



Food and Agriculture  
Organization of the  
United Nations

# Audit of the FAO Representation in Nepal



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](#).

AUD0425

06 June 2025

Office of the  
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# 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 Nepal. 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 Nepal.
- 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.

While the audit covered the period from January 2023 to July 2024, this report also took into account subsequent developments as of February 2025, and management comments received in May 2025.

## 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.

The Representation had a large field programme comprising 22 national projects, with a total budget of USD 54 million and a cumulative delivery of USD 11 million, as of August 2024. The overall low delivery was mainly attributed to two newly launched projects with a combined budget of USD 8 million, which had delivered only USD 0.2 million by that time. The largest project managed by the Representation was a forestry project restoring river systems, with a budget of USD 39 million funded by the Green Climate Fund. Despite starting in 2020, its delivery remained relatively low at USD 8 million, primarily due to initial delays associated with the Operational Partners Implementation Modality.

## WHAT WERE THE KEY OBSERVATIONS?

The Representation demonstrated strength in maintaining well-documented risk logs; engaging in advocacy through communication of its activities to external stakeholders; achieving steady growth in resource mobilization; and conducting action-oriented staff meetings. However, OIG identified the following two issues requiring management action.

### **Compliance with the Operational Partners Implementation Modality**

There were deficiencies in the Representation's adherence to the monitoring and evaluation requirements of two Operational Partners Implementation Modality projects, with budgets of USD 39 million and USD 4 million, respectively. Shortcomings included incomplete annual reviews, spot checks and audits, and insufficient monitoring of risk mitigation plans and financial reports. These shortcomings stemmed from an inadequate understanding of Manual Section 701 and the requirements contained in the Operational Partners Agreement. Operational challenges, such as the limited capacity of government counterparts; minimal budget for the Representation to support counterparts; treasury coordination delays in the government system; and confusion about reporting requirements also contributed to the weaknesses identified. These deficiencies, if not addressed, could undermine FAO's accountability to resource partners due to late implementation, inadequate quality of results or misuse of funds (Moderate risk).

### **Weaknesses in administrative procedures**

OIG found weaknesses in the documentation and monitoring of administrative and operational activities in several areas including procurement, human resources, input distribution, monitoring of Letters of Agreement and travel

management. These weaknesses resulted from inadequate knowledge and understanding of the rules and their purposes; limited experience with FAO procedures; insufficient guidance; and weak oversight and supervision. The vacant position of Assistant FAO Representative for Administration from October 2023 to July 2024 may also have contributed to some of the problems observed. The lack of clear, systematic documentation and effective monitoring of administrative transactions increases the risk of financial mismanagement, non-compliance with FAO procedures and reduced transparency. This can lead to errors, misallocation of resources and hinders accountability, ultimately impacting the efficiency and credibility of the Representation's operations (Moderate risk).

## CONCLUSION

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

FAO 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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