

OFFICE OF THE NATIONAL PUBLIC AUDITOR
FEDERATED STATES OF MICRONESIA



**OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT
IMPLEMENTED BY NORMA IS ANTICIPATED TO BE ACHIEVED BY THE
EXTENDED TIMELINE DESPITE THE DELAYS**

Audit Report No. 2021-04



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863; Fax: (691) 320-5482;

CID Hotline: (691) 320-6768; E-mail: hhainrick@fsmopa.fm

Wednesday, July 7, 2021

His Excellency David W. Panuelo, President
Honorable Members of the 22nd FSM Congress
Federated States of Micronesia

RE: Second Performance Audit on the Pacific Island Regional Oceanscape Program funded by International Development Association – World Bank (WB) implemented by National Oceanic Resource Management Authority (NORMA)

We have completed our 2nd Performance Audit on the Pacific Island Regional Oceanscape Program (PROP) funded by International Development Association – World Bank (WB). The PROP project is a five-year project which the FSM National Oceanic Resources Management Authority (NORMA) has been implementing since May 2015 when the Financing Agreement between the WB and FSM was initially formalized. The objective of the PROP Project is to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend.

This performance audit was requested by the Executive Director of National Oceanic Resource Management Authority (NORMA) as required by the Financial Agreement and covers the period FY2018 – FY2020 up to January 2020; however, relevant information up to FY2021 was also used to come up with the findings, recommendations and conclusions that reflect recent implementation updates. The focus of our audit was on Components 1 & 4 only of the PROP project, as Component 2 had been completely implemented by the Department of Resources & Development while Component 3 is not applicable to FSM. Our office had carried the 1st performance audit on the PROP project for the period March 2015 to September 2017 (issued on Audit Report No. 2018-01), and an audit follow-up report was issued on Audit Report No. 2020-03.

We conducted this audit performance in accordance with the generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We noted that the PROP project was set to end in September 30th 2020 and later extended for another year to September 30th 2021 following a restructure proposal by FSM. Based on our audit, we concluded the following:

- a) Project development objectives are anticipated to be achieved by the new closing term of the project (September 2021) despite the delays in implementation of activities as:
 - (i) NORMA continues to implement project activities relating to institutional strengthening and capacity building; activities that relate to meeting Disbursement Linked Indicators (DLI) for strengthened management tuna fisheries; and activities that are based on the annual work plan and budget; and
 - (ii) NORMA has not fully met the required DLI targets even though it is up to date with its disbursements.
- b) Lack of required support from Forum Fisheries Agency (FFA) and other challenges delayed project full implementation of project activities under Component four (4) as:
 - (i) FFA did not provide initial required support needed for procurement activities, documentation for national level project procurement processing and daily implementation of the PROP project;
 - (ii) There was no Procurement Specialist until late September 2017 and no recruitment for both Finance Officer and Safeguard Specialist to assist FSM PROP project; and
 - (iii) NORMA encountered difficulty in obtaining timely approvals for procurement.
- c) NORMA is in process of implementing strategic steps to sustaining the activities currently funded by World Bank including the formalization of an approved 5-years Strategic Plan 2018-2023 and finalizing the FSM National Oceanic Fisheries Investment Policy 2018-2023.

Respectfully submitted,



Haser H. Hainrick,
National Public Auditor

Cc: Executive Director, National Oceanic Resources Management Authority (NORMA)
Chairman and Members, Board of Directors for NORMA
Secretary, Department of Resources & Development
Secretary, Department of Justice
Secretary, Department of Finance and Administration
Representative, World Bank Central Implementation Unit
Governor, Chuuk State
Governor, Kosrae State
Governor, Pohnpei State
Governor, Yap State

Table of Contents

Abbreviations	1
1.0 INTRODUCTION	1
1.1 Reason/Impetus for the Assignment	1
1.2 Project Background Information:.....	1
1.3 Amendment to the Financing Agreement:.....	4
2.0 OBJECTIVES, SCOPE AND METHODOLOGY	5
3.0 CURRENT DEVELOPMENT.....	6
4.0 PRIOR AUDIT COVERAGE.....	7
5.0 CONCLUSION	7
6.0 FINDINGS AND RECOMMENDATIONS	8
6.1 Finding No. 1: Project development objectives are anticipated to be achieved by the new closing term of the project (September 2021) despite the delays in implementation of activities.....	8
6.2 Finding No. 2: Lack of required support from the Forum Fisheries Agency (FFA) and other challenges delayed full implementation of project activities under Component four (4)	14
6.3 Finding No. 3: NORMA is in process of implementing strategic steps to sustaining the activities currently funded by World Bank	18
7.0 APPENDICES	24
7.1 APPENDIX A – IMPLEMENTATION STATUS MATRIX OF RECOMMENDATIONS GIVEN UNDER PRIOR AUDIT REPORT NO. 2020-03	24
7.2 APPENDIX B - STAGES OF IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS .	28
7.3 APPENDIX C - STAGES OF IMPLEMENTATION OF PROJECT ACTIVITIES	29
7.4 APPENDIX D – COMPONENTS OF THE FSM PROP PROJECT	30
7.5 APPENDIX E: NORMA’S ORGANIZATIONAL CHART THAT REFLECTS NEW POSITIONS.....	31
8.0 MANAGEMENT RESPONSE	32
8.1 Response from NORMA.....	32
8.2 Response from Department of Finance and Administration	36
9.0 ONPA EVALUATION OF MANAGEMENT RESPONSE	38
10.0 NATIONAL PUBLIC AUDITOR’S COMMENTS.....	39
11.0 ONPA CONTACT AND STAFF ACKNOWLEDGEMENT	40

Abbreviations

Abbreviation	Meaning	Abbreviation	Meaning
CA	Competent Authority	LLVDS	Long-line vessel days scheme
CIU	Central Implementation Unit	MCS	Monitoring, Control and Surveillance
DLI	Disbursement Linked Indicator	non-DLI	non-Disbursement Linked Indicator
DoFA	Department of Finance and Administration	NORMA	National Oceanic Resources Management Authority
DOJ	Department of Justice	M&E Specialist	Monitoring and Evaluation Specialist
DR&D	Department of Resources and Development	PNA	Party to the Nauru Agreement
EU	European Union	POM	Program Operations Manual
FFA	Forum Fisheries Agency	PROP	Pacific Island Regional Oceanscape Program
FSM	Federated States of Micronesia	WB	World Bank
IDA	International Development Association	WCPFC	Western and Central Pacific Fisheries Commission
ISO	International Standard Organization		

Office of the National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE DELAYS
Audit Report 2021-04

1.0 INTRODUCTION

1.1 Reason/Impetus for the Assignment

This performance audit was requested by Executive Director of National Oceanic Resource Management Authority (NORMA) as required by the Financial Agreement between the FSM National Government and International Development Association – World Bank (WB).

1.2 Project Background Information:

The Pacific Island Regional Oceanscape Program (PROP) is a five-year regional project financed by the WB in the Federated States of Micronesia (FSM) as documented in the Financing Agreement¹. The objective of the project is to *“strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend”*. PROP is a series of projects which includes separate, but complementary, national projects in the Federated States of Micronesia, Kiribati, the Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga and Tuvalu². PROP is being implemented through four (4) components out of which three (3) are being implemented at the FSM national government level.

Components of the PROP project (refer to [Appendix D](#) for more details on each Components of the PROP project):

Component No.	Component Description	Leading Implementing Agency in the FSM
One (1) - Sustainable Management of Oceanic Fisheries	Strengthening the capacity of national and regional institutions to sustainably manage Pacific Islands tuna fisheries.	National Oceanic Resource Management Authority (NORMA)
Two (2) - Sustainable Management of Coastal Fisheries	Strengthening the capacity of the Secretariat of the Pacific Community (SPC) for technical support to participating countries for sustainable management of coastal fisheries.	Department of Resources and Development (DR&D)
Three (3) - Sustainable financing of the conservation of critical habitats	PROP is funding work under the Pacific Ocean Finance Program to increase the amount and efficacy of financial investments into Pacific Ocean Governance.	Not applicable at national government level.
Four (4) - National Program Management, Monitoring and Evaluation	Project's management, implementation and coordination of activities across the three Components. Includes the monitoring and evaluation of project activities.	National Oceanic Resource Management Authority (NORMA)

¹ <http://documents.worldbank.org/curated/en/515941468063256491/Official-Documents-Financing-Agreement-for-Grant-D014-FM-Closing-Package>

² <https://www.ffa.int/prop>

Office of the National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE DELAYS
Audit Report 2021-04

The initial term of the project was from March 2015 to September 2020. A request for extension by the FSM Government was granted for another year up to September 2021. This program will strengthen the following areas: (a) the national and regional institutions responsible for management of the oceanic fisheries; (b) the local and national institutions responsible for the management of the coastal fisheries; and (c) the institutions responsible for the conservation of the natural habitats that support them.

The FSM Government was one of the first four island countries in the Pacific that had entered into an agreement with the WB, and whereby WB had agreed to extend FSM a grant of SDR 3.8M (equivalent to USD\$5.5M). As of December 2020, US\$4.07M (74%) had been disbursed to FSM Government after meeting the Disbursement Linked Indicators (DLI) targets. [Table 1](#) below shows the amount disbursed for both Disbursement Linked Indicators (DLI) and non-Disbursement Linked Indicator (non-DLI) activities from fiscal years (FY) 2017 to 2020, including the advancement of \$500,000 when the project was initially set up.

Table 1: Disbursements for DLI and NON-DLI

Disbursement Activity	Advance as of 7/8/2015	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Total
NON-Disbursement Linked Indicators (non-DLI)	\$500,000	\$47,453.60 \$47,453.60	\$217,702.18	\$369,128.58 \$218,400.00 \$118,212.93	\$114,379.34 \$160,800.61 \$96,500.61 \$57,890.10 \$134,133.94	\$78,600.29	
Subtotal	\$500,000	\$94,907.20	\$217,702.18	\$705,741.51	\$563,704.60	\$78,600.29	\$2,160,655.78
Disbursement Linked Indicators (DLI)		\$159,289.63	\$434,222.51	\$434,222.51	\$399,985.00 \$85,595.40 \$397,414.09		
Subtotal		\$159,289.63	\$434,222.51	\$434,222.51	\$882,994.79		\$1,910,729.14
GRAND TOTAL	\$500,000	\$254,196.83	\$651,924.69	\$1,139,964.02	\$1,312,565.15		\$4,071,384.92

Source: Disbursement Transaction List extracted from the World Bank Client Connection system

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

Special Drawing Rights (SDR): SDR is an international reserve asset created by the International Monetary Fund (IMF) in 1969 to supplement its member countries' official reserves. The value of the SDR is currently based on five major currencies: the U.S. dollar, European Union euro, Japanese yen, British pound and Chinese renminbi. The SDR 3.8M was allocated in two categories for the PROP Project and they are as the following:

- a) SDR2M – being for Goods, works, non-consulting services and consultants' services for the Project (except Component 1 Part 1 of the Project); and
- b) SDR1.8M - being for DLI Expenditures under Component 1 Part 1 of the Project.

Disbursement Linked Indicators (DLIs): "WB financing is disbursed in the form of payments against Program results (DLIs)" ³ which are targets set forth by WB and are to be accomplished by FSM prior to disbursements; as part of the Financing Agreement. SDR 1.8M is allocated for the DLIs to ensure that the participating countries comply with the Vessel Day Scheme (VDS), and to further guarantee that each country stays within its allocated Parties Allowable Efforts (PAE). PAE is the total number of fishing days for a year allocated to a party.

Below are the two types of replenishment into the PROP Designated Account:

- a) The **non-DLI replenishment**, which includes the following results and processes:
 - (i) The workplan and budget sets out approved activities under the Project;
 - (ii) At the beginning of the project, an advance of \$500K was deposited into the Designated Account at the Bank of the FSM;
 - (iii) NORMA spends based on the approved workplan and budget by the WB;
 - (iv) On a quarterly basis, the World Bank (WB) Central Implementation Unit (CIU) based at Department of Finance and Administration (DoFA) prepares a replenishment application through the Client Connection online system. WB have expenditure templates that CIU prepares as supporting documentation with the replenishment application;
 - (v) CIU prepares a transfer between the Designated Account and the General Fund to reimburse. Once the transfer is completed, a bank snapshot is requested from the Bank of FSM to assist with preparation of the Designated Account bank reconciliation; and
 - (vi) WB processes the application and gets back to CIU for any questions or errors noted for CIU to resolve. Once WB is satisfied, then WB will deposit the requested funds directly into the Designated Account.
- b) The **annual DLI replenishment**, which involves the following processes and steps:
 - (i) Each year NORMA prepares a report on the DLI targets and submits this to an independent reviewer for their audit opinion. The independent reviewer verifies and reviews the following four DLIs to ensure that FSM as a Party to the Nauru Agreement (PNA) member

³Source; <https://pubdocs.worldbank.org/en/325301495057225074/12-IdeasForEffectivePforR.pdf>

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

complies with the VDS requirements for each year. The DLI requirements are as the following:

- DLI 1: Number of purse seine tuna fishing days fished in the Recipient's water (*days fished as days fished in zone*);
 - DLI2(i): Number of purse seine fishing vessel days in the Recipient's waters recorded annually according to agreed criteria (Total days fished as days fished in zone);
 - DLI2(ii): Number of purse seine fishing days used and sold in the Recipient's water disclosed annually to the PNAO FIMS and other Parties to the Nauru Agreement; and
 - DLI 3: Proportion of purse seine tuna catch within the Recipient's water that is encompassed within the VDS or a compatible system (Days fished by vessels licensed by the Recipient to fish in the Recipient's EEZ).
- (ii) Each year NORMA prepares a report on DLI tagged expenditures and submits to WB for their verification and clearance. In order for FSM to receive the full DLI amount, this report must show at least the equivalent or more USD spent on monitoring activities;
- (iii) When WB receives the audit opinion from the auditors and clears the DLI tagged expenses, WB prepares a clearance letter to FSM stating how much FSM is able to drawdown;
- (iv) CIU prepares the drawdown by submitting the DLI report & accompanying audit opinion, DLI tagged expenditure and the WB clearance letter as supporting documentation. The drawdown is submitted through the WB's Client Connection system;
- (v) WB processes the drawdown application and deposits the funds directly into the Designated Account (DA); and
- NORMA prepares an annual workplan and budget approved by the WB setting out where they intend to spend the DLI but no further documentation is required to be sent to the WB to verify this spending.

1.3 Amendment to the Financing Agreement:

The Mid-Term Review (MTR) was held in May 2019; where, the WB had reviewed the MTR Report for the FSM PROP Project and documented the progress achieved when implementing the project activities under Components 1 and 4. During the MTR, a program restructure was proposed by NORMA including the request for extension of the closing date of the program. The MTR mission supported this request by allowing NORMA to prepare an updated work plan, budget and procurement plan to capture the proposed extension period. On December 12, 2019, FSM DoFA submitted a formal letter of request to the WB to restructure the FSM PROP Project and extend the project closing date from September 30, 2020 to September 30, 2021. On September 25, 2020, FSM Government received an approval⁴ from the WB for the new extension of project closing date, September 30, 2021. The new extension period does not include additional funding by the WB.

⁴ <http://documents.worldbank.org/curated/en/419541601302198216/Official-Documents-Amendment-to-the-Financing-Agreement-and-Revision-to-the-Results-Framework-for-the-Project-for-Grant-No-D014-FM>

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

2.0 OBJECTIVES, SCOPE AND METHODOLOGY

2.1 Objectives

The objectives of this performance audit are as follows:

- a) To determine the extent of implementation of the activities under Component 1 of the PROP Project and whether they are in line with the terms and conditions of the Financing Agreement;
- b) To determine the extent of implementation of activities under Component four (4) of the PROP Project and whether they are in line with the terms and conditions of the Financing Agreement; and
- c) To determine whether strategies are developed and operationalized for the sustainability of the PROP Project operations for effective management of fisheries after the end of the International Development Association – World Bank (WB) funding.

2.2 Scope

The scope of this performance audit covered FY 2018 and FY 2019 and up to January 31, 2020, however information relating to fiscal year 2020 was also used to come up with the findings, recommendations and conclusions that relate to the recent implementation updates of the project, and focused on the following:

- a) the extent of implementation of activities under Components 1 and 4 of the PROP Project and whether they are in line with the terms and conditions of the Financing Agreement between the Government of the Federated States of Micronesia (FSM) and the International Development Association – World Bank (WB); and
- b) the development and operationalization of strategies for the sustainability of the PROP Project operations to effectively manage fisheries after the end of the WB funding initially set for September 30, 2020 and later extended for another year. This performance audit was conducted at the NORMA located in Kolonia, Pohnpei from January to June 2020 with relevant information obtained from the DoFA.

We conducted this performance audit pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code which states in part as the following:

“The Public Auditor shall inspect and audit transactions, accounts, books and other financial records of every branch, department, office agency, board, commission, bureau, and statutory authority of the National Government and of other public legal entities, including, but not limited to, States, subdivisions thereof, and nonprofit organizations receiving public funds from the National Government”.

2.3 Methodology

We conducted this performance audit in accordance with the generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

- a) To determine the extent of implementation of the activities under Component 1 of the PROP Project and whether they are in line with the terms and conditions of the Financing Agreement, the audit team had:
 - (i) Obtained and assessed the work plan, budget, annual progress reports, mid-term review reports relating to Component 1 of the PROP Project;
 - (ii) Compared the assessment results against the terms and conditions of the Financing Agreement;
 - (iii) Developed questionnaires relating to activities under Component 1 of the PROP Project for Management of NORMA to provide responses on; and
 - (iv) Conducted interview with Management of NORMA to clarify the various documents and reports assessed and to confirm responses provided from our survey questionnaires.
- b) To determine the extent of implementation of activities under Component 4 of the PROP Project and whether they are in line with the terms and conditions of the Financing Agreement, the audit team had:
 - (i) Obtained and assessed the work plan, budget, progress reports, mid-term review reports relating to Component 4 of the PROP Project;
 - (ii) Compared the assessment results against the terms and conditions of the Financing Agreement;
 - (iii) Developed survey questionnaires relating to project activities under Component four 4 of the PROP Project for Management of NORMA to provide responses; and
 - (iv) interviewed the Management team at NORMA to clarify the various documents and reports assessed and to confirm responses provided from our survey questionnaires.
- c) To determine whether strategies are developed and operationalized for the sustainability of the PROP Project operations for effective management of fisheries after the end of the International Development Association – World Bank (WB) funding, the audit team had:
 - (i) Reviewed the Strategic Plan for NORMA and the Fisheries Investment Plan;
 - (ii) Developed questionnaires relating to sustainability of the PROP Project for Management of NORMA to provide responses on; and
 - (iii) Interviewed Management of NORMA to clarify the various plans and documents assessed and to confirm responses provided from our survey questionnaires.

3.0 CURRENT DEVELOPMENT

The last Virtual Implementation Support Mission was from October 26 to November 17, 2020, it was confirmed that progress was made; where, disbursement was increased from 70% to 74% with an estimated of \$SDR 1.35M (US\$1.88M) remaining which FSM PROP Project needs to commit to implementing the remaining components of the project. The project is on track to achieve the project development objective by the new closing date, September 30, 2021.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

4.0 PRIOR AUDIT COVERAGE

This is our third performance audit on the WB-financed PROP project that is being implemented by NORMA. Our first audit covered for the period March 2015 to September 2017 (issued on Audit Report No. 2018-01). Our last audit was a follow-up that was issued on Audit Report No. 2020-03; that focused on our assessment of the extent to which Management had implemented the prior recommendations given in the initial Audit Report No. 2018-01.

[Appendix A](#) shows the implementation status of the prior audit findings and recommendations as at May 29, 2020 after the Management were given an opportunity to provide the: a) Action taken or Plan of Action; b) Status or progress of recommendations; c) Reasons for not completing recommendations; and d) General Comments.

5.0 CONCLUSION

Based on our audit, we concluded the following:

- a) Project development objectives are anticipated to be achieved by the new closing term of the project (September 2021), despite the delays in implementation of activities;
- b) Lack of support expected from Forum Fisheries Agency (FFA) and other challenges delayed project full implementation of project activities under Component four (4); and
- c) NORMA is in the process of setting strategic goals for sustaining the activities currently funded by World Bank

The results of this performance audit relating to findings and recommendations are discussed in detail in the following pages.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

6.0 FINDINGS AND RECOMMENDATIONS

6.1 Finding No. 1: Project development objectives are anticipated to be achieved by the new closing term of the project (September 2021) despite the delays in implementation of activities.

Based on the Financing Agreement between the FSM National Government and the World Bank International Development Association (WB), Component 1 (Sustainable Management of Oceanic Fisheries) involves carrying out a program of activities aimed at strengthening the management of FSM's tuna fisheries, and such program to include:

- a) Strengthening the capacity of NORMA for sustainable management of shared tuna fisheries; and
- b) Carrying out a program of activities designed to strengthen institutional capacity of NORMA, such program to include support for a comprehensive review of NORMA's roles, functions, human and financial resources and organizational structure, and thereafter implementation of reforms agreed with the WB and technical assistance required to improve NORMA's effectiveness and capacity for governance of the oceanic fisheries sector.

The activities below were listed as part of the Financing Agreement:

- a) Recipient shall prepare and furnish to the Association not later than January 31 of each year (beginning from January 31, 2016) Annual Work Plan and Budget containing all eligible project activities and eligible expenditures for Association's no-objection;
- b) Recipient shall implement the project in accordance with the Annual Work Plan and Budget accepted by the Association;
- c) DLI Monitoring and Reporting: Recipient shall in accordance make necessary arrangements for independent verification to carry out independent verifications of the status of achievement of all DLI Targets; and
- d) The closing date is September 30, 2020.

During our audit, we assessed an overall "**Substantial**" implementation status (refer to [Appendix C](#) for more details on this status rating) due to:

- a) delay in the full implementation of project activities;
 - b) delay in achievement of project objectives under Component 1 by end of the original term of project, September 30, 2020;
- a) **On the Objective of Institutional Strengthening and Capacity Building for sustainable management of fisheries**, NORMA has implemented the following:

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

(i) Training and Professional Development

- PROP Project continues to provide training for both Board and staff and other fisheries management, specifically those involved in implementing the project (DOJ, DHSA, DR&D, DoFA and FSM States);
- PROP Project supported training in the form of attachment, workshop, exposure on the job training, refresher training and formal courses;
- As part of the whole-of-government support, PROP Project continues to provide funding for bilateral negotiations, specifically the Investment Officer from FSM Department of Resources and Development (FSM DR&D) to support NORMA negotiations relating to Vessel Day Scheme;
- At the regional level, PROP also funded Board members participation to the Forum Fisheries Committee (FFC) Ministerial Meeting. PROP also assisted with delegation joining FSM President making his T3 declaration at the Our Oceans conference. FSM commits to full transparency in fisheries through the electronic monitoring program;
- A total of thirty-four (34) morning tea series were held and is ongoing where trainees would share presentations on what they learned with the rest of NORMA staff. Sessions include: public awareness, data and statistics, Monitoring Control and Surveillance (MCS) and related inspections, science conference updates, observer debriefing and finance/auditing.

(ii) Negotiations and Meetings:

- PROP Project continues to support NORMA staff and Board with their attendance in negotiation meetings including bilateral, FFA, PNA and Western and Central Pacific Fisheries Commission (WCPFC). DOJ staff members are also involved in regional MCS meetings. PROP supports meetings of Fisheries Management and Surveillance working group. National workshop on Long-line Vessel Day Scheme (LLVDS) was held with NORMA and FFA along with four FSM States as part of rollout of the LLVDS.

(iii) Observer Program and Equipment

- PROP Project continues to support training and certification for observers and debriefers by regionally certified trainers;
- PROP also supports refresher trainings in basic skills for observers (i.e., firefighting and first aid);
- PROP also supported procurement of marine safety equipment (personal location devices and life jackets) and communication equipment for direct communication between observers and NORMA; and
- Recruitment for observers across FSM states is ongoing.
- As a result of the COVID-19 pandemic, the national observer program is put on hold with all observers off the vessels;

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

- Two positions being piloted under PROP are now permanent staff (Electronic Reporting Officer and Electronic Monitoring and Electronic Reporting Coordinator).

(iv) **The Competent Authority (CA)**

- CA is underway; whereby the FSM Congress approved the relevant legislation in 2018 to establish CA and Technical Officers and Inspectors at both the National and State Government Offices;
- There was a call for proposal to find a laboratory to test samples that will ensure CA in FSM meets the International Standard Organization for standardization (ISO);
- FSM is in the process of lodging its application to be certified as Competent Authority. If the certification is successful, FSM will have access to the European Union (EU) market and can market its fish products; and
- EU will perform periodic audits to ensure CA in FSM will meet standards.

NOTE: *Refer to pages 25-26 for more update on CA*

(v) **Sea and Aerial Patrols**

- PROP Project continues to support participation of surveillance and legal staff in national and regional training/workshops in fisheries VMS, transshipment, boarding and inspection. The surveillance and legal staff also participated in workshops relating to port state measures, compliance, legislation review and other MCS activities;
- Initially DOJ did not allow open review of the marine patrol logbooks. The funds that were originally planned for patrol activities were reallocated to other related areas. During the second half of project implementation, DOJ expressed interest to engage in the surveillance activities and will require Terms of Reference. DOJ was however unable to provide full access to the patrol vessel logbooks, when WB had requested for it;
Both aerial and surface surveillance were dropped and will no longer be funded under the PROP Project due to DOJ inability to disclose patrol vessels log data to WB. DOJ staff however, would still participate in the MCS related trainings and capacity development opportunities.

b) Updates on the financing for procurement of specific goods and services needed to meet DLIs for strengthened management of tuna fisheries:

(i) **Institutional Reforms and Restructuring**

- PROP with NORMA and NZAID supported the comprehensive Strategic Plan 2018-2023 which has been developed and approved by the Chairman in May

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

2018 and calls for restructure of NORMA, and establishment of a Corporate Division to oversee all corporate services.

- Restructure of NORMA: The old NORMA has three (3) major divisions. The restructure of the new NORMA involved creation of two new Divisions and they are: Fisheries Economics and Development Division and Corporate Services Division (refer to [Appendix D: NORMA's Organizational Chart](#)).
- Other activities relating to NORMA's restructure include key positions to be fully integrated into the new NORMA starting October 2019. These positions include Corporate Services Consultant, Fisheries Economist, Fisheries Observer Program Administrative Manager, Electronic Reporting/Electronic Monitoring Coordinator, Electronic Reporting Officer, Vessel Day Scheme Administrator, CA Inspectors, CA/Catch Documentation Scheme Officer, Licensing Assistant, ICT/GIS Manager and IT Developer;
- **Information Technology (IT) Developer, Information and Communication Technology (ICT)/Geographic Information System (GIS) Manager:** These two positions were planned under the PROP Project. As of September 30, 2020, these positions are now permanent under NORMA as part of institutional strengthening.

(ii) **Capacity Building:** NORMA has drafted a capacity development plan and a capacity development committee is in place.

(iii) **Information Management Systems and Online Vessel Licensing System**

- Assessment on the Information Management System was taken place in 2019 mainly to identify areas that need improvement.
- The online licensing module and training on the use of online licensing application was taken place;

(iv) **Monitoring Tools** - NORMA continues to monitor tuna fishing activities using the following systems:

- Parties to the Nauru Agreement's (PNA) Fisheries Information Management System (FIMS) allows managers to know what happens in their fishing zones. FIMS gives users the total number of fishing days (Total Allowable Effort) for the entire PNA area, and the number of fishing days allotted to each member (Party's Allowable Effort). FIMS shows each party's usage of fishing days and the percentage of days left. NORMA as a PNA member is able to use this system to monitor the fishing activities in FSM;
- The second monitoring tool which NORMA uses is the Vessel Monitoring System (VMS). The VMS system is a tool that enables NORMA to monitor the position and activities of both foreign and domestic fishing vessels. It is also required that fishing vessels operating in FSM or FSM flagged to install, maintain and operate

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

an Automated Location Communicator (ALC) device that will transmit information or data as to its position, fishing, and other activities of the fishing vessel. VMS is accessible both at NORMA and the Maritime Wing of the Department of Justice to monitor fishing activities.

(v) Technology for Tuna Transparency

- FSM announced its commitment to full tuna fisheries transparency by 2023 through a combination of Electronic Monitoring and Human Observers in all fishing vessels operating in FSM's territorial waters; and
- Both activities are partially supported by PROP through Component 1 and could continue to be funded in next phase to ensure full and continued transparency in fisheries.

c) DLI Monitoring and Reporting:

- (i) Disbursement Linked Indicators (DLI): NORMA is expected to receive a total of six years of disbursement when meeting its DLI targets. As of September 30, 2020, NORMA had received year 5 of DLI disbursement. NORMA continues to meet its DLI target as verified by Deloitte & Touch Tohmatsu in Honiara.
- (ii) Disbursement Linked Indicators Verification: Deloitte Touch Tohmatsu is up to date with DLI expenditure verification for FSM PROP Project. WB agreed to consider releasing the unclaimed DLI balance from year 1. NORMA will contract an independent auditor directly to provide the DLI expenditure verification services for year 6 by June 30, 2021.
- (iii) NORMA is in the process of hiring an independent auditor that will review DLI year 6. During the advertisement for consultancy, there were no expression of interests received. Hence, NORMA requested an alternative option for WB to consider and it was agreed for NORMA to directly approach three candidates and request their expression of interests.
- (iv) There were challenges when applying drawdown on the Client Connection and when preparing the DLI Report for verification.
- (v) As of July 31, 2020, NORMA is up to date with its disbursements; however; has not fully met the required DLI targets. Activities for year 6 DLI are yet to be implemented and meeting DLI targets are yet to be verified.

d) Annual Work Plan and Budget

NORMA continues to prepare annual work plan and budget and receives no-objection for all eligible project activities and eligible expenditure. Further NORMA continues to implement project activities based on the annual work plan and budget that received no-objection from the WB.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

e) Original Closing Date

The original closing date for FSM PROP Project is September 30, 2020. FSM PROP Project is unable to fully implement all eligible project activities and achieve project objectives by the original closing date as at September 30, 2020. The request to restructure the FSM PROP Project and extend the project closing date from September 30, 2020 to September 30, 2021 with no extension cost may indicate delay in implementation of project activities.

6.1.1 Causes

- a) Low disbursement rate - USD1.5M originally planned for joint sea patrol unable to start due to DOJ's inability to disclose patrol vessel log data to WB;
- b) The joint sea patrol was delayed due to DOJ inability to permit WB review of vessel log book;
- c) Delays in withdrawal applications on Client Connection system and uncertainties with DLI/non-DLI expenditures due to misunderstanding of project documents.
- d) The different misunderstandings on DLI also contributed to delay in budget approval further delaying implementation of project activities;
- e) Different understanding of definitions of the DLI between countries with areas of inconsistency, and access to information is hindered based on privacy concerns and control over access to certain information;
- f) Difficulty in determining what to include in the DLI report;
- g) DLI reports are not consistent and timeline is not aligned with the Vessel Day Scheme (VDS) reporting;
- h) The request to restructure the FSM PROP Project and new extension period is an indication of delay in achieving project activities; and
- i) The COVID-19 pandemic significantly delayed implementation of project activities.

Note: *Issues relating to DLI reporting and verification as listed in items c) to g) were discussed and resolved with Deloitte auditor during the workshop held in Majuro in November 14-16, 2017 leading to drawdown for DLIs for years 1-3. As of July, 31, 2020, disbursements for years 4 and 5 were cleared by the WB.*

6.1.2 Potential Effects

- a) NORMA was unable to deliver the full program activities and achieve the intended goals and objectives by the original closing date as at September 30, 2020;
- b) WB funding for sea and aerial patrol were not fully utilized while relevant spending is funded from the General Fund instead, due to DOJ'S inability to disclose patrol vessels log data to WB; and
- c) Oceanic fisheries will not receive appropriate and effective management that they deserve.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

6.1.3 Recommendations

- a) For the delay in project activity delivery NORMA should:
 - (i) Define specific milestones to track on quarterly basis to ensure project activities are delivered in a timely manner by the new extension period, September 30, 2021;
 - (ii) Ensure project funds remaining by September 2020 are readily available to finance delivery of the remaining activities during the new extension period (October 2020 to September 2021);
- b) For the COVID-19 pandemic, NORMA should develop a contingency plan to reduce the impact of potential risks that may occur relating to the pandemic.

6.2 Finding No. 2: Lack of required support from the Forum Fisheries Agency (FFA) and other challenges delayed full implementation of project activities under Component four (4)

Based on the Financing Agreement between the FSM National Government and the International Development Association – World Bank (WB) dated March 20, 2015:

- a) For **Project Reports**: The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the Program Operation Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report;
- b) For **Mid-term Review**: The Recipient shall: (a) not later than three (3) years after Effective Date (or such other date as the Association may agree), carry out a mid-term review of the Project and, prepare and furnish to the Association a mid-term report, documenting progress achieved in the carrying of the Project during the period preceding the date of such report; and (b) review with the Association such mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter; and
- c) The Recipient shall ensure that the Project is implemented in accordance with the Program Operations Manual (POM).

During our audit, we assessed an overall “**Substantial**” implementation status (refer to [Appendix C](#) for more details on this status rating) due to limited required support from FFA and other challenges which delayed the full implementation of project activities under Component 4.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

- a) **Project Management staffing:** PROP Project is managed by four (4) staff with their respective responsibilities as the following:
- (i) **Project Coordinator** who oversees project implementation, collection of data and submission of evaluation data to PSU, annual planning and reporting and supervises reporting and monitoring system of the project.
 - (ii) **Project Officer** who liaises with Project Coordinator and PROP Project staff, Finance Officer and other NORMA staff, assists to ensure that all funds disbursement and procurement is conducted in accordance with the provisions in the legal agreement between the WB and the FSM Government;
 - (iii) **Project Assistant** who liaises with Project Coordinator and PROP Project staff, Finance Officer and other NORMA staff on finance and procurement requirements of the project, assists to ensure that all funds disbursement and procurement is conducted in accordance with the provisions in the legal agreement between the WB and the FSM Government; and
 - (iv) **Finance Officer** who monitors financial disbursements and all administrative procedures in line with Government of FSM and the WB requirements, prepares financial management section of project implementation manual, ensure timelines of required financial reports to WB, other assigned duties relate to procurement management, vendor/contract management, reporting and output and other administration and logistic needs.
- b) **Forum Fisheries Agency (FFA) and its roles:** FFA will establish a Project Support Unit (PSU) and its roles to assist Recipient in this case NORMA with processing of international procurement activities, procurement processes, day to day implementation and financing reporting. There was no Procurement Specialist until late September 2017, and no recruitment for both Finance Officer and Safeguard Specialist to provide assistance to NORMA as mentioned above. These tasks that were originally assigned to FFA are now assigned to the CIU based at the DoFA.
- c) **Progress Report:** Reporting on finances is carried out on a quarterly basis while reporting on progress of project activities is semi-annually basis. Both financial and progress reports were prepared and delivered on time.
- d) **Mid-term Review Report:** A Mid-term review is done during middle of the project. For example, if the term of the project is five (5) years, a mid-term review will be conducted after two and a half (2.5) years. A mid-term review was done in May 2019 for FSM PROP Project documenting progress achieved when carrying out project activities.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

e) **Safeguards:**

- (i) The Central Implementation Unit recruited a Safeguard Specialist and Safeguard Coordinator (CIU Safeguards team) to support WB projects (including PROP Project) on compliance with Bank safeguard policies and adherence to project safeguard requirements. This support will help FSM PROP Project comply with the safeguard requirements.
- (ii) The project's Environment and Social Environment is updated with the current restructuring of the project.

f) **Grievance Redress Mechanism (GRM):** Project Grievance Redress Mechanism raises any grievances with respect to the PROP Project. It was established on both NORMA and DoFA websites, and a box at NORMA reception as well. No complaints had been registered, as of September 2020.

g) **Procurement:**

- (i) Procurement activities had been slow due to the absence of a Procurement Specialist until late 2017 and no procurement support from FFA.
- (ii) CIU was established and based at DoFA. CIU now provides the support needed to PROP Project in other areas, as well as procurement.
- (iii) The Procurement Specialist assisted in the processing of remaining procurement activities.
- (iv) NORMA adopted the World Bank Systemic Tracking of Exchanges in Procurement (STEP) online system to record procurement transactions, and Project Officer assists with the daily procurement activities.
- (v) NORMA encountered difficulty in getting approvals of procurement transactions in a timely manner causing expiration of quotations that had already been obtained.

h) **Program Operations Manual (POM):** The Manual sets detailed guidelines and procedures for the implementation of the PROP Project with tailored annexes for financial management and procurement. The Central Implementation Unit (CIU) based at DoFA had developed a standardized POM template for FSM PROP Project. As of June 2021, FSM PROP Project has developed its POM and forwarded to WB for approval.

i) **Recruitment of Monitoring and Evaluation Specialist:** The M&E Specialist will be responsible for data collection for the monitoring and evaluation of the program; updating of the project related documentation as required but not limited to the POM, and prepare bi-annual consolidated project progress report, Implementation Completion and Results Report. CIU is in the process of recruiting a M&E Specialist to support WB projects in the FSM, including the PROP Project.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

j) Financial Management:

- (i) The CIU based at DoFA had employed a Finance Officer in February 2018 who provides support to the project. The Finance Officer assists with financial report and audits, and processing of withdrawal applications;
- (ii) As of December 2020, a total disbursement of US\$4.07M was drawn down from the International Development Association (IDA) grant, a significant increase from 45% to 74% since the last review in October 2018. This is primarily due to DLI reimbursements for Years 4 and 5 including the unclaimed DLI from year 1 and non-DLI expenditures (goods, works, consultancy services, non-consultancy services);
- (iii) Interim financial reports and audited project financial statements are completed and updated; and
- (iv) The first compliance/performance audit from the start of the project to September 30, 2017 was completed and issued in July 2018.

6.2.1 Causes

- a) FFA did not provide the required support relating to procurement activities, documentation for national level project procurement processing and day to day implementation to FSM PROP Project during the initial implementation of the project. The shifting of roles originally tasked to FFA are now taken up by CIU based at the DoFA;
- b) POM at the regional level was not finalized and adopted. NORMA had then developed its own POM that has now been submitted to WB;
- c) WB had finalized the Terms of Reference, and funding for the M&E Specialist but implementation is being delayed by COVID-19 pandemic; and
- d) The COVID-19 pandemic significantly delayed implementation of project activities under Component four (4).

6.2.2 Potential Effects

- a) The required support from FFA did not happen resulting in delay in implementation of procurement activities under Component 4;
- b) The delay in developing and adopting of FSM's Program Operations Manual will have potential negative impact on the day-to-day execution of the project, disbursement and financial management, procurement processing procedures, environmental and social safeguard management, monitoring and evaluation, reporting and communication; and other administrative financial, technical and organizational arrangements and procedures required for the PROP Project; and
- c) The delay in hiring a M&E Specialist will impact the monitoring and evaluation activities on the progress and achievement of the project.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

6.2.3 Recommendations

- a) The CIU should ensure that the necessary support needed by the FSM PROP Project in processing of international procurement activities and for preparing documentation for national level project procurement processing and daily implementation is provided timely and adequately;
- b) CIU to find and hire a qualified person for the M&E Specialist position at the soonest possible if allowed by current circumstances faced with the COVID-19 pandemic; and
- c) FSM PROP Project team to develop a contingency plan to reduce the impact of potential risks that may occur relating to the ongoing pandemic.

6.3 Finding No. 3: NORMA is in process of implementing strategic steps to sustaining the activities currently funded by World Bank

Sustainability of any project requires a strategic plan in place and setting aside resources for any organization to achieve its sets of goals, drive its performance, and engage with its stakeholders. Direction from top management, especially in respect to policies aligned to corporate strategy, plays a significant role⁵.

NORMA is responsible for managing FSM's fisheries resources from the 12-nautical mile Territorial Seas out to the 200 NM Exclusive Economic Zone and as a result requires NORMA to:

- a) Be ready to address current issues effectively, deal satisfactorily with emerging issues, and take advantage of new opportunities to provide reasonable assurance of sustainable management of FSM's fisheries for both current generation and future generation's benefit;
- b) Establish and sustain effective working relationships and communication with stakeholders to ensure continuous feedback on satisfaction and quality of its management of fisheries;
- c) Develop the capacity of its human capital/resource to match changing needs and technological changes of the fisheries market. Increasing value of human capital/resource is vital for the overall performance of any organization; and
- d) Research on the leading practices applicable to its fisheries activities to ensure that NORMA is updated with opportunities to improve its management of fisheries in FSM.

During our audit, we observed the following:

- a) NORMA has an approved **5-years Strategic Plan 2018-2023** that:

⁵ Tharp, J. (2012). Project management and global sustainability. Paper presented at PMI® Global Congress 2012—EMEA, Marsailles, France. Newtown Square, PA: Project Management Institute
Source: <https://www.pmi.org/learning/library/project-management-global-sustainability-6393>

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

- (i) lays out NORMA's strategic goals and actions to achieve expected outcomes;
 - (ii) contains plans aligned/linked to fisheries goals in FSM Strategic Development Plan 2004-2023, the Mandate in the Marine Resources Act 2002, and the Activities in the Management Plan on Tuna Fisheries for the FSM 2015 and has specific strategic goals identified by NORMA Board; and
 - (iii) includes the following appropriate and sufficient strategic goals to effectively manage fisheries:
 - Strategic goal 1: Strengthen the governance and effectiveness of NORMA;
 - Strategic goal 2: Ensure long term sustainable management of oceanic resources for the benefit of FSM; and
 - Strategic goal 3: Maximize the value of oceanic resources to the FSM.
- b) The **FSM National Oceanic Fisheries Investment Policy 2018-2023** is being drafted:
- (i) As of September 2020, Policy was still in draft form;
 - (ii) NORMA will need to collaborate with FSM Department of Resources and Development to finalize the Investment Policy;
 - (iii) In December 2019, the draft Policy was given to State authorities for their review and comments;
 - (iv) In February 2020, at the direction of the President, a preliminary consultation was held with the National Government cabinet to review the draft Policy;
 - (v) In March 2020, NORMA Management made arrangements to travel to the States for consultations on the Policy but was canceled due to the travel restrictions relating to the COVID-19 pandemic; and
 - (vi) As of June 2021, Management is in process of finalizing the policy with key authorities and stakeholder by 2021.
- c) A **Fishery Science Division** is in place and plays the role in science; where, it focuses on collection of data and observers ensure no Illegal Unreported and Unregulated (IUU) fishing activities are taking place.
- d) **Systems to monitor fishing activities**
- (i) Fisheries Information Management System (FIMS) –NORMA is utilizing this tool to monitor fishing vessels activities in FSM's exclusive economic zone and ensure fishing vessels complies with the Vessel Day Scheme. NORMA is also using this tool to phase out manual reporting to electronic reporting and to automate processes to make reporting faster and easier; and
 - (ii) Vessel Monitoring System (VMS) – The VMS system is a tool that enables NORMA to monitor the position and activities of both foreign and domestic fishing vessels. It is

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

also required that fishing vessels operating in FSM to install, maintain and operate an Automated Location Communicator (ALC) device that will transmit information or data as to its position, fishing, and other activities of the fishing vessel.

e) Institutional Strengthening

- (i) As stated in (a) above, a comprehensive Strategic Plan 2018-2023 was developed and approved by the Chairman in May 2018;
- (ii) **Restructure of NORMA:** The restructure of the new NORMA involves establishment of two new Divisions, and they are Fisheries Economics and Development Division and Corporate Services Division;
- (iii) **Key positions** to be **fully integrated** into the **new NORMA** and they include: Corporate Services Consultant, Fisheries Economist, Fisheries Observer Program Administrative Manager, Electronic Reporting/Electronic Monitoring Coordinator, Electronic Reporting Officer, Vessel Day Scheme Administrator, CA Inspectors, CA/Catch Documentation Scheme Officer, Licensing Assistant, ICT/GIS Manager and IT Developer; and
- (iv) **Information Technology (IT) Developer, Information and Communication Technology (ICT)/Geographic Information System (GIS) Manager:** These two positions were planned under the PROP Project. As of September 30, 2020, these positions were made permanent under NORMA as part of institutional strengthening.
- (v) **Capacity Building/Training Plan**
 - PROP provide support to NORMA to finalize its capacity building/training plan and has been rolled out this year;
 - Capacity building training is ongoing with inhouse (mostly refreshers), regional trainings, overseas trainings, and on-the-job trainings giving opportunities to staff to participate in workshops, forums, negotiations and conferences;
 - With the COVID-19 pandemic, traveling overseas for training opportunities is restricted; hence, NORMA continues to utilize virtual technology for Western and Central Pacific Fisheries Commission (WCPFC), regional and bilateral/national negotiations, workshops and regional trainings with the support from PROP; and
 - NORMA taking the whole-of-government approach in Capacity Development Plan to not only include staff from NORMA but to also include national and state partners, as well as the ports in the other FSM states to participate in the training opportunities for effective management of fisheries.

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

(vi) **Competent Authority (CA)**

- The CA for Illegal Unregulated and Unreported (IUU) and Health and Food Safety are market access requirements set by the EU for countries that are interested to export their fish into its market. The CA will ensure that fish to be exported into the EU are sustainably caught and safe for consumption;
- The CA is work in progress based on the following:
 - Training is ongoing and regional training on zoom is expected to be held in June 2021;
 - vessels are being registered; and
 - establishing presence in Kosrae pending the interrupted services by Caroline Island Air.
 - Based on the Aid Memoire from the Virtual Implementation Support Mission update, Contracts for CA Technical Officer and Inspectors were extended through to September 2021;
 - Three CA Inspectors were incorporated as permanent staff of NORMA;
 - The fourth CA Inspector is now shifted to permanent position by Department of Health and Social Affairs;
 - CA Unit participated in remote trainings on basic skills and knowledge with respect to regulations and National Control Plan;
 - Sample testing has not commenced due to COVID-19 and NORMA expects this activity will eventuate after all the inspectors have been vaccinated;
 - The regulations relating to the project were given to DOJ and initial revisions were received and incorporated into the National Food Safety Regulation.; and
 - COVID-19 had delayed the FSM from inspecting the vessels and this will enable listing of vessels as part of FSM's CA certification.

Noted: NORMA is in the process of lodging these vessels to be registered in the FSM register.

f) **Public Awareness**

- (i) NORMA is actively involved with public awareness on tuna issues by close collaboration with its own staff and Fisheries Ambassadors; where they visited elementary schools, high schools and college campuses in all FSM states, including some outer-islands;
- (ii) World Tuna Day is supported annually by PROP and NORMA's regional and industry partners with leadership of FSM President;

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

- (iii) Other awareness activities included development of NORMA's website, videos and pamphlets;
- (iv) Awareness on importance of tuna resources and management of oceanic fisheries in FSM are conducted to high school and college levels; and
- (v) Communication strategy is finalized and submitted for adoption by NORMA Board of Directors.

6.3.1 Causes

- a) Strong and committed oversight function by Board of Directors ensuring NORMA implements its strategic goals and outcome relating to effective management of fisheries through;
 - i. Annual review by Board of Directors to ensure there is accurate reflection of what is expected of NORMA to implementing the strategic goals and achieving expected outcome;
 - ii. Monitoring of progress against strategic goals at each of the quarterly Board meetings;
 - iii. Standing agenda item at each Board meeting;
 - iv. Development of a Strategic Plan Progress Report template for NORMA to use when reporting progress on strategic actions and outcome of the strategic goals;
- b) Competent management for NORMA with right leaders in the right roles at the right time;
- c) Mechanisms and processes are in place to improve recruitment; however, the retention of qualified staff remains a challenge with less-attractive benefits in the Government public service system (NORMA is considering ways to retain qualified staff); and
- d) The President's Emergency Declaration in response to Covid-19 has banned all government officials from traveling, delaying the State visits for consultation.

6.3.2 Potential Effects

- a) NORMA reaching the strategic direction it envisioned at project end with strategic processes in place to effectively manage ocean resources including fisheries;
- b) Establishing and sustaining strong linkages, collaboration and network with national, state and ports to effectively manage oceanic resources including fisheries given its dynamic nature and environment;
- c) Improved capacity and skills set for NORMA staff including the national, state departments and ports to meet the changing needs of the oceanic resources, including fisheries;
- d) Market access to the EU market will be improved and at the same time add value to IUU free fisheries products;

OFFICE OF THE NATIONAL PUBLIC AUDITOR
Objectives of the World Bank Funded PROP Project Implemented by NORMA are Anticipated
to be Achieved by the Extended Timeline Despite the Delays
Audit Report 2021-04

- e) NORMA will be ready with its trained staff and strong linkages/collaboration and network with the whole-of-government approach to effectively manage fisheries resources;
- f) Minimized Illegal Unregulated Unreported (IUU) fishing activities;
- g) FSM fish resources value will be maintained on a long-term basis;
- h) Well-informed citizens on fisheries related activities;
- i) Students pursuing careers in fisheries management;
- j) Staff turnover; and
- k) Delay in finalization of the Investment Policy may delay FSM from benefitting from other related fishing investments.

6.3.3 Recommendations

Board of Directors for NORMA:

- a) to continue with its strong oversight function ensuring NORMA to take proactive steps in fully implementing its Strategic Plan 2018-2023.
- b) to continue with annual review to ensure there is accurate reflection of what is expected of NORMA to implementing the strategic goals and achieving expected outcome;
- c) to continue monitoring progress against strategic goals at each of the quarterly Board meetings;
- d) to ensure the Strategic Plan Progress Report is an agenda item at each Board meeting;
- e) to ensure NORMA maintains its competent management with right leaders in the right roles at the right time;
- f) to ensure NORMA maintains the mechanisms and processes for recruitment and retention of qualified staff; able to adapt to changes and ready for staff turnover;
- g) to ensure NORMA Management proceeds with the consultation via video conference with State Authorities and other stakeholders to finalize the draft Policy and have it ready for submission to Congress; and
- h) to ensure NORMA continues with its awareness activities to the public.

Office Of The National Public Auditor

OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS

Audit Report 2021-04

7.0 APPENDICES

7.1 APPENDIX A – IMPLEMENTATION STATUS MATRIX OF RECOMMENDATIONS GIVEN UNDER PRIOR AUDIT REPORT NO. 2020-03

Audit Report: 2020-03: Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project						
Date of Issue: January 20, 2020						
Name of Agency(s): NORMA						

No.	Finding	Recommendations	Action Taken	Status	Reasons for noncompletion of action on any recommendations	Comments
1.		Management of NORMA should fully address and implement recommendations reflected in Audit Report No. 2018-01	Refer to the following			
2.	Component 1 was not in Full Compliance Specifically with the DLI Reporting Requirements and the Monitoring, Control and Surveillance Activities	Propose new DLI reporting deadlines and seek necessary amendments to the Financing Agreement accordingly.	<ul style="list-style-type: none"> At the start of the Project, the implementing countries attempted to submit reports according to the deadlines outlined in the financing agreement but it was realized that reports could not be submitted to FFA until the year is closed out in the FIMS and numbers are reconciled between PNA and Countries. The deadlines did not align with the closeout/reconciliation dates causing for reports to be submitted late. 	Implementation is substantial	<ul style="list-style-type: none"> FSM PROP Project is undergoing restructure; where, DoFA Central Implementation Unit will take up roles for project management that FFA was originally tasked to provide support in financial management, procurement, safeguards, and monitoring and evaluation. NORMA waits for completion of restructuring of the project by World Bank. Amendments to the Financing Agreement are part of the restructure and can only be done during the project restructure. 	<ul style="list-style-type: none"> Status remains the same at substantial based on the following: DLI Reporting Requirements were approved during the workshop held in Majuro, RMI from November 14 to 16, 2017. Project restructure is in progress Amendments to the Financing Agreement is work in progress and can only be done during the project restructuring.

Office Of The National Public Auditor

OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS

Audit Report 2021-04

No.	Finding	Recommendations	Action Taken	Status	Reasons for noncompletion of action on any recommendations	Comments
			<ul style="list-style-type: none"> Dates were discussed and new Deadlines were submitted to World Bank and approved during the DLI Workshop in Majuro in late 2017. 			
3.		Comply fully with the approved terms and conditions of the financing agreement	<ul style="list-style-type: none"> Department of Justice (DOJ) recently expressed interest to engage in the surveillance activities under the project and will require Terms of Reference (TOR). Financing agreement required the Project to indicate compliance with UNCLOS articles as relates to surveillance activities. There was no action on this because surveillance activities were not carried out under the project. 	<p>Implementation is at planning stage</p> <p>As of 12/06/19, Obsolete - No longer applicable</p>	<ul style="list-style-type: none"> Department of Justice (DOJ's) was unable to disclose patrol vessel log data to World Bank Surveillance activities will no longer be funded under PROP Project. 	<ul style="list-style-type: none"> Recommendation is obsolete, no longer applicable based on the following: Project Coordinator updated team that surveillance activities will no longer be funded under the PROP Project. DOJ staff will participate in the Monitoring Control & Surveillance (MCS) related training and capacity development opportunities Only equipment and fishery related trainings will be funded by the PROP Project.
4.		Management of the Department of Finance and Administration should ensure that records of transactions are clearly described and stated in the financial reports.	FSM PROP Project is following guidance from World Bank financial management advisors in providing required documentation for tagging DLI expenses	Implementation is at planning stage	<ul style="list-style-type: none"> There are two DLI requirements; where, NORMA achieve indicators and tag expenses relating to oceanic fisheries management given the flexibility of DLI. In addition, there are no criteria set by World Bank relating to tagging DLI expenses. 	<ul style="list-style-type: none"> Status remains the same at planning stage based on the following: Once DLI expenses are tagged, World Bank reviews and provides a letter of clearance. The information provided is acceptable to World Bank. Transactions are still not clearly described and stated in the financial reports.

Office Of The National Public Auditor

OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS

Audit Report 2021-04

No.	Finding	Recommendations	Action Taken	Status	Reasons for noncompletion of action on any recommendations	Comments
						<ul style="list-style-type: none"> ○ It is still difficult to identify whether expenditures that were tagged are considered eligible DLI. ○ The restructuring will include expansion of definition of DLI expenses to clarify on eligible DLI expenditures.
5.	Component 3 on National Program Management, Monitoring and Evaluation was not in Full Compliance in Four Specific Areas	Coordinate with FFA to finalize and adopt the Project Operations Manual quickly.	Restructuring of the project is in process, FSM PROP Project team will develop its own POM and adopt it by October 30, 2020.	Implementation is at planning stage	<ul style="list-style-type: none"> ○ A Program Operations Manual (POM) was drafted for the regional PROP involving the FFA. ○ FSM submitted its comments on the regional POM and it was FFA responsibility to coordinate the four (4) participating countries' input and finalize a POM. As the project evolved to become less of a regional project with less involvement of FFA, a new POM is needed for FSM once the project is restructured. 	<ul style="list-style-type: none"> ○ As of June 9, 2021, Implementation Status is at "Full Implemented" because of the following: <ul style="list-style-type: none"> - FSM PROP Project team has developed its own POM and sent to the WB for approval.
6.		Comply fully with the approved terms and conditions of the Financing Agreement.	<ul style="list-style-type: none"> ○ As a collaborative effort in supporting management of the FSM PROP Project, NORMA hired Procurement Specialist; while ○ CIU hired specialist in the following areas: Finance; Procurement; and Safeguards – Environment and Social Grievances 	Implementation is at 'preparation for implementation stage'	<ul style="list-style-type: none"> ○ The Forum Fisheries Agency had the tasks of supporting Financial Management, Procurement, Safeguards, and Monitoring and Evaluation (M&E) and staff were not hired by FFA. ○ Central Implementation Unit based at Department of Finance and Administration (DoFA) took up these roles expected to be carried out by FFA and will be reflected in the project restructuring and thereby in the POM. ○ The FFA-FSM PROP Service Agreement will be terminated as well. 	<ul style="list-style-type: none"> ○ Implementation Status remain the same at preparation for implementation stage based on the following: <ul style="list-style-type: none"> ○ Restructure paper will reflect the changes associated with Central Implementation Unit taking on roles expected of Forum Fisheries Agency. ○ DoFA Central Implementation Unit will take up roles for project management that FFA was originally tasked to provide support in the following: financial management, procurement, safeguards, and monitoring and evaluation. ○ As collaborative support for management of the FSM PROP Project, NORMA hired: Procurement Specialist

Office Of The National Public Auditor

OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS

Audit Report 2021-04

No.	Finding	Recommendations	Action Taken	Status	Reasons for noncompletion of action on any recommendations	Comments
						<ul style="list-style-type: none"> ○ CIU hired the following areas: Finance Specialist; Procurement Advisor; and Safeguards – Environment and Social Grievances ○ Monitoring and Evaluation is still vacant.
7.		Management of NORMA to coordinate with the World Bank to set criteria in order to have a better classification for expenses to be tagged as DLI eligible expenditure for the purpose of sustainable management of shared tuna fisheries	Refer to recommendation no.4			

7.2 APPENDIX B - STAGES OF IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

Summary

There are five stages used when assessing the status of implementation of the prior audit recommendations. The stages are as listed below:

(i) Not yet implemented - No progress or insignificant progress

Actions such as having meetings and generating informal plans.

(ii) Planning stage

When formal plans for organizational changes have been created and approved by the appropriate level of management with appropriate resources and a reasonable timetable.

(iii) Preparation for implementation

If the entity made preparations for implementing a recommendation by hiring or training staff, or developing or acquiring the necessary resources to implement the recommendation.

(iv) Substantial implementation

If the structures or processes are in place and integrated within at least some parts of the organization, and some achieved results have been identified.

(v) Full implementation

If the structure and processes are operating as intended and are fully implemented.

Obsolete

The recommendation is obsolete if it is no longer applicable because the issue has become outdated as a result of having been superseded by something newer.

7.3 APPENDIX C - STAGES OF IMPLEMENTATION OF PROJECT ACTIVITIES

Summary

There are five (5) stages used to assess the status of implementation of the project activities. The stages are as listed below:

- (i) Not yet implemented - No progress or insignificant progress**
Actions such as having meetings and generating informal work plans and budget.
- (ii) Planning stage**
When formal annual work plans and budget have been created and approved by the appropriate level of management with appropriate resources and a reasonable timetable.
- (iii) Preparation for implementation**
If the organization/entity made preparations for implementing project activities based on approved work plans and budget by hiring or training staff, or developing or acquiring the necessary resources to implement the project activities.
- (iv) Substantial implementation**
If the structures or processes are in place and integrated within at least some parts of the entity/organization, and some achieved results are determined.
- (v) Full implementation**
If the project activities as intended are fully implemented and project objectives are met.

7.4 APPENDIX D – COMPONENTS OF THE FSM PROP PROJECT

PROP Project has four (4) Components, out of which the FSM Government had agreed to implement three (3) components. FSM Government implementing agencies are NORMA and DR&D. The four (4) Components of the PROP Project are as reflected below:

Component 1: Sustainable Management of Oceanic Fisheries

Component 1 aims to help FSM to strengthen the management of the region's purse seine and long line fisheries. The main focus is to strengthen NORMA's effectiveness and capacity to sustainably manage the oceanic fisheries.

Component two (2): Sustainable Management of Coastal Fisheries

Component two (2) aims to support FSM to sustainably manage defined coastal fisheries and the habitats that support them, focusing on those with the greatest potential for increased benefits.

DR&D as the responsible implementing agency for this component will develop and implement a coastal fishery management planning process in the recipient's territory, focusing on the ecosystem approach. Ecosystem approach is a strategy for the integrated management of land, water, and living resources that promotes conservation and sustainable use in equitable way.

Component two (2) is completed and fully expended based on the following:

- (a) 2017, DR&D contracted Integrated Aquatic Solutions to assess the condition and status of coastal fisheries for all FSM states;
- (b) The final Coastal Fisheries Assessment report and Investment Project Profiles were completed in June 2018 and consulted across the FSM states; and
- (c) The report includes the list of project profiles that span across all aspects of management of the coastal fisheries with a strong focus on sustainable management and food security.

Component three (3): Sustainable Financing of the Conservation of Critical Fishery Habitats

Component three (3) of the PROP aims to support conservation of critical fish habitats, by developing models for sustainably financing large marine protected areas (MPAs) and scoping the potential for blue carbon in the region.

This component of the program is being implemented at the regional level and is not applicable for implementation by the FSM national government.

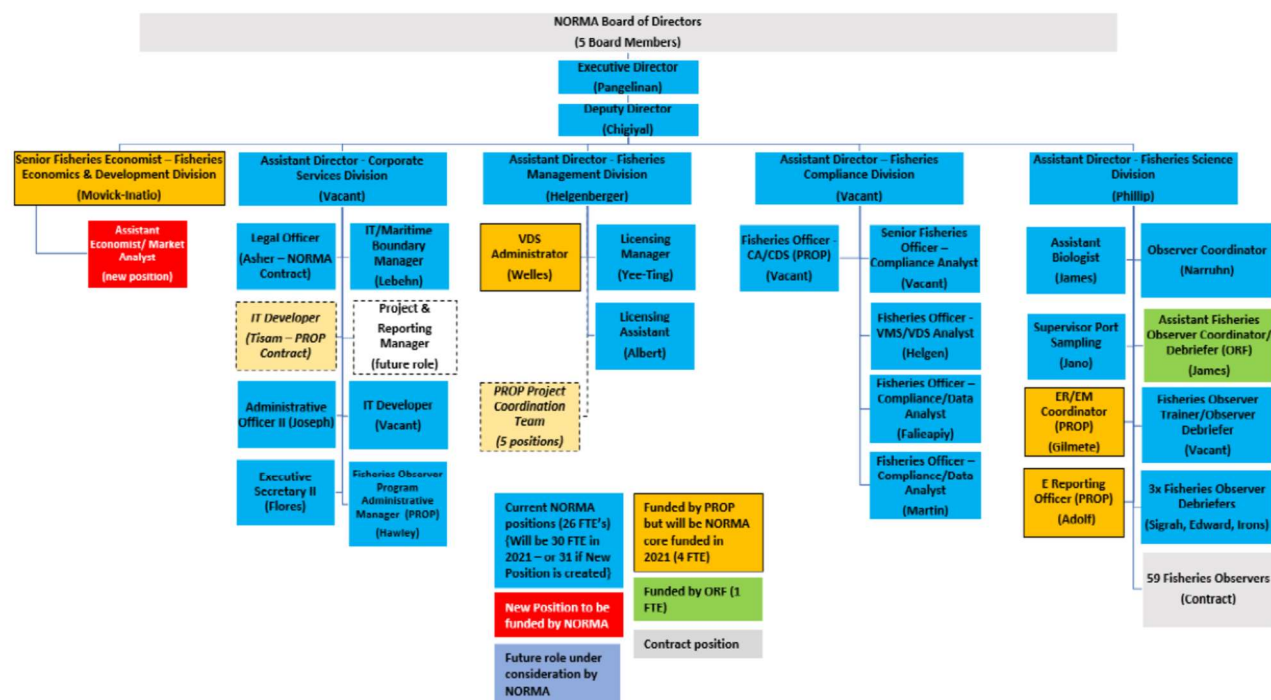
Component four (4): National Program Management, Monitoring and Evaluation

Component four (4) aims to provide regional coordination, implementation support and project management to ensure a sound approach to program implementation and wide dissemination of results and lessons learned, as well as implementation support and training as needed for the program to achieve its objectives.

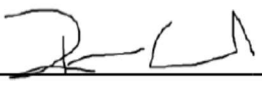
Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

7.5 APPENDIX E: NORMA'S ORGANIZATIONAL CHART THAT REFLECTS NEW POSITIONS

Organizational Chart of the National Oceanic Resource Management Authority



As duly endorsed by the Board of Directors;

Signed:  Date: May 15, 2020

Roger Arnold, Chairman

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

8.0 MANAGEMENT RESPONSE

8.1 Response from NORMA



National Oceanic Resource Management Authority

FSM NATIONAL GOVERNMENT
P.O. Box PS122

PALIKIR, POHNPEI, FEDERATED STATES OF MICRONESIA 96941

Tel: (691) 320-5181/2700 Fax: (691) 320-2383 Email: norma@mail.fm Website: www.norma.fm



June 28, 2021

Mr. Haser Hainrick
National Public Auditor
Office of the National Public Auditor
FSM National Government
Pohnpei, FSM 96941

RE: Draft Audit Report: PROP Project

Dear Mr. Hainrick:

I wish to again thank your office for your continued support in audits involving our office and projects. Despite the challenges of COVID19 and added expectations of our donors to deliver on requirements of our project, we are pleased that your capable office has once again delivered on our request for a performance audit and we gratefully receive the draft Audit Report with findings and recommendations. I am happy to indicate that FSM NORMA fully agrees with the findings and recommendations of the FSM Office of the Public Auditor.

Furthermore, NORMA wishes to attach for reference, our proposed Action Plan for consideration if acceptable so that we can implement according to said recommendations.

Thank you once again for your continued collaboration.

Sincerely,


Eugene Pangelinan
Executive Director

xc: Secretary, FSM Department of Finance & Administration
Secretary, FSM Department of Resources & Development

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

PROP PROJECT AUDIT Action Plan July 01, 2021			
AUDIT Findings with Recommendations	Actions	Timeframe	Who Responsible
Finding No. 1: Project development objectives are anticipated to be achieved by the new closing term of the project (September 2021) despite the delays in implementation of activities. NORMA Management agrees fully with the finding No 1.			
1) For the Delay in project activity delivery NORMA should:			
a) Define specific milestones to track on quarterly basis to ensure project activities are delivered in a timely manner by the new extension period, September 30, 2021	- Develop a Workplan with Monthly milestones	July 31, 2021	PIU
	- Submit Workplan and Budget for FY21	- July 31, 2021 - July 31, 2021	PIU
b) Ensure project funds remaining by September 2020 are readily available to finance delivery of the remaining activities during the new extension period (October 2020 to September 2021)	- Timely submission of DLI verification Reports		
2) For the COVID-19 pandemic, NORMA should develop a contingency plan to reduce the impact of potential risks that may occur relating to the pandemic.	- Develop and implement a project contingency plan	July 31, 2021	PIU

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

Finding No. 2: Lack of required support from the Forum Fisheries Agency (FFA) and other challenges delayed full implementation of project activities under Component four (4). NORMA Management agrees fully with the finding No 2.	Actions	Timeframe	Who Responsible
1) The CIU should ensure that the necessary support needed by the FSM PROP Project in processing of international procurement activities and for preparing documentation for national level project procurement processing and daily implementation is provided timely and adequately;	<ul style="list-style-type: none"> - Receive and approve a workplan/ budget and procurement plan from PIU - Monthly meetings of CIU/PIU on procurement and accounts 	<ul style="list-style-type: none"> - As Submitted by PIU - Monthly 	CIU and PIU
2) CIU to find and hire a qualified person for the M&E Specialist position at the soonest possible if allowed by current circumstances faced with the COVID-19 pandemic; and	<ul style="list-style-type: none"> - Assess viability of recruitment of M&E specialist given COVID restrictions - Undertake recruitment process 	<ul style="list-style-type: none"> - July 31, 2021 - Dependent on Assessment 	CIU
3) FSM PROP Project team to develop a contingency plan to reduce the impact of potential risks that may occur relating to the ongoing pandemic.	<ul style="list-style-type: none"> - Develop and implement a project contingency plan 	July 31, 2021	PIU

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

Finding No. 3: NORMA is in process of setting strategic goals to sustaining the activities currently funded by World Bank. NORMA Management agrees fully with the finding No 3.	Actions	Timeframe	Who Responsible
1) Board of Directors for NORMA:			
a) to continue with its strong oversight function ensuring NORMA to take proactive steps in fully implementing its Strategic Plan 2018-2023.	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
b) to continue with annual review to ensure there is accurate reflection of what is expected of NORMA to implementing the strategic goals and achieving expected outcome;	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
c) to continue monitoring progress against strategic goals at each of the quarterly Board meetings;	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
d) to ensure the Strategic Plan Progress Report is an agenda item at each Board meeting;	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
e) to ensure NORMA maintains its competent management with right leaders in the right roles at the right time;	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
f) to ensure NORMA maintains the mechanisms and processes for recruitment and retention of qualified staff; able to adapt to changes and ready for staff turnover;	Board Meetings monitor Strategic Plan	Board Regular Meetings	NORMA Board
g) to ensure NORMA Management proceeds with the consultation via video conference with State Authorities and other stakeholders to finalize the draft Policy and have it ready for submission to Congress; and	Board Meetings monitor Policy finalization	Board Regular and Special Meetings in 2021	NORMA Board
h) to ensure NORMA continues with its awareness activities to the public.	Board Meetings monitor implementation	Board Regular Meetings	NORMA Board

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

8.2 Response from Department of Finance and Administration



Secretary of Finance
&
Administration

**GOVERNMENT OF THE
FEDERATED STATES OF MICRONESIA**
Department of Finance and Administration

P.O. Box PS 158
Palikir, Pohnpei FM 96941
Tel: (691) 320-2640/5852 Fax: (691) 320-7728
E-mail: fsmsofa@mail.fm

July 5, 2021

Mr. Haser Hainrick
National Public Auditor
Office of The National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FSM 96941

Haser Hainrick
7.6.2021



RE: DoFA's Response To Audit Recommendations – FSM PROP Performance Audit

Dear Mr. Hainrick:

I acknowledge with appreciation the draft report on the audit of the Pacific Regional Oceanscape Program (PROP). We thank you and your staffs for the continued collaboration to ensure the project and its activities are implemented accordingly and in line with our agreement with our donor partner: The World Bank.

With respect to the draft performance audit of PROP, we are submitting to you our responses below to the recommendations made; specifically, those concerning the Central Implementation Unit under my department.

Section	Recommendations	DoFA Response
6.2.3 (a)	The CIU should ensure that the necessary support needed by the FSM PROP Project in processing of international procurement activities and for preparing documentation for national level project procurement processing and daily implementation is provided timely and adequately	The CIU procurement team are working closely with the FSM PROP team to ensure that all international and local level procurements are given the necessary priority given the upcoming closing date of 30 September 2021. As provided, the CIU will ensure monitoring of such procurement requests.
6.2.3 (b)	CIU to find and hire a qualified person for the M&E Specialist position at the soonest possible if allowed by current circumstances faced with the COVID-19 pandemic	The M&E Specialist recruitment has been put on hold due to the current COVID travel restrictions but is still a key position to fill as part of the overall management of the World Bank project

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

portfolio. The CIU will hire an M&E Specialist once the COVID restriction on border are lifted and thereby the consultant will be able to be on island and to assist with the WB portfolio.

However, as discussed, the M&E framework for the PROP has not required any sophisticated M&E system to measure their results. In addition, the results against the DLI milestones are audited separately.

Thank you and we look forward to receiving the final report when available.

Yours Sincerely,



Eugene Amor
Secretary, Department of Finance & Administration

9.0 ONPA EVALUATION OF MANAGEMENT RESPONSE

On June 25, 2021, the audit team had sent letters requesting for management responses from National Oceanic Resource Management Authority (NORMA) and Department of Finance and Administration (DoFA). Overall, Management had agreed with the findings and recommendations in the report, and both Departments had provided their plans of actions (refer to the [Management Response](#) on Section 8.0 of this report) as to how they will implement the audit recommendations.

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

10.0 NATIONAL PUBLIC AUDITOR'S COMMENTS

We would like to thank the Management and Staff of National Oceanic Resource Management Authority (NORMA), Central Implementation Unit (CIU) based at Department of Finance and Administration (DoFA) and the Department of Justice (DOJ) for their assistance and cooperation during the course of the performance audit.

We have provided copies of the final performance audit report to the President and Members of the 22nd FSM Congress. We will make copies available to other interested parties upon request.

If there are any questions or concerns regarding this report, please do not hesitate to contact our office. Contact information for the Office can be found on the last page of this report along with the National Public Auditor and staff that conducted the audit and prepared this report.



Haser H. Hainrick
National Public Auditor

Wednesday, July 7, 2021

Office Of The National Public Auditor
OBJECTIVES OF THE WORLD BANK FUNDED PROP PROJECT IMPLEMENTED BY NORMA, ARE ANTICIPATED TO BE
ACHIEVED BY THE EXTENDED TIMELINE DESPITE THE DELAYS
Audit Report 2021-04

11.0 ONPA CONTACT AND STAFF ACKNOWLEDGEMENT

ONPA CONTACT: Haser H. Hainrick, National Public Auditor
Email: hhainrick@fsmopa.fm

ACKNOWLEDGEMENTS In addition to the contact named above, the following staff made key contributions to this report:

Miriama Naivalu, Audit Manager
Susana Saballe, Audit Supervisor, CPA
Jane Gallen, Auditor-In-Charge
Trifonovitch Jay Sound, Assisting Staff Auditor II
Brenda Carl, Assisting Staff Auditor I

REFERENCE We do not own the rights of the picture on the cover page of this report and we acknowledge that it was provided by the PROP team.

ONPA MISSION We conduct quality audits and investigations to improve good governance and to prevent and deter fraud, waste and abuse for the stakeholders' benefit.

COPIES AVAILABLE AT: The fastest and easiest way to obtain copies of ONPA documents at no cost is through the ONPA website:
<http://www.fsmopa.fm>

COPIES BY MAIL OR PHONE: Office of the National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FM 96941
Phone: (691) 320-2862/3

CONTACT Website: www.fsmopa.fm
Hotline: (691) 320-6768