panel met on 106 occasions and dealt with 324 tenders. For these tenders 5,580 firms were invited to submit bids and 1,487 were received. The number of tenders in 2006 (324) is considerably lower than for 2005 (432), which was an exceptionally high year due to increased procurement activity related to locust control, tsunami and the Iraq Trust Fund.

57. We are currently discussing the transfer of tender panel operations to AF, in order to reposition the responsibility within FAO in accordance with the standards of internal auditing on independence and objectivity, while maintaining the necessary internal controls to ensure the independence, objectivity, security and transparency of the tendering process. At present, FAO's Administrative Manual assigns to the Office responsibility for receiving, opening, recording and retaining under secure conditions all bids in response to tender invitations. The Administrative Manual will be updated once arrangements have been concluded.

C. REPRESENTATION ON COMMITTEES

58. The Office is represented on a number of important "standing committees" in the Organization including the Programme Policy and Advisory Board, the Senior Management Meeting, the Human Resources Committee, the Information Management Technology Committee (and its sub-committees), the WAICENT Committee, the Private Sector Partnerships Advisory Committee and its working group, the Procurement Committee, the Advisory Committee on Medical Coverage, the Committee on Investments and its Advisory Committee, the Oracle Project Management Committee and Oracle HRMS Project Executive Board, the TeleFood Policy Coordination Committee, the Corporate Communication Committee, the Field Programme Committee and the Board of the Credit Union. The Office also participates in ad-hoc internal review groups, task forces and evaluation panels. It follows closely the deliberations of the

Programme and Finance Committees, Council and Conference, and its senior members meet from time to time with senior officials and representatives from Member Nations, the External Auditor, the Joint Inspection Unit and colleagues from oversight functions in other UN and international organizations.

D. STAFF DEVELOPMENT

59. Training and development continue to be important aspects of the overall management of the Office. This comprises three elements: professional audit training, language training and training in the use of office technology. On the professional side, the Office has contracted to purchase audit software, together with the necessary staff training. This software will improve the working methods of the auditors and provide them with documentation and standards for their work, thus developing the capacity of the Office's staff. Furthermore, one staff member of the Office obtained the Certified Information Systems Auditor qualification, one obtained the Certified Fraud Examiner qualification, and another is training for the Certified Chartered Accountant designation.

60. The Office made good use of the facilities available within FAO for language and office technology training needs. In addition, staff participates from time to time in other training programmes arranged through the Human Resources Management Division or other divisions.

E. STAFF MEETINGS

61. The Office continued to have regular theme-oriented staff meetings where experts both from FAO and other international organizations make presentations to the audit staff on current developments in their areas of expertise. This not only covers the traditional finance and administrative fields, but also draws on senior officers from technical divisions. In 2006, topics covered were Avian Influenza, the establishment of the Shared Services Centre and FAO Reform.

F. ADMINISTRATIVE ISSUES

62. The Office's time reporting and control system represents a useful internal management tool through which AUD staff record their time in half-hour units of activity. The results are reported to the Inspector General and used by the Office to identify areas for efficiency improvements and for planning purposes. The information is also used to provide analyses on staff usage that the Audit Committee may request.

63. Based on the comparison of time worked on each audit against the targets established in the biennial work plan, in 2006 the Office achieved 52 audits against the planned 56, despite working with fewer professional staff than foreseen in the work plan. During the year, the Office devoted 31% of its effort to headquarters and 69% to the field, against the planned 39% for headquarters and 61% for the field.

64. Time spent on unplanned work, such as investigations, special requests and advisory services, totalled 25% of the auditors' time, against the planned 29%. Forty-eight percent of this time related to headquarters, and 52% to the field.

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

ATTACHMENT A (i)

Office of the Inspector General
Reports issued in 2006
Headquarters Activities

Subject matter	Reports issued
Lump-sum travel	AUD 1006
Oracle database security	AUD 2806
Oracle security administration	AUD 2906
Coffee mould project	AUD 506
Commissary	AUD 5906
Credit Union	AUD 6906
Clearance of funding agreements with donors	AUD 4506
TCI budget monitoring	AUD 6206

Special Assignment and Investigations

Subject matter	Reports issued
Operational reviews	
Staff medical coverage	AUD 3106
Investigations	
Falsification of documents in an FAOR	AUD 806
Alleged fraud of an Assistant FAOR	AUD 906
Misrepresentation of educational qualifications and salary details	AUD 1606
Abuse of lump sum for entitlement travel	AUD 1706
Abuse of lump sum for entitlement travel	AUD 2206
Investigation in an FAOR	AUD 2406
Abuse of lump sum for entitlement travel	AUD 2506
Abuse of lump sum for entitlement travel	AUD 2706
Abuse of lump sum for entitlement travel	AUD 3706
Abuse of lump sum for entitlement travel	AUD 3906
Abuse of lump sum for entitlement travel	AUD 4006
Abuse of lump sum for entitlement travel	AUD 4106
Follow-up on alleged fraud of an Assistant FAOR	AUD 4206
Abuse of lump sum for entitlement travel	AUD 4306
Abuse of lump sum for entitlement travel	AUD 4406
Allegations of procurement irregularities in a project	AUD 5306

ATTACHMENT A (ii)

Decentralized Activities

Subject matter	Reports Issued
Regional, Sub-Regional and Liaison Offices:	
SRO Central and Eastern Europe – technical services	AUD 2006
REU – Local payments	AUD 2106
SRO Caribbean – office management and administration	AUD 2606
RLC – Handover arrangements for Regional Representative	AUD 3806
RLC – Review of travel	AUD 6106
FAO Representations:	
Vietnam – comprehensive office audit	AUD 606
Laos – comprehensive office audit	AUD 1106
Burkina Faso – comprehensive office audit	AUD 1406
Brazil – comprehensive office audit	AUD 1806
Mozambique – administrative issues	AUD 1906
Namibia – comprehensive office audit	AUD 4606
Colombia – comprehensive office audit	AUD 4806
Philippines – comprehensive office audit	AUD 5106
Mexico – comprehensive office audit	AUD 5406
Kenya – comprehensive office audit	AUD 5606
Sri Lanka – comprehensive office audit	AUD 6506
Ethiopia – comprehensive office audit	AUD 7006
Cameroon – comprehensive office audit	AUD 7506
Venezuela – comprehensive office audit	AUD 7806
Specific programmes, projects and other topics:	
Tsunami relief work in Sri Lanka	AUD 106
Tsunami relief work in Maldives	AUD 306
Tsunami relief work in Indonesia	AUD 406
Selected projects in Vietnam	AUD 706
Selected projects in Laos	AUD 1206
New arrangements for the field programme in Bolivia	AUD 1306
Special operations in Brazil	AUD 2306
Budget monitoring in Afghanistan	AUD 3406
Property management in Afghanistan	AUD 3506
Procurement procedures and activity in Afghanistan	AUD 3606
Project/programme management in Namibia	AUD 4706

Project/programme management in Colombia	AUD 4906
SPFS project in Nigeria	AUD 5006
Selected projects in Philippines	AUD 5206
National execution project in Mexico	AUD 5506
Selected projects in Somalia	AUD 5706
Selected projects in Sudan	AUD 5806
SPFS project in Nigeria	AUD 6006
Selected projects in Sri Lanka	AUD 6406
Selected projects in Ethiopia	AUD 7106
Selected projects in Iraq	AUD 7206
Selected projects in Iraq	AUD 7306
Selected projects in Cameroon	AUD 7606
National execution project in Venezuela	AUD 7706

ATTACHMENT B (i)

Office of the Inspector General
Recommendations issued in 2000-20006
Statistics and implementation status as at 31 December 2006

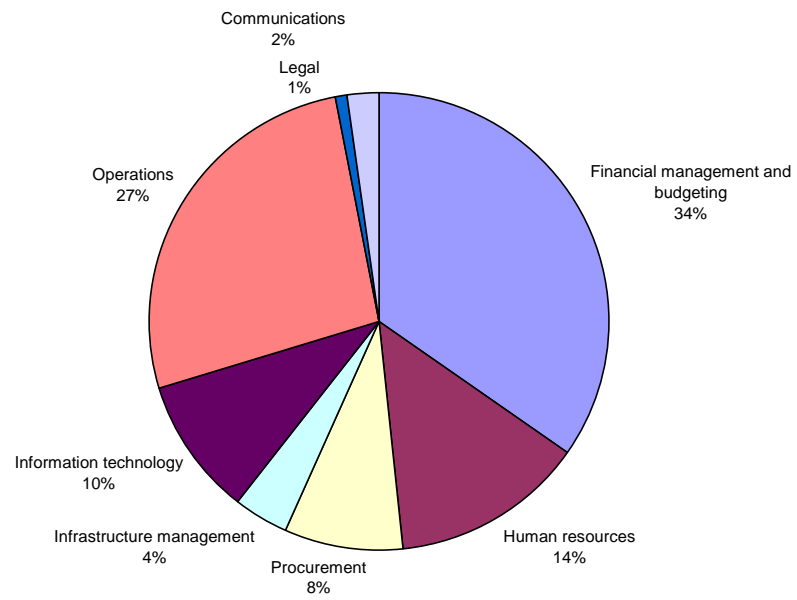
	<u>Total</u>	<u>Open</u>		<u>Ongoing</u>		<u>Closed</u>	
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
2000	410	0	-	0	-	410	100
2001	619	0	-	2	0.3	617	99.7
2002	458	2	0.4	15	3.3	441	96.3
2003	562	2	0.4	3	0.5	557	99.1
2004	312	6	1.9	14	4.5	292	93.6
2005	429	24	5.6	42	9.8	363	84.6
2006	425 ¹	135	31.8	96	22.6	194	45.6
Seven-year totals	3,215	169	5.3	172	5.3	2,874	89.4

Note: statistics based on information provided by the auditees.

¹ Of which 151 were issued in the last quarter of 2006

ATTACHMENT B (ii)

Office of the Inspector General

Chart of 2006 Recommendations by Process

ATTACHMENT C

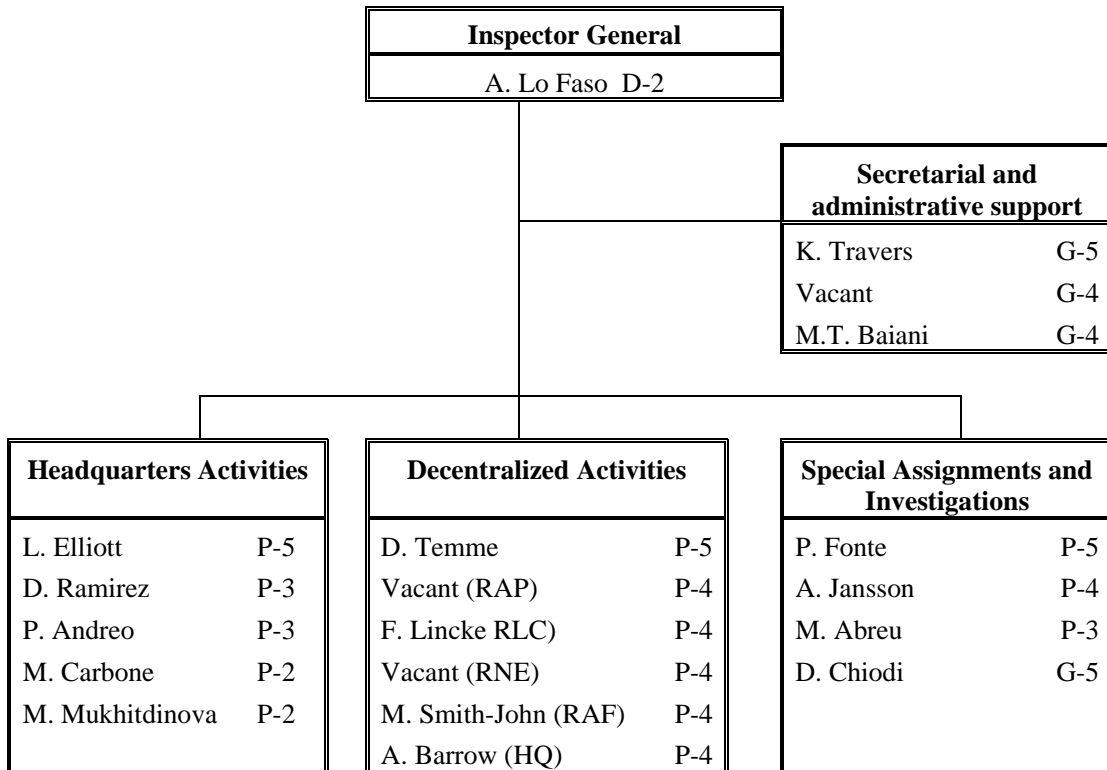
Office of the Inspector General**Disposition of complaints in 2006**

	2005	2006	Total
Complaints brought forward from previous years	17	-	17
Complaints received in 2006	-	<u>26</u>	<u>26</u>
Total complaints	17	26	43
Less:			
Closed after preliminary review determined complaint did not involve fraud or misconduct	(1)	(4)	(5)
Closed and referred to other divisions for action	-	(7)	(7)
Addressed in investigation reports	<u>(15)</u>	<u>(2)</u>	<u>(17)</u>
Complaints under investigation as at 31/12/06	<u>1</u>	<u>13</u>	<u>14</u>

ATTACHMENT D (i)

Office of the Inspector General**Organization Chart**

December 2006



ATTACHMENT D (ii)

Office of the Inspector General
Staffing table as at December 2006

	<u>Grade</u>	<u>Male</u>	<u>Female</u>	<u>Vacant</u>	<u>Total</u>
Inspector General	D-2		1		1
<u>Auditors</u>					12
Senior Auditor	P-5	1	1		
Regional Auditor	P-4	1	1	2	
Auditor	P-4	1			
Auditor	P-3	2			
Auditor	P-2		2		
Audit Clerk	G-5		1		
<u>Investigators</u>					3
Senior Investigator	P-5	1			
Investigator	P-4		1		
Investigator	P-3		1		
<u>Secretarial & Administrative Support</u>					3
Secretary	G-5		1		
Clerk-Typist	G-4			1	
Records Clerk	G-4		1		
TOTAL		6	10	3	19

The following countries are represented in the above:

<u>Country</u>	<u>Professional</u>		<u>General Service</u>	<u>Total</u>
	<u>Headquarters</u>	<u>Region</u>		
Argentina	1			1
Brazil	1			1
Germany		1 (RLC)		1
Italy	1		2	3
Jamaica		1 (RAF)		1
Spain	2			2
Sweden	1			1
UK	2		1	3
USA	2			2
Uzbekistan	1			1
Vacant		2	1	3
TOTAL	11	4	4	19