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Продовольственная и
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организация
Объединенных
Наций

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and Twenty-sixth Session

Rome, 11 - 15 May 2009

2008 Annual Activity Report of the Office of the Inspector General

Attached for the information of the Members of the Finance Committee is the 2008 Annual Activity Report of the Office of the Inspector General.

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OFFICE OF THE INSPECTOR GENERAL
ANNUAL ACTIVITY REPORT
2008

HIGHLIGHTS

Highlights of the work and achievements of the Office of the Inspector General (the Office) during 2008 include the following:

- The Office issued 36 internal audit reports that made 290 recommendations to improve operations and strengthen the internal control structure of the Organization. The audits were selected under a risk-based plan that addressed a wide range of areas at Headquarters and field operations in 18 countries. The recommendations to improve programme, project operations, accountability and internal control were made in the areas of budget, financial management, procurement, human resources matters, reporting and IT areas.
- Forty-five percent of the 2008 recommendations have been implemented, 28% are in progress, and the remaining 27% are open. Areas of high risk that received special audit attention during 2008 included the following:
 - Process and Gap Review of IPSAS Implementation
 - State of Internal Controls over Decentralized Activities
 - Review of the Regional Office Structure
 - Accounts Receivable – Account 2801
- The investigation unit closed 29 cases. The workload as well as the nature of the cases in 2008 was similar to 2007. Most of the investigations related to cases of fraud and misrepresentations. The Office issued five investigation reports, which addressed issues of fraud and misconduct, inappropriate employee behaviour, and abuse of the lump-sum option for entitlement travel.
- The Office took steps to implement a framework for transferring the Local Audit Programme (LAP) function from the Finance Division (AFF) to the Office by mid-2009. The Director-General approved the transfer in August 2008 as recommended by AFF, the Office and the External Auditor. Transfer of the function will improve the quality of the audits and provide AFF with more consistent results on the field offices' accounting and recording of financial transactions.
- The Office issued a contract to Deloitte, one of the leading worldwide risk management consulting firms, to undertake a comprehensive review of the Organization's current risk management structure. The results of this review will provide management and the IPA Reform Support Group with pertinent information in determining the scope and timing for implementing an Organization-wide Enterprise Risk Management (ERM) framework.
- The Office also contributed to the overall process of management control by providing senior management and the functions and programmes audited with analyses, counsel and information on the activities reviewed.
- The Office provided 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 substantive and technical areas.

I. Introduction

A. GENERAL

1. The present report, which is addressed to the Director-General, provides a summary of the 2008 oversight activities of the Office of the Inspector General (the Office). Since 1996, the Director-General has made the annual report available to the Finance Committee, and the report has since become a standing item on the agenda of the Committee's May session. 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 the 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 for 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 21 posts, encompassing the Inspector General, 15 Professional and five General Service posts. Attachment C to this report depicts the Office's staffing situation, with some demographic information, as at 31 December 2008.

6. The Office's senior staffing was complete throughout the year, while there were vacancies in investigation, audit and office support. The Investigation Unit, staffed with two out of four officers, experienced delays in recruiting staff for the two vacant posts (a P3 and a P2). The Unit retained consultants and used one officer from the audit group to partly fill the void and address the most urgent cases. The audit group used a consultant to partly compensate for a P3 vacancy and for the audit officer assigned to the Investigation Unit. Lastly, the Office used staff from the Temporary Assistance Pool to compensate for a vacant G-3 clerk typist post, until the position was filled during the year.

7. Despite the mitigating effect of consultancy assistance for investigation and audit, the above vacancies affected the Office's ability to complete all reviews foreseen in the work plan and did not allow pursuing more cases from the Office's investigation case load.

8. In the last half of 2008, as part of the steps to assume the transfer of the Local Audit Programme function from AFF, the Office advertised a position for a P5 senior auditor post to head the new unit (Field Verification Unit), and four P3 auditor posts to staff the unit. Interviews for the P5 position were completed and a short list for submission to the PSSC was prepared in December 2008. The announcement for the P3 posts closed on 31 December 2008 and we expect to complete the recruitment process in the first half of 2009.

9. The final 2008 budget allotment amounted to USD3.3 million, compared with USD 2.9 million for 2007. The Office operated within its allotment and ended the year with a small surplus, due mainly to the receipt of a higher-than-expected Support Cost income.

II. Matters of Special Importance

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

A. PROACTIVE ROLE IN PROMOTING ENTERPRISE RISK MANAGEMENT (ERM)

11. The Office, the Institute of Internal Auditors (IIA), the IEE and the External Auditor all identified the absence of a systematic, comprehensive approach to risk management as a potentially serious impediment to FAO achieving its mission. In the Management Response in Principle to the IEE report, management tasked the Office to start the process of introducing Enterprise Risk Management (ERM) within FAO.

12. Accordingly, the Office revised its 2008/2009 audit work plan to include a comprehensive review of FAO's present risk management structure in 2009. To accomplish this, the Office will partner with Deloitte, a leading worldwide ERM consulting firm, to undertake a comprehensive assessment of FAO's current approach to risk management, and to provide advice on practical measures that can be taken in the short-term to strengthen internal control and lay the foundations for the successful introduction of ERM in the future. This review will provide management with additional key information to help them decide on an appropriate implementation strategy for the future.

B. TRANSFER OF THE LOCAL AUDIT PROGRAMME FUNCTION TO THE OFFICE OF THE INSPECTOR GENERAL

13. The Local Audit Programme (LAP), which has been administered by FAO's Finance Division (AFF), was set up in October 1995 to "*enhance the financial management and the control environment of field offices, by strengthening accountability for the completeness and correctness of local accounts and improving internal control*". AFF has accomplished this by contracting out with local audit firms to complete periodic financial-related audits of FAO's field offices, primarily the FAO Representations, based on the monetary volume of transactions processed by each office.

14. However, the audit results from the local audit firms were not always consistent or of the quality needed to be useful to AFF in meeting its objective, as highlighted by the Office, the External Auditor and AFF itself. Consequently, in August 2008, the Director-General agreed to a joint proposal from the Office and AFF to transfer the programme function to the Office. The transfer of the function will improve the quality of the audits and provide AFF with more consistent results on the field offices' accounting and recording of financial transactions.

15. In the latter half of 2008, the Office took steps to implement a framework for transferring the LAP function from AFF by mid-2009.

C. FAO AUDIT COMMITTEE

16. The FAO Audit Committee, which was established in April 2003, met three times in 2008. The Committee provides advice to the Director-General and the Inspector General on planning, performance and reporting of the work of the Office, among others.

17. The composition of the Audit Committee changed from 1 January 2008, to consist entirely of five external members, as appointed by the Director-General in the latter part of 2007.

In future, new Committee members will be appointed by the Director-General in consultation with the Finance Committee and the Council, as recommended in the report of the Independent External Evaluation (IEE).

18. The Committee continued to address the rate of implementation of internal audit recommendations, suggested ways to improve audit resolution and continued to stress the importance of implementing internal audit recommendations. The Committee also reviewed the Organization's response to the recommendations on audit matters in the report of IEE, followed progress on implementing recommendations from the external Quality Assurance Review of the Office in 2007, and provided direction on the Office's risk analysis and resulting audit plan for 2008-2009.

19. With regard to investigations, the Committee assessed FAO's procedures relating to fraud allegations, monitored timely investigation of cases and disciplinary action taken, ensured that the details of fraud cases are used to strengthen internal controls, and stressed the importance of issuing investigation guidelines. The Committee also monitored the Office's regular reporting and provided advice on the revision of the Office's Charter.

20. It is expected that the Audit Committee's Chairperson will present the Committee's 2008 Annual Report addressed to the Director-General directly to the Finance Committee's 2009 May session.

D. INDEPENDENT EXTERNAL EVALUATION

21. The final report of the IEE made a series of recommendations that directly affect the Office of the Inspector General. The most important include: (a) preparation of an Organization-wide risk-management framework from which the Office should select priority areas to audit; (b) endorsement of the intention to reconstitute the Audit Committee with entirely external membership but to be appointed by the Director-General and agreed by the Council on the recommendation of the Finance Committee and the Director-General; (c) the Audit Committee to report to the Director-General, but also to present its annual report directly to the Governing Bodies, (d) increasing the independence and objectivity of the Office of the Inspector General by ceasing to hold membership on all internal management and administration committees; and (e) modifying the Charter of the Office of the Inspector General to afford direct access to the Finance Committee.

22. With the exception of the preparation of an Organization-wide risk-management framework, all the IEE recommendations have been or are being implemented. With regard to risk management, the Office is working with management to help them put in place an Enterprise Risk Management Framework. In the interim, the Office prepared a biennial risk-based audit plan for 2008/2009 using alternative procedures.

E. CHARTER FOR THE OFFICE OF THE INSPECTOR GENERAL

23. A revised Charter for the Office of the Inspector General was approved by the Director-General and submitted to the Finance Committee in October 2008. The new Charter separates the investigative function from the internal audit function, as advocated by the Audit Committee, and clarifies the Inspector General's access to the Finance Committee, as recommended by the IEE. The Charter is part of the Office's functional statement in the FAO Administrative Manual.

F. QUALITY ASSURANCE REVIEW

24. In 2007, the Institute of Internal Auditors (IIA) conducted a quality assurance review of the audit function of the Office of the Inspector General, in line with the International Standards for the Professional Practice of Internal Auditing which require an external assessment at least once every five years. The review concluded that the Office "partially complies" with the

International Auditing Standards, based on the reviewers' assessment that the Office was not fully independent and on certain shortcomings in work practices within the Office. As a result, the Office prepared a corrective action plan which the Audit Committee is closely monitoring. In line with this plan, in 2008, the Office implemented a Quality Assurance and Improvement Plan (QAIP) and began using TeamMate audit software to complete its audits, which will allow the Office to better manage and supervise its audit assignments.

G. INVESTIGATIONS

25. The work of the Investigation Unit was consolidated, despite staffing constraints. In this regard, the Charter for the Office was amended to outline the responsibilities and scope of the work of the Unit; the Guidelines for Internal Administrative Investigations (Investigation Guidelines) were finalized and are expected to be issued in early 2009; and the new internet site for the Office was launched with information about the Office's activities, fraud prevention and additional means for staff to present complaints to the Office.

26. The Unit uncovered cases of fraud and identified recoveries of funds. In addition, while the information gathered as a result of the investigative findings was not sufficient to show trends, lessons learned from investigations, even when no fraud or violation was found, were presented to management.

H. DISCRETIONARY REPORTS

27. The Charter for the Office of the Inspector General 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 operations

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

29. During 2008, the Office issued 36 audit reports. Of these, eight resulted from reviews conducted at headquarters and 28 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 2008.

A. HEADQUARTERS

IPSAS Implementation

30. The adoption of International Public Sector Accounting Standards (IPSAS) by FAO and other UN agencies is a UN System-wide decision to significantly improve financial management and reporting and to align them with International Standards. The review was included in the Office's 2008-2009 work-plan due to the magnitude, high visibility and potential high risk of this project.

31. The audit covered the period from September 2006 to May 2008, and reviewed the processes AFF used to plan, manage and monitor the IPSAS project and assessed deliverables to

identify any missing key components or procedures that could negatively impact its successful implementation. As at 31 July 2008, USD 781, 000 had been spent and committed with the original estimated cost increasing from USD 7.2 million in 2007 to USD 13.9 million in 2008 for financial reporting only. FAO, in line with other UN agencies, has decided that donor reporting and budgeting would be considered at subsequent dates with separate cost estimates.

32. The Office concluded that the project has a sound governance and management structure supported by detailed project plans, project board and project manager, who are knowledgeable of project implications and risks. However, there are several risks involved, such as the unavailability of divisional user resources to perform the various tasks due to competing projects, generally poor capacity at the field level, and a funding shortfall of USD 5.3 million, which if not addressed, could jeopardize the successful completion of the project. Furthermore, the project could benefit from (i) intense and continuous communication, (ii) higher prioritization by the Organization, (iii) a change management function, (iv) a visible Organization-wide structure for the coordination and prioritization of large projects, and (v) the involvement of the Director-General and the Deputy Director-General.

After Service Medical Coverage Liability

33. In response to recommendation 7.9 of the October 2007 Independent External Evaluation report, the Office reviewed the After Service Medical Coverage (ASMC) liability. At 31 December 2006, the liability totalled USD526 million, of which USD373 million was unfunded. Since 1998, the Organization has partially addressed the recording and funding of the liability; however, the full negative impact on FAO's financial condition became obvious when, as part of the IPSAS implementation project, the remaining portion of unrecorded financial liability was incorporated in FAO's balance sheet as at 31 December 2007.

34. The Office concluded that FAO has: (i) taken appropriate measures towards funding this liability, (ii) presented appropriate issues to the Governing Bodies, (iii) implemented appropriate systems to track, value and report the liability, and (iv) examined ways and means to reduce or contain the liability. Member Nations must bear collective responsibility in funding the liability.

Financial Management

35. The Office completed five audits of various aspects of financial management at headquarters, including features of accounting, borrowing, financial reporting and the Commissary's inventory management. Of specific note, the Office found that the overall system of internal controls relating to Other Accounts Receivable needs to be strengthened in order to ensure the existence, completeness and valuation of receivables. Recommendations were made to improve aspects of the administrative and financial control system of these entities.

B. FIELD

Office Overview and Operations

36. During 2008, the Office reported on 28 audits covering 18 countries, including two Regional Offices and two Subregional Offices. The Office also issued a report on the state of internal controls over decentralized activities, summarizing the results of audits carried out in the field in the biennium 2006-07, in order to assess the strength of the systems, policies and procedures in place (see below). In total, the Office presented management with more than 235 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. Most of the Office's recommendations concentrated on improving controls and processes in the areas of budget, financial management, procurement, programme and project management, human resources and reporting to donors, governments and FAO headquarters.

State of Internal Controls over Decentralized Activities

37. The Office concluded that just over half of the FAO country offices reviewed had not adequately implemented FAO's prescribed policies and procedures. Furthermore, when placed in the context of an integrated, comprehensive model for internal control, the Office's findings from field missions, coupled with other analysis undertaken by the Office, indicate significant weaknesses in the key components required for an effective system of internal control. These weaknesses ultimately threaten the health of the Organization, as they considerably weaken the capacity of FAO's country offices to manage their operations well, support the delivery of FAO's accountability obligations, guarantee that activities remain within the boundaries established by FAO's regulatory framework, and safeguard the resources and assets entrusted to their care.

38. First and foremost, FAO does not have a systematic approach for identifying, prioritizing and managing risks, and so lacks the analysis required to develop sound internal controls to manage these risks. Without a structure, such as a total Enterprise Risk Management (ERM), the Organization cannot make effective risk assessments to determine what its risks are, what controls are needed, and how they should be managed to achieve its objectives. This can lead to an inefficient use of resources, gaps in the coverage of key threats to the Organization's interests and insufficient information to support sound decision making.

39. The Office made specific recommendations aiming at building on the commitment that field staff already demonstrate and on the work that has been done by headquarters units over the past two years. Of these recommendations, the most important is introducing a more structured approach to risk management, such as Enterprise Risk Management. The Organization also needs to ensure headquarters units are provided with the financial and other resources necessary to adequately monitor the performance of decentralized activities, and field teams are staffed with sufficient, well-trained individuals, with the mix of skills and experience required to manage a complex programme.

Other Country Specific Issues

40. Key country-specific issues emerging from audits in the field include the following:
- The Office identified inconsistent conditions imposed by the Chinese Government for recruiting and remunerating local personnel, which restrict FAO's access to the best available staff, potentially create divided loyalties among staff, delay recruitment and involve uncompetitive pay rates. The key audit recommendation was that FAO secure the same unrestricted access to local labour markets as that enjoyed by other UN agencies and diplomatic missions.
 - FAO and the United Nations Development Group continue to face a number of challenges, many of which are beyond their control, in programme implementation in Iraq. The Office noted strengthened controls over project monitoring which have helped overcome the difficulty faced in managing Iraq projects remotely from Amman, Jordan. The Office made recommendations for project identification, funds mobilization and coordination with other UN agencies, and operating environment risk assessment.
 - The Office identified the need to strengthen the liaison function in Zimbabwe, especially in view of the food security situation of the country and the current political conditions that have caused donors to focus on supporting communities directly, rather than on capacity building within the Government. The Office made recommendations for development of a more effective dialogue with the Governments and donors, highlighting critical sector issues and mobilizing resources to support priority areas, in order to expand the field programme in Zimbabwe.
 - FAO operations in Tajikistan are in the anomalous situation whereby a large, complex and continuing programme is overseen solely by the Emergency Operations division, without the support of an FAO Representation. The Office identified weak local management with regard to structure and organization, project management disciplines,

accounting and enforcement of FAO's policies on ethical behaviour. The Office's most critical recommendation is to establish an FAO Representation in Tajikistan.

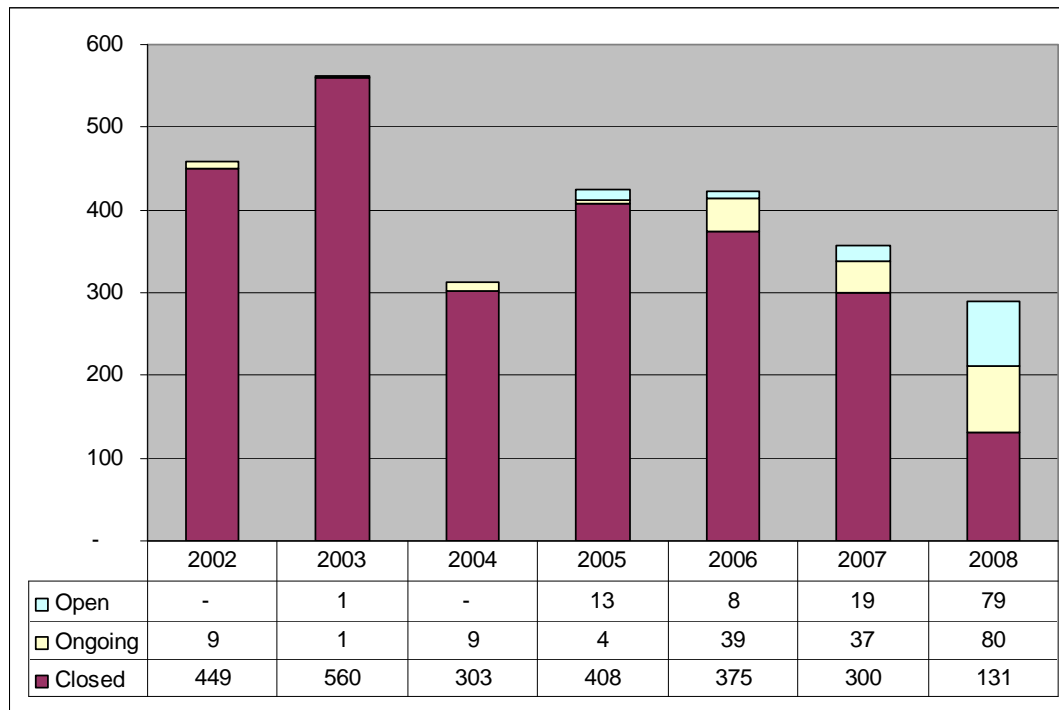
C. AUDIT RECOMMENDATIONS AND RESOLUTION

41. In 2008, the Office's 36 audit reports included 290 recommendations to improve efficiency and effectiveness, enhance internal controls and raise fraud awareness. Attachment A lists the 2008 reports by organizational group. Statistics on implementation status of recommendations are presented in Attachment B (i), while Attachment B (ii) presents 2008 recommendations statistics by process, and Attachment B (iii) presents the outstanding recommendations from 2002-2008 by risk level.

42. The matter of audit resolution continued to receive significant attention in 2008. While it is ultimately management's responsibility to implement audit recommendations, 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. The FAO Audit Committee also 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. 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.

43. Recommendation implementation rates in 2008 are comparable with the situation in 2007 and 2006. At 31 December 2008, 45% of the recommendations made in 2008 were reported as closed, compared to 48% of the 2007 recommendations at the end of 2007 and to 46% of the 2006 recommendations at the end of 2006. 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 2002 TO 2008, AS AT 31 DECEMBER 2008



44. Of the 299 outstanding recommendations for 2002-2008 (Attachment B (iii)), 225 are considered to be high risk, where failure to take action could result in critical or major consequences for the Organization. The Office continues to follow up with management on the implementation of these recommendations.

IV. Investigations

45. The Investigations Unit is responsible for promoting an environment of integrity throughout the Organization's operations through the detection, investigation and prevention of fraud and misconduct. The Unit ensures that investigations results are captured in order to develop lessons learned and recommends procedural and policy changes that enhance integrity within FAO.

46. The year 2008 was characterized by significant progress in streamlining investigative activities, enhancing the unit's capacity and strengthening prevention efforts as well as expanding integrity outreach in line with the Office's new Charter, which provides for a broader mandate and strategy.

47. The Unit focused on several matters aimed at improving mechanisms, practices, regulations and policies to promote an ethical working environment. For example, the Director-General established an Ethics Officer post reporting directly to him as recommended by the Office in its "Road Map for Strengthening FAO's Integrity and Anti-Corruption Framework" and its Concept Paper "In Consideration of Creating an Ethics Officer Post at FAO". As part of the strategy for attaining the objectives set out in the "Road Map", the Legal Office (LEG), the Human Resources Management Division (AFH) and the Office retained a consultant who is currently developing an overarching policy paper on Integrity at FAO for submission to the Director-General.

48. The Office finalized the Guidelines for Internal Administrative Investigations (Investigation Guidelines) following comments and final discussions with LEG, AFH and the Staff Representatives. The Guidelines were developed to ensure (i) proper and consistent implementation of FAO's staff rules and regulations when investigating allegations of wrongdoing involving FAO personnel, and (ii) conducting investigations in a thorough, extensive, objective and consistent manner, in accordance with high professional standards and good investigative practice. They take due account of the rights of all parties involved in an investigation, including those of the Organization.

49. The Office cooperated with AFH and LEG in preparing the procedure for authorizing and recording access to electronic records by the Office of the Inspector General in the Course of Administrative Investigations, which formed part of the Policy on the Use of the Organization's Information Technology Resources issued in December 2008.

50. During the year, the Office also launched its internet site, which provides information about the Office's activities, fraud prevention and additional means for staff members to present complaints to the Office.

A. INVESTIGATION CASE LOAD MANAGEMENT

51. During 2008, the Office received 32 new complaints (Figure 1), mostly from staff members. While the number of total complaints has remained steady, compared to previous years, most of the cases have been initiated as a result of complaints received from staff (Figure 2). The outreach strategy appears to have had a positive outcome. The new website adds visibility to the Office and creates a focal point for all relevant information related to the Office. The increased number of complaints presented by staff members is an indication of their confidence in FAO's integrity mechanism.

52. The total 2008 case load consisted of 50 cases, including 32 complaints received in 2008 and 18 carried over from previous years (Figure 2). During the year, the Unit closed 22 of the 32 complaints and seven of the 18. Hence, the Unit closed 29 cases and issued five investigation reports. Some of these cases were resolved without the need for investigation, while others were found to fall outside the Office's mandate and were consequently referred to other Divisions (Figure 3).

53. As a result of investigation reports issued in 2006 and 2007, one staff member received the disciplinary measure of dismissal, while another staff member's resignation was accepted. Both cases referred to abuse of the lump-sum travel entitlement, which resulted in recoveries of USD26, 943.88 and USD1, 098.00, respectively, from the two staff members involved.

Figure 1: Case Load – Disposition of complaints in 2008

Case Load	2008
Cases Carried over from previous years	18
New Cases Opened	32
Total Complaints	50
Cases Closed	29
Ending Case Load	21

Figure 2: Source of complaints in 2008

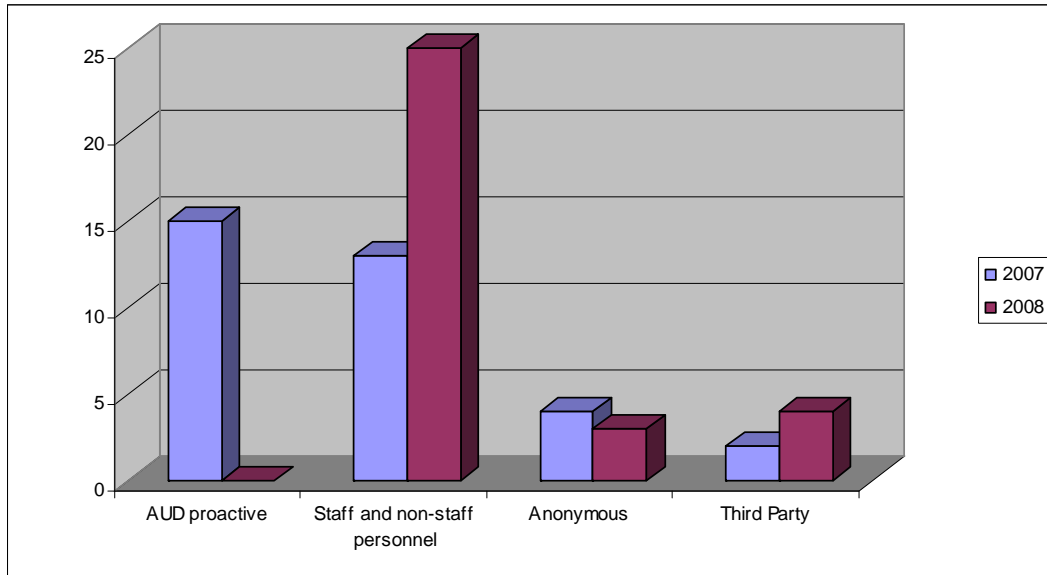
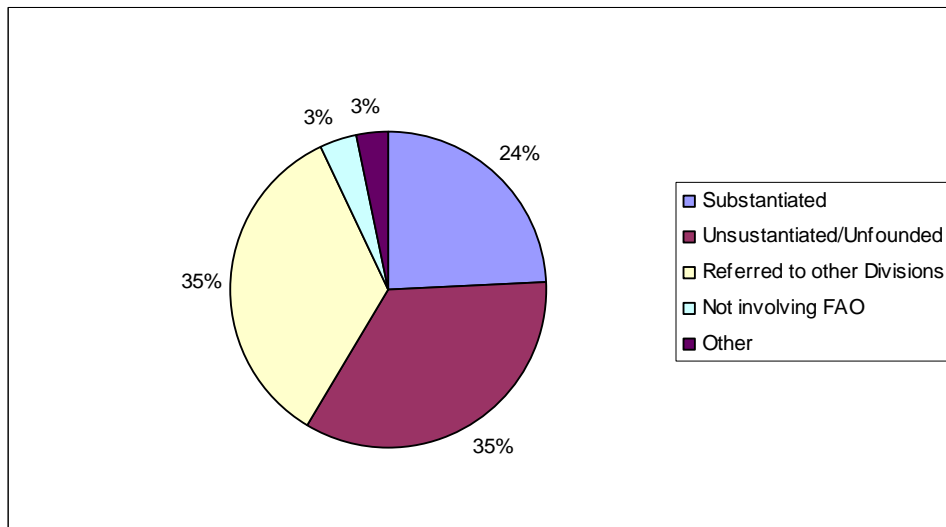


Figure 3: Outcome of investigations in 2008



B. EXAMPLES OF CASES INVESTIGATED

54. The following summary presents examples of cases completed in 2008, the findings of which led, or are likely to lead, to disciplinary measures and lessons learned, as appropriate:

Case 1: During an audit that began in 2007, the Office became aware of certain inconsistencies in the issuance and cancellation of invoices. Furthermore, during a review of the personnel file of the staff member involved, the Office found certain inconsistencies related to the nature and validity of information provided to support various requests for staff entitlements, which led it to launch an investigation. The investigation substantiated that the staff member had fraudulently disguised a deficit (USD400,000) and had also committed fraud related to home leave travel, rental subsidy and assignment grant, receiving an undue benefit estimated at over USD88,000.

Final action is pending management decision.

Based on this investigation, the Office also issued a lessons-learned report, which identified weaknesses and responsibilities in supervisory functions that facilitated the scheme.

Case 2: The Office received information suggesting that a staff member may have provided false information to the Organization regarding his age, nationality, residence and family situation. The investigation substantiated that the staff member had provided false information, including forged documents, regarding his birth date, nationality, residence and marital status.

Final action is pending management decision.

Case 3: An anonymous complaint claimed that a staff member had provided official FAO documentation falsely stating her income and position. Although the staff member had resigned, the Office substantiated that she had misused official documents to falsify information regarding her salary in order to obtain personal benefits.

A letter referring to the conclusions of the report was placed in the staff member's personnel file for future reference.

Case 4: The Office received a complaint indicating that a staff member who claimed having injured himself during duty travel appeared to have combined duty travel with home leave. The investigation concluded that in fact the staff member had combined home leave and duty travel in violation of FAO rules and recommended recoveries of the unduly paid amounts.

Final action is pending management decision.

Case 5: A complainant alleged that a staff member had misappropriated funds. The Office's investigation could not substantiate the allegation of misappropriation of funds; however, it uncovered that the staff member had abused her authority.

Final action is pending management decision.

Case 6: The Unit closed a case in which it investigated allegations that an FAO procurement process in Lebanon had been rigged. The Office found that the allegations were unfounded; however, it identified that, due to an oversight in the evaluation process, FAO had awarded the contract to a bidder who had not made the lowest offer, thus resulting in FAO paying approximately USD17,000 more for the goods. Corrective action was recommended.

Case 7: A claim that a staff member allegedly forged documentation to buy tax-free cars and manipulated procurement of goods was reviewed as part of an audit mission and the allegations were not substantiated.

V. Management Activities

A. AUDIT OUTREACH

55. The Office organized the 9th Conference of International Investigators hosted by FAO in June. The Director-General opened the Conference, which gathered some 100 professionals from the United Nations system, International Financial Institutions, the European Union, as well as other international bodies and agencies. Mr Luis Moreno Ocampo, Prosecutor, International

Criminal Court, was keynote speaker on the first day, when he discussed the work of the International Criminal Court and how the Court can cooperate and interact with other International Organizations. Ms Mary Gaudron, Judge and Vice-President of the ILO Tribunal, was keynote speaker on the second day, when she discussed due process in investigations. Other topics discussed at the Conference included: Developing a Financial Disclosure and Conflict of Interest policy, Review of the Investigative Guidelines and Enhancing Investigations with Technology.

56. The Inspector General represented the Organization at the annual meeting of Representatives of Internal Audit Services of the United Nations and Multilateral Financial Institutions hosted by the World Bank in Washington in September 2008. The meeting addressed matters of current interest to participating organizations, including International Public Sector Accounting Standards (IPSAS) implementation, Enterprise Risk Management (ERM) implementation, coordination with EC on the Verification Clause, best practices relating to Audit Committees, IT Audit Strategies, and disclosure of internal audit reports to member countries.

57. The Office also participated in a number of UN initiatives, such as the working group of the United Nations Development Group (UNDG) and the One United Nations Pilot Initiative, that are aimed at harmonizing key oversight functions within the UN Community. The UNDG working group deals with issues related to harmonizing auditing practices, developing audit strategies for auditing joint offices, multi-donor trust funds (MDTFs) and operations. The UNDG working group has produced a rating system for audit reports and has reached an understanding on the approach to auditing MDTFs. The overall goal of the One United Nations Initiative is to improve country programme delivery and results through a more coherent, better coordinated, funded and managed UN. This overall goal will guide all decisions taken by the United Nations Country Team to move this agenda forward. The Inspector General also met regularly with counterparts from the Rome-based agencies on issues of common interest.

58. The Office maintained regular contact with FAO's External Auditor, with whom the Office shared its audit strategy and work plan, as well as all its audit reports. The Office and the External Auditor coordinated their respective review activities to avoid duplicating audit efforts and obtain greater audit efficiencies.

59. The Office also maintained a close working relationship with the Evaluation Service (PBEE), with which it coordinated its audit work-plan activities to avoid duplicating review efforts and obtain synergies in their respective oversight roles and responsibilities. In addition, the Office cooperated with PBEE in a country review of the Democratic Republic of the Congo by assigning the regional auditor for RAF to serve as a key member of PBEE's review team.

B. TENDER PANEL OPERATIONS

60. The transfer of the tender panel operations from the Office to the Department of Human, Financial and Physical Resources (AF) was completed in February 2008. This emanated from the Director-General's endorsement in 2007 of the Office's proposal in this regard. Repositioning the tender panel responsibility within FAO is fully in accordance with the International Standards for the Professional Practice of Internal Auditing on Independence and Objectivity, and was supported by the Audit Committee and the Quality Assessment Review conducted in 2007 by the Institute of Internal Auditors (IIA). The Administrative Manual is being updated accordingly.

C. REPRESENTATION ON COMMITTEES

61. The Office withdrew its representation on most standing committees, as recommended by the IEE to ensure the independence and objectivity of audit. These committees included 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 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. However, the Office 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

62. Training and development continue to be important aspects of the overall management of the Office. This comprises three elements: professional audit training, language training and training in the use of office technology. On the professional side, the Office arranged in-house training for all staff, including the regional auditors, on audit software TeamMate. 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. In addition, all audit staff were provided with a three-day course on Value-for-Money auditing that was jointly sponsored with the Internal Audit Division of WFP.

63. The Office made good use of the facilities available within FAO for language and office technology training needs. Staff participated in other training programmes arranged through the AFH or other divisions. One staff member is studying for the Certified Chartered Accountant designation and another received the Certified Fraud Examiner (CFE) designation in March 2008.

E. STAFF MEETINGS

64. 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 2008, topics covered were IPSAS, TeamMate, Human Resources Management System (HRMS), the Conference outcome and the IEE report, and change management.

F. ADMINISTRATIVE ISSUES

65. The Office's time reporting and control system represents a useful internal management tool through which 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 as requested by the Audit Committee.

66. Of the total 2008 professional staff time, including consultants, Headquarters Activities absorbed 26%, Decentralized Activities 47% and Investigations 27%.

67. In closing, the Office would like to express its appreciation to all levels of staff contacted in the course of its 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 GeneralREPORTS ISSUED IN 2008HEADQUARTERS ACTIVITIES

Subject matter	Reports Issued
After Service Medical Coverage	AUD 1008
Borrowings	AUD 1308
Commissary's 2007 Physical Inventory Count	AUD 1408
Accounts Receivable: account #2801	AUD 2108
Lessons learned from AUD's investigation into a staff member's wrongdoing	AUD 2408
Accounts Receivable: circularization of account 2801	AUD 2508
Process and GAP Review of IPSAS Implementation	AUD 2908
Commissary write-off 2007	AUD 3908

INVESTIGATIONS UNIT

Subject matter	Reports Issued
Fraud and Inappropriate Conduct by an FAO Liaison Officer	INV 108
False Certification to Banks	INV 208
Manipulation of Income	INV 308
Abuse of Lump Sum Payment	INV 408
Misappropriations of funds	INV 708

Decentralized Activities

Subject matter	Reports Issued
Regional, Sub-Regional and Liaison Offices:	
RLC – Operations Management	AUD 1608
SFS Review-Administration and Management	AUD 2208
SFS Review - Programme Development and Management	AUD 2708
Sub-Regional Office for Central Asia (SEC)	AUD 4008
FAO Representations and specific programmes, projects and other topics:	
FAO Representation in China – Administration	AUD 108
Review of FAO Representation Mali: Finance and Administration	AUD 808
FAO Representation in Myanmar – Administration and Management	AUD 1108
FAO Representation in Bangladesh -- Administration and Management	AUD 1708
FAO Haiti – Office Management and Administration	AUD 1908

Subject matter	Reports Issued
FAO Representation in Argentina – Limited scope review	AUD 3408
FAOR Uruguay – Limited scope review	AUD 3508
FAO Representation in Cuba – Limited scope review	AUD 3708
FAO Representation in Trinidad and Tobago – Limited scope review	AUD 3808
FAO Uganda – Office Administration and Field Programme Management	AUD 4208
TCE Iraq: Strategic and Operational Framework	AUD 208
TCE Iraq: Project Implementation	AUD 308
TCE Iraq: Personnel	AUD 408
FAOR China – Operational Management	AUD 508
State of Internal Controls over Decentralized Activities	AUD 608
FAO Representation in Mali: Liaison and Field Programme Management	AUD 908
FAO Representation in Myanmar – Programme Development and Management	AUD 1208
FAO Representation in Bangladesh: Programme Development and Management	AUD 1808
FAO Haiti - Operations Management	AUD 2008
FAO Representations in Zimbabwe and Botswana - Programme Management	AUD 2308
FAO operations in Tajikistan	AUD 2608
Saudi Trust Fund	AUD 2808
Emergency Rehabilitation Coordination Unit (ERCU) - Juba, Sudan	AUD 4408
OiC/RAF Handover Arrangements	AUD 4108

ATTACHMENT B (i)

OFFICE OF THE INSPECTOR GENERAL

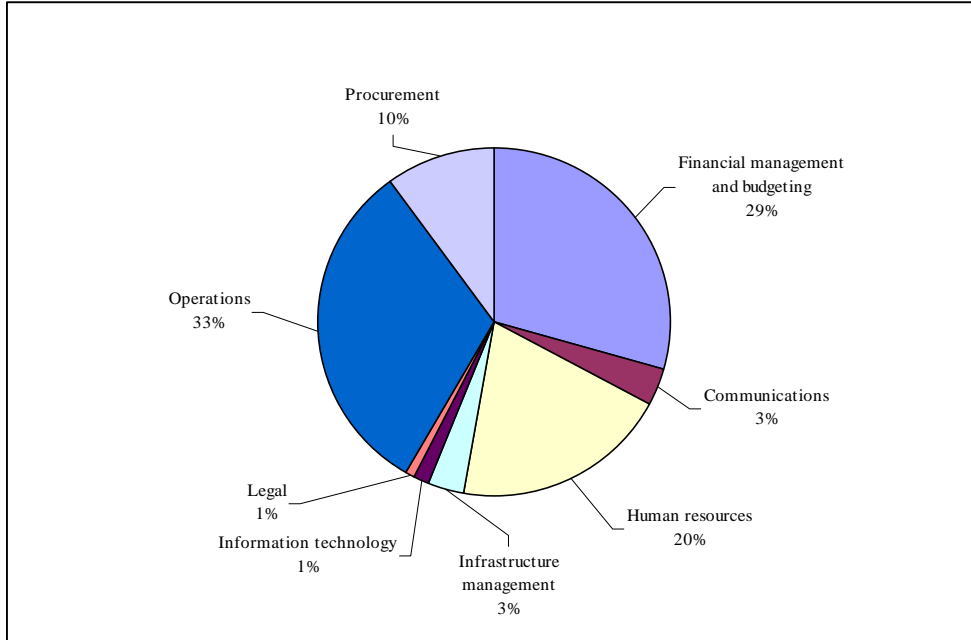
Recommendations issued in 2002-2008**Statistics and implementation status as at 31 December 2008**^{1/}

Year of Issue	Total Number	Number Open	Number Ongoing	Number Closed	% Closed at 31/12/08	% Closed at 31/12/07
2002	458	-	9	449	98%	97%
2003	562	1	1	560	99%	99%
2004	312	-	9	303	97%	95%
2005	425	13	4	408	96%	89%
2006	422	8	39	375	89%	77%
2007	356	19	37	300	84%	48%
2008	290	79	80	131	45%	

^{1/} Statistics based on information provided by the auditees.

ATTACHMENT B (ii)

Office of the Inspector General
Chart of 2008 Recommendations by Process



ATTACHMENT B (iii)

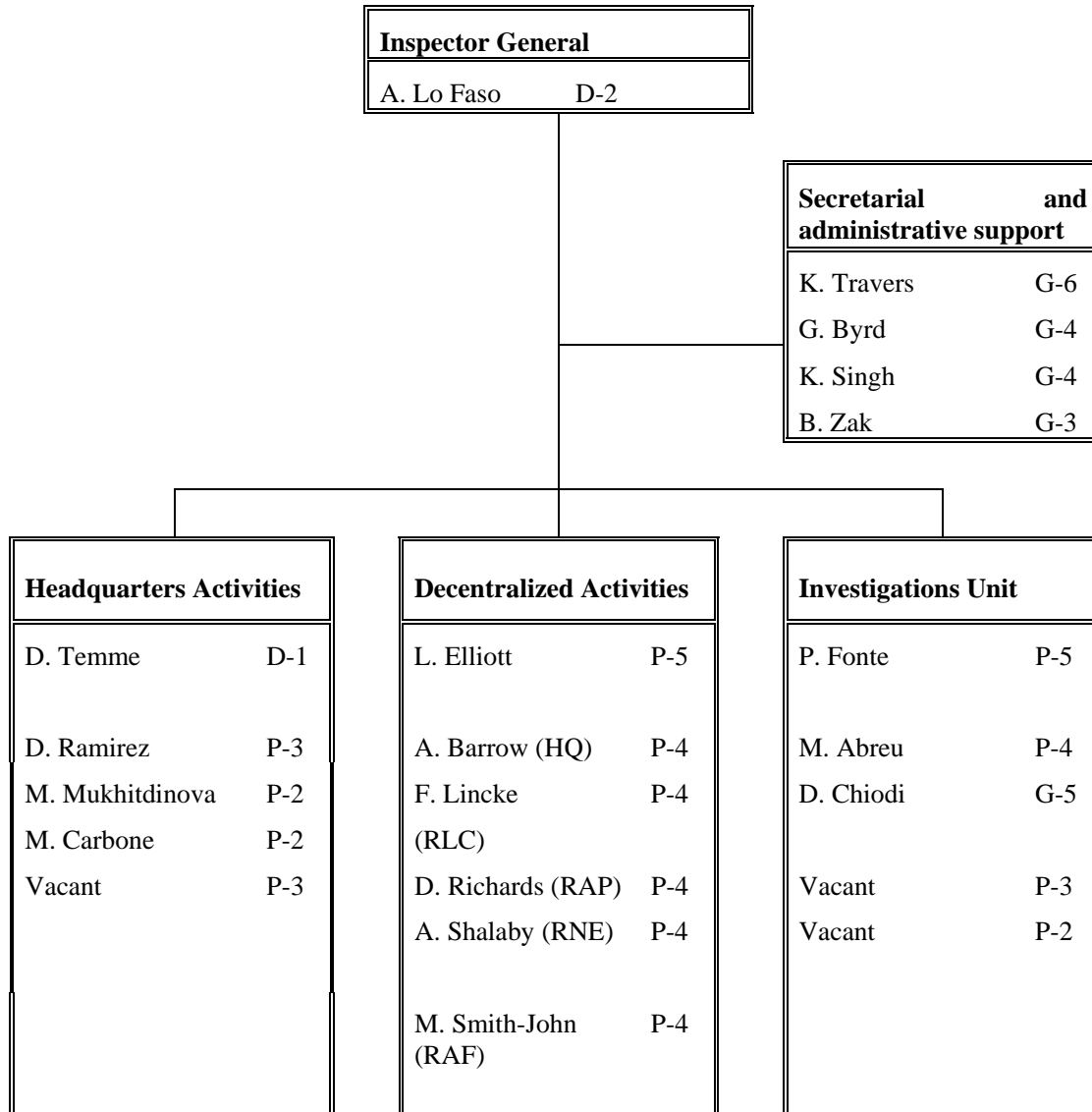
OFFICE OF THE INSPECTOR GENERAL
Outstanding Recommendations 2002-2008
by Process and Risk

Process	Risk			
	High	Medium	Low	Total
Financial management and budgeting	61	20	1	82
Operations	60	10	-	70
Human resources	52	10	2	64
Information technology	26	16	-	42
Procurement	10	9	1	20
Infrastructure management	8	2	-	10
Communications	7	2	-	9
Legal	1	1	-	2
Total	225	70	4	299

ATTACHMENT C (i)

OFFICE OF THE INSPECTOR GENERAL**ORGANIZATION CHART**

DECEMBER 2008



ATTACHMENT C (ii)

Office of the Inspector General
Staffing table as at December 2008

	<u>GRADE</u>	<u>MALE</u>	<u>FEMALE</u>	<u>VACANT</u>	<u>TOTAL</u>
INSPECTOR GENERAL	D2		1		1
<u>AUDITORS</u>					11
PRINCIPAL AUDITOR	D1	1			
SENIOR AUDITOR	P5		1		
REGIONAL AUDITOR	P4	3	1		
AUDITOR	P4	1			
AUDITOR	P3	1		1	
AUDITOR	P2		2		
<u>INVESTIGATORS</u>					4
CHIEF INVESTIGATOR	P5	1			
AUDITOR/INVESTIGATOR	P4		1		
INVESTIGATOR	P3			1	
INVESTIGATOR	P2			1	
<u>AUDIT CLERK</u>	G5		1		1
<u>SECRETARIAL AND ADMINISTRATIVE SUPPORT</u>					4
SECRETARY	G6		1		
CLERK/TYPIST	G4		1		
RECORDS CLERK	G4	1			
CLERK/TYPIST	G3		1		
		8	10	3	21

THE FOLLOWING COUNTRIES ARE REPRESENTED IN THE ABOVE:

<u>COUNTRY</u>	<u>PROFESSIONAL</u>		<u>GENERAL SERVICE</u>	<u>TOTAL</u>
	<u>AND ABOVE</u>			
	<u>HEADQUARTERS</u>	<u>REGION</u>		
ARGENTINA	1			1
BRAZIL	1			1
CANADA			1	1
EGYPT		1 (RNE)		1
GERMANY		1 (RLC)		1
INDIA			1	1
ITALY	1		1	2
JAMAICA		1(RAF)		1
SPAIN	1			1
UK	2		1	3
USA	2	1 (RAP)	1	4
UZBEKISTAN	1			1
VACANT	3			3
	12	4	5	21