

## OFFICE OF THE INSPECTOR GENERAL

### Audit of the FAO Representation in Burkina Faso (AUD0423)

#### EXECUTIVE SUMMARY



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



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**

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





*Mika Tapio*

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**Inspector General**

**17 March 2023**

## ANNEX: DEFINITION OF AUDIT TERMS

## AUDIT RATINGS

Rating System		An audit rating system (defined below) has been used to rank the adequacy of internal controls <sup>1</sup> in each area.
Satisfactory		The assessed controls, governance arrangements, and management of opportunities and risks, are adequate and effective to provide reasonable assurance that objectives are met.
Some Improvement Needed		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.
Major Improvement Needed		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.
Unsatisfactory		The assessed controls, governance arrangements, and management of opportunities and risks, are not adequate or effective to provide reasonable assurance that objectives are met.

<sup>1</sup> 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.