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2023 Annual Report of the Inspector General

Summaries of audit reports issued in 2023

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AUD0123 - Audit of the Negotiation and Clearance of Funding Agreements

1. The Office of the Inspector General (OIG) conducted an audit of the negotiation and clearance process for Funding Agreements between June and September 2022. The audit covered the period from January 2020 to December 2021.
2. Extra-Budgetary resources constitute 73 percent of the total FAO resources mobilized in the 2020-21 biennium. Consequently, the negotiation and clearance of Funding Agreements carried out by the Funding Liaison Units, which establish the terms and conditions under which the funding is accepted, is a critical process for FAO.

Main observations and conclusions

3. OIG is of the opinion that the governance arrangements, procedures established and controls applied to the negotiation and clearance of Funding Agreements in FAO **Need Some Improvement** to increase the effectiveness and efficiency of the process.
4. Existing governance arrangements require strengthening, as follows: (i) the Resource Mobilization and Private Sector Partnerships Division (PSR) should be formally appointed as the business process owner, in accordance with FAO's Internal Control Framework, for the negotiation and clearance process for Funding Agreements; (ii) possible conflicts of interest where Funding Liaison Units are responsible for both due diligence and fundraising functions should be addressed; (iii) PSR responsibility for the negotiation and clearance of Green Climate Fund Funding Agreements should be formalized; (iv) a coordination mechanism between the Funding Liaison Units should be established to ensure consistency in the negotiation and clearance process.
5. In terms of risk management, OIG observed that the process for identification and clearance of non-standard clauses in Funding Agreements was adequate. However, all non-standard clauses should be consolidated in a repository. In addition, for each clause type, clear red lines should be developed to guide negotiations over potential future clause changes requested by resource partners and ensure compliance with FAO's Financial Rules and Regulations.
6. Furthermore, the efficiency and effectiveness of the negotiation and clearance process could be improved if: (i) FAO Country Offices consistently involved Funding Liaison Officers at the Concept Note phase of project development, as required by FAO Project Cycle guidelines. OIG recognizes that training of the decentralized offices on this aspect is in progress; (ii) increased support was provided to the Funding Liaison Units by a client relationship management system functionality; and (iii) the inadequate resourcing for the internal clearance process in the Finance and Legal units was addressed, together with the introduction of improved procedures for the clearance process.

Agreed actions

7. The report contains seven actions that management has agreed to undertake and committed to fully implement by December 2023. The priority action is that of appointing the business process owner to strengthen governance arrangements.

AUD0223 - Assessment of the FAO Risk Management Practices

8. The Office of the Inspector General (OIG) conducted an assessment of FAO's risk management maturity level benchmarked to the Reference Maturity Model for Risk Management approved by the United Nations High-Level Committee for Management (HLCM). The assessment was carried out between February and September 2022 and focused on FAO's risk management practices in 2021 and 2022.

9. The Reference Maturity Model defines five levels of risk maturity for enterprise-wide risk management as shown in the table below.

Maturity levels	
Initial	Unstructured, managed informally/inconsistently, ad hoc, reactive.
Developing	Structured implementation, basic architecture, some reporting and repeatable management processes.
Established	Defined/documented and standardized processes, good organizational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision-making.
Advanced	Well structured, strong evidence of embedding. Standardized reporting and thresholds for escalation and management action. Information used in strategic decision-making.
Leading	Fully embedded. Escalation mechanisms well understood and used at all levels of the organization. Innovative/creative approach delivers continuous improvement and is able to adapt as the organization changes.

Objectives

10. The assignment had two main objectives:
- To determine the current maturity level of FAO's risk management practices based on the Reference Maturity Model (Objective 1); and
 - To provide recommendations for improvement to FAO's risk management practices (Objective 2).

Main observations and conclusions

11. OIG assessed that FAO is, overall, at a Developing level of risk management maturity as measured by the Reference Maturity Model. The Office of Strategy, Programme and Budget (OSP) reached the same conclusion in a self-assessment of the model in 2021. The basic architecture of a risk management system is in place and the Enterprise Risk Management (ERM) Team of OSP has successfully implemented a system and process to complete risk logs across the Organization with the support of an established network of risk focal points. Overall, risk awareness among managers and personnel has improved in the Organization in recent years.

12. The Organization has reached an Established level of maturity in terms of its risk management governance and organizational structure and risk management systems and tools, while it is at a Developing level regarding the other four dimensions assessed. The results of OIG's assessment in each of the risk management dimensions (Objective 1) and the key actions required to advance to higher levels of risk management maturity (Objective 2) are shown in the table below.

Areas	Maturity Levels				
	INITIAL	DEVELOPING	ESTABLISHED	ADVANCED	LEADING
Enterprise Risk Management (ERM) Framework and Policy	Guidelines are in place to complete risk logs across the Organization. The Risk Management Policy is incomplete and outdated. Risk appetite and/or tolerance have not been established.		An updated risk policy and strategy are needed to integrate and coordinate risk taking across the Organization. The Organization's risk appetite should be established to guide risk taking. FAO's desired risk maturity level needs to be determined.		
Governance and organizational structure	The coordination role for risk management is assigned to the ERM Team within OSP. The Core Leadership Team has assumed the role of a Risk Committee but it has met only twice and is yet to become fully functional.		Responsibility for risk management, including for risk owners, the ERM Team and second line of management, needs to be clearly articulated. Governance reporting on risk should be defined for the Oversight Advisory Committee and FAO Governing Bodies. FAO could consider the benefits of assigning responsibilities for coordinating the corporate risk management process in the Organization to a full time ERM Team leader supported by an adequately resourced team.		

Process and integration	A process is in place to capture information in risk logs across FAO operations, but it is not adequately integrated with implementation of the internal control framework or sufficiently linked to the planning process.	Risk guidance for systematic risk assessment, response, monitoring, escalation and reporting needs to be improved. Better links need to be made between risk and internal controls, and risk management needs to be better integrated into results-based planning processes. A quality control process should be implemented for risk logs and to support the regular updating of the corporate risk log.
Systems and tools	FAO has risk logs in PIRES, ¹ a system also used for budgetary and results-based monitoring. Fraud risk information is separately recorded in Fraud Prevention Plans filed on an electronic platform.	Better use of technology is required to integrate data across operations (including headquarters, field, programme, projects) and to provide functionality for risk analysis and reporting.
Risk capability	Support for risk capabilities has focused on providing training and guidance for completing risk logs. Risk analysis and reporting are limited.	Support for risk management competencies needs to be enhanced and training programmes developed accordingly for Senior Management and other staff with risk responsibilities. Timely, accurate risk management information reports are required to support decision-making.
Risk culture	The culture at FAO is perceived to be mainly risk averse. The current control environment does not encourage innovation and smart risk taking.	Senior Management should clearly communicate expectations; systematically demonstrate a commitment to risk management; and implement mechanisms to ensure appropriate risk taking is supported, rewarded and assessed in personnel performance management.

13. The key underlying causes that impeded the Organization from advancing to the next level of the Reference Maturity Model were:

- **Enterprise Risk Management Framework and Policy:** FAO did not update its risk management policy due to competing priorities, resource constraints and pandemic-related delays.
- **Governance and organizational structure:** The Core Leadership Team assumed the function of a Risk Committee in February 2022 but it has not yet become fully functional in directing risk management responsibilities in the Organization. FAO also does not have a dedicated Chief Risk Officer, although the Director, OSP is de facto performing the function on a part-time basis. Similarly, the ERM Team is led by a P-5 Senior Strategy and Planning Officer on a part time basis. The team has only three full-time staff.
- **Process and integration:** With its limited resources, the ERM Team decided to take a phased approach to implement risk management processes. The team developed risk log processes, implemented internal controls reporting and made improvements to the fraud prevention plans; however, without well-defined linkages to integrate the results from these processes in planning and implementing internal control systems.
- **Systems and tools:** The systems for risk management are not integrated and have limited data analysis and reporting functionality. There are also no automated alerts for pending actions.
- **Risk capabilities:** Given its limited resources, the ERM Team did not prioritize the provision of risk management training for the Core Leadership Team and other FAO senior managers. The Core Leadership Team acting as the Risk Committee has yet to define and agree with the ERM Team the requirements for corporate reporting of risk information across the Organization, reporting to the Core Leadership Team as well as reporting to the Oversight Advisory Committee and FAO Governing Bodies.

¹ PIRES: Programme Planning Implementation Reporting and Evaluation Support System.

- **Risk culture:** Generally, FAO’s culture is perceived as “risk averse”. Several interviewees lamented the large amount of control and bureaucracy, which they perceived as having been designed to limit errors and avoid damage to the Organization’s reputation and which inhibited risk-taking. The one-year contract terms for Directors and other personnel also reduce the willingness to take risks due to the perception that there is not enough time to fix mistakes or change course before contract renewals.

14. Although the HLCM Reference Maturity Model for Risk Management was not intended to be used for compliance purposes, and FAO Senior Management should choose its targeted maturity level in consultation with Member States, enterprise-wide risk management, when implemented in the right way, is an essential enabler of the Organization’s success. At the moment, FAO does not have a complete and accurate picture of its risk landscape and the effectiveness of the actions taken to manage key risks across the Organization. In May 2022, the ERM Team prepared a draft Risk Management Action Plan for 2022 to 2024 to reach the Established level of maturity. To support the ERM Team in implementing it, the Organization needs to further invest resources in and provide strong managerial commitment to risk management.

15. Therefore, OIG is of the opinion that Major Improvement is Needed in the Organization’s risk management practices, as reflected by the actions required to be taken, before it can be assessed to have reached at least an Established level of maturity in each of the six dimensions of the Reference Maturity Model.

Agreed actions





16. The report contains six actions that the Core Leadership Team and the ERM Team have agreed to undertake. They are committed to fully implement all actions by December 2024. The high priority ones relate to: (i) determination of the Organization’s desired end-state risk management maturity level and a road map for achieving it; (ii) establishment of a governance structure for risk management with clear roles and responsibilities for the Core Leadership Team, the Director of OSP, ERM Team, and risk owners, and criteria for risk-based delegation; (iii) development of managers’ and key personnel’s competencies in risk management and clarification of reporting requirements on risk information; and (iv) measures to support and reward appropriate risk-taking behaviour within the limits of the Organization’s defined risk appetite.

AUD0323 - Audit of the FAO Representation in Cuba

17. The Office of the Inspector General (OIG) conducted an audit of the FAO Representation in Cuba between July and September 2022. While the audit covered the period from January 2021 to May 2022, this report also reflects subsequent developments as of January 2023.

Main observations and conclusions

18. Overall, OIG assessed the Representation as **Some Improvement Needed** in its implementation of the system of internal controls, as shown in the table below. The ratings used in assessing the controls were as shown below:

 Satisfactory	 Some improvement needed	 Major improvement needed	 Unsatisfactory
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Governance:

- ◆ **Governance structure and capacity:** The Representation had well-established reporting lines and a reasonable supervisory span. However, all personnel were located in Havana even though project sites were outside the capital city. The Representation frequently faced challenges in conducting field visits due to fuel shortages, leading to difficulties in monitoring project implementation.
- ◆ **Risk management:** The Representation had updated its Risk Log and Fraud Prevention Plan and completed the annual Internal Control Questionnaire. However, key fraud risks relating to the receipt of goods and input distribution activities were not included in the Fraud Prevention Plan. There were also some errors in the status of risk-mitigating measures in the Fraud Prevention Plan and ratings in the Internal Control Questionnaire.

Operations:

- **Human resource management:** The Representation had a recruitment plan and had conducted a competitive process for the recruitment of local Non-Staff Human Resources (NSHR). During the audit, the Representation took prompt action to improve its application of the salary scales and maintenance of personnel records for local NSHR.
- ▲ **Procurement:** The Representation had annual procurement plans but they were not used for procurement planning in practice. The Representation faced significant delays in obtaining authorizations from local authorities for its procurement. It relied solely on government institutions and counterparts to receive goods and did not have information to assess suppliers' performance in terms of timely delivery. Other issues identified included the lack of purchase requisitions in the corporate system; procurement from 34 vendors who were not registered with the United Nations Global Marketplace; and allowing bids to be opened by unauthorized personnel.
- **Financial management:** The Representation processed most of its payments through Electronic Fund Transfers and for manual bank transfers, it took corrective actions during the audit to record payee banking information in the corporate system.
- ▲ **Inventory and asset management:** The asset register was incomplete and inaccurate. The Representation handed over project-funded assets to government counterparts without proper approval, recording and monitoring. The Representation did not monitor the usage of vehicles by government counterparts and was unaware of two vehicle accidents. It also did not update the asset register in a timely manner to record the sale of five assets and the receipt of four new vehicles.

Programme:

- **Country Programming Framework:** The Representation had integrated gender into its CPF. It also mobilized 97 percent of the 2020–2024 Country Programming Framework (CPF) resource requirement by December 2022 and duly reported the status of CPF result indicators in its annual report.
- ◆ **Project formulation:** During project formulation, the Representation had duly assigned gender markers for its projects. However, except for one project, the Representation did not implement project-level grievance mechanisms due to challenges in conducting field missions. It also misunderstood that a grievance mechanism was not needed for projects related to the provision of technical assistance in the development of public policies.

- ▲ **Project implementation:** Although all projects were supposed to be directly implemented by the Representation, its involvement in project activities was limited. Instead, the Representation relied on local government counterparts to select project beneficiaries and to plan and distribute inputs without proper monitoring. Key issues identified were incomplete beneficiaries' records and lack of supporting evidence for input distribution activities.
- ▲ **Project monitoring and reporting:** The Representation submitted financial information to government counterparts on a monthly basis without prior approval of the Finance Division. It also did not fully comply with the reporting requirements agreed in project documents, did not allocate the cost of shared resources among projects and had budget overruns in three projects.

Agreed actions





19. The report contains seven actions that the Representation has agreed to undertake. The Representation has committed to fully implement all actions by December 2023.

AUD0423 - Audit of the FAO Representation in Burkina Faso

20. The Office of the Inspector General (OIG) conducted an audit field mission to the FAO Representation in Burkina Faso in March 2020 when the COVID-19 pandemic started. Given the time lapsed and the significant increase in cash transfer projects since then, OIG conducted an additional desk review from August to December 2022 to ensure its assessment was comprehensive and up to date. While the audit covered the period from January 2019 to June 2022, this report also reflects subsequent developments as of December 2022.

Main findings and conclusions

21. Overall, OIG assessed the Representation as **Unsatisfactory** in its implementation of the system of internal controls mainly due to control gaps in procurement, financial management and project implementation, in particular in the management of cash transfer projects. The ratings used in assessing the controls were as shown below:

 Satisfactory	 Some improvement needed	 Major improvement needed	 Unsatisfactory
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Governance:

- ▲ **Governance structure and capacity:** The Representation had not considered the potentially adverse impact of wide supervisory spans on the effectiveness of management controls. The Assistant FAO Representative (AFAOR) for Programme supervised 36 personnel in seven different locations, while the AFAOR for Administration supervised 30 personnel in six different locations. In addition, four individuals had conflicting responsibilities that weakened controls, particularly in the procure-to-pay cycle.
- ▲ **Risk management:** The Representation had completed the annual Risk Logs, Fraud Prevention Plan and Internal Control Questionnaire. The risk statements were generally well formulated; however, key risks relating to cash distribution to project beneficiaries, a significant activity, were omitted. Of the 23 control points reported as fully implemented in the 2021 Internal Control Questionnaire, OIG assessed that eight were only partially implemented.

Operations:

- ◆ Human resource management: In general, personnel files were well organized, the recruitment process was transparent, pay rates were aligned to the established local salary scale, and performance assessments of personnel were monitored. Nonetheless, some controls for human resource management could be further improved, particularly in the screening of personnel prior to their recruitment.
- Procurement: Procurement plans were prepared but were not used for effective procurement planning. Procurement files were disorganized and incomplete, and procurement decisions were not well supported with records. Identified instances of non-compliance with procurement procedures and controls undermined the integrity of the procurement process. The Representation also overlooked the importance of the timely recording of goods received in the system for the calculation of possible liquidated damages in the event of late deliveries.
- Financial management: The Representation had had access to the Electronic Fund Transfer functionality for local currency since February 2021 but made only minimal use of it as a payment modality. Instead, it continued to use other payment modalities that were less effective from an internal control perspective, including cash and cheques. Further, the banking information of a majority of payees was kept outside of the corporate system, leading to the risk of unauthorized changes not being detected. In ten sampled cases, payments were either without supporting documents, not justified, or were duplicated.
- ▲ Inventory and asset management: The Representation procured inventory totalling USD 2 million to USD 3 million per year that was sent directly to implementing partners for distribution to beneficiaries. However, no reconciliation process was conducted to account for inventory sent to implementing partners for distribution and to support record-keeping of items distributed. In asset management, control gaps such as inaccurate custodian information, missing assets not reported, and incomplete asset tagging were identified.
- ▲ Security management: Of the 257 security measures for FAO offices in six regions in the country, the Representation assessed that 119 measures were not applicable but in 72 instances no justifications for such assessment were recorded. Controls were inadequate to ensure security clearance was obtained prior to local travel, including to regions with high-security risks of level 4 or 5.

Programme:

- ▲ Country Programming Framework: The Representation had integrated gender dimensions in its Country Programme Framework (CPF). However, the reporting status of CPF result indicators in annual reports was inconsistent and incomplete.
- ▲ Project formulation: The Representation had completed the necessary documentation for project formulation and obtained the required clearances. However, it did not have a system in place for project beneficiaries to submit complaints related to FAO's environmental and social issues. It had also made errors in the assignment of gender markers for projects.
- Project implementation: The amount of cash transfers to beneficiaries doubled from USD 2.3 million in 2019 to USD 5.6 million in 2022 but controls were weak. Beneficiary registration records were incomplete, contained errors and were not well organized. The Representation did not reconcile the amounts sent to financial service providers for cash distribution with the evidence of cash received by beneficiaries.
- ▲ Project monitoring and reporting: The Representation had a well-developed project monitoring template; however, improvements were needed to verify the accuracy and completeness of project progress reports. The Representation also overlooked the need to establish criteria to allocate the cost of shared resources among the projects.

Agreed actions

22. The report contains 14 actions that the Representation has agreed to undertake. The Representation has committed to fully implement all actions by December 2023.

AUD0523 - Audit of the Office of Evaluation

23. The Office of the Inspector General (OIG) conducted an audit of the Office of Evaluation (OED) between November 2022 and February 2023. The audit covered the period 2021-2022.

24. The audit took place during a major review of OED following the appointment of a new Director in May 2022. As a result of this review, a new organizational structure for the office was planned for Q1 2023 to address key issues of excessive personnel workloads and the need to better match personnel profiles with a changed operating context for evaluations. An external, independent evaluation of the evaluation function will also take place in 2023. As a result of the ongoing review and the planned evaluation, the scope of this audit focused primarily on administrative and financial functions. Specifically, the audit assessed OED's:

- internal governance arrangements (control environment);
- financial and administrative controls; and
- planning, monitoring and reporting on programme implementation.

Main observations and conclusions

25. Overall, OIG is of the opinion that **Some Improvement is Needed** in OED's internal governance arrangements, financial and administrative controls and programme reporting to further strengthen the effectiveness and efficiency of the evaluation function and to reduce the risk of financial irregularities. OIG found that:

- Inadequate processes are in place to ensure compliance with fungibility rules for the allocation of expenses to the Regular Programme and the OED Trust Fund. Timely processing of secondments, supported by a time recording process for staff and consultants, is required for an equitable allocation of costs between the two funding sources.
- Budgetary controls for OED structural costs charged to the OED Trust Fund are inadequate. Analysis and monitoring of these costs, dependent on a shadow monitoring system, is not carried out on a timely basis.
- Budgetary controls for individual evaluation budgets are inadequate. Budgets are managed in the shadow monitoring system that requires extensive manual input and leads to significant delays in the monitoring process.
- Budgets for personnel expenditure funded by the OED Trust Fund are consistently understated as there is no budgeting for the security, occupancy and information technology components of personnel costs.
- The Programme Evaluation Report does not have a rigorous methodology for calculating reported evaluation costs and provides limited financial reporting information. Transparency and accountability would also be improved by increasing financial reporting on the use of the OED Trust Fund.

Agreed actions

26. The report contains six Agreed Actions. The priority actions relate to enhancing budgetary controls.

AUD0623 - Audit of the FAO Representation in Niger

27. The Office of the Inspector General (OIG) conducted an audit of the FAO Representation in Niger between March and July 2022. While the audit covered the period from January to December 2021, this report also reflects subsequent developments as of January 2023.

Main observations and conclusions

28. Overall, OIG assessed the Representation as **Unsatisfactory** in its implementation of the system of internal controls. The ratings used in assessing the controls were as shown below:

- Satisfactory
 ◆ Some improvement needed
 ▲ Major improvement needed
 ● Unsatisfactory

Governance:

- ▲ **Governance structure and office capacity:** The Representation had a reasonable supervisory span to facilitate effective management control. However, the internal control environment was weak, particularly in financial and project management as described below. In addition, four employees had conflicting responsibilities in the procure-to-pay cycle.
- ▲ **Risk management:** The Representation had completed the annual Risk Log, Fraud Prevention Plan and Internal Control Questionnaire. However, key risks relating to input distribution to project beneficiaries and off-record cash payments to government officials were omitted from the risk log. Furthermore, the planned measures to prevent unauthorized cash transfers to non-project beneficiaries were insufficient to mitigate the risk. In addition, of the 30 control points reported as fully implemented in the 2021 Internal Control Questionnaire, OIG assessed that 11 were only partially implemented.

Operations:

- ▲ **Human Resources:** The recruitment process was not transparent due to a lack of supporting documentation, which the Representation claimed had been lost in a flood.
- ▲ **Procurement:** Procurement plans were prepared but were not used for effective procurement planning. Other issues identified included: non-assessment of possible liquidated damages in the event of late deliveries; lack of purchase requisitions in most cases; long-outstanding purchase requisitions totalling USD 2 million; and procurement totalling USD 1.5 million from 113 vendors who were not registered with the United Nations Global Marketplace.
- **Financial management:** The Representation had used 16 dummy vendor accounts to pay USD 851 000 in cash purportedly to government officials between January 2013 and January 2023.² In addition, although the Representation had access to the Electronic Funds Transfer function for local currency, it kept the banking information of some vendors outside the corporate system and continued to make payments through manual bank transfers of over USD 500 000 per year in 2021 and 2022. Similarly, the use of cash and cheques for payments remained high at around USD 1 million per year. The Representation also granted multiple advances to personnel that significantly exceeded their monthly salaries and allowed late settlement of the advances.

² For the audit observation relating to payments to dummy vendors' accounts, OIG had traced back to records as early as 2013 to ascertain when such payments were first made.

- ◆ **Inventory and asset management:** Between 2021 and 2022, the Representation significantly increased the procurement of inventory items from USD 1.9 million to USD 7.8 million but did not have controls to account for the inventory sent to implementing partners for distribution. The Representation submitted year-end physical verification of asset reports in 2021 and 2022 to the Shared Service Centre without actually performing a complete exercise to detect and correct discrepancies in asset records.
- ▲ **Security management:** Personnel were located in five security regions in the country, including three regions assessed as “Level 4 – Substantial Risk” and two regions assessed as ‘Level 3 – Moderate Risk’. However, prior to April 2023, the Representation did not assess its compliance with the United Nations security risk management measures.

Programme:

- ◆ **Country Programming Framework:** The Representation had integrated gender dimensions in its Country Programming Framework (CPF). However, it had a shortfall of USD 14.7 million in achieving the 2017–2022 CPF resource requirements and provided inconsistent and incomplete information on the status of CPF result indicators in its annual report.
- ▲ **Project formulation:** The Representation did not systematically assess the Environmental and Social Management risks, establish project-level grievance mechanisms, and assign the appropriate gender markers for projects during formulation. In addition, in two out of four sampled projects, the Representation had not defined the criteria for the selection of beneficiaries in the Project Documents.
- **Project implementation:** Since 2018, the Representation had opted for informal arrangements with government counterparts instead of signing Letters of Agreement for their support in project implementation. The Representation made off-record cash payments to government officials but could neither ascertain the extent of activities implemented by government counterparts nor the total payments per project. Information on project beneficiaries was incomplete; as was evidence of input distribution and cash transfers. Prior to 2023, the Representation had not reconciled the amounts sent to the financial service providers and the actual cash distributed. Furthermore, the beneficiary database contained duplicate records and lacked key identification information about the beneficiaries.
- ▲ **Project monitoring:** The Representation had developed annual monitoring plans but they were incomplete and had not been implemented as intended. The reports by a third-party monitoring agent did not provide relevant information on the progress of projects. Six operationally closed projects were pending financial closure for periods ranging from 7 to 15 years. In addition, five projects had over-expenditure totalling USD 1.1 million. The Representation did not establish criteria to allocate the cost of shared resources among its projects.

Agreed actions

29. The report contains 11 actions that the Representation has agreed to undertake. The Representation has committed to fully implement all actions by February 2024.

AUD0723 - Audit of the FAO Smallholder Agricultural Productivity Restoration and Enhancement Project (SAPREP)

30. The Office of the Inspector General (OIG) conducted an audit of the FAO Smallholder Agricultural Productivity Restoration and Enhancement Project (SAPREP) in Yemen between October 2021 and October 2022. While the audit covered the project’s duration from August 2017 to June 2021, this report also reflects subsequent developments as of October 2022.

31. In October 2017, the FAO Representation in Yemen signed an Operational Partner Agreement with a non-profit organization based in Yemen, to implement 54 percent (or USD 19.5 million) of the project implementation. The Representation directly implemented the remaining 46 percent of the project budget (USD 16.5 million) with the assistance of ten other local service providers engaged through Letters of Agreement and eight government counterparts. Despite a very complex and difficult working environment in Yemen, the Representation and the donor had reported that the project was successful and had reached more beneficiaries than envisaged. However, this report focuses on the implementation of internal controls in project management.

Main observations and conclusions

32. Overall, OIG assessed controls over project management as **Major Improvement Needed** mainly due to the numerous control weaknesses identified in the selection of beneficiaries and input distribution documentation. The ratings used in assessing the controls in project formulation, implementation, monitoring and reporting were as shown below.



Project formulation:

- **Approval process:** The Representation formulated the project in consultation with the donor. The Project Document was duly approved, including the workplans and the project logical framework matrix.
- **Quality of project formulation:** A proper assessment of environmental and social management risks had been carried out; and a grievance mechanism for project beneficiaries had been established, with due consideration of gender-related elements during project formulation. The selection criteria of project beneficiaries were also clearly established.



Project implementation:

- **Project structure:** A well-established project management structure was in place; however, the Representation experienced project capacity challenges mainly due to personnel turnover and difficulties to recruit and retain personnel with the required skillsets.
- **Workplan implementation:** There was an overall ten-month delay in project implementation, partially due to COVID-related lockdowns and external factors outside the control of the Representation, such as time taken to obtain approvals from local authorities to gain access to the project sites. However, the Representation would benefit from an analysis of lessons learned to avoid future delays, especially given that some of the internal administrative delays could have been avoided.
- **Procurement:** In general, procurement procedures were complied with but improvements were needed in procurement planning and assessment of late deliveries by vendors for possible application of liquidated damages. The lack of coordination between the Operations and Finance teams and the limited staffing capacity in the Finance team in reviewing service provider and vendor deliverables had significantly delayed payments, although corrective action was implemented in February 2023.
- **Selection of beneficiaries:** The third-party monitoring agent reported control gaps in the assessment of eligibility criteria during the selection of beneficiaries. OIG's review of the list of



project beneficiaries also identified discrepancies that indicated weaknesses in the beneficiary selection process and raised issues about data integrity.

- **Input distribution:** Of 63 sampled transactions on input distribution activities managed by FAO and the Operational Partner, OIG identified exceptions in 49 cases (78 percent) where supporting documents were either incomplete or inaccurate. In June 2021, the Representation issued a Guidance Note on beneficiary registration and the requirements for input distribution records but the impact of this Guidance Note on SAPREP was limited because the project ended in the same month.
- **Management of service providers:** Of 14 sampled Letters of Agreement totalling USD 1.2 million, in all cases there were issues either relating to late or partial deliveries by service providers, payment delays by the Representation, or inaccurate recording of the award basis in GRMS.

Project monitoring and reporting:

- **External audit of the Operational Partner:** The Operational Partner had not implemented audit recommendations addressed to it in a timely manner, resulting in recurring control weaknesses throughout the project implementation, such as: the reporting of advances as expenditure; unclear basis for allocating salary costs to the project; and the absence of the project number in supporting documents.
- **Third-party monitoring agent:** The third-party monitoring agent conducted field monitoring visits to verify input distributions by the operational partner and service providers. While the agent submitted all deliverables, they were always with delays, primarily due to unrealistic timelines set by FAO. However, the third-party field monitors had, at times, modified the sampled beneficiaries when they could not locate the beneficiaries instead of following through with the samples to verify their existence.
- **Cost allocation:** The Representation did not have a clear basis to allocate expenditure by project components, as required by the donor. Similarly, the Representation had not established clear criteria for proper cost allocation of shared resources with other projects.



Agreed actions

33. The report contains seven actions that the Representation has agreed to undertake and is committed to fully implement by December 2023.

AUD0823 - Audit of the FAO Office in Papua New Guinea

34. The Office of the Inspector General (OIG) conducted an audit of FAO Office in Papua New Guinea between May 2022 and March 2023. While the audit covered the period from January 2020 to October 2022, this report also reflects subsequent developments as of March 2023.

Main findings and conclusions

35. Overall, OIG assessed the Office as **Major Improvement Needed** in its implementation of the system of internal controls as shown below.

- Satisfactory
 Some improvement needed
 Major improvement needed
 Unsatisfactory

Governance:

- ▲ **Governance structure and capacity:** Despite a significant growth in the size of the project portfolio from USD 3.3 million in 2019 to USD 68 million in 2023, the Head of Office was the only staff funded by Regular Programme and the Office relied on Non-Staff Human Resources (NSHR) to perform the core functions of Head of Programme and Head of Operations. Further, there was a lack of effective supervision over the administrative functions performed by three teams working in silos. Also, a D-1 Programme Coordinator managing a large programme of USD 54 million in the country was supervised by another D-1 at the Regional Office for Asia and the Pacific (RAP) rather than the P-5 Head of Office who was the budget holder. However, in May 2023, RAP clarified the required coordination and communication arrangements between the Programme Coordinator and the Head of Office by updating the Programme Coordinator's Terms of Reference.
- ▲ **Risk management:** The Office submitted its 2022 Risk Log and Fraud Prevention Plan timely but omitted key risks relating to operating in a country without a Host Country Agreement, lack of staffing positions for core functions, as well as inherent fraud risks relating to the selection of project beneficiaries and input distribution. In addition, action owners of risks were not properly identified and mitigating measures were either not relevant to the associated risks or not implemented as planned. In the 2022 Internal Control Questionnaire, of the 38 control points reported as fully implemented, OIG assessed that 21 control points were only partially implemented. These control points related to procurement, financial management, asset management, travel management and project reporting.

Operations:

- ▲ **Human resource management:** The Human Resource function was not well organized and supervised. Recruitment of local NSHR was not competitive and transparent; selected candidates were not properly screened; personnel records were incomplete; and individuals were rehired without assessment of their past performance or completion of mandatory training.
- **Procurement:** The procurement function was disorganized, without proper supervision, leading to a lack of transparent and competitive procurement. Ten non-procurement personnel were performing the buyer function; and, prior to September 2021, there was no Tender Opening Panel or Local Procurement Committee. Other issues identified included non-assessment of liquidated damages for late deliveries and incorrect use of unmatched invoices, while 77 percent of vendors engaged by the Office were not registered with the United Nations Global Marketplace.
- **Financial management:** The Office had access to Electronic Fund Transfer functionality since February 2022 but it made minimal use of it as a payment modality. Instead, it continued to use e-Banking that was less effective from an internal control perspective. Financial records in the FAO Global Resource Management System were incomplete and unreliable. Bank reconciliations were completed with delays and contained errors. Forty-three repayments totalling USD 698 000 had to be made by the Office to correct earlier errors in payments. In addition, despite a personnel of the Office having misappropriated an advance granted in 2020, controls over management of advances remained weak at the time of the audit.

- ▲ **Inventory and asset management:** From 2020 to October 2022, the Office procured USD 2.5 million in inventory that was sent directly to implementing partners for distribution to beneficiaries. However, the Office did not conduct a reconciliation process to account for the inventory sent to the partners. In addition, the asset register was unreliable because it contained assets that had been disposed of and incorrect information about the custodians and locations of assets.
- ▲ **Security management:** The Office had personnel in seven locations across five security areas in the country, including one area assessed as “Level 4 – Substantial Risk” and four assessed as “Level 3 – Moderate Risk.” Despite the high security risks in the country, the Office had not prioritized implementation of the United Nations security risk management measures. As of March 2023, the Office reported only 13 percent compliance rate with the required security measures.

Programme:

- ▲ **Country Programming Framework:** The Office had developed and used a Country Programming Framework (CPF) 2018–2022 to guide its programmatic priorities. However, the CPF was not aligned with the country’s targeted Sustainable Development Goals, contained errors and was not signed by both the Head of Office and the authorized government representative as required.
- ▲ **Project formulation:** The Office did not systematically define the criteria for selection of beneficiaries and the parties involved in Project Documents. For the large programme of USD 54 million, the Lead Technical Officer had underrated the Environmental and Social Management (ESM) risk. Following a case of displacement of a family, the ESM Unit reassessed the risk and recommended the Office to implement ESM risk mitigation plans but the Office did not implement the recommendation stating that the risk mitigation plans were not feasible. For other projects, the Office did not establish project-level grievance mechanisms to receive complaints on possible violations of FAO Environmental and Social Standards and there were also errors in the assignment of gender markers.
- ▲ **Project implementation:** The Office did not have adequate controls in place to verify the selection process of beneficiaries, evidence of input distribution and the attendance records of training workshops. Beneficiaries were selected for input distribution even when they did not fully meet the selection criteria. Supporting documentation relating to input distribution was incomplete and contained discrepancies. Management of Letters of Agreement was also inadequate: in 17 Letters of Agreement, service providers were late in implementing the agreed activities with delays ranging from 43 to 365 days.
- ▲ **Project monitoring and reporting:** The Office had improved the monitoring controls in the large programme of USD 54 million in January 2023 following the development of a Monitoring and Evaluation System. However, it had yet to explore the use of this System for other projects and monitoring controls remained weak. The Office also did not adequately monitor project expenditure against approved budgets. When budget overruns occurred, the Office made adjustments to allocate unrelated expenditure to other projects. The Office did not develop criteria to allocate the cost of shared resources among projects. In addition, the Office did not comply with reporting requirements stipulated in Project Documents.

Agreed actions

36. The report contains 12 actions that the Office has agreed to undertake and is committed to fully implement by December 2023.

AUD0923 - Audit of the Markets and Trade Division (EST), Part II

37. The Office of the Inspector General (OIG) conducted Part II of the audit of the Markets and Trade Division (EST) as part of its workplan for the 2022-2023 biennium. The audit fieldwork was carried out between November and December 2022 and covered the period from January 2020 to November 2022. The objective of Part II of the audit was to assess the arrangements established by EST for formulating, implementing, monitoring, measuring and reporting on its work plans and the achievement of results.

Main observations and conclusions

38. Based on the results of Part II of the audit, OIG determined that EST's arrangements over the formulation and monitoring of implementation of its work plans are **Satisfactory**.

39. Overall, EST complied with the corporate rules and procedures related to the work planning for the 2020-21 and 2022-23 biennia. The audit found that EST has established effective measures to: (i) identify the biennial priorities based on the Members' needs and to link them with the results as per the Strategic Framework; (ii) allocate the biennial results to the internal Teams based on their competence and capacity; (iii) regularly monitor and assess the implementation progress of the work plans; and (iv) collect information for regular and year-end reporting on the implementation of the established work plans.

40. During the period under audit, EST responded effectively to unplanned work following demands received from Members, other stakeholders and requests from FAO Management as well as additional demands from the aftermath of the outbreak of the COVID-19 pandemic and other international crises.

41. Notwithstanding the above, the audit identified opportunities for improvement in the following three areas:

- maintaining an organized documentary trail for the supporting rationale of the selection of outputs for the work plans;
- maintaining summary or synopses of at least the team meetings that discuss implementation issues, especially the constraints that might hinder timely or quality implementation of the work plans; and
- establishing consistent and structured procedures for assessing the quality of the delivered outputs.

42. However, OIG is not making any formal recommendations on these matters and they therefore remain at EST management's discretion to implement.

AUD1023 - Audit of the Language Services, Part 1: Governance

43. The report is the first of two reports communicating the results of an audit of language services in FAO conducted by the Office of the Inspector General (OIG). This first report addresses governance aspects related to the provision of language services; in particular, the adequacy of policies, quality assurance procedures, IT systems and risk management. Part II of the audit will cover operational aspects related to the provision of language services in FAO, including workforce planning; use of external language service providers by FAO divisions; and backcharging mechanisms used by the Language Services branch (CSGL) to reimburse incurred costs.

44. The audit was conducted between June 2022 and January 2023 and covered the past two biennia, i.e. 2018-2019 and 2020-2021 as well as the period between January and June 2022.

Main observations and conclusions

45. OIG is of the opinion that the governance arrangements for language services in FAO **Need Some Improvement** to increase the effectiveness and efficiency of the function, particularly through

greater integration and alignment of language services obtained by FAO units directly from external providers with the well-established provision of such services in-house from the Governing Bodies Servicing Division (CSG).

46. OIG recognizes that in the last biennium CSG has delivered language services in the context of a sharp increase in demand and requirements, and the abolition of twelve staff positions between biennia 2016-2017 and 2018-2019.

47. OIG identified one significant cross-cutting issue that challenges the delivery of language services overall: demand and requirements for language services have grown sharply over the past two biennia, but without a comprehensive analysis conducted Organization-wide that integrates accurately the services provided by CSG with those procured directly by FAO units from external providers and their associated costs, and that reflects properly the evolution of language policies and practices.

48. Performing such an analysis in liaison with all key stakeholders would allow for better decision-making on streamlining of language services, to maximize value for money and increase transparency in the use of the Organization's funds.

49. Other issues identified by OIG include: (i) outdated and disparate governing documents which do not reflect accurately current policies and practices; (ii) lack of a formal quality assurance framework; and (iii) weaknesses in information technology (IT) arrangements, such as the lack of integration of the IT systems and dispersion of data between them, and weak reporting and budget management functionalities.

Agreed actions

50. The report contains five actions that management has agreed to undertake and committed to fully implement by September 2024.

51. The priority action is to conduct a holistic assessment of language services with the aim of identifying value for money, by an analysis that integrates services provided by external suppliers and takes into account current language policies and practices.

AUD1123 - Audit of FAO's Monitoring and Reporting in Relation to the UN System-Wide Action Plan on Gender Equality and the Empowerment of Women

52. The Office of the Inspector General (OIG) conducted an audit of FAO's monitoring and reporting mechanisms for the UN System-Wide Action Plan (UN-SWAP) 2.0 on Gender Equality and the Empowerment of Women (GEWE) between November 2022 and March 2023. The audit covered FAO's UN-SWAP 2.0 report for 2021.

53. The Rural Transformation and Gender Equality Division (ESP) is the unit responsible for Organization-wide coordination of implementation, monitoring and reporting on UN-SWAP.

Main observations and conclusions

54. OIG is of the opinion that FAO's monitoring and reporting mechanisms for UN-SWAP **Need Some Improvement** to enhance the monitoring and reporting processes and procedures and thereby increase the credibility of FAO's disclosures.

55. Since 2018, FAO has improved its UN-SWAP 2.0 performance. The reporting mechanisms established by ESP were found to be generally sound. The audit nevertheless noted a few specific weaknesses for management attention, as detailed below.

- **Ownership and accountability**: FAO needs to re-affirm Senior Management's leadership and ownership of UN-SWAP. This will promote the prioritization of UN-SWAP implementation in Divisional and individual workplans and lead to greater achievements on GEWE. Given the practice of shared responsibility in implementation of UN-SWAP, FAO needs to define clear roles and responsibilities for all parties involved to reduce the

gaps and overlaps identified in the implementation, monitoring and reporting for UN-SWAP.

- **Quality assurance:** To improve further the credibility of its disclosures, FAO needs to improve its review processes for UN-SWAP reports, especially within FAO Divisions, to minimize the risk of incorrect self-ratings and to ensure that action points are well defined to allow for meaningful follow-up of progress. This should be supported by clear and periodic communication of key requirements by ESP to the parties responsible.

Agreed Actions

56. The report contains four actions that management has agreed to undertake and committed to fully implement by 31 July 2025. The priority action is to elevate ownership and promote implementation of UN-SWAP to the Core Leadership level to improve the sense of shared responsibility and prioritization of the UN-SWAP Performance Indicators across the Organization.

AUD1223 - Audit of the FAO Representation in Morocco

57. The Office of the Inspector General (OIG) conducted a remote audit of the FAO Representation in Morocco in December 2020. Given the time lapsed, the change in FAO Representative and the significant decrease in resource mobilization, OIG conducted an additional desk review from August to December 2022 to ensure its assessment was comprehensive and up to date. While the audit covered the period from January 2019 to December 2022, this report also reflects subsequent developments as of May 2023 and management comments received in July 2023.

Main findings and conclusions

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

■ Satisfactory
 ◆ Some improvement needed
 ▲ Major improvement needed
 ● Unsatisfactory

Governance:

- ◆ **Governance structure and office capacity:** The Representation had taken corrective action to reduce the number of personnel directly supervised by the FAO Representative from 25 in December 2022 to 8 in May 2023, thus providing for more effective supervisory control. However, the Representation had yet to address the lack of segregation of duties where four individuals were given conflicting responsibilities³ that weakened controls, particularly in the procure-to-pay cycle.
- ◆ **Risk management:** The Representation had submitted risk logs and fraud prevention plans for 2021 and 2022. However, in some cases, the risk statements were not well formulated, and mitigating measures were irrelevant to address the risks identified. Of the 32 control points reported as fully implemented in the 2022 Internal Control Questionnaire, OIG assessed that seven were only partially implemented.

³ Referring to responsibilities granted to personnel in the Global Resource Management System (GRMS).

Operations:

- ▲ Human resource management: The Representation had the practice of paying local Non-Staff Human Resources (NSHR) on an output basis instead of the number of days worked as stated in their contracts, which had led to delays in salary payments to some local NSHR by up to 26 months. In addition, prior to June 2023, the salary scale for local personnel had been established in USD instead of the local currency without the required approval.

Procurement: The annual procurement plans were incomplete and not used for effective procurement planning. Other issues identified related to: the lack of purchase requisitions in some cases; procurement from 40 vendors who were not registered with the United Nations Global Marketplace; lack of monitoring of late deliveries; and inefficient practices related to raising purchase orders for low-value procurement.

- ◆ Financial management: Between 2020 and 2022, the Representation made 2 115 payments totalling USD 5.1 million (44 percent) via bank transfer but did not record payee banking information in GRMS. However, in January 2023, the Representation initiated necessary corrective actions including improved monitoring.
- Inventory and asset management: The Representation's asset register was unreliable because asset tagging was incomplete and information about the custodians and location of assets was inaccurate.

Programme:

- ◆ Country Programming Framework (CPF): The Representation extended the 2017-2020 CPF until December 2022 without any change in its resource requirements. Despite the two-year extension, as of December 2022, the Representation had mobilized only 65 percent of its USD 37.4 million resource mobilization target in the CPF due to lack of a strategy, and achieved only 3 of the 17 planned CPF outputs. However, in May 2023, the Representation signed a new CPF 2023-2027 taking into account the lessons learned during the 2017-2020 CPF cycle and recommendations made by the Office of Evaluation.
- ▲ Project formulation: At project formulation, the Representation did not systematically assess the risks relating to Environment and Social Management and, in most cases, made errors or omitted the assignment of gender markers for projects.
- ▲ Project implementation: The Representation made significant and recurring no-cost extensions to four projects funded by the Government of Morocco that had started between 2010 and 2015 instead of developing new projects because it had concerns that any new projects might not be approved. In addition, most projects had implementation delays. Apart from COVID-19 pandemic-related factors, the Representation attributed the delays to the high turnover of government officials involved. On beneficiary selection, the Representation did not establish selection criteria and relied solely on government counterparts to make the decisions. In addition, there were weaknesses in the completion of quality assessment reviews for Letters of Agreement and verification of financial reports from service providers.
- ▲ Project monitoring and reporting: The Representation organized a weekly management meeting to discuss the progress of project implementation but it did not monitor the achievement of result indicators. In addition, the Representation had not complied with the reporting requirements stipulated in Project Documents. In an extreme case, for one ongoing project that started in 2010, the Representation had not prepared progress reports since 2013.

Agreed actions

59. The report contains ten actions that the Representation has agreed to undertake. The Representation has committed to fully implement all actions by 31 December 2024.

AUD1323 - Audit of Ethics Management at FAO

60. The Office of the Inspector General (OIG) conducted an audit of ethics management between October 2022 and February 2023. The audit covered the functions assigned to the Ethics Office and included a review of other organizational units' responsibilities to support ethics management at FAO.

Main observations and conclusions

61. OIG assessed that the governance arrangements, procedures established and controls applied to ethics management in FAO **Need Some Improvement** to enhance the effectiveness and efficiency of the function; increase the confidence of staff in the ethics system; and improve ethical behaviour.

62. With the support of Senior Management, much has been accomplished since 2020 to improve ethics management at FAO. The separation of the Ethics and Ombuds offices enabled the two functions to provide better services to the Organization. Perhaps more importantly, it signalled Senior Management's serious intent to improve ethical culture at FAO. From a survey conducted by OIG as part of this audit, 64 percent of respondents rated FAO's ethical culture as strong or very strong.

63. The Ethics Office has established a solid framework of policies and good relationships with other actors in the ethics and integrity space to provide cohesive support for personnel.

64. However, further efforts are required to ensure that management of conflicts of interest is well grounded in a consistent policy and procedures across FAO, particularly related to human resources, procurement and private sector partnerships. This is important as many personnel in FAO appear to lack an understanding of how conflicts of interest impact their work.

65. Changing ethical behaviours and fostering a "speak-up" culture across FAO are not easy endeavours. With close to 80 percent of FAO personnel on short-term contracts, failure to speak up due to job security concerns is the single biggest risk to overcome. Underlying root causes for this issue include supervisors' limited knowledge of how to encourage staff to express their views openly and how to protect them once an issue has been raised; lack of a mechanism to address performance assessment disputes for affiliate personnel; and affiliate personnel's lack of full access to FAO's internal justice system.

Agreed actions

66. The report contains six actions that the Ethics Office, in liaison with and/or with support from the Human Resources Division (CSH) and other stakeholders as necessary, has agreed to implement by December 2024. The priority actions are to:

- improve processes that support management of conflicts of interest across FAO; and
- address the root causes of issues with ethics processes that prevent or discourage employees, and affiliate personnel in particular, from speaking up.

AUD1423 - Audit of Information Technology Service Management

67. The Office of the Inspector General (OIG) conducted an audit of Information Technology (IT) Service Management at FAO headquarters in Rome from November 2022 to March 2023. While the audit covered the period from January 2022 to December 2022, this report also reflects subsequent developments up to June 2023.

Objective and Scope

68. The audit objective was to assess whether the Digitalization and Informatics Division (CSI) has the policies, structures and monitoring framework in place to achieve its objectives in the provision of IT Service Management. A best practice framework – Information Technology Infrastructure Library (ITIL) – was utilized to benchmark performance. The audit scope included

CSI's operational management of IT services for both Digital Workspace and Digital for Impact products.

Observations

69. OIG assessed the provision of IT Service Management (ITSM) against ITIL principles as **Major Improvement Needed**. The audit found there were inadequate plans, structures, documentation and monitoring in place to meet ITIL best practices. Specifically the audit identified the need to:

- Put in place a plan for ITIL alignment detailing targets and responsibilities;
- Document all required ITSM policies and procedures; and
- Improve monitoring of ITSM processes.

70. The audit also identified a lack of visibility and monitoring by CSI of Digital for Impact products service provision.

71. At the time of the audit, CSI (together with Shared Services Centre and HQ Maintenance Services) was undertaking the implementation of ServiceNow, an Enterprise Service Management project. The project's objective is to implement the ITIL-specific elements available in the IT Service Management module. CSI stated that it will aim to address the observations and Agreed Actions of this audit during and after the current project implementation which is expected to be completed by the fourth quarter 2023.

Agreed actions

72. The report contains five actions that CSI has agreed to undertake. CSI has committed to fully implement all actions by December 2024.

AUD1523 - Audit of the Language Services in FAO, Part 2: Operational Management

73. This report is the second of two reports communicating the results of an audit of language services in FAO conducted by the Office of the Inspector General (OIG) as part of its 2022-2023 workplan. The first report addressed a number of overarching strategic matters which contribute to many of the recurring issues related to the provision of language services in FAO. This second report addresses operational aspects related to the provision of language services in FAO, including workforce planning; use of external language service providers by FAO units other than CSG (in the rest of the report will use the term "FAO units" to refer to all FAO divisions and offices other than CSG); and backcharging mechanisms used by the Language Services branch (CSGL) to reimburse incurred costs.

Main observations and conclusions

74. Language services in FAO are provided primarily through affiliate workforce (non-staff personnel - NSHR), who complement the staff positions available in CSGL. An efficient use of NSHR, including finding the optimal balance between staff and non-staff, is therefore essential for the provision of services in an efficient and effective way. Achieving this would require undertaking a workforce planning exercise. But while CSGL has incorporated in its biennial business plans elements of workforce planning, a comprehensive exercise has not been conducted recently.

75. The audit also found: i) the need to improve the management and monitoring of language-related consultants hired directly by other FAO units, and ii) the need to update the calculations which underpin the backcharging mechanism through which CSGL gets reimbursed for the services it provides to the rest of the Organization.

76. In summary, OIG is of the opinion that the operational arrangements for language services in FAO **Need Some Improvement**.

Agreed actions

77. The report contains four actions that management has agreed to undertake and committed to fully implement by December 2024.

78. The priority actions are for CSGL to: (i) conduct a workforce planning exercise to identify the right balance in the use of staff and affiliate workforce; (ii) improve oversight of NSHR contracts and promote the use of consistent rates; and (iii) improve the use of the corporate roster of external language providers.

AUD1623 - Audit of FAO's Social Media Management and Use⁴

What was audited?

79. The Office of the Inspector General (OIG) conducted an audit of FAO's Social Media Management and Use in accordance with its risk-based audit plan for the 2022-2023 biennium. The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes for effective and efficient management and use of FAO's social media accounts. The audit covered the period between January 2021 and April 2023.

Why it matters?

80. Social media are multi-platform digital technologies that allow ideas to be shared through virtual networks and communities. As such, social media is one of FAO's key communication channels to advocate and increase the visibility of the Organization's work; contribute to the global dialogue in its areas of expertise; and engage in a dialogue with stakeholders. During the audit period, FAO maintained an active presence across 18 social media platforms, boasting more than 7.3 million followers over approximately 200 institutional accounts.

What were the key observations?

81. As a result of dedicated efforts by the Office of Communications (OCC), there has been a remarkable growth in the number of FAO's social media followers in recent years, which has been accomplished by a very small social media team at FAO headquarters.

82. The audit identified a number of improvements needed to enhance the efficiency and effectiveness of the management of social media at FAO, which OCC has committed to undertake.⁵ The main improvement actions are:

- defining the scope of social media within FAO and creating an official categorization for social media accounts;
- revising and enhancing the Social Media Policy;
- establishing a consolidated repository of resources for account managers;
- defining appropriate arrangements for effective coordination of FAO's social media activities and monitoring arrangements to ensure compliance with policies and guidelines Organization-wide;
- formulating an entity-wide social media roadmap;
- designing an onboarding and training programme for account managers;

⁴ In November 2023, OIG updated its audit reporting template, including the format of the Executive Summary. Amongst the changes introduced, OIG discontinued the four-scale ratings at the audit engagement level and replaced them with an overall audit conclusion statement signifying the impact of the identified control weaknesses, if any, on the assessed audit objectives.

⁵ At the time of report issuance, OCC indicated that some of these actions were already in progress.

- compiling an exhaustive inventory of FAO social media accounts; and
- adapting account management guidelines to address emerging social media risks.

Conclusion

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

84. OCC management has developed a suitable action plan to address the issues raised, and OIG will follow up on their timely implementation.

AUD1723 - Audit of the FAO Representation in Angola

What was audited?

85. In accordance with its biennial audit work plan, the Office of the Inspector General (OIG) carried out an audit of the FAO Representation in Angola. The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and internal control processes in the Representation. In particular, the audit reviewed:

- Implementation of internal controls to manage key risks to the FAO operations in Angola.
- 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.

86. While the audit covered the period from January 2022 to March 2023, this report also took into account subsequent developments as of October 2023, and management comments received in December 2023.

Why it matters?

87. 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?

88. The Representation has a considerable field presence with 57 percent of its personnel located close to project sites. It had adopted innovative approaches to gathering geographical reference data for project planning and reporting and had developed dashboards to monitor procurement planning and settlement of advances in a timely manner. While OIG commends the Representation's proactive stance in finding innovative solutions to meet its operational needs, the Representation was not aware of many of the internal control gaps and associated risks highlighted in this report:

- The Representation relied heavily on national counterparts⁶ in project implementation and allowed them to make changes to projects without prior approval, leading to disparities in distributed quantities and recipients. It stated that this had been the practice for the past 18 years and such an approach was justified due to the nature of the projects linked to the national policy. However, the roles and responsibilities of national counterparts had not

⁶ Local ministries specified in the project documents.

been clearly defined and the Representation had not reviewed and reconciled the planned and actual distribution of inputs and cash to detect possible misappropriation.

- The Representation directly selected six Letter of Agreement (LoA) service providers without adequate justification, including three without Local Procurement Committee review. LoA records in the Global Resources Management System (GRMS) were inaccurate. Interim reports were not validated in three cases and, in two instances, service providers were fully paid before completing activities. By October 2023, four LoAs service providers were late in delivering the agreed services for a period ranging from 10 to 16 months, negatively impacting project implementation.
- Contrary to FAO Manual Section 702, the Representation distributed cash totalling USD 755 000 to beneficiaries using operational and local travel advances instead of financial service providers as it wrongly assumed that prior approval from the Finance Division for a project in 2020 was sufficient. In 32 cases, advances exceeding the maximum threshold of USD 5 000 were granted without the approval of the Finance Division at Headquarters; while in multiple instances, advances were split to stay below this threshold. The Representation also misrepresented the advance holders in GRMS, as banking records indicated disbursement to different individuals. The Representation settled advances despite discrepancies in supporting documentation, and approved settlements without proper justification in 195 cases where expenses exceeded 50 percent of the advance amount.
- In 9 out of the 13 sampled purchase orders, the procurement process deviated from established procedures and lacked transparency. Issues included the absence of technical clearance, short bidding time (1–6 days), unjustified direct procurement, undocumented bid openings, improper use of purchase requisitions, selecting vendors not registered in the United Nations Global Marketplace, incorrect handling of unmatched invoices and non-application of liquidated damages.
- In all four sampled projects, the Representation had either not defined the criteria for the selection of beneficiaries or had not clarified the roles and responsibilities of the parties involved in beneficiary selection in the Project Documents.
- While the Representation had annual operational and Monitoring and Evaluation plans and conducted weekly meetings to monitor project expenditure, budget and reporting requirements, there were lapses in project monitoring. These included reporting delays, budget overruns, limited monitoring of project activities (particularly post-distribution) and unclear criteria for cost allocation of shared resources between projects.
- The recruitment of local personnel was not transparent: in all 122 sampled cases, there were either no vacancy announcements, records of the shortlisting process or screening before onboarding.
- Pay rates and increases for local Non-Staff Human Resources (NSHR) lacked clear criteria. The Representation had approved pay increases exceeding 50 percent to 10 personnel within only six months after joining the Representation. Despite employment contracts with pay rates in local currency, 29 of the 214 local NSHR were paid in USD without proper authorization. Moreover, the Representation delayed payments totalling USD 105 000 to 33 NSHR after contract expiry, some for as long as 14 months until their deliverables were approved although the agreed payment terms were based on days worked rather than the approval of deliverables.
- The Representation had not informed project beneficiaries and counterparts about the FAO Hotline for reporting potential misconduct, including Sexual Exploitation and Abuse, citing language barriers and limited internet access for online reporting. While the Representation decided to partner with the United Nations Country Team to establish a

complaints system, there was only limited progress, leaving beneficiaries without a functional and confidential channel to voice their grievances.

- Inventory was stored at government-managed facilities without formal arrangements or clarification of responsibilities for any potential losses. The Representation did not have controls in place to track inventory movements and identify aged items and stock obsolescence.

Conclusion

89. Identified weaknesses in existing structures, policies and procedures negatively impact the effective management of key risks. The audit identified 20 risks, of which 13 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.

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