



Food and Agriculture
Organization of the
United Nations

Office of the
Inspector General

Audit of the FAO Representation in Lesotho



AUD0724

03 July 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) conducted an audit of the FAO Representation in Lesotho. 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 Lesotho.
- 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.

OIG initiated a remote audit of the Representation in 2021 during the COVID-19 pandemic. Given the time lapsed and significant fluctuations in the Representation's project portfolio and delivery, OIG conducted an additional desk review from May to December 2023 to ensure its assessment was comprehensive and up to date. While the audit covered the period from January 2020 to December 2023, this report also took into account subsequent developments as of May 2024, and management comments received in June and July 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?

OIG was pleased to note that the Representation had implemented corrective actions to address some of the internal control gaps identified during the initial audit assessment conducted in 2021. It had increased the use of Electronic Fund Transfers for payments from 68 percent in 2020 to 99 percent in 2023. Similarly, the Representation had strengthened controls in the management of operational advances and the use of unmatched invoices.

However, the Representation needs to make further improvements to address the following:

- Input distribution records showed that beneficiary records were incomplete and not well organized. The dates of input distribution were not indicated and there were discrepancies in beneficiary signatures. The Representation also did not reconcile the approved quantities for distribution with the actual quantities distributed.
- The Representation had overdue purchase requisitions and purchase orders. Liquidated damages had not been applied for late deliveries, and the Representation had procured from suppliers who were not registered in the United Nations Global Marketplace. Additionally, procurement records were incomplete and poorly organized. In some cases, suppliers were selected solely based on the government counterpart's recommendation, technical clearance was lacking and discrepancies were identified in the bidding process.
- The Representation did not independently verify and analyse the reports and records submitted by government counterparts and project managers. In addition, while the Representation allocated the cost of local non-staff human resources across different projects, the criteria to allocate the shared resources were not established.
- In the absence of a corporate inventory system, the Representation did not have measures in place to track and account for inventory procured, received and distributed.
- The Representation prepared annual risk logs and the Fraud Prevention Plan as required with well-formulated risk statements and relevant mitigating measures. However, in the 2023 Internal Control Questionnaire, of the 21 control points reported as fully implemented, OIG assessed that 11 control points were only partially implemented.

These control points related to procurement, financial management, asset management, travel management, Letters of Agreement and risk management.

- The Representation had well-organized human resource files but a sample review showed that the records were incomplete with missing documentation on the recruitment process, background checks, justification for pay rates applied, clearances and performance assessments.
- The Representation has not had a signed Country Programming Framework (CPF) since 2019. In 2023, the Representation stated it was waiting for issuance of the 2024–2028 United Nations Sustainable Development Cooperation Framework (UNSDCF) to align its new CPF. However, as of May 2024, the Representation had yet to finalize the new CPF although the UNSDCF was issued in July 2023.

CONCLUSION

Identified weaknesses in the existing structures, policies and procedures negatively impact the effective mitigation of key risks. The audit identified seven risks, of which three were rated as high and four as moderate. If not addressed, they will hinder the achievement of some important governance, risk management or internal control objectives.

FAO Lesotho 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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Inspector General
03 July 2024