Food and Agriculture Organization of the United Nations

Audit of Second Line Monitoring of Country Office Operations

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.

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30 June 2025

Office of the Inspector General

EXECUTIVE SUMMARY

WHAT WAS AUDITED?

The Office of the Inspector General (OIG) conducted an audit of Second Line Monitoring of Country Office Operations in accordance with its risk-based audit plan for the 2024-2025 biennium. The objective of the audit was to assess the governance, design and implementation of second line monitoring of FAO country offices. Each component was reviewed through the lens of four divisions: i) Human Resources, ii) Logistics Services, iii) Finance and iv) Project Support Services. These divisions were not audited, but rather the overall second line monitoring of FAO's country offices.

WHY IT MATTERS?

Effective second line monitoring of country offices is fundamental for FAO to achieve its strategic goals and fulfill its mandate. As the heart of FAO operations, working on the front lines to deliver its mission, country offices face unique challenges and risks that require strong risk management and oversight. Second line monitoring acts as an early warning system for emerging risks and identification of any issues with controls and existing risk mitigation measures, promoting operational effectiveness and strengthening compliance and accountability. It helps FAO better support its country offices and continuously improve its operations. Ultimately, it helps ensure FAO programmes achieve their intended impact, that resources are used responsibly and that the Organization's reputation is protected.

WHAT WERE THE KEY OBSERVATIONS?

The FAO Enterprise Risk Management Policy clarified and reinforced the concept of second line monitoring, and the OSP Enterprise Risk Management Team engaged widely to strengthen this area. This resulted in positive risk management developments and contributed to policy owner recognition of their second line monitoring responsibility. Given their role in supervising country offices, regional offices declared their interest in being more connected with and involved in these activities. Extensive activity around FAO with varying degrees of maturity was already contributing to FAO's overall second line monitoring.

While FAO has a foundation for second line monitoring and has demonstrated some good practices, significant weaknesses in governance, design, and implementation limit its effectiveness. These weaknesses hinder the Organization's ability to identify and address risks at the country office level, potentially impacting the achievement of objectives and exposing FAO to negative financial, operational, and reputational consequences.

The governance gaps included:

- Policy owners lacked a consistently clear understanding of second line monitoring, its purpose and how it differs from first line supervision or independent assurance (third line) activities. (High)
- FAO's organizational structure and responsibilities for second line monitoring were misaligned. Policy owners lacked the authority to enforce corrective action at the country office level, while regional offices had the authority but lacked any clearly delegated second line monitoring responsibility. (High)
- Several critical country office-level risk areas lacked clear policy owners or a supporting policy and risk management framework. This led to inconsistent risk management practices and an absence of second line monitoring and increased FAO's vulnerability as demonstrated in recent country office audit reports. (High)

Gaps in design and implementation included:

- Second line monitoring efforts were often ad hoc, not guided by a defined methodology, or linked to rigorous risk assessments. This left significant risks at the country office level unmonitored in practice.
- Second line monitoring activities were frequently uncoordinated and inconsistent and needed more depth to identify the root causes of issues.

- Formal reporting and follow-up mechanisms for findings from second line monitoring were largely absent, which hindered the resolution of identified issues and the escalation of potential systemic issues that should be addressed at corporate rather than the country office level.

Several factors acted as root causes contributing to these gaps:

- The Enterprise Risk Management Team faced challenges related to its authority and resources, limiting its ability to effectively promote and enforce second line monitoring practices.
- As noted in previous audit reports, the need to strengthen FAO's risk management maturity, especially related to the least developed area of risk culture, negatively influenced the understanding and implementation of second line monitoring of country offices.
- FAO's siloed organizational structure and reporting lines hindered collaboration and communication, impacting the coordination and sharing of second line monitoring knowledge and practices.
- Weaknesses in country office governance structures and capacity impeded the effectiveness of second line monitoring and the implementation of corrective actions.

Ultimately, failing to address these gaps in second line monitoring of country offices will continue to expose FAO to significant risks to the achievement of the organization's objectives, including the potential for financial losses, reputational damage, inefficient resource use and increased vulnerability to fraud and corruption risks.

CONCLUSION

Existing structures, policies and procedures are seriously flawed in design or operation and do not mitigate the risks to the achievement of several key governance, risk management or internal control objectives. The audit identified five high risks.

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

Mika Tapio
Inspector General
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