Food and Agriculture Organization of the United Nations

Office of the Inspector General

Audit of the FAO Representation in Angola

AUD1623

19 December 2023

This document is comprised exclusively of the executive summary of the audit report.

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EXECUTIVE SUMMARY

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. 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.

WHAT WAS AUDITED?

- 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.

WHY IT MATTERS?

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?

- 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 counterparts[1] 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 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

[1] Local ministries specified in the project documents

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 12[2] 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 totaling 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

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.

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

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[2] There were 196 personnel recruited or rehired during the audit period and OIG sampled 12 cases.