



Global Environment Facility
Fiduciary Management Standards

Standards and Practices Review Template

Draft Version Agency: FAO

Proprietary and Confidential
Draft — Preliminary and Tentative — For Discussion Purposes Only

A. Audit, Financial Management and Control Framework**(1) External Financial Audit**

The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.

- a. The agency has appointed an independent external audit firm or organization.
- b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- c. Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.
- d. The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.
- e. An annual audit opinion on the financial statements is issued by the external auditor and made public.
- f. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.
- g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>The agency has appointed an independent external audit firm or organization.</i></p> <p>The External Auditor is appointed by the Council of FAO. The External Auditor is the Auditor-General, or person exercising equivalent functions, of a Member Nation.</p> <p>External Audits shall be conducted in conformity with generally accepted common auditing standards and, subject to any special direction of the Finance Committee.</p> <p>The External Auditor is required to express an opinion on the biennial financial statements of FAO, covering both Regular Programme and extra-budgetary resources.</p> <p>The External Auditor is also responsible for making observations with respect to</p> <ul style="list-style-type: none"> • The efficiency of the financial procedure • The accounting system • The international financial controls • The administration and management of the Organization <p>FAO complies fully with the requirement.</p>	<p><i>For further information and policies governing external audit, please refer to FAO Financial Regulation XII and the Annex thereto.</i></p> <p>http://www.fao.org/docrep/007/j2954e/j2954e03.htm#12</p>
<p><i>The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).</i></p> <p>In line with the Financial Regulations, the External Audits shall be conducted in conformity with generally accepted common auditing standards and, subject to any special direction of the Finance Committee.</p> <p>The Audit Opinion states that the External Auditor conducted the audit in</p>	<p><i>For further information and policies governing external audit, please refer to FAO Financial Regulation XII and the Annex thereto.</i></p> <p>http://www.fao.org/docrep/007/j2954e/j2954e03.htm#12</p>

Inventory of Current Organizational Environment	Documentation References
<p>accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, Specialized Agencies and the International Atomic Energy Agency and conforming to International Standards on Auditing.</p> <p>FAO complies fully with the requirement.</p>	
<p><i>The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.</i></p> <p>This requirement has two components:</p> <p><i>Do the internal controls in place in FAO cover the use of GEF funds?</i></p> <p>Several GEF funded projects will have a slightly different project implementation modality compared to most of FAO's projects which are generally executed directly by FAO. The current standard processes and internal control framework require adaptation in order to fully cover certain aspects of some GEF projects, which will be executed through implementing partners. In the meantime, where not already covered by the current internal control framework, ad hoc controls and monitoring are put in place for these projects.</p> <p>It should be noted that GEF funds, like all other trust funds, are part of FAO's audited accounts and are included in the scope of work of the External Auditors. For further information, please refer to detailed description of the External Auditor's terms of reference above.</p> <p><i>As regards the requirement for management assertion to governing bodies of internal control adequacy, please see below under Areas of shortfall</i></p>	<p>FAO will be setting up an interdepartmental working group in order to create standard processes and internal controls for projects managed through implementing partners.</p> <p>Until such standard processes are finalised, adequate controls are maintained through ad-hoc arrangements.</p>
<p><i>An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership</i></p>	<p>For further details refer to Rule XXVII of the General Rules of the Organization at the following link:</p>

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<p><i>requirements, duties, authority, accountability and regularity of meetings.</i></p> <p>The Finance Committee oversees the work of the External Auditors. The Committee has written terms of reference that address the required aspects.</p> <p>It is composed of representatives of eleven Member Nations of the Organization. Members of the Committee shall appoint as their representatives individuals who have shown a continued interest in the objectives and activities of the Organization, have participated in Conference or Council Sessions and have special competence and experience in administrative and financial matters.</p> <p>The Finance Committee holds sessions as often as necessary (in practice at least twice a year) and reports to the Council.</p> <p>FAO complies fully with the requirement.</p>	<p>http://www.fao.org/docrep/007/j2954e/j2954e02a.htm#27</p>
<p><i>The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.</i></p> <p>The External Auditor may make observations with respect to the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization (commonly referred to as “<i>value-for-money</i>” reviews). These recommendations are ultimately included in the Long Form reports accompanying the Audited Biennial Accounts and are reviewed by the Finance Committee. The External Auditor’s report on the biennial financial statements, including the long form report, is available on the FAO internet</p> <p>The Finance Committee may further request the External Auditor to perform certain specific examinations and issue separate reports on the results.</p> <p>Management reports on progress of implementation of External Auditor’s recommendations on a six monthly basis to the Finance Committee.</p> <p>FAO complies fully with the requirement.</p>	<p><i>For further information and policies governing external audit, please refer to FAO Financial Regulation XII and the Annex thereto.</i></p> <p>http://www.fao.org/docrep/007/j2954e/j2954e03.htm#12</p> <p>Refer to example of audit reports:</p> <p>http://www.fao.org/UNFAO/Bodies/fc/fc115/Index_en.htm</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p><i>Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.</i></p> <p>FAO's Financial Statements are currently prepared on a biennial basis and audited for their compliance with United Nations System Accounting Standards (UNSAS), in line with nearly all UN system organizations.</p>	<p>FAO has taken a decision to adopt International Public Sector Accounting Standards (IPSAS) by 2010, with annual rather than biennial financial reporting and external audit and a project is currently underway.</p> <p>While FAO does not currently fully comply with the requirement a monitorable plan to implement IPSAS has been adopted and is underway.</p> <p>Planned implementation date is 1 January 2010.</p>
<p><i>An annual audit opinion on the financial statements is issued by the external auditor and made public</i></p> <p>The External Auditor is required to express an opinion on the biennial financial statements of FAO, covering both Regular Programme and extra-budgetary resources.</p>	<p>As noted above, FAO is in the process of implementing IPSAS, with annual financial reporting and external audit.</p> <p>While FAO does not currently fully comply with the requirement a monitorable plan to implement annual audits has been adopted and is underway.</p> <p>Planned implementation date is 1 January 2010.</p>
<p><i>The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.</i></p>	<p>The introduction of formal internal control reporting to the Governing Bodies has been discussed by the Organization's Finance Committee in the past, but a decision to</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p><i>As noted under the description of how the Organization meets this standard above, this requirement has two components the second of which is:</i></p> <p><i>Does Management assert to the governing bodies that the internal controls are adequate?</i></p> <p>FAO does not currently have formal internal control reporting. The possibility of implementing such reporting has been discussed by the Finance Committee but a decision was postponed awaiting UN wide developments in the area.</p>	<p>introduce such reporting was postponed awaiting UN wide developments.</p> <p>As internal control reporting is not a standard practice in the UN, FAO proposes that the subject be discussed in the UN System High Level Committee on Management in order to encourage harmonised practices in this area and decide on an implementation plan, as appropriate. Implementation of a full formal internal control framework, with regular formalised assessments and organization wide reporting would be a very costly exercise and adequate funding would be required.</p>

(2) Financial Management and Control Frameworks

An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations*
 - *Reliability of financial reporting and financial management frameworks*
 - *Compliance with applicable policies and procedures.*
- a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.
- b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.
- c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.
- d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.
- e. The control framework guides the financial management framework.
- f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:
- Budgeting;
 - Accounting;
 - Internal control;
 - Funds flow (including disbursements, cash management, unused fund close-out);
 - Financial reporting; and
 - Auditing arrangements.
- g. Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.</i></p> <p>The Organization's Basic Texts (refer to Financial Regulation X) note that the Director General is responsible for establishing and maintaining internal financial control which ensures:</p> <ul style="list-style-type: none"> • The regularity of the receipt, custody, and disbursement of all funds and other resources of the Organization; • The conformity of commitments or obligations and expenditures with the appropriations or other financial provisions voted by the Conference, or with the purposes, rules and provisions relating to the fund concerned; and • The economical use of the resources of the Organization. <p>Roles and responsibilities are defined through an organizational structure with clear delegation of authority, and clear statements of responsibility. Furthermore, formal job descriptions exist defining the tasks and responsibilities for all posts.</p> <p>While the Organization has not yet adopted a formal internal control framework such as COSO or Cadbury, it substantially complies with the requirement for clear roles and a sound system of internal controls and believes that existing procedures provide comparable assurance.</p>	<p>Refer to Financial Regulation X</p> <p>http://www.fao.org/docrep/007/j2954e/j2954e03.htm#10</p> <p>Formal job descriptions are available for all posts. Examples can be provided upon request.</p> <p>Organization charts exist both on a higher level for the whole organization (please refer to the Programme of Work and Budget at the below link: ftp://ftp.fao.org/docrep/fao/meeting/012/k0332e.pdf</p> <p>and on the intranet for the different offices.</p> <p>The mandates/roles of the governing bodies are included in the Organization's Basic Texts</p> <p>http://www.fao.org/docrep/007/j2954e/j2954e00.htm</p> <p>Manual Section 119 is dedicated to Delegation of Authority.</p>
<p><i>The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing.</i></p> <p>As noted above, the Organization has not adopted a formal internal control</p>	<p>See above for documentation relating to the control environment. Also see Administrative Circular 2004/19 Policy on Fraud and Improper</p>

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<p>framework. The Organization has, however, comparable processes in place for required components:</p> <p>Control environment</p> <p>As noted above, the Director-General is responsible for the maintenance of a sound system of internal control. The control environment is strengthened through:</p> <ul style="list-style-type: none"> • An organizational structure with clear delegation of authority and clear statements of responsibility and accountability which are understood by all staff. • Staff with requisite skill levels dedicated to the administrative and finance functions. • Rigorous staff selection process (including Professional Staff Selection Committee and General Service Staff Selection Committee) and adequate staff training. • Appropriate disciplinary action in relation to serious departures from approved policies and procedures and/or violations of organizational rules. The Organization has a formal zero tolerance policy for fraud. <p>Risk Assessments</p> <p>Refer to point below under areas of shortfall</p> <p>Internal Control Activities</p> <p>FAO's control activities are for the main part reflected in comprehensive administrative and financial policy and procedures manuals and guidance published on relevant Intranet pages. A system, or hierarchy, of policy and procedures documentation exists, as follows:</p> <ul style="list-style-type: none"> • Financial Regulations • Manual Sections 	<p>Use of the Organization's Resources and Administrative Circular 2007/11 Zero Tolerance Policy in Respect of Fraud and Improper Use of the Organization's Resources.</p> <p>As regards internal control activities, these are documented in numerous documents as follows</p> <ul style="list-style-type: none"> • Financial Regulations • Manual Sections • Detailed procedures • How-to guides <p>Financial Regulations are available on the internet (see links above) but Manual Sections, detailed procedures and how to guides are generally published on the intranet only and can therefore only be accessed at FAO. An example of a Manual Section, a Procedure and a How-to guide are cited below and can be provided upon request along with other examples, as required.</p> <p>MS502 – Procurement</p> <p>Procedure APP002 Entering and Approving Supplier Invoices</p> <p>How to guide APH001 How to enter basic invoice information</p>

Inventory of Current Organizational Environment	Documentation References
<ul style="list-style-type: none"> • Detailed procedures • How-to guides <p>Key features of control activities are summarised below:</p> <p><u>Procedural Controls</u></p> <ul style="list-style-type: none"> • clear approval and authorization procedures (over both standing and transaction data) • segregation of duties which are incompatible, in particular where these involve initiating and approving transactions, recording such transactions in the accounting records, payment and custody of related assets clear audit trail in all processes • regular preparation, review and approval of reconciliations between sub-ledgers and general ledger balances and resolution/clearance of reconciling items • regular reconciliation of third party information (e.g. bank statements) with detailed accounting records and follow up of reconciling items • timely review and clearance of suspense accounts <p><u>Controls over information and communications technology and information systems</u></p> <ul style="list-style-type: none"> • Application level controls, including controls over access to applications and functions, edit and validation controls to ensure accuracy and completeness of data, controls over rejected transactions and suspense accounts, controls over transfer of information between applications etc. • Rigorous procedures for the management of all system change. • Business Continuity Planning <p><u>Controls over Physical Assets</u></p>	

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<ul style="list-style-type: none"> Physical access controls over the computer system Controls which limit physical access to assets (such as cash, fixed assets, inventories etc.) Documentation of authorization and use/movement of such assets <p>Monitoring</p> <p>Ongoing monitoring is carried out in all areas of administrative and financial operations and is defined in individual procedures. Management and supervisory activities include review of exception reports and reconciliations and follow up and resolution of issues arising.</p> <p>Information</p> <p>The Organization has integrated ERP systems covering all areas of financial transaction processing and reporting as well as HR and payroll applications. Access to the systems is controlled centrally and privileges are provided based on job requirements.</p> <p>Statements of policy and related procedures are communicated effectively to relevant staff through publication on the FAO Intranet.</p> <p>FAO currently complies with the requirement, with the exception of formal risk assessments – refer to further information below</p>	
<p><i>The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.</i></p> <p>As noted in the section above, roles and responsibilities are defined both through clear delegation of authority and detailed description of the duties and responsibilities of each role in the single processes.</p>	<p>See above.</p>

Inventory of Current Organizational Environment	Documentation References
FAO complies with this requirement.	
<p><i>The control framework guides the financial management framework.</i></p> <p>FAO currently complies with the requirement</p>	<p>Refer to description of the control framework above</p>
<p><i>Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:</i></p> <ul style="list-style-type: none"> <i>a) Budgeting;</i> <i>b) Accounting;</i> <i>c) Internal control;</i> <i>d) Funds flow (including disbursements, cash management, unused fund close-out);</i> <i>e) Financial reporting; and</i> <i>f) Auditing arrangements.</i> <p>Adequate internal control procedures are in place for all the core financial management areas listed. When processes are originally designed or when process changes occur, internal controls are set up by the process owner, i.e. the relevant HQ division, to address the identified risks.</p> <p>While there is no formal annual review or assessment of internal controls, processes are reassessed as required to adapt to increased/ decreased risks and other process changes. Furthermore, the adequacy of internal controls is assessed by the Internal Audit function, in line with their work plan, as well as by the External Auditors.</p> <p>While the Organization has not yet adopted a formal internal control framework such as COSO or Cadbury, it substantially complies with the requirement for identification and assessment of internal controls and believes that existing procedures provide comparable assurance.</p>	<p>Implementation of a full formal internal control framework is recognised by the Organization as best practice and the planned implementation of a formal risk management framework is a step in this direction. It should be noted, however, that formalised annual internal control assessments and organization wide reporting would be very costly and adequate additional funding would be required.</p>
<p><i>Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when</i></p>	<p>Examples of Manual Sections and procedures, highlighting correct segregation of duties are</p>

Inventory of Current Organizational Environment	Documentation References
<p><i>discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.</i></p> <p>The principle of segregation of incompatible duties is a basic concept used in the design of all financial processes in FAO.</p> <p>Further to the separation of different roles in all procedures, it is also a principle underlying the granting of access to HQ systems, where each person's role in the process determines the systems access granted.</p> <p>Segregation of duties at HQ is therefore guaranteed both procedurally and through the system.</p> <p>As an example, segregation of duties for procurement actions (of both goods, services and consultants) includes separation of initiation, approval, bidding process, accounting and payment. For large amounts, bids are evaluated by a Procurement Committee</p> <p>FAO complies fully with the requirement.</p>	<p>cited above and can be provided upon request. Additional examples can be provided upon request.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p><i>At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.</i></p> <p>Risks are routinely assessed as part of the design of processes and procedures and in management decision-making.</p>	<p>The Organization has committed to implementing a risk management framework, in line with the recommendations of the Independent External Evaluation of FAO (IEE). See response to IEE report:</p> <p>http://ftp.fao.org/docrep/fao/meeting/012/k0</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>The Organization does, however, currently not have a formal organization-wide risk assessment process or a risk management committee.</p> <p>FAO does not currently comply fully with the requirement</p>	<p>794e.pdf</p> <p>The Office of the Inspector General (AUD) has been charged with initiating the key corporate target of developing a comprehensive, integrated approach to managing the risks to the achievement of FAO's mission, goals and objectives. AUD's work will start with a consultant-led review of the main gaps in the range of FAO's policies and procedures for risk management, and in their application in practice. This review will lead to a prioritized, costed work-plan for the remaining work to be done, including the strategy for the eventual hand-over of this responsibility from AUD to a line unit. This first stage should be completed in the 2008-09 biennium, funds permitting.</p>

(3) Financial Disclosure

The financial disclosure policy establishes and/or strengthens the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.

- a. A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.
- b. The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities:
 - Contracting or procurement;
 - Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and
 - Evaluating or auditing any project, program or entity.
- c. The policy specifies prohibited personal financial interests.
- d. The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies.
- e. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.
- f. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties defined as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The FAO Council, at its one hundred and thirty second session held in June of 2007, approved an amendment to Article I of the FAO Staff Regulations entitled <i>Duties, obligations and privileges</i>, in relation to the disclosure of financial interests as follows:</p> <p><i>“301.1.10. Staff members shall not be actively associated with the management of, or hold a financial interest in, any profit making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to benefit from such association or financial interest by reason of his or her position with FAO.</i></p> <p><i>301.1.11. All staff members at the D-1 or above level may be required to file financial disclosure statements on appointment and at intervals thereafter as prescribed by the Director-General, in respect of themselves, their spouses and their dependent children, and to assist the Director-General in verifying the accuracy of the information submitted when so requested. The financial disclosure statements shall include certification that the assets and economic activities of the staff members, their spouses and their dependent children do not pose a conflict of interest with their official duties or the interests of FAO. The financial disclosure statements shall remain confidential and shall only be used as prescribed by the Director-General in making determinations pursuant to Staff Regulation 301.1.10. The Director-General may require other staff to file financial disclosure statements as he deems necessary in the interest of the Organization”.</i></p> <p>In adopting the above amendment to the FAO Staff Regulations, the FAO Council observed that the immediate implementation of the system would imply the review of over 200 statements yearly under conditions of strict confidentiality, concerning staff members in grades D-1 and above and other designated staff members. The Council endorsed the proposal that, in view of the workload involved in this process, as well as cost considerations, the Organization should take a pragmatic approach towards the matter under the Staff Rules which</p>	<p>CL 132/REP Report of the Council of FAO, Hundred and Thirty-second Session, 18-22 June 2007, paras 122-124, and its Appendix G.</p>

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<p>allowed it already to implement a simpler system of declaration of interest, as was done in other organizations of the system. Staff members in grade D-1 and above would be required to submit the declarations upon recruitment and at regular intervals as prescribed.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Implementation of a fully fledged system of financial disclosure system.</p>	<p>The FAO Council noted that the new regime would be reviewed by the Committee on Constitutional and Legal Matters (CCLM) in 2008 and a decision would then be taken as to whether, in the light of the experience gained within FAO and in other organizations of the system, the full-fledged system should be implemented.</p>

4) Code of Ethics

A code of ethics for agency staff promotes responsible governance and ethical behavior.

- a. A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.
- b. An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.
- c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. by posting them to the agency's intranet and external websites).

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments</i></p> <p>FAO has 'Standards of Conduct' which contain examples of guiding principles to be upheld and examples of misconduct. For the purpose of the standards of Conduct, International Civil Servants are defined as full-time regular staff working at FAO. However, the language of the Standards of Conduct implies that consultants and other part-time staff are also covered.</p> <p>Furthermore, the FAO Policy on Fraud provides examples of unsatisfactory conduct warranting disciplinary action which includes the following:</p>	<p>Standards of Conduct for FAO, Manual Section 304, Appendix A.</p> <p>Policy on Fraud and Improper Use of the FAO's Resources, Administrative Circular 2007/11</p>

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II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Currently, FAO does not have a specific Code of Ethics framework nor has the Organization dedicated Ethics Officer post or institutional entity to which staff could turn for advice on ethical standards.</p> <p>The feasibility of establishing an Ethics Officer position is presently under consideration by the Organization. Concurrently, a review is being undertaken on an appropriate Code of Ethics framework that could be applied at FAO to uphold the requisite ethical standards. In this regard, consultations are being conducted to ascertain the codes of ethics being applied in comparable organizations, and notably in other organizations of the United Nations common system (including the UN Secretariat).</p>	<p>It is planned that the review should be concluded within the first quarter of 2008 and an indication will be provided at that juncture on the envisaged timeframe for the possible introduction of such a code.</p>

(5) Internal Audit

Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).
- b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.
- c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.
- c. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.
- d. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.
- e. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.
- f. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.
- g. The internal audit function has a process in place to monitor the response to its recommendations.
- h. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).</i></p> <p>The Office of the Inspector General ("OIG") carries out internal audits in accordance to IIA Standards.</p> <p>FAO fully complies with this requirement.</p>	<p>Charter for the Office of the Inspector General (ref pg 2/)</p>
<p><i>Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.</i></p> <p>Auditors adhere to ethical principles of integrity, objectivity, confidentiality and competency.</p> <p>FAO fully complies with this requirement.</p>	<p>Charter and IIA standards</p>
<p><i>The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.</i></p> <p>The internal audit function is independent and objective in the execution of its respective duties. Internal audit duties are carried out by the Office of the Inspector General, which is an independent office reporting directly to the Director-General. The Office of the Inspector General has a reporting line to the Governing Bodies (Finance Committee) and to the Audit Committee.</p> <p>There is an officer designated to head the Internal Audit function. This is the Inspector General. The Director-General is responsible for appointing and terminating an individual as Inspector General after consultation with the Finance Committee. The Finance Committee consists of representatives of 11 Member Nations.</p>	<p>Charter and IIA standards</p> <p>Charter</p>

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<p>The Inspector General reports directly to the Director-General and not to the functions and programmes audited. Should circumstances make this necessary, the inspector General may bring any audit report to the attention of the Finance Committee</p> <p>The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.</p> <p>OIG has a charter that outlines the following:</p> <ul style="list-style-type: none"> ▪ Mission ▪ Scope of work ▪ Independence requirements ▪ Accountability requirements ▪ Responsibilities ▪ Authority ▪ Communication of Results ▪ Standards of Audit Practice <p>The Charter is reviewed by the Finance Committee and the Audit Committee, and in the course of external Quality Assurance Reviews. The Audit Committee maintains continuous review over the Charter. The Finance Committee reviewed the Charter in 2000 and will review a revised Charter in 2008. External Quality Assurance Reviews review the Charter at least once every five years. The Charter is approved by the Director General.</p> <p>FAO fully complies with this requirement.</p>	<p>Charter</p> <p>Basic Text, Administrative Manual, and Charter</p>
<p><i>The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals</i></p> <p>FAO IG has a formalized risk assessment process, conducted on a biennial basis and updated annually, to identify its risk-based work program. The</p>	

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<p>process is consultative involving all management. The risk assessment process conforms to the standards outlined by the IIA. The audit plan focuses on FAO's internal control processes, operations, and areas of greatest financial, operational and/or reputational risk. The audit plan is reviewed quarterly against audits executed, and progress is reported to the Director General and the Audit Committee in the quarterly reports of the Office of the Inspector General.</p> <p>FAO fully complies with this requirement.</p>	
<p><i>The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.</i></p> <p>The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts. The Inspector General liaises with the External Auditor and the Evaluation Service, to ensure complementarity of work and avoid duplication.</p> <p>FAO fully complies with this requirement.</p>	
<p><i>The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.</i></p> <p>The Office of the Inspector General shall report the results of its work and make recommendations to management for action with a copy to the Director-General and the External Auditor. Individual audit reports are distributed at the end of individual audits, over 50 per year.</p> <p>At the discretion of the Inspector-General, any such report may also be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested member states.</p> <p>The Inspector General submits quarterly summary reports to the Director</p>	Charter

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<p>General and to the Audit Committee.</p> <p>The Inspector General shall submit a summary report annually to the Director-General with a copy to the External Auditor on the activities of the Office of the Inspector General, including the orientation and scope of such activities as well as comments on the implementation status of recommendations. This report is also submitted to the Finance Committee and the Audit Committee.</p> <p>FAO fully complies with this requirement.</p>	
<p><i>The internal audit function has a process in place to monitor the response to its recommendations.</i></p> <p>Internal audit recommendations are tracked by the Office of the Inspector General and resolution is followed up on a six-monthly basis. The results of the follow up are reported to the Audit Committee, and included in the Annual Report of the Office of the Inspector General.</p> <p>FAO fully complies with this requirement.</p>	<p>Annual report of the Office of the Inspector General (Finance Committee document)</p>
<p><i>A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.</i></p> <p>A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.</p> <p>The external auditor works closely with the internal audit activity. The External Auditor reviewed the internal audit function in November 2007.</p> <p>IG has periodic peer reviews (QAR). In 2007 the IIA led an external Quality Assurance Review. Such reviews are carried out at most every five years in accordance with IIA standards.</p> <p>A continuous Quality Assurance Improvement process is being put in place.</p> <p>FAO fully complies with this requirement.</p>	<p>Terms of reference of the QAR can be obtained from the IIA's web page.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

B. Project/Activity Processes and Oversight

(1) Project Appraisal Standards, including safeguards measures, as appropriate

Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed.

- a. An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.
- b. Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.
- c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.
- d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.</i></p> <p>Projects are subject to a diligent review process throughout project formulation. This consists of formal review by concerned technical divisions, operations units, relevant FAO country and regional offices, thematic Interdepartmental Working Groups (IDWGs), as appropriate, and by legal, budget, finance, audit offices and donor liaison units. With respect to GEF projects, the relevant IDWGs are:</p>	<p>PC 2007/02 - Standard Project Document Format - Guidelines for Project Formulators</p> <p>FPC 2003/04 Project Cycle</p> <p>DGB 2007/04 Role of FAO Representatives in Project Cycle (size: 30 k),</p> <p>DGB 2000/01 Principles and Guidelines for FAO Cooperation with the Private Sector</p>

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<p>biodiversity, bioenergy, biosecurity, climate change, and desertification.</p> <p>The cleared project document is then submitted to review by the Programme and Project Review Committee (PPRC) which provides a quality review function, ensures a project is consistent with FAO's programme and strategic priorities, and ensures synergy with other interventions and projects. It also ensures that proposed programmes and projects are supportive of the MDGs, Projects should:</p> <ul style="list-style-type: none"> ➤ have a positive impact on, or lead to, conditions favoring food security and poverty reduction (MDG Goal 1), and contribute to environmental sustainability (MDG Goal 7) and sustainable rural development; ➤ build and/or reinforce national capabilities to ensure continuity of action, promote sustained self-reliance and protection of the environment and support the sustainable use and management of natural resources; ➤ promote gender equality and equity (wherever possible with a specific target in line with MDG Goal 3); through the systematic compliance with FAO's stated commitment to and policy on mainstreaming a gender perspective into activities; <p>Once the project is cleared by the PPRC it is submitted to the formal approval process of the respective donor. Final approval of a project by FAO rests with the Assistant Director-General of the Technical Cooperation Department.</p> <p>FAO's project appraisal process focuses on the technical, operational and financial feasibility of a project, its contribution both to a country's sustainable development and natural resource management objectives and programme. As most projects can be considered technical assistance projects, the economic analysis would relate to a specific local context. Social dimension are considered in the PPRC review.</p> <p>FAO does not currently have comprehensive established procedures for environmental impact assessment. EIA guidelines exist for specific sub-sectors such as for irrigation, disposal of obsolete pesticides, fertilizer, and IPM projects. Draft EIA procedures were prepared but need to be reviewed and updated.</p> <p>In addition to the procedures described above, GEF funded projects will be</p>	<p>FPC 2007/02 - Standard Project Document Format - Guidelines for Project Formulators MS146-AC (FAO audit committee)</p>

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<p>subject to “Peer Reviews”.</p> <p>The Organization largely complies with these requirements. Methodology for dedicated environmental assessment has been formulated but still requires corporate review, endorsement and roll-out.</p> <p><i>Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.</i></p> <p>All new projects are drawn according to the Standard Project Document (SPD) guidelines, which is structured around the logframe, with outcome, outputs, activities and indicators, and follows best practices within the UN system. This is now standard practice for FAO, and training programmes are being conducted since mid 2007 to roll-out the new methodology. Project documents not complying with these standards are not accepted for submission to approval.</p> <p>The Organization fully complies with this requirement.</p> <p><i>Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.</i></p> <p>The Standard Project Document (SPD), introduced in early 2007, provides basic guidance on risk assessment and risk management; however the focus of the guidance is mainly on the implementation of the project and the achievement of the planned outcomes.</p> <p>High risk projects are identified by the Organization at the formulation stage, and special monitoring, evaluation and audit procedures are incorporated into the project documents. It is planned to institute a dedicated “Peer Review” for large-scale and complex projects whose role would be to identify potential risks and ensure preventive action through adaptation of the project design.</p> <p>The Office of the Inspector-General also uses an objective risk assessment methodology for audit planning, which is applied on a biennial basis to the whole</p>	<p>FPC 2007/03 - FAO's Trust Funds Programme - Standard Project Agreements</p> <p>Field Programme Manual (FPM)</p> <p>Field Programme Monitoring Information System (FPMIS)</p> <p>Quarterly Project Implementation Report (QPIR)</p> <p>Field Programme Manual (FPM)</p>

Inventory of Current Organizational Environment	Documentation References
<p>Organization, including projects, in order to identify and classify auditable units and develop an audit plan.</p> <p>Basically, the internal audit risk assessment entails the following steps: identification of the processes within FAO; identification of the entities (which include projects); allocation of processes to entities to identify an auditable unit; and identification of risk factors. A value is assigned to each risk factor for each process and entities, thereby producing a risk score for each auditable unit. A further categorization of the numeric risk ranking into High, Medium and Low is then carried out, and the audit work plan developed based on risk and considering last audit activity, work effort, and the balance of activity across processes and entities. During the course of a biennium, the audit plan is adjusted to take into account emerging factors.</p> <p>Special audit attention is planned into high risk projects that have been identified at the formulation stage. Major procurements are reported to the Office of the inspector-General on a quarterly basis and the audit plan is adjusted, as necessary, to ensure adequate audit coverage.</p> <p>However, the current procedure still needs improvement to meet the requirements of GEF for a more structured risk-assessment process. Procedures will be formulated that will guide the project formulator in the identification of risks related to environment, social, institutional and fiduciary aspects of GEF projects. To the extent appropriate, this risk assessment will be also used in projects of other funding sources. FAO has interacted with UNDG/GEF to review their related procedures/methodologies and to assess the current status of best practices.</p> <p>FAO does not fully comply with this requirement but has initiated the development of a system to identify and monitor projects at risk.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Point a) While the overall project or programme appraisal process already in place in FAO mostly covers all the requirements expressed by GEF, FAO is committed in making the process even more adapted to the particular necessities of GEF projects.</p> <p>Point c) The risk identification, management and mitigation process for FAO projects is still fragmented. It needs to be streamlined taking into account the experience developed in FAO and in other GEF Agencies.</p> <p>Point d) FAO has developed, with the Standard Project Document, the basis for result based management (RBM), monitoring and reporting on its field programme. However, a system-wide monitoring system for monitoring and reporting is yet to be developed.</p>	<p>A consultant is under recruitment to manage the corporate review process of review draft instruments related to the environmental appraisal and assessment and to issue them as guideline for FAO staff dealing with formulation and appraisal of environmental projects/programmes.</p> <p>Expected completion: June 2008</p> <p>The same consultant will work with TCOM/TCAP to develop a methodology for risk identification, management and mitigation in environmental projects, based on the methodology developed by UNDP/GEF.</p> <p>Expected completion for methodology: June 2008</p> <p>The methodology will be supported by a web-based interactive application, based on the existing FPMIS, and following the model of UNDP.</p> <p>Expected completion of application: December 2008</p> <p>A concept paper for results based monitoring and reporting will be prepared and be submitted for corporate approval.</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
	<p>This is dependent on the completion of the recruitment of a Senior Officer in TCOM.</p> <p>Expected availability of the concept paper: July 2008</p> <p>Approval of concept paper: September 2008</p> <p>Once the concept paper is approved, a results based monitoring system will be developed and implemented.</p> <p>Tentative starting date: September 2008 – December 2009</p>

(2) Procurement Processes

Agency procurement processes covering both internal/administrative procurement and procurement by recipients include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste.

- a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.
- b. Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.
- c. Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.
- d. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.
- e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.

I. Description of how agency meets this standard:

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<p><i>Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.</i></p> <p>Manual Section (MS) 502 revised in Dec. 2007 (with further revision well advanced) provides for the rules and regulations applying to procurement of goods, works and services.</p> <p>FAO fully complies with this requirement.</p> <p><i>Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants,</i></p>	<p>Manuel Section 502: Procurement of Goods, Works and Services</p> <p>Manual Section 507: Letters of Agreement</p> <p>Manual Section 317: Consultants</p> <p>Manual Section 319: Personal Services Agreement</p>

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<p><i>contractors and service providers.</i></p> <p>MS 502 regulates procurement of goods, works and services and MS 507 regulates Letters of Agreement with not-for-profit entities for not-for-profit purposes in the context of capacity building in developing countries. MS 317 and 319 regulate the recruitment of consultants.</p> <p>FAO fully complies with this requirement.</p> <p><i>Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.</i></p> <p>Procurement of goods, works and services is performed directly by FAO. FAO has not delegated procurement responsibility to beneficiary institutions although this may be considered in relation to the One UN initiative</p> <p>FAO fully complies with this requirement.</p> <p><i>Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.</i></p> <p>Regular statistics are produced to monitor procurement output in quantity and quality. Lessons from procurement monitoring with regard to vendors is monitored. The Procurement Service, on a regular basis, reviews lessons learned from procurement issues and issues internal guidelines to capture and disseminate the lessons learned. Further lessons learned from external or internal audits as well as evaluation reports are monitored for implementation until completed. The Procurement Service recently implemented a business intelligence tool to be able to increase the frequency and depth of analysis.</p> <p>FAO fully complies with this requirement.</p> <p><i>Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.</i></p> <p>Procurement records are kept for centralized procurement at HQ at the</p>	

Inventory of Current Organizational Environment	Documentation References
<p>Procurement Service, while they are not physically easily accessible; they are easily accessible to authorized staff members, i.e. Audit, External Audit. Procurement policies and awards are not publicly disclosed because procurement of specialized and regulated goods, works and services (i.e. vaccines, seeds, pesticides, fishing equipment >75% of FAO procurement) is done using the restricted tendering method with pre-selection of registered and pre-qualified vendors.</p> <p>FAO partially complies with this requirement.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(3) Monitoring and Project-At-Risk-Systems

The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

- a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.
- b. The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.
- c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.
- d. A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
- e. Adequate oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation.
This process or system is subject to independent oversight

I. Description of how agency meets this standard:

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<p>The purpose of monitoring is to ensure that project implementation is in compliance with the approved project documents and work plans and to identify timely problems as they arise with a view to resolving them <i>ex ante</i> rather than <i>post factum</i>. The current monitoring system of the field program is based on two information flows:</p>	<p>FPC 2007/03 - FAO's Trust Funds Programme - Standard Project Agreements</p>

Inventory of Current Organizational Environment	Documentation References
<ul style="list-style-type: none"> ▪ The Field Programme Management Information System (FPMIS) contains information on project cycle related data, and documentation such as designation memoranda, project documents, budget revisions, Quarterly Project Implementation Reports, progress reports, mission reports, terminal reports, etc. FPMIS also generates automatic messages (“trigger messages”) whenever certain predefined conditions apply. <p>Management of projects based on approved project work plans by budget holders. The framework for their task is the approved project document and FAO’s operational procedures</p> <p>With the development of the Standard Project Document it has become mandatory to provide performance indicators as part of the project design. FAO’s Standard Project Document requires that project elements should be presented “smart”, whereby flexibility is allowed in the degree of detail that is required depending on the project type and level of expertise available to the project. Progress reporting obligations are stated in the project document, and there are standard formats for Project Progress Reports and QPIRs.</p> <p>FAO field programme performance is documented on a monthly basis from corporate and at regional perspective, and made available to top managers. However, this reporting does at this stage not focus on specific funding source, can however be instated without problems with the instruments available. However, FAO has an automatic messaging system that informs budget holders by email concerned of projects that are not performing according to basic standards (i.e. broad dates and delivery targets), and recommends proposed course of action.</p> <p>In addition, projects are monitored through field visits (supervision missions) by FAO staff and evaluation missions. Permanent Representatives to FAO have access on line to relevant data of the Field Programme Management Information System" offering therefore monitoring and information possibilities to both the donor and the recipient.</p> <p>See prior comments on high risk projects under section (1) Project appraisal standards above. Identification of risk projects is currently being performed using</p>	

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<p>key dates and disbursement performance (slow implementation as well as over-expenditures). Budget holders are expected and responsible to take appropriate action.</p> <p>For projects under National Execution modalities FAO is currently developing procedures based on HACT arrangements and best practices, also taking into account experience of the WB, UNDP and other agencies on how best to manage such projects</p> <p>At this stage FAO does not have a qualitative risk assessment on a project-by-project basis in place but will develop such a system, based on best practices in the UN system, namely UNDP/GEF.</p> <p>FAO partially complies with this requirement.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.</p> <p>b. The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.</p>	<p>FAO will be recruiting a senior advisor to assist in reviewing GEF monitoring and evaluation policy, to identify gaps in FAO's approach and to recommend remedies.</p> <p>Expected end: September 2008</p> <p>This dimension will be part of the review and corrective action will be taken, as appropriate.</p> <p>Expected end: September 2008</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.</p> <p>d. A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.</p> <p>e. Adequate oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation. This process or system is subject to independent oversight</p>	<p>Current automatic messaging will be supplemented by new reports focusing on GEF projects in a consolidated report that will be made available to managers concerned. As soon as risk assessment system and results-based management are in place, more qualitative reporting and monitoring will be developed, that would be suitable for higher management levels.</p> <p>Expected end: September 2008 – December 2009</p> <p>See prior point.</p> <p>See prior points.</p>

(4) Evaluation Function

The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of agency objectives, and to learn from experience. The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF, including impartiality, professionalism, and a high degree of independence.

- a. Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.
- b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods.
- c. The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and /or the governing board.
- d. An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.</i></p> <p>All the programmes and activities of FAO, financed by the regular budget of the Organization and those financed from voluntary contributed extra-budgetary resources, are subject to evaluation. The policies for evaluation of these programmes have been set by, member countries in the Governing Bodies and the Director-General. The Evaluation Service is responsible for ensuring the relevance, effectiveness, quality and independence of evaluation in FAO. The</p>	<p>Evaluation website: http://www.fao.org/pbe/pbee</p> <p>“Evaluation in FAO – Institutional Arrangements, Policies and Methods”</p>

¹ <http://www.uneval.org>

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<p>Service receives guidance from the Programme Committee and consults with the Internal Evaluation Committee. It is solely responsible for the conduct of all evaluations, with the exception of auto-evaluations conducted by programme managers, for which it provides support, including the selection of evaluators and the evaluation terms of reference. It thus enjoys a high degree of independence within the Organization.</p> <p>FAO fully complies with this requirement.</p> <p><i>The evaluation function follows impartial, widely recognized, documented and professional standards and methods.</i></p> <p>Evaluation in FAO adheres to evaluation norms and standards for evaluation in the UN system¹ established by the United Nations Evaluation Group. These norms and standards are largely in line with the standards of the OECD-DAC.</p> <p>FAO fully complies with this requirement.</p> <p><i>The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and /or the governing board.</i></p> <p>The Evaluation Service is located for administrative purposes in the Office of Programme, Budget and Evaluation, which forms part of the Office of the Director-General. The Evaluation Service has a double reporting line to the Director-General and to the Governing bodies through the Programme Committee.</p> <p>The recommendations of the Independent External Evaluation of FAO for the evaluation function, including its greater institutional independence, are currently being considered by FAO management and governing bodies and is expected to conclude by September 2008.</p> <p>FAO partially complies with this requirement.</p>	

Inventory of Current Organizational Environment	Documentation References
<p><i>An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.</i></p> <p>All evaluation reports and, where available, the management response, are public documents and posted on the evaluation website.</p> <p>FAO fully complies with this requirement.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p><u>Need for strengthening independence of the Evaluation Function:</u> <u>Evaluation of the Evaluation Function:</u></p> <p>An evaluation of the evaluation function was carried out as a separate study in the Independent External Evaluation of FAO (IEE). The IEE concluded that the use, quality, and institutional reach of evaluation in FAO compares favorably to other specialized UN agencies and is reasonable good compared with all UN agencies. The IEE recommended that "FAO's evaluation function should be made independent", continuing the line already set by the Governing Bodies in 2003. Institutional arrangements for this should be such as to ensure the responsiveness of the evaluation office to the needs of both the Governing Bodies and management. It further recommended the establishment of the Evaluation Office as a separate office, with a strong consultative link to management and reporting to the Council through the Programme Committee.</p>	<p>IEE Summary found in chapter IV of "Programme Evaluation Report - 2007" – C2007/4 Thirty-fourth Session of the Conference 17-24 November 2007 ftp://ftp.fao.org/docrep/fao/meeting/012/k0946e.pdf</p> <p>The recommendations of the Independent External Evaluation of FAO for the evaluation function, including its greater institutional independence, are currently being considered by FAO management and governing bodies and is expected to conclude by September 2008.</p>

Inventory of Current Organizational Environment	Documentation References
<p>A website has recently been launched.</p> <p>FAO fully complies with this requirement.</p>	
<p><i>To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.</i></p> <p>To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body. The Investigations Unit is headed by a Chief Investigator (P-5) reporting to the Inspector General.</p> <p>The Inspector General (IG) works independently from management, reporting with a dotted line to the Finance Committee. The IG submits a quarterly report to the Audit Committee on all cases investigated.</p> <p>FAO fully complies with this requirement.</p>	
<p><i>The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.</i></p> <p>The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.</p> <p>The IG maintains a database of cases for tracking and reporting purposes.</p> <p>The IG reports on a quarterly basis to the Director General and to the Audit Committee on the results of investigations. The reports summarize both cases and trends, and provide the status of recommendations to improve controls.</p> <p>FAO fully complies with this requirement.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p><i>The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.</i></p> <p>The investigations function has not yet published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.</p> <p>Status – investigation guidelines have been drafted and have had in-house as well as Audit Committee review.</p>	<p>Investigation guidelines to be issued as soon as possible. This is actively monitored by the Audit Committee.</p>

(2) Hotline & Whistleblower Protection

Agency policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.

- a. A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.
- b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.
- c. A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken the same action absent the protected disclosure).
- d. Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).
- e. Procedures are in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p><i>A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.</i></p> <p>A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity. Such reports can be sent to a confidential fax number advertised on the Internet, or by mail or email to the Inspector General, or reported in person to the IG or staff of the office.</p> <p>FAO fully complies with this requirement.</p>	<p>Policy on Fraud and Improper use of the Organization's Resources</p>

Inventory of Current Organizational Environment	Documentation References
<p><i>An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.</i></p> <p>Cases sorted on the basis of misconduct by staff and fraud/corruption on operations.</p> <p>IG maintains a database of cases for tracking and reporting purposes.</p> <p>FAO partially complies with this requirement.</p>	
<p><i>A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken the same action absent the protected disclosure).</i></p> <p>Both the Charter of the Office of the Inspector General ("OIG") and the Fraud policy state that the OIG shall be available to receive complaints, confidentiality will be respected at all times and no reprisals shall be taken against staff members providing such information. Staff is informed of the policies and is reminded from time to time about them through administrative circulars.</p> <p>The Charter of the OIC states that the OIG is responsible for maintaining confidentiality at all times in the execution of its duties.</p> <p>FAO partially complies with this requirement.</p>	
<p><i>Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).</i></p> <p>See response above.</p>	

Inventory of Current Organizational Environment	Documentation References
FAO partially complies with this requirement.	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
The intake function is currently managed by the investigations function. A triage process is still in the process of being formalized	Investigation guidelines to be issued in the first half of 2008.
Procedures are not yet in place for the periodic review of the handling of hotline , whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective	Investigation guidelines in the first half of 2008.