Food and Agriculture Organization of the United Nations

Office of the Inspector General

Audit of the FAO Representation in Bangladesh

AUD0224

26 April 2024

This document is comprised exclusively of the executive summary of the audit report.

Permanent Representatives accredited to FAO and institutional resource partners of FAO may be granted access to the full report upon written request to the Inspector General, in accordance with paragraphs 59-61 of the Charter of the Office of the Inspector General.

EXECUTIVE SUMMARY

WHAT WAS AUDITED?

In accordance with its biennial audit workplan, the Office of the Inspector General (OIG) carried out an audit of the FAO Representation in Bangladesh. The objective of the audit was to assess the adequacy and effectiveness of the Representation's governance, risk management and internal control processes. In particular, the audit assessed:

- Implementation of internal controls to manage key risks to FAO operations in Bangladesh.
- Integrity and transparency of the operations in accordance with established regulations and rules.
- Management of the project portfolio and activities to achieve the targeted programmatic objectives.

While the audit covered the period from January 2021 to June 2022, this report also took into account subsequent developments as of January 2024, and management comments received in April 2024.

WHY IT MATTERS?

Well-functioning operations on the ground, supported by effective governance, risk management and internal control processes, contribute to solidifying FAO's reputation while also delivering much-needed programmes to affected populations. Further, it is important for management to be aware of the risk exposures associated with internal control gaps to implement corrective actions accordingly.

WHAT WERE THE KEY OBSERVATIONS?

OIG was pleased to note that the Representation updated its Fraud Prevention Plan and risk logs annually and the risk statements were generally well formulated. The Representation demonstrated a good understanding of risk management: its risk registers included key risks related to beneficiary management, input distribution, cash transfers, complaint mechanisms, inventory management, and potential operational disruption due to external factors and late procurement.

The main improvement actions are related to the following:

- Prior to January 2024, the FAO Representative (FAOR) and Deputy FAOR positions had been vacant for 4 months and 18 months, respectively. A senior official from another United Nations agency had been designated as the FAOR ad interim which made it difficult to hold anyone accountable for the decisions made during his tenure because he was not an FAO employee. The situation improved in January 2024 with the recruitment of the FAOR and Deputy FAOR. However, the reporting lines of 16 personnel had not been updated in the corporate system. Four personnel were still reporting to the former FAOR and another 12 personnel were reporting to five former personnel who had left the Organization.

- The Representation utilized Electronic Fund Transfers for 90 percent of its payments. For the remaining 10 percent, the reliability of the accounting records was compromised because the Representation wrongly used cash receipts and payment entries to process accounting adjustments relating to cost allocations. It also used generic vendor accounts to process payments; misrepresented some cash payments as bank transfers; and kept some payee banking information outside the corporate system.

- Several control gaps within the procurement process had impeded the Representation's ability to achieve the best value for money. The gaps identified included delays in initiating procurement actions, lack of market research, errors in technical specifications, unjustified use of previous technical clearance and lack of monitoring of late deliveries. Additionally, supplier performance issues were not reported as required, and unmatched invoices totalling USD 1.6 million were improperly used, mostly for mobile money payment to project beneficiaries, instead of issuing cash transfer purchase orders.

- Of the 36 ongoing national projects, the implementation of 24 projects had been delayed by 3 to 37 months mainly due to COVID-19-related factors; the time required to obtain government approval at project inception; and late deliveries by service providers. In some instances, the Representation had not properly reviewed the deliverables of service providers before payment. In terms of beneficiary management, selection and registration processes were unclear in the absence of well-established procedures.

- The Representation had a monitoring and evaluation plan for its portfolio of projects. However, the plan lacked clear baselines for certain activities and did not include timelines for monitoring actions. Furthermore, the activities were primarily conducted by the project team in collaboration with government counterparts, rather than by the Representation's Monitoring, Evaluation, Accountability and Learning team, which might affect the objectivity of the assessments. The Representation did not establish criteria to allocate the cost of shared resources among projects, increasing the risk of donor claims for ineligible expenditure.

- The Representation duly monitored the completion of mandatory training, contract breaks and performance of local Non-Staff Human Resources (NSHR), and the alignment of their pay rates with established local salary scales. However, in the recruitment of some local NSHR, the Representation allowed hiring managers to shortlist, interview and prepare selection reports without the involvement of the Human Resource team, compromising the objectivity and transparency of the process. Personnel records were also incomplete and outdated.

- The Representation had developed standard operating procedures to provide guidance to personnel on handling complaints from beneficiaries and established a database for complaints received. However, the personnel maintaining the database had kept it on a local computer drive without proper security and backup. During the audit, the personnel confirmed that the database was lost and could not be recovered. The Representation had also not conducted any outreach activities to publicize the corporate hotline for receiving complaints; instead, project focal points used their own private numbers to collect complaints.

CONCLUSION

Identified weaknesses in existing structures, policies and procedures negatively impact the effective management of key risks. The audit identified 13 risks, of which 6 were rated as high and 7 as moderate. If not addressed, they will hinder the achievement of some important governance, risk management or internal control objectives.

The Representation has developed a suitable action plan to address the issues raised, and OIG will follow up on its timely implementation.

Mika Tapio
Inspector General
26 April 2024