



Food and Agriculture
Organization of the
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Office of the
Inspector General

Audit of the FAO Representation in Somalia



AUD0424

21 May 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) carried out an audit of the FAO Representation in Somalia. 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 Somalia;
- Integrity and transparency of the operations in accordance with established regulations and rules; and
- Management of the project portfolio and activities to achieve the targeted programmatic objectives.

The audit started in June 2021. It was conducted remotely because of the Covid-19 pandemic. Given the time lapsed and the significant increase in the Representation's project portfolio, OIG conducted an additional desk review from May to November 2023 to ensure its assessment was comprehensive and up-to-date. While the audit covered the period from January 2020 to December 2022, this report also took into account the observations made by OIG in its 2019 review of a donor-funded project implemented by the Representation, and management comments received between November 2023 and May 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.

WHAT WERE THE KEY OBSERVATIONS?

- The Representation had made concerted efforts to regularly engage with resource partners through quarterly round table meetings to advocate its strategic priorities. The Representation had also prepared various appeal documents such as the Famine Prevention Plan and the El Niño Mitigation & Response Plan, among others. Such initiatives had proven successful and, as of December 2023, the Representation had mobilized almost USD 290 million of the USD 320 million resource requirement for the 2022–2025 Country Programming Framework (CPF). Overall, the Representation obtained funding for 90 percent of the CPF resource requirement, and it is likely it will achieve its resource mobilization target by 2025.
- FAO operations in Somalia are implemented in a very challenging political and security environment. Since May 2017, FAO has activated a Level 3 Corporate Scale-up Emergency Response due to crises threatening agriculture, food security, nutrition, and food safety, overwhelming the Representation's capacities and requiring full corporate support. In addition, Somalia ranked 180th in the Transparency International 2022 and 2023 Corruption Index (the lowest in the world), which means that fraud and corruption risks are high. In this challenging context, implementing programmes in the country carries very high inherent risks. The Representation had put a number of systems, tools and procedures in place to mitigate key delivery, integrity and reputational risks. However, as outlined below, the control gaps in the Somalia operations were such that, in OIG's opinion, the residual risks remained high.
- The Representation has significant operations involving distributing inputs and cash to project beneficiaries. It engaged service providers to identify project beneficiaries and collect biometric data to verify beneficiary identities before distribution. The service provider reports described the activities conducted but without evidence of inputs having been received by project beneficiaries. Biometrics data were only available for 7 percent of beneficiaries. Additionally, of 3 280 cash disbursement authorizations, 177 disbursements exceeded the approved amounts for a total of USD 4.5 million. Moreover, in 119 instances, payments to mobile money operators exceeded the actual cash disbursed to beneficiaries by USD 21.2 million.

- The Representation directly selected and paid a total of USD 42.5 million to the same service providers to implement animal vaccination and treatment programmes on a recurring basis over ten years. There was insufficient assessment of the results of past projects despite the risk of overuse or misuse of drug treatments. The Representation did not have a reliable method of verifying the number of animals vaccinated. From the review of eight sampled Letters of Agreement (LoAs), the Representation had paid the service providers in full, although they did not comply with all the LoA terms and conditions. For the eight sampled LOAs, OIG assessed that overpayments were made to the service providers of at least USD 0.5 million in 2020 and 2021.
- At the point of payment, the Representation charged expenditure to projects using the “programmatic approach” resulting in subsequent accounting adjustments totalling USD 11.9 million between 2020 and 2022. Although the amount represented only three percent of the total expenditure during those years, it is concerning to note that following these adjustments, in many cases, the supporting documents related to the expenditure of another project than that eventually charged.
- Due to accessibility issues and security concerns in some areas, the Representation had deployed field monitors and engaged Third Party Monitors to verify the implementation of project activities. In addition, it had established a call center to contact a sample of project beneficiaries to verify whether they received the inputs and cash distributed. However, the effectiveness of such a control for monitoring purposes is questionable as the contact information for the project beneficiaries was provided by the service providers who were also responsible for input distribution.
- OIG identified at least USD 1.7 million off-record payments made between 2020 and 2022 through financial service providers where the actual payees and amounts paid to them were not reflected in the Global Resource Management System (GRMS), to avoid registering voluminous payee information in GRMS, although there were recurring payments to the same individuals over many years.
- In the absence of a corporate system for beneficiary management, the Representation started developing an in-house application to register beneficiaries to support of its large-scale cash transfer operations and input distribution activities in 2012. Over the years, the Representation had invested in improving the application; however, there were still functionality gaps and the reconciliation feature was not working well. The Representation could not distinguish the beneficiaries by project and did not have information on the actual inputs or cash received per beneficiary. The application was also not well-integrated with the records in GRMS.
- The Representation used money vendors to pay its personnel, suppliers, implementing partners and non-staff travellers. However, the Representation chose to use a service where the money vendor was not required to verify the identity of the payee prior to payment. The money vendor also did not provide evidence of receipt by payees, as required.
- The Representation had a well-established mechanism to receive complaints from project beneficiaries. Between December 2020 and August 2023, it received over 12 000 complaints, queries and feedback, including 155 complaints alleging fraud and other forms of misconduct. However, the Representation did not notify OIG Investigation Unit about these allegations and instead conducted its own reviews and closed 133 of the cases.
- The Representation did not consistently check whether travellers had obtained the required security clearance prior to travel. The approval of some trips on a post-factum basis made it more difficult to ensure that security clearance was obtained. There were also cases of personnel misrepresenting the location of their accommodation during official travels to Kenya.
- The Representation kept proper procurement records, but procurement planning was ineffective, and processes were inefficient leading to delays in procurement. Non-procurement personnel were allowed to perform buyer functions without the supervision of the International Procurement Officer.
- The recruitment of local personnel was not transparent. Despite changes in job descriptions, the Representation rehired local personnel without assessment of their qualification and experience. Some personnel were directly selected based on referrals from employees with no documentation on the assessment of their suitability for the positions. This implied that individuals with connections to FAO employees stand a better chance of obtaining a job at the Representation.
- The Representation did not have records to account for inventory movements, including inventory losses or disposals. Over 50 percent of the 2022 year-end inventory was older than a year which included undistributed inventory from closed projects totalling USD 0.4 million.

- Controls over travel management were weak leading to high risks of fraud. Issues identified included approval of significant unbudgeted expenditure totalling USD 0.4 million during settlement of travel claims, incomplete supporting documentation; frequent long and unjustified travel; and approval of multiple travel authorizations for the same individuals with the same departure dates to different locations.

CONCLUSION

Existing structures, policies and procedures are seriously flawed in design or operation and do not mitigate the key risks. The audit identified 21 risks, of which 15 are rated as high and 6 as moderate. If not addressed, they will hinder the achievement of important governance, risk management or internal control objectives.

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



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