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2020 Annual Report of the Inspector General - Summaries of audit reports issued in 2020

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AUD0120 - Audit of the Staff Mobility Programme

1. As requested by the FAO Council in December 2018 (CL 160/REP), the Office of the Inspector General (OIG) conducted an audit of the FAO staff mobility programme. The audit was conducted from September to December 2019. The mobility decisions sampled focused on the staff mobility programme for 2018 and 2019.

2. Overall, OIG assessed that the policies, strategies and procedures in place were **Unsatisfactory** to achieve the objectives of the staff mobility programme.

Objectives and policies governing the staff mobility programme:

- To support the development of an adaptable, global, multi-skilled and versatile workforce experienced in the work of different offices and functions, functional and geographic mobility was a must in an international organization such as FAO. While this key objective of the staff mobility programme was and remains valid and relevant, the implementation arrangements were not conducive to achieving the programme's objectives.
- The FAO Guidelines for the Geographic Mobility Programme (Guidelines) limited the definition of mobility to geographic reassignments, except for reassignments to Strategic Programme Management Teams (SPMTs).
- The Guidelines did not clearly define the workforce subject to mobility, and there was conflicting information on the categories of staff subject to mobility and the minimum length of assignments. The rationale for the annual mobility target of 7–10 percent of encumbered staffing positions funded by the regular programme budget (PWB positions) was unclear.
- Although career development was one of the programme's key objectives, there was no linkage between mobility and career development.
- The Guidelines defined the maximum length of assignments by hardship classification of duty stations but there were no procedures for its enforcement. It excluded reassignment of FAO Representatives (FAORs) who were likely to be at hardship locations.
- Unlike other United Nations system organizations, FAO did not define job families or distinguish between rotational positions and non-rotational positions, which for functional reasons should not be subject to mobility. The Guidelines did not provide for redress mechanisms and appeal processes for staff selected for mobility.

Strategic planning for the staff mobility programme:

- In its current form, the mobility programme was not sustainable because the pool of staff subject to mobility annually was shrinking. FAO also had not assessed the medium to long-term financial implications of the staff mobility programme.
- In practice, the programme mostly applied to PWB positions, which represented only eight percent of the total FAO workforce, and was further reduced to approximately less than four percent by additional factors applied in practice.
- As most PWB positions were located at headquarters, the implementation of geographical reassignments had reduced the number of positions based at headquarters and, in some instances, without commensurate benefits to Decentralized Offices. These pertained to many positions, which were out-posted to meet mobility targets, without changing their terms of reference and staff reporting lines.

Implementation of the staff mobility programme:

- Implementation of the programme was not consistently driven by FAO's needs, but rather by the pressure to meet mobility targets. Mobility decisions were mostly top-down and headquarters centric.
- Selection criteria for identification of staff for mobility varied by departments and by year and were thus perceived as inconsistent and arbitrary. Inadequate consideration was given to the

profile of staff in relation to the required expertise, experience and language skills, leading to knowledge gaps and ineffective workaround arrangements. The Guidelines stated that a mobility panel should review mobility plans, but this panel was abolished since 2015.

- Some staff shared positive experiences of their reassignments, such as gaining new skills and field exposure that could help their career development. Negative feedback included separation from families and reduced purchasing power.
- In a number of cases, staff requests to defer or cancel mobility reassignments due to medical, family and personal circumstances were not adequately considered. This had led to some resignations, and to some appeals to the International Labour Organization Administrative Tribunal (ILOAT).
- In the absence of procedures to enforce the maximum length of assignment by classification of duty stations, 354 (34 percent) of 1 034 total PWB staff, including four staff at hardship locations, had overstayed the maximum length of their assignment.

Communication of mobility decisions

- Communication was insufficient and untimely resulting in the lack of buy-in from involved parties. Regional Offices were informed, but not adequately consulted on mobility decisions.
- Staff indicated that their selection criteria was neither transparent nor clearly communicated. They often felt "punished" and compelled to accept decisions with little room for flexibility.
- Available positions for mobility were not well communicated. There were no opportunities for staff to be proactive in applying for reassignment and take ownership of mobility for career development, except for some reassignments to SPMTs.
- Departments indicated there was some inconsistent verbal guidance from the Office of Human Resources (OHR) relating to the possibility of out-posting positions and reassigning non-PWB positions as part of mobility, as well as inconsistent practices relating to the recognition of SPMT reassignments as mobility.

Monitoring achievements of the staff mobility programme

- In the absence of established criteria and metrics, FAO was not able to fully measure mobility programme's achievements or improve on any shortcomings.
- OHR only monitored the number of completed mobility assignments to achieve the biennial target of 75 reassignments. By excluding reassignments outside the mobility cycle, FAO had under-reported the actual staff reassignments. Under the 2018 and 2019 mobility programme, OHR recorded 69 geographic reassignments, whereas the total number of actual reassignments was 228.
- OHR had not conducted any survey to gather staff feedback, did not track the actual costs associated with staff mobility and did not regularly evaluate the impact of mobility decisions. Data on mobility was not easily identifiable and retrievable for analysis. In 2015, OHR made some proposals for improvement but did not follow up for their implementation.

3. Given the serious weaknesses in the current policy and its implementation arrangements, OIG recommended that FAO redesigns its strategy for staff mobility and develop a new staff mobility policy, considering a number of elements highlighted by OIG and taking into account best practices in other United Nations system organizations. The report contained five actions of high priority that OHR had agreed to undertake. OHR was committed to fully implement all actions by December 2021.

<u>AUD0220 - Audit of the Management of the After Service Medical Coverage Plan</u>

4. In November and December 2019, the OIG conducted a limited scope audit of issues related to the management of the After Service Medical Coverage (ASMC) plan during the period 2016-2019.

5. The audit was triggered by a memorandum from the Shared Services Centre (SSC), dated September 2019, describing a number of apparent policy and process implementation errors in the management of the ASMC plan and the resulting financial losses and potential liabilities. The SSC discovered these errors when preparing for the transfer of responsibility for management of the health insurance plan from OHR to the SSC. The SSC estimated the potential financial impact to total some USD 18 million.

6. Overall, OIG assessed Organizational performance relating to the adequacy and efficiency of the management of the ASMC plan as **Unsatisfactory.**

7. The audit confirmed serious errors in both policy and process implementation. However, the audit could not validate the potential financial impact estimated by the SSC. Based on the audit review, OIG estimates the total financial cost resulting from the errors at some USD 1.4 million, of which approximately USD 740 000 may be recoverable.

<u>Policy issues</u>

8. When introducing the new ASMC policy, OHR failed to transparently define and communicate the methodology under which the cost of ASMC premiums would be shared between the Organization and retirees.

9. The immediate cause of the policy errors was the lack of clarity in the Administrative Circulars that communicated the policy change. However, this was itself a result of OHR's failure, as the office responsible for setting and implementing the policy, to apply adequate governance procedures to the ASMC plan. There was inadequate discussion and review with stakeholders through the Joint Advisory Committee on Medical Coverage; insufficient modelling of the impact of changing the policy; a lack of consultation in drafting Administrative Circulars; and the relevant Manual Section was not updated. The absence of effective communication and non-transparent, ad hoc decision-making led to a significant level of protest from retirees, which resulted in the reversal of policy decisions.

10. Policy application was also affected by the use of a legacy database to calculate ASMC deductions. As this database was not technically supported after 2017, from 2018 it could not be updated to implement changes to premium rates.

11. While the SSC estimated the financial impact of policy errors at USD 12.2 million, OIG found no audit trail to support the larger part of the underlying assumptions and calculations. OIG believes that the calculation was based on assumptions reflecting worst-case scenarios which were not realistic. OIG considers that the best estimate of financial cost to FAO resulting from policy errors is some USD 0.6 million, which resulted from non-implementation of changes to the premium rates in 2018. In light of the circumstances, including retirees' objections and the legal risks of enforcing a policy which had not been subject to mandatory staff–management consultations, OHR took the decision to not enforce the policy and not retroactively recover this amount.

<u>Process issues</u>

12. Process errors resulted from the inadequate application of controls and the use of a legacy database which required a high level of manual intervention. As a result, FAO continued to pay full premiums to the medical health service provider for deceased or suspended retirees and did not recover deductions from retirees for whom FAO had paid premiums while awaiting their enrolment in the United Nations Joint Staff Pension Fund (UNJSPF). OHR failed to adequately resource and

manage the Social Security Unit, which was responsible for calculating and controlling ASMC. Subsequently, the SSC corrected the controls responsible for the above errors and began analysis to identify over-paid premiums and to recover deductions retroactively.

13. While the SSC estimated the financial impact of the lack of controls over the process at some USD 6 million, OIG found no audit trail to support the underlying calculations. OIG and the SSC estimate that overpaid premiums amount to some USD 830 000, of which USD 740 000 (the amount relating to the period of the contracts with the health insurance provider), could be recovered. OIG emphasized that this was a provisional estimate and more work was required by the SSC to fully assess and reconcile the amount.

14. In December 2019, OIG recommended that management urgently raise the issue with the health insurance provider, given the contract with the provider would end in December 2019, and consider the option of retaining the estimated recoverable amount from the final premium payment to the health insurance provider due in January 2020. In response to this recommendation, management withheld the final payment subject to finalizing the reconciliation of the amount due.

15. The report included five Agreed Actions, all of which were considered to be of high priority. Two of these Agreed Actions concern policy, while three concern processes to address residual governance and control issues arising from the errors identified. OIG acknowledges that at the date of issuance of the report, management had already started to implement these actions.

AUD0320 - Audit of the FAO Representation in the Democratic Republic of the Congo

16. OIG conducted an audit of the FAO Representation in the Democratic Republic of the Congo, covering the period from 1 January 2018 to 31 March 2019.

17. Overall, OIG assessed the Representation as **Unsatisfactory** in Governance and in Operations, and **Major Improvement Needed** in Programme.

Governance:

- The Representation did not have a proper structure to govern its operations. Key positions were vacant for prolonged periods; from the total of 244 personnel, a P4 Operations Officer was supervising 224 personnel in 19 locations.
- Of the 41 control points in the 2018 Internal Control Questionnaire, OIG assessed that 28 control points were partially implemented and 2 had not been implemented (including 4 that the Representation had reported as fully implemented).
- The mechanisms in place to receive and handle allegations of sexual exploitation and abuse (SEA) by FAO employees and partners were inadequate, and the level of personnel awareness on this subject was limited, with less than 10 percent of employees having completed the required mandatory training.
- Key risks were identified without implementing mitigating measures to manage those risks.
- Key stakeholders expressed appreciation of FAO’s participation in the joint resilience programme and its role in co-chairing the United Nations Food Security Cluster in the country. However, stakeholders indicated areas for improvement in engagement with the donor community; management of resources for emergency response; and assignment of focal points in joint programmes and project management.

Operations:

- The position of Assistant FAO Representative for Administration had been vacant since 2016, which negatively affected controls over support operations.

- In the majority of sampled cases, the recruitment of Non-Staff Human Resources (NSHR) was not transparent and reference checks were incomplete. NSHR were not subject to regular performance appraisals and in some cases pay rates were not aligned with the established scale.
- A procurement plan was developed but not used for effective procurement planning. Multiple purchase orders with the same vendors for the same projects were raised within a week; procurement had been conducted without technical clearance; and liquidated damages were not applied in cases of late deliveries of goods, thus foregoing some USD 30 000.
- Project personnel were using cash advances to recruit and pay casual labour without contracts and to directly procure goods and services from suppliers without the involvement of the Representation's Procurement Unit.
- The Representation approved multiple prepayments to employees prior to settlement of a previous advance and allowed settlement of advances above 90 days.
- The Representation did not use electronic fund transfers to the extent possible. Instead, it used manual bank transfers and cheques, and kept banking information of vendors outside the corporate system.
- Assets and inventory reports at year end were unreliable and inaccurate. Missing, sold and damaged assets were not reported and there were unrecorded asset loans to employees.
- The year-end inventory reports excluded items stored at FAO warehouses which had been procured prior to 2018.
- The Representation assessed its compliance with security risk management measures at 99 percent although it had not assessed security arrangements at its 18 field locations, and had outstanding security-related recommendations.

<u>Programme:</u>

- The Representation continued to use the 2013–2017 Country Programming Framework (CPF) in 2018 and 2019 due to elections in the country. However, it did not increase the number of expected result indicators and resource requirements for the two additional years. Despite this, it achieved only 6 of 26 result indicators and 54 percent of the resource mobilization target by November 2019. The Representation also made a number of errors in reporting CPF and resource mobilization achievements.
- On project formulation, the Representation duly appointed a Project Task Force and completed operational checklists, but projects were not well formulated. Gender markers were not always assigned to projects and only 5 of 52 projects were gender sensitive.
- Similarly, there were systemic weaknesses in ensuring adequate environmental and social safeguards and establishment of grievance mechanisms for beneficiaries.
- The Representation relied heavily on service providers to deliver agreed services without necessary monitoring. Weaknesses in the management of Letters of Agreement led to duplicate and unsupported expenditure and late delivery by service providers.
- There was no assurance that agreed inputs and cash were distributed by the service providers to the targeted beneficiaries.
- Project resources were not well managed. There were recurring and significant budget deviations by line items, and unspent budget for technical support services.
- In a sampled project, the Representation made numerous last-minute adjustments to transfer expenditure totalling USD 253 000 from one project to another, when the latter project was closing. The basis of expenditure adjustments were not duly documented and supported in the absence of proper cost allocation between projects for shared resources. This increased the risks of ineligible expenditure claims by donors.

18. The report contained 17 actions that the Representation had agreed to undertake. The Representation had committed to fully implement all actions by December 2020.

AUD0420 - Audit of Capital Expenditure Facility Management in FAO

19. Between November 2019 and January 2020, OIG conducted an audit of Capital Expenditure Facility (CapEx) management in FAO.

20. The Capital Expenditure Facility was established in 2003 by the FAO Conference. CapEx is used for managing activities: (a) involving expenditure on tangible or intangible assets with a useful life in excess of FAO's two-year financial period; and (b) which generally require a level of resources that cannot be funded within the appropriation of a single biennium.

21. Between 2014 and 2019, CapEx funded 28 projects for a total amount of USD 24 million.

22. CapEx management in FAO is governed by the CapEx Management Board (CapEx Board), chaired by the Deputy Director-General, Operations, which advises the Director-General on the use and allocation of funds and supervises the implementation of decisions taken. Moreover, according to Director-General's Bulletin 2013/39, the CapEx Management Board will ensure that the proposals funded under CapEx were focused on investments to enhance the enabling environment aimed at ensuring optimal realization of the Organization's outputs and outcomes.

23. This review focused on the assessment of how CapEx proposals were identified, assessed and prioritized, and how approved investments were monitored to ensure that value for money was obtained.

Main conclusions

24. The audit confirmed that CapEx is a very important financial tool that allows FAO to undertake key capital investments to improve its infrastructure and operating environment, and consequently to help achieve the Organization's objectives.

25. OIG found that, overall, CapEx was being adequately managed by the CapEx Board. Based on its observations, OIG assessed the current state of controls for Capital Expenditure Facility management as **Some Improvement Needed**.

26. Areas for improvements include:

- Strategic alignment of CapEx projects could be strengthened by ensuring that each investment proposal is part of a broader strategic divisional/functional plan.
- Roles and responsibilities of the CapEx Board need to be revised/clarified, especially for the supervision and monitoring of projects.
- For the development of IT systems in support of specific areas of work outside of the IT Division's functions, the Initiative Leader and Budget Holder role(s) should belong to the policy or business owner unit (i.e. the main project client) rather than to the IT Division.
- The CapEx Board should ensure that its deliberations and conclusions were systematically well documented and archived.
- Authority for final decisions on projects below a certain monetary threshold could be delegated to the CapEx Board.
- Fund disbursement criteria could be reviewed to provide for instalments.
- Standard format and criteria (including templates) for the supporting documentation to be submitted to the CapEx Board (e.g. initial proposals and Project Initiation Document) should be developed.
- Criteria for prioritization of projects should be introduced.

27. Finally, OIG noted that several CapEx-funded projects, especially those involving the development of IT systems, experienced various implementation difficulties of a varied, sometimes

serious nature. However, OIG considers that these problems appeared to be related to the lack of sound project management practices rather than to weaknesses in CapEx procedures.

Agreed actions

28. The report included eight agreed actions that Management had agreed to undertake to strengthen the overall effectiveness and efficiency of CapEx Facility management.

AUD 0520 - Audit of the FAO Representation in Haiti

29. OIG conducted an audit of the FAO Representation in Haiti covering the period from January 2018 to June 2019, the report also reflected subsequent developments as of February 2020.

30. Overall, OIG assessed the Representation as **Unsatisfactory** in its implementation of the system of internal controls for the period January 2018 to June 2019.

Governance

- The Representation did not have an effective and clear structure for governance. Its organizational chart did not include the three field offices and did not reflect actual reporting lines for some personnel.
- Seventy-three percent of Representation personnel were located at its main office while it spent close to USD 200 000 for 530 local duty travels during the audit period.
- Of the 41 control points in the 2018 Internal Control Questionnaire, OIG assessed that 12 were fully implemented, 27 partially implemented and 2 were not implemented. The 27 control points assessed as partially implemented included 5 that the Representation had reported as fully implemented.
- The Representation had not established a confidential reporting channel to receive and handle allegations of sexual exploitation and sexual abuse by FAO employees, and the level of personnel awareness on this subject was limited.
- The Representation submitted a fraud prevention plan in July 2019, but its risk register had not been updated since 2015.
- The Representation had established a good working relationship with government counterparts, development partners and the United Nations Country Team. However, the Representation could further improve its communication activities to advocate FAO's mandate and operations in the country to support its resource mobilization efforts.

Operations

- Supervision over key functions, such as human resource management, procurement, finance and asset management was weak.
- Personnel involved in the abovementioned functions did not have the necessary knowledge and capacity, which resulted in inefficiencies and increased risks.
- The Representation had a consistently high vacancy rate of over 40 percent of its approved staffing positions. For non-staff human resources, the recruitment process was not transparent, references were incomplete and pay increases of some individuals were not justified. The issuance of 321 short-term contracts ranging from two days to a year created a significant administrative workload.
- There was no procurement plan and no long-term agreements for recurring requirements. Repeated procurement processes for the same requirements and the issuance of purchase orders for low-value purchases led to unnecessary administrative workload – time that could be better spent on expediting procurement actions, and on applying liquidated damages for late deliveries.

- Some vendor banking information was kept outside the corporate system, and the six-level paper-based review process of invoices for payments was cumbersome and inefficient.
- The Representation approved multiple pre-payments to employees prior to settlement of a previous advance and allowed settlement of advances above 90 days.
- The year-end assets report was unreliable and inaccurate. Missing, sold and damaged assets were not reported and assets of closed projects were transferred to new projects instead of to project beneficiaries.
- The Representation did not implement a number of security-related recommendations and was not compliant with the security risk management measures.

Programme

- The CPF did not have performance indicators to measure implementation results for some outputs.
- A number of errors occurred in monitoring and reporting CPF achievements and resource mobilization activities.
- The resource mobilization target for the 2017–2020 CPF of USD 53.5 million was unrealistic considering the Representation had mobilized only USD 8.4 million between 2017 and 2019.
- There was a decreasing trend in programme delivery from USD 10.4 million in 2017 to USD 3.2 million in 2019.
- As at 31 December 2019, of 20 national projects only 9 were operationally active, while the remaining 11 projects were pending closure, including 6 projects completed in 2017.
- All three sampled projects were delayed and did not comply with the reporting requirements in the project agreements.
- In the majority of cases, the selection of service providers was not transparent and competitive, and 29 expired Letter of Agreements remained outstanding.
- The Representation did not meet the minimum standards for mainstreaming gender in its work.
- There was no grievance mechanism for receiving and handling complaints of potential violation of FAO's environmental and social standards.

31. The report contained 18 actions that the Representation had agreed to undertake. Under the leadership of the new Representative, appointed in October 2019, the Representation had initiated some corrective actions and was committed to fully implement all actions by 31 December 2020.

AUD 0620 - Audit of Non-Staff Human Resources

32. OIG conducted an audit of NSHR. The audit took place between June and October 2019, but OIG had taken into consideration recent policy changes introduced in January 2020. NSHR account for approximately ¾ of FAO's workforce with annual expenditure totalling more than USD 250 million.

33. While OIG's previous audit of NSHR, in 2015, focused on the governance and operations of two NSHR contract modalities – Consultants and Subscribers to Personal Service Agreements, this audit focused on assessing the adequacy, effectiveness and efficient use of NSHR. This included assessing the adequacy of contract modalities, recruitment processes and assessment of NSHR performance.

34. The previous audit identified a misalignment between policies and practices as well as weaknesses in some operational areas, including selection processes, clarity of Terms of Reference and Quality Assessment Reports. Since then, OHR had improved some operational aspects of the NSHR process, such as the competitive selection of Consultants and Subscribers to Personal Service

Agreements; and clarifying roles and responsibilities between OHR and SSC. In addition, SSC had strengthened monitoring compliance with policies and procedures.

35. Notwithstanding these improvements, the audit identified a number of issues that require OHR's attention to ensure the adequate use and management of NSHR:

- NSHR contract modalities were still lacking clarity;
- monitoring of NSHR management is inadequate;
- the rationale for changes in NSHR policies was not clear and the absence of an adequate transition period to implement new policies and procedures led to disruption and inefficiency;
- clear criteria to determine living allowance paid to NSHR were missing;
- contract break rules were not sufficiently flexible to minimize disruption of work; and
- the minimum requirements for recruitment of Consultants made FAO a less attractive employer.

36. The report included 16 Agreed Actions and one Recommendation aimed at addressing these findings and strengthening the management of NSHR.

37. OIG concluded that, overall, Organizational performance relating to the adequacy and efficiency of the management and use of NSHR **Needs Some Improvement.**

AUD0720 - Audit of the FAO Representation in Kyrgyzstan

38. OIG conducted an audit of the FAO Representation in Kyrgyzstan between May and October 2019. While the audit covered the period from January 2018 to September 2019, the report also reflected subsequent developments as of February 2020.

39. Overall, OIG assessed the Representation as **Major Improvement Needed** in its implementation of the system of internal controls.

Governance

- FAO had been operating in Kyrgyzstan since 2009 without a host country agreement; therefore, it does not have the status of a legal entity in the country.
- The Representation did not have a proper structure to govern its operations. The FAO Representative's position had been vacant since December 2018 and there was no position of Assistant FAO Representative, Administration. Since then, the Subregional Coordinator in Turkey was designated as the FAOR ad interim while the Assistant FAO Representative, Programme was responsible for day-to-day management. This arrangement is not sustainable particularly given the significant expansion of operations with two projects in the pipeline totalling USD 30 million.
- Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 19 control points were partially implemented (including 13 that the Representation had reported as fully implemented), 1 not implemented and 1 not applicable.
- The Representation had not established a confidential reporting channel to receive and handle allegations of sexual exploitation and sexual abuse by FAO employees, and the level of personnel awareness on this subject was limited.
- The Representation submitted its risk log in 2019 with three key risks but had not included other significant risks related to segregation of duties, project management and human resource management.
- The Representation maintained a good working relationship with its counterparts and key stakeholders. However, key stakeholders stated that the Representation lacked technical

capacity and the absence of an in-country FAO Representative impacted the visibility of the Representation and its resource mobilization activities.

Operations

- The Representation maintained proper records for recruitment, personnel administration and justification for pay rates. However, the Representation had recruited at least 26 government officials since 2016 as full-time employees using Personal Service Agreements, without assessing whether there was a conflict of interest although these individuals continued to be paid by their respective government agencies.
- Annual procurement plans had been developed but were not used resulting in procurement delays. Other control weaknesses included inadequate market surveys resulting in limited competition; lack of segregation of duties; and inadequate application of liquidated damages for late deliveries.
- The Representation did not use electronic fund transfers to the extent possible. In many cases, it made manual entries through internet banking for international and local payments and kept banking information of vendors outside the corporate system.
- Asset and inventory reports at year end were inaccurate in the absence of clear guidance on the distinction between these two categories of items, as well as tools and systems for tracking and reporting.
- FAO did not participate in Security Management Team meetings in 2019 and the emergency notification system was not tested on an annual basis.

Programme

- Given its limited capacity for resource mobilization activities, the Representation mobilized a total of only USD 2.8 million in 2018 and 2019. However, with the support of headquarters, regional and subregional offices, the Representation had two projects in the final consultation phase with total budgets of USD 30 million.
- On project formulation, gender markers were not always assigned to projects and there were systemic control weaknesses in ensuring adequate environmental and social safeguards and in the establishment of grievance mechanisms for beneficiaries.
- The designated responsible officers for Letter of Agreements did not adequately monitor the performance of service providers and did not verify that the financial reports submitted were duly supported.
- Three of the five sampled projects had significant delays in project implementation due to late procurement and deliveries. In the absence of a host country agreement, the Representation had to engage in lengthy negotiations with the host government to obtain approval to start the projects.
- Project reports were inaccurate. Three delayed projects were shown as on track because monitoring and evaluation personnel, at the request of project teams, had revised the expected date of completion of project activities instead of reflecting the actual dates and indicating the reasons for the delays.

40. The report contained 13 actions that the Representation and/or the Office of Support to Decentralized Offices had agreed to undertake. They were committed to fully implement all actions by December 2020.

AUD 0820 - Audit of the FAO Representation in Benin

41. OIG conducted an audit of FAO Representation in Benin covering the period from January 2018 to December 2019. The report also reflected some subsequent developments as of February 2020.

42. Overall, OIG assessed the Representation as **Major Improvement Needed** in its implementation of the system of internal controls.

Governance:

- The Representation did not have a proper structure to govern its operations. The FAO Representative's position had been vacant since December 2017. In the meantime, three officials had served as the FAO Representative ad interim. Since March 2019, the position had been held by a senior officer at the Regional Office in Accra, Ghana. However, the two Assistant FAO Representatives for Programme and Administration did not report to the FAO Representative ad interim, but to the Subregional Coordinator in Dakar, Senegal until April 2020.
- Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 29 control points were partially implemented (including 18 that the Representation had reported as fully implemented).
- The Representation had not established a confidential reporting channel to receive and handle allegations of sexual exploitation and sexual abuse by FAO employees, and the level of personnel awareness on this subject was limited.
- The Representation did not complete a country risk register but had submitted a fraud prevention plan in 2019, where it assessed all risks to be low despite major control weaknesses, particularly in procurement and financial management.
- Interviews with key donors, government counterparts and members of the United Nations Country Team indicated limited country advocacy and communications activities to promote FAO's mandate since the departure of the previous FAO Representative in December 2017.
- In addition to USD 2.8 million brought forward from 2017, the Representation had only mobilized USD 0.4 million in 2018 and 2019. With the support of headquarters, the Representation had two projects in the active pipeline with total budgets of USD 50 million; however, the existing governance structure and internal control systems cannot support the expansion of operations should these two projects be approved.

Operations:

- Personnel files were well-maintained and in general, selection reports for recruitment of local personnel were available. However, the pay rates of local personnel were not based on an established salary scale.
- A procurement plan was developed but not used for effective procurement planning. The Representation paid 24 vendors without the use of purchase orders beyond the allowable threshold of USD 1 000. During the audit period, there were late deliveries in 93 percent of cases of goods received.
- There was no segregation of duties in procurement. For all purchase orders during the audit period, the Procurement Assistant, who was also involved in input distribution, acted as requisitioner and as buyer.
- Most payments were made to vendors with no details in the corporate system other than their names; over 50 percent of payments in local currency were made by cheque, including some employees' payroll and payments to a government counterpart employee.
- The asset register was inaccurate; the FAO Representative ad interim, although not in the country, was shown as the custodian for over 50 percent of assets. Most of the remaining assets were assigned to the Procurement Assistant.

- Since 2017, the Representation had not participated in Security Management Team meetings, and the emergency notification system was not tested on an annual basis.

Programme:

- The CPF aimed to assist the country in achieving five targeted Sustainable Development Goals but the output and result indicators only addressed one of the five goals.
- The Representation had allocated only 10 percent of budgets for gender-related projects contrary to the required minimum of 30 percent stipulated in the FAO Policy on Gender Equality.
- There were errors and omissions in the screening of environmental and social management risks during project formulation. There were no grievance mechanisms for beneficiaries to lodge complaints of possible violations of FAO's environmental or social standards.
- Five of the seven operationally active projects had been extended for periods ranging from two months to two years. There was inadequate monitoring of management of Letters of Agreement whereby 10 of the 11 Letters of Agreement during the audit period were overdue by 2 to 18 months.
- In all three sampled projects, the progress reports did not fully reflect the achievements against the pre-established indicators and targets.

43. The report contained 15 actions that the FAO Representative ad interim and /or the Regional Office had agreed to undertake. They were committed to fully implement all actions by December 2020.

AUD0920 - Audit of the Project Cycle Part 6: Gender in Project Design

44. The report was the last in a series of six reports communicating the results of an audit of the Project Cycle conducted by OIG. The report summarized OIG's findings on the adequacy of procedures and controls to address gender equality in project design.

45. In accordance with the corporate "Guide to Mainstreaming Gender in FAO's Project Cycle" and as a requirement of FAO's Policy on Gender Equality, all projects must be based on a gender analysis and must mainstream gender in each phase of the Project Cycle. The audit examined the overall quality of the design and effectiveness of the controls, procedures and structures to support gender mainstreaming in project design, through an analysis of the assignment of gender markers to projects.

46. OIG, with the assistance of the Gender Team in the Social Policies and Rural Institutions Division (ESP), performed a detailed review of the accuracy of gender-marker assignment for a sample of 98 gender-responsive projects (projects coded as G2a or G2b). The sample was taken from a total of 251 gender-responsive projects, among 416 projects across 16 Country Offices in different regions. OIG acknowledges that gender markers were only used at the project design phase and cannot be utilized to monitor gender-related budget allocation; to assess how gender issues were addressed during project implementation; or to evaluate gender-related results and impacts at project end. OIG complemented this analysis with the results obtained through its Country Office audits, which routinely assess gender mainstreaming at the country level.

Main conclusions

47. The review found that, overall, only 52 percent of the assigned gender markers in OIG's sample were accurate for those projects coded as G2a or G2b. For those projects with inaccurate gender markers, all the gender markers were overstated, as there was no adequate evidence of how gender issues would be addressed by the project.

48. OIG identified a number of causes which contributed to the inaccurate assignment of gender markers:

- Insufficient gender expertise, capacity and support available at regional and country levels: the number of Regional Gender Officers (RGOs) (one per region) and gender experts in Regional and Country Offices was insufficient to provide adequate support on gender mainstreaming in the formulation of projects by Country Offices.
- Suboptimal use of limited capacity: despite the RGOs' limited capacity, according to the Project and Programme Review Committee (PPRC) requirements, RGOs' must also review G0 projects which, by definition, have no potential to promote gender equality.
- Gender mainstreaming not considered a priority in project design: Project Formulators, who were ultimately responsible for assigning the gender marker, often did not consider gender mainstreaming a priority among other competing challenges and did not always consult Gender Focal Points for advice on gender mainstreaming in project design. Similarly, the Gender Focal Points at country level often did not dedicate enough time to fully perform their gender-related responsibilities in compliance with their Terms of Reference, including advising on the assignment of gender markers.
- Inadequate training and instructions: as observed in several Country Office audits, Gender Focal Points were often not appointed in Country Offices, or if they were appointed did not receive adequate training and guidance on their expected roles and responsibilities. ESP noted that Project Formulators and FAO Representatives also require additional training on how to assign gender markers to projects and in general on how to adequately integrate a gender perspective in the Project Cycle from a project's original design to final evaluation. Furthermore, the relevant instructions in the Field Programme Management Information System could be improved by providing clearer guidance on the assignment of gender markers and in better distinguishing between the different gender markers.
- Ineffective quality control: there was no formally established process to review and assess the accuracy of the assigned gender markers at a later stage in the Project Cycle when the Project Document is formulated, or during project implementation.
- Confusion generated by the coexistence of two coding systems: the introduction of the Organisation for Economic Co-operation and Development [OECD] gender policy markers created an overlap with FAO gender markers which had led to some confusion.

49. The issues identified could affect FAO's reputation and ability to achieve its gender equality objectives, most notably in relation to the Sustainable Development Goals. OIG believes that many of these issues could be resolved by modifying the design of current procedures and quality control mechanisms and by strengthening the support available when addressing gender equality issues during project design.

50. In conclusion, OIG considers that the procedures and controls to assign gender markers to projects **Need Major Improvement** and, as a consequence, FAO is overstating the actual contribution of its field projects to gender equality.

<u>Agreed actions</u>

51. The report included five actions that Management agreed to undertake to address these findings and to strengthen the quality control mechanism for gender mainstreaming in project design.

52. Finally, OIG notes that gender mainstreaming in project design is also impacted by the key findings from other Project Cycle audit reports, most notably those relating to the large number of projects and the technical support system, as this results in a larger portfolio of projects requiring gender-related support. Therefore, efforts to address the findings in the report should also consider the findings in the other Project Cycle reports in this series.

AUD1020 - Audit of the FAO Representation in South Sudan

53. OIG conducted an audit of the FAO Representation in South Sudan, covering the period from January 2018 to June 2019. The report also reflected some subsequent developments as of April 2020.

54. Overall, OIG assessed the Representation as **Unsatisfactory** in its implementation of the system of internal controls as shown in the table below.

Governance:

- Although the Representation was managing FAO's second largest field programme with a total projects' budget of USD 155 million and is operating in a very challenging environment ("Level 3 country"), the position of FAOR is graded at P-5 level only.
- For nearly eight months, the FAOR position remained vacant. In May 2019, a staff member at P-4 level was appointed FAOR, supervising a Deputy FAOR and a Chief Technical Officer at P-5 level.
- In the 2019 Internal Control Questionnaire, the Representation reported all 43 control points as fully implemented, while OIG assessed that only 6 controls were fully implemented.
- In May 2019, the Representation established grievance mechanisms for project beneficiaries. However, it did not have adequate procedures for proper handling of complaints from project beneficiaries and a confidential reporting channel for SEA allegations. Within two months, the Representation received 725 complaints, most relating to input distribution, and none to SEA.
- In 2019, the Representation submitted an incomplete risk register with no mitigating measures and target dates for implementation. It also submitted a fraud prevention plan with poorly formulated risk statements, all of which were assessed as low risk.
- There were low completion rates of mandatory training relating to ethics at work and employees' roles in preventing, detecting and reporting fraud.
- Key development partners regarded the Representation as an essential partner in the food security and agriculture sector but stated that the level and frequency of communication could be improved.

Operations:

- Recruitment of local personnel was not transparent or competitive. There were frequent salary increases without justification. For sampled cases, personnel records were incomplete, terms of reference did not match actual functions and performance appraisals were not carried out in a timely manner.
- Procurement planning was ineffective and there were late deliveries in 93 percent of goods received.
- The Representation used money vendors to provide cash payments of over USD 5.7 million to remote areas but these transactions were not duly supported and reconciled.
- Bank transfers totalling USD 9.5 million did not have payee banking information in Global Resource Management System (GRMS).
- A number of payments were not recorded in GRMS, including cash loans to local personnel.
- There were significant control weaknesses over cash receipts, recording of rental income, processing of payments, issuance of operational advances and the use of unmatched invoices.
- The Representation procured approximately USD 42 million of project inputs during the audit period. However, in the absence of a corporate inventory management system, the Representation could not fully account for its inventory and therefore was exposed to significant risks of theft and losses.
- Despite significant security risks in the country (security risk level 4), the Representation had not assessed its compliance with security risk management measures since November 2018.

Programme:

- The Representation had three strategic documents but had yet to develop a consolidated approach to guide its operations and resource mobilization activities.
- On project formulation, gender markers for some projects were either not assigned or were inaccurate. In two sampled projects, no mitigating measures were in place to manage environmental and social risks.
- Most sampled projects were not on track due to delays in recruitment of Project Managers, procurement and contracting service providers.
- In most of the sampled Letters of Agreement (LoAs), service providers were selected without competition and there was inadequate management of their performance. In several LoAs, service providers were late in implementing project activities and, in some cases, the supporting documentation on input distribution was either incomplete, inconsistent or not submitted.
- The database system used for registration of beneficiaries and recording of input distribution did not ensure effective monitoring and reporting.
- For emergency projects, progress reports on input distribution were inaccurate. There were delays in submitting reports to donors.

55. The report contained 20 actions that the Representation had agreed to undertake. The Representation had committed to fully implement all actions by June 2021.

AUD1120 - Audit of the Operational Partners Implementation Modality

56. OIG conducted an audit of the Operational Partners Implementation Modality (OPIM) between September 2019 and January 2020.

57. OPIM was launched in 2015 as one of FAO's new project implementation modalities; it entrusts project execution to national governmental or non-governmental entities as Operational Partners while retaining FAO's responsibility and accountability for project implementation. The audit focused on the adequacy and effectiveness of corporate arrangements for the use of OPIM as a project implementation modality in contributing to achieving FAO's Strategic Objectives.

58. OIG concluded that governance arrangements and the policies and procedures established for the use of OPIM **Need Some Improvement** to better respond to the evolving needs of FAO's partners and to increase the assurance that OPIM contributes to achieving FAO's Strategic Objectives.

59. Overall, the governance arrangements, policies and procedures governing the use of OPIM were adequate. At the time of the audit, the Assistant Director-General, Programme Support and Technical Cooperation Department, as the corporate owner of OPIM, with the assistance of the New Operational Modality Unit, was responsible for monitoring the application of and compliance with these policies and procedures to ensure OPIM is used effectively and as intended. Subsequent to the audit, in March 2020, the Director-General transferred this duty to the Deputy Director-General, Programme. In addition, Senior Management had allocated specific roles, responsibilities and authorities to the main actors involved in OPIM-related activities. The audit found that the policies and procedures were applied correctly and that governance arrangements and internal controls were functioning as designed.

60. However, lessons learned from the use of OPIM since its establishment in 2015, and the evolving needs for the prospective use of OPIM, require some aspects of current policies and procedures to be revisited. In particular, there is a need to align the purpose and scope of application of OPIM with its actual use. OPIM was designed as a project implementation modality to be used at the discretion of FAO, if assessed as being advantageous for delivering development results. However, in

practice, OPIM had mainly been used to meet resource mobilization requirements and its use had predominantly been driven by the requirements of FAO's Resource Partners. There is a risk that OPIM's original objectives may not be met.

61. FAO plans to use OPIM in implementing all future projects funded by the Global Environment Facility and the Green Climate Fund, which, as at February 2020, accounted for more than 70 percent of OPIM's pipeline projects. OPIM is considered the only modality available that meets certain funding conditions required by these two organizations. However, the FAO Climate and Environment Division, in its capacity as manager of the corporate relationship between FAO and the Global Environment Facility and the Green Climate Fund, holds the view that OPIM does not fully satisfy their funding conditions.

62. The Programme Support and Technical Cooperation Department had agreed to take, or to coordinate with relevant stakeholders, the 11 actions contained in the report to address the issues identified. Priority actions include:

- amending the policies and procedures governing the use of OPIM in response to lessons learned and evolving needs;
- strengthening the monitoring of Operational Partner Agreements;
- enhancing financial reporting on Operational Partner Agreements; and
- strengthening the sustainability of the New Operational Modality Unit (PSDN), as the unit overseeing all OPIM-related activities.

AUD1220 - Audit of the FAO Representation in Yemen

63. OIG conducted an audit of the FAO Representation in Yemen, covering the period from January to December 2019. The report also reflected some subsequent developments as of April 2020.

Main findings and conclusions

64. Overall, OIG assessed the Representation as **Unsatisfactory** in its implementation of the system of internal controls. The CPF was not assessed because the Representation did not have one due to the situation in the country.

Governance:

- The Representation was operating in an extremely difficult environment. Apart from security restrictions, external factors such as non-approval and/or delays in obtaining visas for international staff impacted operational capacity.
- The Representation did not have an effective structure to govern its operations, with a very limited presence in field locations.
- The implementation of internal control systems was weak. Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 34 control points were partially implemented (including 21 that the Representation had reported as fully implemented) and 3 were not implemented.
- The 2019 risk log was well developed, but the 2019 fraud prevention plan was inadequate.

Operations:

- Significant control weaknesses were identified in local recruitment and human resource management. The recruitment process for local personnel was not transparent; personnel files were incomplete; pay rates were not justified; performance appraisals were not carried out; and casual labour contracts were used to hire field engineers, field assistants and a human resource assistant.

- The Representation provided free medical services to dependents of national project personnel without verifying their eligibility and without seeking approval of OHR. It also paid danger pay to local non-staff human resources without awaiting approval of OHR.
- Despite the Representation's Level 3 status, fast-track procedures for human resource management were not clear or effective in supporting operations.
- The effectiveness of procurement planning was limited because project managers did not submit their project procurement plans on time.
- There was a high number of late deliveries. In most cases, liquidated damages were not applied.
- There were significant control weaknesses in the processing of payments, accounting of cash receipts and in bank reconciliations.
- Multiple high value advances were given to employees for over 90 days and prior to settlement of their previous advances.
- There was no reconciliation of inventory ordered, received or distributed; the 2019 year-end inventory report was understated by USD 0.9 million.
- The asset register was unreliable and assets were transferred without approval and documentation.
- Despite significant security risks in the country (security risk level 5), the Representation was not fully compliant with United Nations security risk management measures.

Programme:

- The feasibility of projects, particularly completion dates and the assessment of Environmental and Social Management risks, was not properly determined during project formulation.
- The Representation had established a hotline to receive feedback and complaints from project beneficiaries, but procedures for the effective handling of complaints received had yet to be developed.
- The Representation did not adequately consider the complexity and size of projects when designating project managers. Project personnel were not adequately trained and lacked guidance in performing their functions.
- The Representation relied heavily on government counterparts to verify activities implemented by service providers, including input distribution. Although national project personnel regularly travelled to project sites, the results of their visits were not properly documented in Back-to-Office Reports.
- Three of the four sampled projects had significant delays in project implementation due to the time taken to obtain clearances from local authorities and late deliveries of goods and services. Furthermore, there were recurring instances of over expenditure in personnel and Letter of Agreement costs against the approved budget.
- The Representation's monitoring and evaluation team had yet to develop a workplan to ensure proper monitoring coverage of all projects.
- The lack of quality and reliable information on the project monitoring performed impacted the Representation's ability to produce timely and accurate project reports for management and key stakeholders.

Agreed actions

65. Prior to the audit, the new Representative had already taken a number of measures to address weaknesses and strengthen controls. Subsequent to the audit mission, additional corrective measures were initiated as reflected in the report. The report contained 20 actions that the Representation and FAO management agreed to undertake and committed to fully implementing all actions by March 2021.

AUD1320 - Audit of FAO's Publishing Activity

66. OIG conducted an audit of FAO's Publishing Activity between February and May 2020. While the audit covered the period from January 2018 to December 2019, the report also reflected subsequent developments as of May 2020.

67. In 2019, FAO produced approximately 7 640 publications and documents, which constituted a 25 percent increase from 2018 when approximately 6 110 publications and documents were produced.

68. The main objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes for the production of FAO publications. The audit focused on books published between 1 January 2018 and 31 December 2019, which accounted for 11 and 16 percent of FAO's publications in 2018 and 2019, respectively. The audit also covered the publication of journals and some advocacy materials (newsletters, posters and brochures) as relevant, which accounted for 25 and 23 percent of FAO's publications in 2018 and 2019, respectively. The review of flagship publications was limited owing to the positive initial assessment of their overall controls.

69. FAO's publishing activities were devolved to FAO units at headquarters and Decentralized Offices. The Office of Corporate Communications, Publications Branch (OCCP) is responsible for coordinating, supporting and reporting on the planning, implementation, monitoring and evaluation of the publishing programme. OCCP is also responsible for FAO's publishing policy and procedures; sets standards; and develops tools and guidelines to support units in their publishing activities. Publishing is governed by the FAO Publishing Policy of 2013, together with a suite of more recent additional policies and guidelines.

70. A previous audit, conducted in 2014, identified: gaps in governance structures and policies; insufficient personnel capacity; weak capability in quantifying the volume and cost of publications; weaknesses in the quality control framework; and the absence of a monitoring framework for publications. Since then, OCCP had made a number of improvements including: strengthened publishing policies and guidelines; training of publishing coordinators; strengthened digital dissemination; and improved visibility of publications. The Publishing Workflow System was also implemented to: streamline the quality control process; enhance compliance with publishing rules, policies and overall branding strategy; support publications planning; and more reliably estimate the volume of publications.

71. While acknowledging these improvements, the audit found that some previously reported issues remained outstanding, and identified a number of additional issues for OCCP's attention to improve publishing processes and ensure greater effectiveness of publications. Specifically:

- FAO did not have a corporate-level governance structure to provide strategic guidance for its publishing activities and to ensure coordinated approaches and alignment of messaging across the Organization. This led to key decisions relating to publications implemented without sufficient assessment of risks and benefits, and to ad hoc and temporary solutions. At the time of the audit, a proposal for a corporate Publications Board was being drafted.
- In the absence of a coherent corporate planning approach, publications objectives and opportunities for interdisciplinary and interdepartmental synergies were not always critically assessed.
- FAO did not have the capability to determine the full cost of its publications, which makes it difficult to assess their value for money.
- Units lacked key publishing personnel and Unit Publications Coordinators did not always have the required skills and knowledge, which affected the quality of publications. OCCP did not have the capacity to provide compensating centralized support.

- Technical content review processes were not systematic and did not follow a standardized framework, leading to uneven content quality. Issues remained relating to the efficiency and effectiveness of the quality review processes.
- In the absence of a comprehensive monitoring framework, FAO was unable to measure the use, impact and value for money of its publications.

72. Overall, OIG assessed that the strategies and procedures in place to ensure the effectiveness of FAO's publishing activity **Need Major Improvement**.

Agreed Actions

73. The report included eight agreed actions that management had agreed to undertake. OCCP had committed to fully implement all actions by December 2023.

AUD1420 - Audit of the FAO Representation in Mauritania

74. OIG conducted an audit of the FAO Representation in Mauritania, covering the period from 1 June 2018 to 30 June 2019. The report also reflected some key subsequent developments as of July 2020.

Main findings and conclusions

75. Overall, OIG assessed the Representation as **Major Improvement Needed** in its implementation of the system of internal controls.

Governance:

- The Representation's operational capacity was limited. The FAOR position had been vacant for a period of seven months in 2018, and the Assistant FAOR Programme position had remained vacant since June 2018.
- Personnel were given conflicting responsibilities in GRMS.
- Implementation of the internal control system was weak. Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 8 were fully implemented, 32 control points were partially implemented (including 18 that the Representation had reported as fully implemented) 1 had not been implemented and 2 were not applicable.
- The Representation had identified key risks in the 2019 risk log but assessed all risks as low. Risk statements in the fraud prevention plan were not well formulated and mitigating measures were incomplete.
- The Representation had not established a confidential reporting channel to receive and handle allegations of sexual exploitation and sexual abuse by FAO employees.
- The Representation had good working relations with government counterparts and members of the United Nations Country Team. However, a key donor was critical of the Representation's technical capacity.

Operations:

- In most sampled cases, recruitment of personnel was neither transparent nor competitive, with no interview records on file. Personnel files were incomplete; pay rates were not duly justified; and performance appraisals were not conducted on an annual basis.
- No consolidated procurement plan was prepared; in all sampled cases purchase requisitions were not prepared and technical evaluations of offers were not carried out. In a few cases, gaps were identified in the receipt of goods; reviews by the Local Procurement Committee; and payments of invoices without the Budget Holder's approval.

- There was excessive use of cheque and cash payments instead of bank transfers, including for payroll. Approximately USD 4.3 million, or 84 percent, of payments were made by cheque during the audit period.
- In 1 761 payments (approximately 80 percent of transactions during the audit period) totalling USD 3.4 million, vendor banking information was not registered in the corporate system.
- In 14 of 29 of sampled cases, payments were made without adequate verification of supporting documents.
- In 2018 and 2019, the Representation issued multiple advances to employees prior to settlement of a previous advance.
- The asset register was unreliable as the Representation did not properly conduct the annual physical verification of assets prior to submitting the report at year-end.
- The Representation was not fully compliant with the United Nations security risk management measures, with some security-related recommendations outstanding for over two years.

Programme:

- The Representation did not report the status of CPF result indicators in its 2018 and 2019 Annual Reports.
- The Representation did not conduct a country gender assessment, and the CPF 2017–2021 did not have gender-specific outputs and indicators except for one indicator. There were also errors in the assignment of gender markers for projects.
- In the majority of sampled projects, the Representation did not describe the grievance mechanisms for project beneficiaries in Project Documents as required. Improvements were also needed in the assessment of the Environment and Social Management standards and related risks.
- Controls over input distribution were weak. Results of interviews with beneficiaries from one project highlighted discrepancies between the inputs they received and those shown in distribution records.
- In all sampled cases, the Representation did not conduct performance appraisal of service providers when they were due. In some cases, the Representation had approved payments to service providers despite supporting documents being incomplete.
- The Representation did not have a mechanism to monitor the progress of the achievement of result indicators in Project Documents. Although project management meetings did take place, there were no progress tracking sheets per project; deliberations on the status of result indicators; or documented causes for delays and follow-up actions with timelines for implementation.

Agreed Actions

76. The report contained 16 actions that the Representation had agreed to undertake. The Representation had committed to fully implement all actions by June 2021.

AUD1520 - Audit of the FAO Representation in Algeria

77. OIG conducted a remote audit of the FAO Representation in Algeria, covering the period from January 2018 to December 2019. The report also reflected subsequent developments as of July 2020.

Main findings and conclusions

78. Overall, OIG assessed the Representation as **Major Improvement Needed** in its implementation of the system of internal controls.

Governance:

- The Representation's operational capacity was very limited with no approved staffing positions. The former FAOR, a staff member from the Subregional Office based in Algeria, left in July 2020. Key functions of the Assistant FAORs (AFAORs) for Administration and Programme were performed by Government Provided Staff who did not have an employment contract with FAO. This structure is not sustainable especially as the Representation had a project with a budget of USD 43 million in the pipeline.
- Segregation of duties was inadequate, with the AFAOR Administration solely responsible for human resources, procurement, and asset and finance management.
- Of the 43 internal control points, OIG assessed that 13 were fully implemented, 27 were partially implemented (including 13 that the Representation had reported as fully implemented) 1 was not implemented and 2 were not applicable.
- The Representation did not have an established mechanism to receive complaints of sexual exploitation and sexual abuse by FAO employees in a confidential manner.
- The Representation had identified key risk areas in the 2019 risk log and fraud prevention plan but risk statements were not well formulated and mitigating measures were incomplete.
- The Representation's technical expertise was well recognized in the country and it maintained good working relationships with key stakeholders.

Operations:

- The Human Resource function was managed solely by a Government Provided Staff without training and support. Personnel files were incomplete and pay rates of some local personnel were not duly justified.
- There was a lack of procurement planning and segregation of duties in the procurement process, e.g. requisitioners were allowed to identify and contact potential vendors.
- There was excessive use of cheque and cash payments instead of bank transfers. Approximately USD 605 000, or 45 percent, of payments were made by cheque and cash.
- The majority of vendors' banking information was not registered in the corporate system and payment methods were not accurately reflected.
- No annual physical verification of assets was conducted in 2019 and some assets were disposed-off without prior authorization.
- The Representation was not fully compliant with United Nations security risk management measures. No fire drills had been conducted during the audit period and a majority of the personnel were not registered in the emergency notification system.

Programme:

- The Representation had a CPF for 2019–2022 and resource mobilization efforts were adequate. However, the reporting of CPF and resource mobilization achievements needed improvement.
- The Representation had completed a Country Gender Assessment in 2016 but it did not systematically integrate gender in the results matrix of its CPF 2019–2022. In 10 of 11 projects, the Representation had not assigned gender markers or had assigned the wrong gender markers.
- In the majority of sampled projects, the Representation did not describe the grievance mechanisms for project beneficiaries in Project Documents as required. Improvements were also needed in the assessment of Environment and Social Management standards and related risks.
- For all three sampled projects, there were recurring extensions ranging from 4 to 18 months during project implementation.
- The Representation did not have a mechanism to monitor the progress of the achievement of result indicators in Project Documents. Although the Representation had a personnel dedicated

to project monitoring and evaluation and held weekly meetings, for the three sampled projects, the Representation had not reported on project status based on the pre-established result indicators and targets outlined in the Project Documents.

Agreed Actions

79. The report contained 15 actions that the Representation and the Regional Office had agreed to undertake. They were committed to fully implement all actions by December 2021.

AUD1620 - Audit of the new Cost Recovery Policy

80. OIG conducted an audit of FAO's new Cost Recovery Policy between March and June 2020. The audit covered the development of the new Policy, which took effect on 1 January 2018, and its implementation during the biennium 2018-19.

Main findings and conclusions

81. Overall, OIG assessed the new Cost Recovery Policy as **Some Improvement Needed**.

82. The audit reviewed the conceptual model underpinning cost recovery; the design of the cost-recovery mechanisms put in place; and implementation and monitoring of the new Policy.

- OIG finds that the new Cost Recovery Policy is a significant improvement on the former policy in respect of both increasing the proportion of support costs recovered and in the transparency and equitability of the process. The methodology employed positions FAO as a leader in cost recovery models in the UN system.
- The new Policy is at an early stage of implementation. As of 31 December 2019, it applied to only 13 percent of the portfolio of Extra-Budgetary resources. The new Policy does not apply retroactively and therefore most of the current projects were still governed by the legacy cost recovery policy. OIG recognizes that the implementation of the new cost recovery model is work in progress and that implementation issues will arise that can be expected to be resolved over time as experience with the new model increases. The new Policy foresees the requirement for periodic review of the model to reflect changes in assumptions and context.
- OIG further recognizes that some 30 percent of the Extra-Budgetary resources were exempt from the new Policy, due to funding conditions imposed by some key resource partners.
- The conceptual model, which categorizes Programme of Work and Budget 2016–17 costs into three categories - Direct Operational Costs; Direct Support Costs; and Indirect Support Costs - was generally based on reasonable assumptions. The key output of the model – that support costs should be proportionally recovered from Regular Programme and Extra-Budgetary programmes using a 34 percent/66 percent proportional share of Direct Operational Costs – was supportable.
- The categorization of support costs between Direct Support Costs and Indirect Support Costs was not adequately supported in all cases. In the view of OIG, a proper categorization would lead to an Indirect Support Cost rate of 8 percent. The conceptual model should be recalculated using updated assumptions and data to ensure it reflects the Organization's current structure and operations.
- Direct Support Costs comprised the support costs of local Budget Holder units and the costs of central services units at headquarters. The latter employed a fixed price list for services and transactions designed to recover the units' full costs on the basis of the expected levels of services and transactions. In some cases the pricing employed assumptions that were not supported by underlying analysis.
- The pricing model excluded some costs to be recovered, such as globally billed security costs. The model also under-priced some services and transactions, mainly for IT, financial services

and procurement. As a result, 25 percent of common service costs could not be recovered. Furthermore, Direct Support Costs relating to Regional Offices were excluded from any cost recovery mechanism. The total under recovery during the biennium 2018-19 of implementation amounted to USD 5.7 million.

- If the new Policy would be applied to the total Extra-Budgetary portfolio during a full biennium, the estimated under-recovery would be as high as USD 43.7million. To ensure full cost recovery in future biennia, the deficiencies identified in the pricing model require correction. The fixed price list costs; expected levels of services; and transactions and pricing assumptions should be updated on the basis of the most recent budget or actual data and reconciliations performed to ensure that all relevant costs were being recovered.
- Feedback received from Decentralized Offices showed the need for continued support on the new Policy, especially with regard to guidelines and monitoring of Direct Support Costs for Budget Holder units.
- Monitoring and reporting of the new Policy, and cost recovery more generally, was fragmented, partially due to the complications of operating both a legacy and new Policy concurrently and the high level of exemptions from both policies.

Agreed Actions

83. The report included four Agreed Actions that management had agreed to undertake by December 2022.

AUD1720 - Audit of Trust Fund project deficits

84. OIG conducted an audit of project deficits as part of its workplan for 2020–2021. The main analysis for the review was carried out between November 2019 and June 2020. The review was initiated following a request from the Director of the Finance Division (CSF) to write off receivables deemed not recoverable.

85. Write-off reviews were conducted by OIG in the context of FAO Manual Section (MS) 202 (Financial Regulations). The purpose of these reviews according to MS 202 is to “examine the responsibility, if any, attaching to any staff member of the Organization for the loss”. OIG also uses these reviews to make recommendations for improvement of internal controls.

86. This is the first time that CSF had requested the write-off of project-related losses. The request covered 84 projects for a total amount to be written off of USD 5.1 million, which represents 0.04 percent of Trust Fund expenditure (USD 11 752 million) over a 20-year period.

Category (cause) of loss	# of projects	USD amount
Overspent overall budget	28	2 015 800
Overspent budget line	10	1 184 741
Verification/RER study*	21	1 143 311
Ineligible expenditure	14	637 711
Other causes	11	138 870
TOTAL	84	5 120 433

* The deficit was recorded following a verification mission conducted by the donor.

Overall conclusion

87. Half of the projects proposed for write-off lacked documentation from the Budget Holder justifying the reason for the project deficit. For these projects, the main documentation available was their financial reports that show the project deficit in FAO’s records. CSF indicated that this was

mainly due to the long period of time that had elapsed since the projects' closure and the turnover of knowledgeable staff. Therefore, OIG cannot make a recommendation about these write-offs. However, considering the circumstances, it would not seem unreasonable to accept the risk of writing off these deficits without further review.

88. For the remaining 42 projects where some documentation could be obtained, OIG was unable to fully determine any personal responsibility for the losses (which probably existed in some cases) given the long period of time that had elapsed; the absence of key staff; and the complexity of some of the cases. In view of the foregoing, and considering the cost–benefit of a further review of the cases, OIG recommends the write-off of these amounts.

89. Based on its review, OIG had concluded that organizational procedures for the management of trust fund project deficits write-offs were **Unsatisfactory**.

Detailed findings and recommendations

90. In general, full determination of the reasons for the project deficits was not possible due to the:

- late processing of write-offs, sometimes 20 years after the closure of the projects, which made often impossible to reasonably determine causes and establish responsibility; and
- lack of a requirement for Budget Holders to thoroughly document the reasons for project deficits and ineligible expenditure.

91. In those cases where OIG could determine with reasonable assurance the ultimate cause of the loss, OIG identified the following frequent causes:

- losses due to exchange rates, in particular with European Union-funded projects denominated in EUR;
- differences between the European Union and FAO regarding the acceptability of FAO's costing model, in particular concerning the allocation of personnel costs within projects;
- lack of supporting documentation and poor record keeping;
- issues related to the late transfer of assets (and consequent delay in project reporting) or to their transfer to a different project without the donor's prior agreement;
- budget overruns, due in part to the lack of system controls in GRMS to prevent transactions being approved that exceed the budget, and in part to Budget Holders not exercising sufficient oversight of project expenditure and/or budget revisions. In addition, the differences between the budget structures of FAO and some donors require offline manual budget reconciliations which increase the risk of overruns; and
- operational difficulties. FAO's operations often take place in challenging contexts and it is inevitable that projects sometimes face problems that cause a loss.

Agreed actions

92. Several of the issues described above have been highlighted in the past by OIG or the External Auditor and recommendations have been made to address them (e.g. to improve record keeping or fixed assets management). The difficulties of the European Union with FAO's accounting model were also well known to the Organization.

93. Moreover, structural weaknesses in FAO's project cycle approach affect the issues discussed in the report, in particular the fragmented project portfolio and the insufficient capacity to support projects, especially at Decentralized Office level. These problems were discussed in OIG's 2019 audit of the project cycle. Therefore, the implementation of actions included in the report must consider the findings of the project cycle audit and be done in consultation with the Project Support Division and other relevant FAO divisions.

94. The report included five agreed actions that Management had agreed to undertake:

- improve documentation of cases and timeliness of requests;
- implement controls over the exchange rate used on receipt of different payment instalments, monitoring of the exchange rates and subsequent budget revisions;
- evaluate the feasibility of implementing a built-in control in the corporate system (GRMS) to prevent budget overruns;
- evaluate the feasibility of developing a process for the automatic reconciliation of budgets with different structures; and
- improve procedures for project closure and timely disposal of assets.

95. OIG noted that recommendations to implement a time-tracking system for FAO personnel, which would help address recurrent issues with some donors, especially the EU, had not been accepted by Management in the past.

AUD1820 - Audit of the FAO Representation in Guatemala

96. OIG conducted an audit of the FAO Representation in Guatemala, covering the period from January 2018 to September 2019. The report also reflected subsequent developments as of July 2020.

Main findings and conclusions

97. Overall, OIG assessed the Representation as **Major Improvement Needed** in its implementation of the system of internal controls, mainly due to unsatisfactory controls in financial management.

Governance:

- The FAOR position had been vacant since March 2019, although the former FAOR was acting as the FAOR ad interim until July 2020.
- The Representation did not have an approved staffing position of Assistant FAOR Administration and its operational capacity was inadequate.
- Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 28 were fully implemented, 13 control points were partially implemented (including 5 that the Representation had reported as fully implemented), and 2 controls were not implemented.
- The Representation did not have a reporting channel to receive and handle allegations of sexual exploitation and abuse by FAO employees in a confidential manner.
- The Representation had identified key risks in the 2019 risk log and fraud prevention plan and they were well formulated. However, it had yet to implement corrective measures to address the significant control gaps in financial management.
- The Representation actively advocated FAO's mandate in the country and was viewed by key stakeholders as a valuable partner, particularly for its technical expertise and support in implementing national laws on school feeding and rural development.

Operations:

- A local non-staff personnel was primarily responsible for the human resource function without adequate support. The Representation did not verify the selected candidates' qualification and did not duly justify pay rates of local non-staff personnel.
- The Representation had a procurement plan and, in general, for the cases sampled the procurement process was in compliance with established procedures with proper records on file. However, there was a lack of segregation of duties in procurement: in many cases the requisitioner was also performing the buyer function.

- The Representation did not apply liquidated damages for cases of late deliveries of goods, including those with significant delays of 30 days to 390 days.
- There were significant control gaps in processing payments, including lack of segregation of duties in financial management; sharing of passwords for the e-banking system; and vendor banking information kept outside the corporate system.
- The Representation did not have a local travel plan and, in 251 cases, travel authorizations were submitted in the corporate system only after completion of the trips.
- The Representation approved multiple advances to employees prior to settlement of a previous advance and allowed settlement of advances above 90 days.
- The year-end asset report was unreliable and inaccurate. Assets sold and transferred to a local ministry since 2013 remained unreported.
- The Representation participated in Security Management Team meetings and implemented security management measures but did not test the FAO security emergency notification system on an annual basis as required.

Programme:

- The Representation had a CPF that was aligned with national priorities and included result indicators linked to the targeted Sustainable Development Goals, the United Nations Development Assistance Framework and FAO´s Strategic Objectives. The Representation achieved its resource mobilization targets during the audit period.
- The Representation allocated approximately 55 percent of its total budget to gender-related projects, exceeding the minimum 30 percent stipulated in FAO's Policy on Gender Equality and, in general, assigned appropriate gender markers to its projects.
- During project formulation, there was an inadequate assessment of environmental and social risks for some projects. In addition, a majority of sampled Project Documents did not describe grievance mechanisms for project beneficiaries.
- For all sampled projects, there were recurring extensions of the implementation period ranging from ten months to four years. Apart from external factors beyond its ability to control, the Representation needed to improve management of Letters of Agreement.
- The Representation did not allocate the cost of shared resources among projects, risking possible refunds to donors for ineligible expenditure.
- The Representation had complied with reporting requirements in the Project Documents and had submitted progress reports to donors in a timely manner.

Agreed Actions

98. The report contained 13 actions that the Representation had agreed to undertake. The Representation had committed to fully implement all actions by March 2021.

AUD1920 – Treasury Risk Assessment

99. OIG conducted an update of its Treasury Risk Assessment between July and August 2020. The update covered the period since the original Risk Assessment, which OIG carried out in 2016.

Main findings and conclusions

100. Overall, OIG assessed the management of risks associated with the Treasury function as **Some Improvement Needed**.

101. OIG's 2016 Treasury Risk Assessment resulted in 31 Agreed Actions that the Finance Division agreed to implement in order to address risks in Treasury processes. The processes covered governance, risk management, cash management, foreign exchange management, investment

management, and monitoring and reporting. All 31 Agreed Actions had been implemented prior to the 2020 update of the risk assessment.

102. OIG assessed that the process changes made since 2016 had led to a reduction in risk. The number of high risks had reduced from the four identified in 2016 to one in 2020, with no new risks identified. Treasury operations continued to be managed and controlled effectively during the COVID-19 emergency. The Treasury function had previously identified, incorporated and tested measures to address the risks related to the new remote working environment in the Business Continuity Plan.

103. The key area for improvement was in the identification and management of foreign exchange exposure, where the accounting system inability to report foreign exchange positions resulted in the management of the exposure on the basis of assumptions and estimates.

Agreed Actions

104. The report included four Agreed Actions that management had agreed to undertake. CSF had committed to fully implement all actions by June 2021.

AUD 2020 - Audit of the Technical Cooperation Programme (TCP)

105. OIG conducted an audit of the Technical Cooperation Programme (TCP) as part of its workplan for 2020–2021. The main analysis of the review was carried out between March and July 2020. The objective of the audit was to assess the effectiveness of the TCP in transferring FAO's expertise and providing technical advice to Member States in contribution to achieving FAO's Strategic Objectives. The audit objective was determined in close coordination with the Office of Evaluation (OED), which was reviewing the topic at the same time.

106. The TCP was established in 1976 with the principal purpose of making FAO's know-how and technical expertise available to member countries in response to FAO's constitutional function "to furnish technical assistance as governments may request".

Main findings and conclusions

107. OIG concluded that the governance arrangements and procedures established for the management and monitoring of the TCP project implementation **Need Some Improvement**, in order to better respond to the needs of recipient governments, enhance monitoring of project implementation and communication of achievements, and avoid delays in project terminal reporting and closure.

108. Senior Management had defined roles, responsibilities and accountability for the main actors; established policies and procedures; set up the governance structure; and embedded internal controls throughout the TCP process to reinforce compliance with all the foregoing arrangements. The audit also found that the established regulatory arrangements were functioning as designed. Nevertheless, the audit identified areas for strengthening the TCP framework and increasing the assurance of timely and quality delivery of TCP outputs.

109. For the future, there was a need to reconsider the effectiveness and efficiency of the project-based model, which FAO had historically adopted for providing technical advice and delivering intended outputs. Such a model, considering also the fragmentation of the project portfolio, was costly to manage. Member States' demand for FAO's technical assistance was growing, with no proportionate increase in the human and financial resources available for the TCP. A structured assessment of the strengths and weaknesses of the current model versus other alternatives, such as a programmatic approach, would provide an opportunity to explore a more efficient and effective use of TCP resources and delivery of technical advice to recipient countries.

110. Monitoring of project implementation at the local, regional and headquarters levels needs improvement. Current arrangements for monitoring do not include effective measures for proactive identification and resolution of impediments to timely and quality project implementation, terminal reporting and closure, communication of achievements to the targeted audience, and provision of adequate technical support.

Agreed Actions

111. The Project Support Division had agreed to take, or to coordinate with relevant stakeholders, the seven actions contained in the report to address the issues identified. Priority actions include:

- conducting a structured qualitative and quantitative assessment of the feasibility of shifting from the current project-based TCP model to a programmatic approach;
- strengthening oversight and monitoring of the progress of project implementation at the local, regional, and headquarters levels, and introducing more robust measures to resolve impediments to timely and quality project implementation; and
- establishing measures to ensure timely project terminal reporting and closure.

AUD2120 - Audit of the FAO Partnership and Liaison Office in Azerbaijan

112. OIG conducted a remote audit of the FAO Partnership and Liaison Office in Azerbaijan, covering the period from January 2019 to March 2020. The report also reflected some subsequent developments as of October 2020.

Main findings and conclusions

113. Overall, OIG assessed the Office as **Major Improvement Needed** in its implementation of the system of internal controls as shown in the table below. This was mainly because the Office did not have a proper structure to govern its operations and due to weaknesses in its management of projects.

Governance:

- The FAOR had a supervisory span of 69 personnel which OIG found excessive, especially considering that the Office had a total of 71 personnel. The reporting lines in the Office were unclear, administrative support capacity was limited¸ and segregation of duties was inadequate. Of the 43 control points in the 2019 Internal Control Questionnaire, OIG assessed that 27 control points were partially implemented (including 11 that the Office had reported as fully implemented) and 2 had not been implemented.
- The Office had not established a reporting channel to receive and handle allegations of sexual exploitation and sexual abuse by FAO employees in a confidential manner. Over 40 percent of personnel had not completed the mandatory training for ethical awareness.
- The Office had submitted a risk log and fraud prevention plan for 2019 but risks relating to the expansion of its operations were not included.
- The Office actively advocated FAO's mandate and maintained good working relationships with its counterparts and key stakeholders.

Operations:

- The Office had tripled its staffing during the audit period without any increase in the capacity of its human resource function. Further, the Office issued very short contracts to its personnel resulting in high personnel turnover and increased administrative workload. To cope with the workload, the Office compromised on controls over recruitment; documentation of human resource processes; and the determination of pay rates.

- The Office had a consolidated procurement plan, but its effectiveness was limited because project managers did not submit their project procurement plans on time. There were instances of inadequate segregation of duties when the requestor was also a member of the Local Procurement Committee. The Office did not evaluate vendor performance and did not document reasons for not applying liquidated damages in cases of late deliveries.
- In 934 payments processed through bank transfers totalling USD 480 000, the Office did not record payee banking information in GRMS.
- For sampled cases, asset register records were accurate and asset disposals were duly supported and approved.
- Despite the start of an armed conflict with a neighbouring country in July 2020, the Office had not tested FAO's emergency notification system.

Programme:

- The Office was unlikely to fully achieve the expected results of its CPF. From CPF inception in January 2016 to August 2020, the Office recorded total programme delivery of USD 6.6 million, which was significantly lower than the USD 21.8 million programme delivery that was planned by December 2020.
- The Office allocated approximately 52 percent of its total project budget for women-specific interventions and gender equality related projects (above the 30 percent required). However, there were areas for improvement in the assignment of gender markers for projects and the establishment of specific gender-related result indicators to facilitate monitoring of the Office's achievements in gender mainstreaming.
- During project formulation, the Office did not always describe grievance mechanisms for beneficiaries in Project Documents and did not include baseline information for result indicators.
- Workflows, roles and responsibilities in project management were unclear resulting in delays in project implementation. This included (i) a lack of continuity in project management when key project personnel went on contract breaks-in-service, and (ii) limited access granted to project managers to information that they needed for their functions.
- The Office had established internal guidelines on project monitoring and developed monitoring plans. However, it did not have an independent monitoring function to implement these plans.

Agreed Actions

114. The report contained 15 actions that the Office had agreed to undertake. The Office had committed to fully implement all actions by June 2021.

AUD2220 - Audit of the FAO Representation in Honduras

115. OIG conducted an audit of the FAO Representation in Honduras, covering the period from January to December 2019. The report also reflected some subsequent developments as of November 2020.

Main findings and conclusions

116. Overall, OIG assessed the Representation as **Some Improvement Needed** in its implementation of the system of internal controls as shown in the table below.

Governance:

- The Representation had well established reporting lines and the supervisory span was reasonable. However, internal workflows were not clearly defined and communicated to all personnel, resulting in some inefficiency. In addition, regarding the 2019 Internal Control Questionnaire, OIG assessed that of the 43 internal control points, 24 were only partially implemented (including 2 that the Representation had reported as fully implemented) and 2 had not been implemented.
- The Representation had not established a reporting channel to receive and handle allegations of sexual exploitation and abuse by FAO employees in a confidential manner. Approximately 30 percent of personnel had not completed the mandatory training on ethical awareness.
- The Representation had submitted a risk log and fraud prevention plan for 2019 but risk statements were not well formulated and risk owners were not clearly identified.
- OIG interviews showed that key stakeholders viewed FAO as a valuable partner but external communications needed improvement.

Operations:

- The Representation did not assess and plan for its human resource needs. In addition, for some sampled recruitment cases of local Non-Staff Human Resources, the Representation did not issue vacancy announcements; did not maintain proper recruitment records; and did not determine pay rates based on an established salary scale.
- For sampled procurement cases, the Representation generally complied with the procurement procedures and maintained proper records. However, the Representation did not conduct procurement planning. The operational workload was unnecessarily increased with the issuance of purchase orders for low-value procurement of less than USD 1 000. In addition, the Representation did not monitor late deliveries and did not document reasons for not applying liquidated damages.
- In 2 630 bank transfers (approximately 95 percent of bank transfer payments during the audit period) totalling USD 2.4 million, vendor banking information was not registered in the corporate system. There was excessive use of cheques for payments totalling USD 2.1 million, including for payroll.
- The Representation had submitted a report for the annual physical verification of assets; however, the asset register contained discrepancies and errors which were not identified and rectified.
- The Representation regularly participated in Security Management Team meetings but had yet to implement recommendations to be fully compliant with the required Security Risk Management Measures.

Programme:

- The Representation had considered national priorities when formulating the CPF and linked the CPF results indicators to the targeted Sustainable Development Goals, the United Nations Development Assistance Framework and regional initiatives. However, the Representation made errors in estimating funds at CPF inception; did not achieve its resource mobilization targets; and did not report CPF achievements in the 2019 Annual Report.
- The Representation had integrated gender in the CPF results matrix; completed a gender stocktaking exercise and developed an action plan for gender mainstreaming activities. However, the Representation needed to improve completion rates for mandatory training on gender and in the assignment of appropriate gender markers for projects.
- At project formulation, the Representation did not consider and therefore did not establish grievance mechanisms for receiving and handling complaints of potential violations of FAO's environmental and social standards. Further, for the three sampled projects, the Representation

either had not established baseline information and targets for project indicators or had included planned activities that were not aligned to the achievement of project objectives.
- On project implementation, there were recurring delays in 13 of the 18 operationally active projects during the audit period. Further, the Representation did not track the time personnel spent working on different projects for proper cost allocation, risking possible refunds to donors for ineligible expenditure.
- In two of the three sampled projects, the Representation had complied with reporting requirements in Project Documents and had submitted progress reports to donors in a timely manner. However, the Representation did not use the Field Programme Management Information System to record the progress of projects but instead used Excel spreadsheets to do so.

Agreed actions

117. The report contained 15 actions that the Representation had agreed to undertake. The Representation had committed to fully implement all actions by December 2021.

AUD2320 - Audit of non-medical insurance

118. OIG conducted an audit of the Organization's management of non-medical insurance between October and December 2020. The audit covered the period from 2016 to 2020.

119. The audit examined the structure and processes in place to manage the Organization's non-medical insurance, i.e. both general liability and operational insurance.

120. General liability insurance mainly comprised six contracts held under a masterplan with a single underwriter with a total annual premium of USD 439 000; an official travel property insurance with an annual premium of USD 102 000; and a self-insured Compensation Plan covering death, injury or illness of FAO personnel attributable to official duties, with an annual service cost of USD 600 000. Motor vehicle insurance was contracted by each Decentralized Office on an individual basis. Operational insurance for goods transit and warehousing was provided on an ad hoc basis when requested by Decentralized Offices.

121. The policy owner for headquarters insurance was the Logistics Services Division (CSL), with the exception of the Compensation Plan managed by the Social Security Unit (CSHS) and the official travel property insurance managed by CSF. Claims handling for the individual policies was primarily managed by the policy owners with the exception of the official travel property insurance managed by the SSC.

Main findings and conclusions

122. Overall, OIG assessed the management of non-medical insurance as **Unsatisfactory** in its governance, organization, risk management and claims processing.

123. The majority of insurance contracts were assigned on an ad personam basis to individuals without experience of assessing insurable risks or managing insurance contracts. This resulted from the prioritization of cost savings and perceived efficiency gains without an assessment of risk implications, and contrasted with other UN organizations benchmarked as part of this audit where a dedicated functional unit had been established to manage insurance on the basis of assessed risk.

124. A failure to both retender contracts on a regular basis and to integrate insurance into a structured risk management process led to a lack of assurance that the contracts managed residual risks effectively on a value for money basis, or that insurance had been duly considered as a possible tool to

mitigate new or emerging risks. This was compounded by both a lack of data on which to base decision-making and inadequate monitoring and reporting.

125. Claims handling required improvement to ensure that all claims were made, and to establish a standard process for tracking and reporting claims. The self-insured and self-administered Compensation Plan had a number of control weaknesses in its claims processing.

Agreed actions

126. The report included four agreed actions that the Director, CSL had committed to fully implement by June 2021.

ACRONYMS

AFAOR	Assistant FAORs
ASMC	After Service Medical Coverage
CapEx	Capital Expenditure Facility
CSF	Finance Division
CPF	Country Programming Framework
CSHS	Social Security Unit
CSL	Logistics Services Division
ESP	Social Policies and Rural Institutions Division (ESP)
FAOR	FAO Representative
FPMIS	Field Programme Management Information System
GRMS	Global Resource Management System
ILOAT	International Labour Organization Administrative Tribunal
LoA	Letter of Agreement
NSHR	Non-Staff Human Resource
OCCP	Office of Corporate Communications, Publications Branch
OECD	Organisation for Economic Co-operation and Development
OED	Office of Evaluation
OIG	Office of the Inspector General
OPIM	Operational Partners Implementation Modality
PPRC	Project and Programme Review Committee
PSA	Personal Service Agreement
PSDN	New Operational Modality Unit
PWB	Programme of Work and Budget
RGO	Regional Gender Officer
SEA	Sexual Exploitation and Abuse
SSC	Shared Services Centre
SPMT	Strategic Programme Management Teams
TCP	Technical Cooperation Programme
UN	United Nations
UNJSPF	United Nations Joint Staff Pension Fund