OFFICE OF THE INSPECTOR GENERAL

Audit of Procurement of Services (AUD 0622)

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) conducted an audit of the procurement of services as part of its workplan for the 2020–2021 biennium. The audit fieldwork was carried out between June and November 2021. The objective of the audit was to assess the effectiveness of the arrangements established by FAO Senior Management for the procurement of services to ensure relevant, timely, transparent and competitive acquisition of services and achievement of best value for money. This audit complemented a series of audits in a number of procurement-related areas conducted by OIG between November 2016 and March 2018.

Main observations and conclusions

OIG concluded that the procedures established for the procurement of services were generally adequate and complied with. Notably:

- Senior Management had: (i) developed rules, policies, guidelines, procedures, instructions and templates for planning and conducting procurement actions; (ii) defined and allocated roles, responsibilities, authority and accountability for the key actors involved in the related activities; and (iii) established mechanisms and procedures for monitoring and managing vendor performance and obligations under the contractual instruments signed by the Organization, including their terms and conditions and reporting on performance at the end of a contract.

- The policies, rules and procedures laid down in FAO’s Manual Section 502 on the Procurement of Goods, Works and Services, and in the Procurement Handbook were generally observed and complied with by all actors involved in the procurement of services.

Hence, and also taking into consideration the results of previous audits of procurement-related areas and implementation of the agreed actions/recommendations raised in those audits, OIG is of the opinion that there is reasonable assurance that the procurement of services at FAO headquarters and Decentralized Offices is performed in a transparent and policy compliant manner.

However, the audit observed a number of areas where the processing of procurement actions and the management of procurement activities needed to be further strengthened:

(i) There were unstructured requests for purchases at Decentralized Offices leading to delays in launching procurement actions.

(ii) Some parts of Manual Section 502 and the Procurement Handbook need to be revised, updated or fine-tuned as currently guidance is incomplete for some procurement-related activities.

(iii) Monitoring of procurement activities at the corporate level had weaknesses, reducing the assurance of proactive identification of non-compliant and inefficient practices, mistakes and unusual trends.

(iv) Risks associated with different aspects of the procurement of services were not identified and managed in a systemic manner.

Taking the results of the audit as a whole, OIG determined that Some Improvement is Needed (see Annex for definition of audit terms) in the arrangements for the procurement of services to improve their efficiency and effectiveness and to further increase transparency and competitiveness in the awarding of contracts.
Agreed Actions

The Procurement and LoAs Unit of the Logistics Services Division, in coordination with other stakeholders as necessary, has agreed to undertake the seven actions contained in this report to address the issues identified. Priority actions include:

- Strengthening the monitoring of exceptional awards and direct procurement through ex-post critical review;
- Revising and updating Manual Section 502 and the Procurement Handbook to standardize the procedure of raising purchase requisitions and contract purchase agreements, and to further strengthen the use of procurement planning; and
- Establishing structured systems for risk management and monitoring of procurement activities at the corporate level to strengthen controls over procurement activities and to avoid potential negative impacts threatening the achievement of procurement objectives.

Mika Tapio
Inspector General

19 May 2022
ANNEX: DEFINITIONS OF AUDIT TERMS

AUDIT RATINGS

<table>
<thead>
<tr>
<th>Rating System</th>
<th>An audit rating system (defined below) has been used to rank the adequacy of internal controls¹ in each area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>The assessed controls, governance arrangements, and management of opportunities and risks, are adequate and effective to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Some Improvement Needed</td>
<td>A few specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; generally however, they are adequate and effective to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Major Improvement Needed</td>
<td>Numerous specific weaknesses in the assessed controls, governance arrangements, and management of opportunities and risks were noted; they are unlikely to provide reasonable assurance that objectives are met.</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>The assessed controls, governance arrangements, and management of opportunities and risks, are not adequate or effective to provide reasonable assurance that objectives are met.</td>
</tr>
</tbody>
</table>

¹ FAO’s accountability policy, in an extension of the COSO internal control objectives, establishes five critical areas of performance relevant for assessing the adequacy of controls – effectiveness, economy and efficiency, compliance, reporting and protection.