Food and Agriculture Organization of the United Nations

OFFICE OF THE INSPECTOR GENERAL

Audit of the FAO Representation in Niger (AUD0623)

EXECUTIVE SUMMARY

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

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[1]. 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.

[1] 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

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

Mika Tapio

Mika Tapio
Inspector General — ***10 May 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[2] 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.

[2] 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.