Food and Agriculture Organization of the United Nations

Office of the Inspector General

# Audit of the FAO Representation in Zimbabwe

AUD1424

17 December 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) conducted an audit of the FAO Representation in Zimbabwe. 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 assessed:

- Implementation of internal controls to manage key risks to FAO operations in Zimbabwe.
- 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 2023 to March 2024, this report also took into account subsequent developments as of July 2024, and management comments received up to December 2024.

## WHY IT MATTERS?

Well-functioning operations on the ground, supported by effective internal 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.

The Representation had a large field programme comprised of 21 national projects with a total budget and delivery of USD 70 million and USD 41 million, respectively. The largest project managed by the Representation was an emergency project, comprising an agricultural loan scheme, with a total budget of USD 20.6 million.

## WHAT WERE THE KEY OBSERVATIONS?

Management of the agricultural loan scheme was contracted out to a government-owned bank. The audit found that: i) the bank used the funds received from FAO to cover its own set-up and operational costs even though this was not included in the contract (the Representation subsequently indicated that the amount would be deducted from the next tranche of funds to be disbursed to the bank); ii) no reconciliation was performed between the fund status report and the bank statement to verify actual loan disbursements, repayments, and incurred expenditures; iii) the beneficiary database lacked information on identification documentation used during beneficiary registration, increasing the risk of duplicate and "ghost" beneficiaries. (OIG identified similar issues in another project involving input distribution); and iv) the reporting requirements were not fully complied with. OIG assessed the overall risk to the Representation's operations because of the weaknesses in the management of the agricultural loan scheme as moderate.

Other audit observations in operational management at the Representation included the following:

- The Representation charged personnel costs to the Regular Programme and projects to utilize available budgets, despite those personnel not contributing to the activities of the respective funding sources. (Moderate risk).
- The risks of financial inefficacy and fraud were increased as a result of misuse of miscellaneous receipts, delayed expense recording, and weak management of advances and unmatched invoices. (Moderate risk).
- The Representation generally adhered to established procedures for procurement and Letters of Agreement. However, monitoring of delivery timeliness and commitment liquidation was inadequate, as evidenced by a high number of overdue purchase orders. (Moderate risk).
- The Representation did not adequately conduct the annual physical verification of assets. With many assets in the possession of implementing partners, this increased the risk of loss. There were also weaknesses in the control of project inventory leading to inaccuracies and discrepancies between the annual inventory and stock reports. (Moderate risk).

# CONCLUSION

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

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

Mika Tapio

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**17 December 2024**