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# FINANCE COMMITTEE

**Hundred and Seventy-eighth Session**

**Rome, 4- 8 November 2019**

**Progress Report on Implementation of the External Auditor's  
Recommendations**

Queries on the substantive content of this document may be addressed to:

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FC 178

### EXECUTIVE SUMMARY

- This report outlines the progress on implementation by the Secretariat of recommendations made by the External Auditor.
- The report presents the progress made by FAO to implement recommendations that were outstanding at the date of the previous progress report presented to the Finance Committee at its 173rd Session in November 2018.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to review the document, and provide its guidance as deemed appropriate.

#### Draft Advice

**The Committee:**

- **noted the status of implementation of the recommendations of the External Auditor; and**
- **welcomed and commended the significant progress made in closing recommendations of the External Auditor and urged the Secretariat to continue efforts to close the remaining outstanding recommendations.**

## Introduction

1. The table below summarizes overall FAO progress in implementing the External Auditor's recommendations.

Audit Report	Total Recommendations issued 2012-2017	Outstanding at previous Reporting Date <sup>1</sup> (November 2018)	Closed since previous Reporting Date	Outstanding at current Reporting Date (November 2019)
Long Form Report 2012-13	57	1	1	0
Long Form Report 2014	26	6	4	2
Long Form Report 2015	21	3	3	0
Long Form Report 2016	19	6	5	1
Long Form Report 2017	29	29	23	6
Total	152	45	36	9

2. The table below presents details of the latest status of implementation of each recommendation which had not yet been closed at the date of the previous progress report presented to the Finance Committee, including the timeline suggested by the External Auditor for implementation.

3. Actions taken by the Secretariat to implement each recommendation are presented in the column entitled Management Response, and the External Auditor's view on the progress of implementation of all recommendations is presented in the last column entitled External Auditor's Comments.

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<sup>1</sup> FC173/14

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment	
<b>2017 – Financial Matters</b>					
<b>FUNDAMENTAL</b>					
Funding of employee benefit obligation					
1	Continue to encourage the Governing Bodies to consider a robust strategy to progressively fund the After Service Medical Coverage (ASMC) and Termination Payments Fund (TPF) included within the Employee Benefit Obligations (EBO) to address funding risks. (Paragraph 38)	2019	CSF/OHR	<p>Management continued its efforts to highlight the risks of unfunded EBOs in documents relating to the actuarial valuation and the financial position of the Organization submitted to the Finance Committee and in the <i>elements to improve FAO's financial health, liquidity and reserves</i> submitted with the proposed Programme of Work and Budget 2020-21.</p> <p>In the context of the ongoing medical insurance tender, which is expected to be concluded by end September 2019, it is planned to include objective cost reduction (containment) measures in the insurance contract, to commence on 1 January 2020, with a view to ensuring the sustainability of the medical insurance plan, which also covers the ASMC.</p>	<p><b>Closed.</b></p> <p>This was covered by the current audit and a new recommendation was raised due to additional information noted during the audit.</p>
<b>SIGNIFICANT</b>					
Voluntary contributions					
2	Review the provisions and initiate actions for write-off, where appropriate, considering the procedures set out in FAO Financial Rule 202.611 on project deficits and Rule 202.10.7.1 on authority to	2018	CSF	<p>A detailed request for the write-off of project deficits has been prepared and is now going through the process of review in accordance with the procedures set out in Financial Rule 202.10.7.1</p>	<p>In progress.</p> <p>We note the initial actions for the write-off of project deficits. We will continue to monitor the progress of implementation of this recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	write-off bad debts. (Paragraph 43)				
Financial implementation of TCP					
3	Improve further overall TCP delivery by reviewing the related processes and procedures and determine and address the root causes that contribute to implementation time lags. (Paragraph 51)	2018	PS	<p>In February 2019, Management issued revised TCP policies and procedures. It is expected that the simplifications introduced will substantially reduce the time required to respond to requests for assistance. In addition, early approvals against a biennial allocation will result in early delivery of resources.</p> <p>Further, improvements are being pursued in the framework of the ongoing audit of the project cycle, ad-hoc initiatives to simplify procedures and through a corporate initiative to replace FPMIS.</p>	<p><b>Implemented.</b></p> <p>We appreciate Management's action in issuing a revised TCP policies and procedures that is expected to reduce the implementation time lags. Likewise, we also noted initiatives of Management to pursue improvements in the framework of the audit of the project cycle.</p>
Long outstanding accounts					
4	Prioritize the AP review process clean-up to address long outstanding payables, and consider crafting a policy to cover all long outstanding payables in the regular clean-up process, factoring in timelines for clearing and possible de-recognition and/or cancellation of outstanding payables following an appropriate	2018	CSF/SSC	<p>A major clean-up exercise was conducted in 2018 and a process for ongoing tracking was established. The clean-up exercise conducted by SSC is in its final stage, and will be fully implemented by December 2019.</p> <p>SSC conducts constant reviews of FAO AP Unapproved Invoices and AP Payment Status reports to ensure that current year's AP line items do not remain outstanding for unreasonable periods without follow-ups.</p> <p>A policy for addressing long-outstanding payables will be drafted by CSF and implemented by 4th Quarter 2019.</p>	<p>In progress.</p> <p>We note the actions taken to address the outstanding payables through the clean-up exercise conducted by SSC and its intent to draft and formalize the policy. We will continue to monitor the progress of the clean-up and the policy to be drafted for this purpose.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	review and follow-up. (Paragraph 55)				
5	Continue the ongoing work undertaken by the business unit, CIO and Oracle to prioritize the solution of the identified system errors, other reporting issues and reconciling items to ensure that generated reports are complete, accurate and reliable. (Paragraph 59)	2018	CIO	<p>The resolution of the items reported requires a combination of technology upgrades and manual system interventions.</p> <p>Working together with the relevant FAO business units and the system vendor (Oracle), the following course of action was determined:</p> <ul style="list-style-type: none"> <li>- Application of technology patches is required (74 patches in total have been identified). As per vendor input, these patches will clear the differences for future transactions in PO and AP and reporting output will tally in AP and GL.</li> <li>- The vendor has identified a number of necessary SLA setup changes. These changes have been implemented. An additional proposal for changes to the AP SLA was made and is currently being tested.</li> <li>- Generic Data Fixes (GDF) are being utilized, as recommended by the vendor, to temporarily reconcile items, otherwise manual Journal Vouchers are being raised.</li> <li>- The updated SLA setup will be reviewed again at the end of May with the vendor to ensure that all issues have been addressed and in order to resolve anything outstanding.</li> </ul>	<p>In progress.</p> <p>We note the interventions so far implemented by the Management. We will continue to monitor the progress on the interventions employed to resolve the system errors identified.</p>
Shared Service Centre					
6	Undertake the necessary action to enhance further the efficiency and effectiveness of	2018	SSC/ CSDA	1) Regarding controls over assets, new reinforced procedures as well as SLAs were established and finalized on 30 November 2018. The SLA calls for all transactions to be processed within 5 days of being	<p><b>Implemented.</b></p> <p>We appreciate the substantial actions taken</p>

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<p>management controls within the functional processes of SSC as well as improve compliance with existing and applicable policies, regulations and rules relating to the deficiencies noted. (Paragraph 63)</p>			<p>received and close monitoring of assets purchased is performed regularly and reviewed as part of the monthly closure of the asset subledger.</p> <p>2) Offices have been notified of the deadline for the submission of PVAs, set at 31 October 2018 and were asked to nominate fixed assets focal points to be trained on all Fixed Assets requirements (to start in September, ahead of the PVA submission).</p> <p>3) Physical verification of assets are now monitored very closely and subject to an escalation procedure which has the FAO Representative or divisional director informed of the PVA needs and status. Failure to complete the PVA results in an initial escalation to the CSF director, which is followed by a second escalation to the CS-ADG and ultimately to the DDG (O).</p> <p>4) A consultant has been recruited to prepare a “Vendor Management Policy” that will define the roles and responsibilities of the different units in this area. (AOM-FAO-SSC-03 – 9. a and b assigned to CSDA)</p> <p>5) Regarding the recovery of advances, FAO has deployed a new EG management tool which now forces the recovery of any advances as per the policy. The tool was deployed in February 2018.</p> <p>6) The SSC has also introduced SLAs performance monitoring which is published on the SSC intranet site on a monthly basis showing that, since January 2017, all claims are processed within the prescribed SLA.</p>	<p>by Management to enhance controls within SSC functional processes.</p> <p>We will continue to monitor the progress of the vendor management policy in the next audit visit to SSC.</p>
<p>7 Update the relevant Manual Sections, “How to” guides, and internal procedures including maintaining business</p>	<p>2018</p>	<p>SSC</p>	<p>“Assets - How to” guides have been included in the Handbook.</p>	<p><b>Implemented.</b></p> <p>We appreciate the inclusion of the “Assets-How to” in the Handbook</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	process documentation of all administrative processes under the SSC responsibilities to reflect its actual processing activities using a process map such as e-Guide or equivalent. (Paragraph 68)				to reflect processing activities.
8	Fast track the transfer of responsibilities for asset functions and processes aligned with the current practice and SLA between CSF and SSC, resulting in a defined and transparent governance, accountability, and responsibility over asset functions. (Paragraph 69)	2018	SSC	The transfer of the asset function was fully completed at the end of November 2017 with all SLAs defined and published on the internal website of the SSC with clear delineation of accountability between the implementation process owner (SSC) and policy owner (CSF).	<b>Implemented.</b>  We appreciate the actions taken to fully define the responsibilities for asset functions (aligned with the existing functions performed by SSC) between SSC and CSF.
9	Initiate a robust risk assessment exercise within the SSC functional unit level in coordination with the Office of Strategy, Planning and Resources Management responsible for assisting FAO offices in understanding and applying good risk management practices. (Paragraph 72)	2018	SSC	Management agrees with the importance of carrying out formal risk assessments at all levels of the Organization. The risk assessment will be implemented in two stages, starting with Regional Offices and headquarters streams (DDO, DDP, DDN and ES) in 2018. Full implementation at the level of headquarters Offices/Divisions and FAO Representations is planned to take place in 2019. This gradual approach aims to allow for a well-designed process, with full system support and capacity building to accompany the roll-out of the new requirements. Within the SSC, risk assessment is addressed during management meetings and identified risks are stored on	<b>Implemented.</b>  We appreciate that formal risk assessment was already implemented within SSC at a functional level. We will continue to monitor this process in the next audit visit to SSC.



Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
				the SSC risk register to be reviewed and updated as needed.	
<b>Governance Matters</b>					
Statement of Internal Control (SIC)					
10	Enhance the descriptions of risk assessment, and information and communication components in its Internal Control Framework (ICF) to more closely reflect the adopted COSO Framework principles and support the clear communication of such adopted internal control principles. (Paragraph 79)	2018	OSP/DDO	The revised Internal Control Framework has been issued.	<b>Implemented.</b>  We appreciate the efforts made to revise the ICF that is expected to address the implementation of the recommendation.
11	Improve its corporate guidance on internal control reporting, moving forward, to integrate a more detailed workflow and basis for the production of the SIC, built upon its first year of reporting experience. (Paragraph 83)	2018	OSP/DDO	Improved guidance material, as endorsed by the Internal Control Board was integrated in the 2018 internal control reporting process.	<b>Implemented.</b>  We appreciate the actions taken to improve the corporate guidance on internal controls reporting to address the note issue and implement the recommendation.
12	Enhance its SIC production process by formally documenting the process, adding more specificities in the Internal	2018	OSP/DDO	Based on the lessons learned exercise carried out as part of the 2017 internal control reporting, the Internal Control Questionnaires (ICQs) have been significantly revised and adapted to the categories of offices to better reflect their control requirements.	<b>Implemented.</b>  We appreciate the action of the Management in the modification of the ICQs

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	Control Questionnaires (ICQs) in relation to the operational contexts of its offices, and, through a robust lessons-learning mechanism. (Paragraph 87)				to match the functions of HQ and decentralized offices.
Corporate Travel Management					
13	Improve its travel planning arrangements by clarifying and strengthening its travel planning policy and related processes, ably supported by its information management system and an effective oversight and monitoring mechanism to exact better accountabilities, improve cost efficiency controls and achieve full compliance. (Paragraph 94)	2018	CSF	A 15-day advance purchase policy was introduced in December 2018 with an effective date of implementation of 1 February 2019. Three Travel dashboards to monitor Local and International Travel were rolled out in 2018-2019.	<b>Implemented.</b>  We appreciate the introduction of the Administrative Circular on Travel Planning and roll out of the travel dashboards which the management expects to improve its travel arrangements.
14	Consider the use of premium economy class for air travel giving due consideration to cost savings and FAO's commitment to	2018	CSF	An assessment of the feasibility of usage of premium economy class travel by an external travel specialist has been completed. The assessment concludes that the standard use of premium economy class travel is not a viable substitute to business class and that it is not in the interest of the Organization to implement this. Therefore	<b>Closed.</b>  We note the Management's decision on not implementing the recommendation on the

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	sustainable travel and that FAO prepares a roadmap for adoption of the travel policy parameter on stopovers within 2018. (Paragraph 101)			the Organization will not implement this as a change in travel policy. A proposed change to the stopover policy has been prepared and is going through the process of internal review and clearance.	use of premium economy class for air travel.  However, we will continue to monitor the proposed stopover policy.
15	Undertake a comprehensive review of its corporate travel policies with the end-view of enhancing their contents and processes to ensure consistency, establish clear accountabilities and policy ownership; ensure they are properly monitored with a concrete feedback mechanism; are supported by a high level of staff awareness on the policies; and provide effective policy implementation oversight. (Paragraph 113)	2018	CSF	This recommendation will be addressed with the ongoing revision of the FAO Manual.	In progress.  We will continue to monitor the revision of the FAO Manual in relation to this recommendation.
16	Improve its travel risk data and assessment by providing a clearer and more accurate risk management context for risk identification and	2018	CSF	Corporate risks are managed in FAO through the Internal Control Questionnaires (ICQs) and the Fraud Prevention Plans (FPPs) completed by all FAO units on an annual basis. In preparation for the rollout of the Fraud Prevention Plan, a comprehensive Corporate fraud risk assessment	<b>Implemented</b>  We will continue to monitor the reliability of the travel risk data and assessment results.

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	assessment and adequately document the activities to support risk monitoring and decisions. (Paragraph 118)			was conducted in 2018, which includes risks related to monitoring and awareness of potential risks, their management and mitigating actions. FAO offices are now using the assessment in the preparation of their FPPs through an online corporate tool.	
Reporting of programme results					
17	Inclusion of an explicit workflow step in PIRES that covers actions on rejected programme results and closer monitoring of the reported accomplishments to ensure the completeness of information reported in future MTRs. (Paragraph 126.a)	2018	OSP	The PIRES reporting module has been upgraded and notification of the reasons for rejection of a country result is now mandatory.	<b>Implemented.</b>  We appreciate the upgrade made in PIRES which now requires mandatory notification of reasons for rejection.
18	Better coordination during regional-level reviews of programme results to improve the quality of reported accomplishments; and, identification and mitigation of the common root causes of output exclusions to address the risk of inaccurate programme results. (Paragraph 126.b )	2018-2019	OSP	This recommendation has been addressed both through improved guidance which further specifies the Regional Program Leader (RPL) roles, responsibilities and review criteria, and through changes made to the PIRES reporting module which ensures review and feedback loops between the RPLs, SPs, and country offices.	<b>Implemented.</b>  We appreciate the actions taken by Management to implement this recommendation by providing improved guidance and improvement to the PIRES reporting module.
19	Improve its mid-term results reporting	2018-2019	OSP	The recommendation is progressively being addressed. The 2017 end-of-year reporting included longer timelines	<b>Implemented.</b>

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	mechanism through the adoption of a more optimal review timeframe; institution of better monitoring capabilities of its managers; building of capability of its regional monitoring and reference to organizational learning in succeeding MTRs to support transparency in results reporting and coordination towards overall reporting improvement opportunity. (Paragraph 131)			<p>and improved guidance. Furthermore, close interactions with stakeholders throughout the 2018-19 work planning process has set the stage for improved reporting against results in 2018-19. And a lessons learned exercise for PIR 2016-17 and 2018-19 work planning has been completed.</p> <p>The 2018 Year End reporting exercise was further simplified and strengthened with improved guidance and compilation of information in PIREs.</p> <p>The Mid-Term Review Synthesis Report - 2018 was welcomed by the 161st Council which appreciated the MTR as an important accountability tool and as a model for illustrating lessons learned.</p>	We appreciate the actions of Management towards the implementation of this recommendation resulting for the simplified and improved 2018 Year End reporting and issuance of Mid-Term Review Synthesis Report for 2018.
<b>Operations of Representation Offices</b>					
Delivery of TCP					
20	Ensure the overall efficiency and effectiveness of the delivery of TCP projects through mechanisms that properly manage events or instances and exact responsibilities affecting the promptness, level, adequacy and reliability of information on TCP commitment delivery. (Paragraph 137)	2018	PS	The revisions to TCP policies and procedures mentioned under the response to recommendation 3 above will include measures to improve efficiency and effectiveness of delivery by addressing factors that are within the control of FAO. In particular, requirements for operationalizing a project have been revisited to improve start-up times. TCP project closure has also been accelerated by appropriate adjustments to TCP specific procedures. As the TCP is fully integrated in FAO's project cycle, measures taken at corporate level will equally benefit the TCP.	<b>Implemented</b>  We appreciate the issuance of revised TCP policies and procedures with which the Management expects improve efficiency and effectiveness of delivery of TCP.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment	
Delivery of Trust Fund projects					
21	Make certain the effective and efficient delivery through management of factors and project responsibilities that influence the timeliness, level of delivery and information reliability of trust fund projects. (Paragraph 141)	2018	PS	<p>Delays in project delivery have an impact on the Organization's resource mobilization targets and involves a reputational and financial risk for FAO.</p> <p>PSDQ provides weekly and monthly monitoring of the portfolio of donor funded and TCP funded projects. The Senior Management of FAO receives monthly updates, while Senior Field Programme Officers (SFPOs) and headquarters Departmental Focal Points receive the weekly updates. Projects are monitored against a number of conditions (low delivery, over expenditure, pending terminal report, pending closure) and the team follows up with SFPOs in the regions and/or Budget Holders in order to ensure that support can be provided for addressing challenging issues, as well as raising awareness for the urgency to resolve any issues. During 2019, it has been noted that those responsible for projects are taking action, and there have been improvements in the overall number of projects with conditions that require Budget Holder action.</p> <p>PROMYS, a system for the management of projects, is currently being designed. The effort got underway in June 2019. The system is intended to provide up-to-date solutions for improving the way FAO manages its projects from the very first idea until final closure.</p>	<p>In progress.</p> <p>We will continue to monitor the implementation of the system for project management, PROMYS.</p>
Reporting to Donors					
22	Ensure the delivery of timely, reliable and relevant donor reporting information through	2018	PS/CSF	<p>Periodic and terminal reports are key elements of resource partner liaison work, and have been further strengthened in 2017. The Project Cycle includes standard formats for reports, indicating their scope and focus, as well as the</p>	<p><b>Implemented.</b></p> <p>We appreciate the substantial actions</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	sustained monitoring efforts and control activities that exact and backstop performance of project reporting responsibilities. (Paragraph 145.a)			<p>supporting quality assurance tools available in FPMIS and the terminal report template includes the Logical Framework Agreement, as well as scorecards on relevance, achievement of results, implementation and sustainability.</p> <p>Since this audit took place PSR has strengthened its internal guidelines related to the delivery of timely, reliable and relevant donor reporting. The guidelines will ensure that all relevant project documents and funding agreements clearly mention the required responsibilities, deadlines and reporting costs in a standardized language.</p> <p>Capacity building activities, including webinar training on FAO corporate and donor reporting for all Decentralized Offices and FAO headquarters, were carried out in early 2019.</p> <p>To improve the monitoring system, PS also works closely with OSP, Budget Holders and other stakeholders to introduce a new IT platform in FAO (based on lessons learned from the existing FPMIS), so as to be able to (a) incorporate new data to better align with new resource partners' reporting requirements; and (b) apply a computerized follow-up system and more stringent controls to monitor the status of reports and the consequent closure of projects.</p>	carried out by the Management through the strengthened internal guidelines, capacity building activities and improved monitoring system for the delivery of timely and reliable donor reporting,
23	Incorporate, with the concurrence from funding partners, provisions in funding agreements	2018	PS/CSF	Provisions for the use of fund balances and interest are included in all contribution agreements. Also, since 2016 all new framework agreements include such provisions.	<b>Implemented.</b> We will continue to monitor the proper

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	detailing prescriptions on fund balances, fund charging and utilization of interest earned. (Paragraph 145.b)				disposition of the fund balances and interest.
Procurement of goods and services					
24	Strengthen its monitoring of the delivery of procurement responsibilities by all parties involved to ensure value adding results from the Organization's procurement process. (Paragraph 149)	2018	CSDA	<p>- <b>Procurement planning.</b> Guidelines and templates for Procurement Planning have been developed and published in the FAO Handbook. A workspace is being developed and all offices will be required to upload their respective procurement plans in this workspace. The SSC will monitor compliance.</p> <p>- <b>Oversight and monitoring of procurement execution.</b> International Procurement Officers (IPOs) will be deployed to the Regional Offices and to some Subregional Offices as part of the new procurement strategy and with the roll out of the new MS502 (expected in June-July 2019). The IPOs will provide guidance, support, oversight and capacity building of country offices in the respective region/subregion.</p> <p>- <b>Capacity building.</b> New procurement training courses (e-learning) are being finalized and will be rolled out with the new MS502. These courses will be mandatory for all staff involved in the procurement process. Successful completion of training courses will be a precondition for granting access to the procure-to-pay module of GRMS.</p>	<p><b>Implemented</b></p> <p>We appreciate the actions taken by Management to effectively promote the delivery of procurement responsibilities.</p>
Human resource management					
25	Reinforce monitoring activities of key human resource policies relating	2018	OHR	The Organization implemented revised policies related to human resources processes related to the selection,	<b>Implemented.</b>



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	to performance evaluation, record keeping and documentation of activities to fully accrue the benefits and proactively handle concerns from these aspects of human resource management. (Paragraph 153)			<p>performance evaluation and recording of documentation, particularly in Decentralized Offices.</p> <p>In addition, in order to reinforce the monitoring activities over these key HR processes, the Organization implemented the functionalities of the new recruiting platform, Taleo.</p> <p>From November 2017, the issuance of all vacancy announcements and related selection processes are carried out using a corporate platform (Taleo), eliminating offline actions and therefore reducing time, ensuring transparency and a more structured record of each step. FAO employees were trained through workshops and online tools in all duty stations.</p> <p>From September 2018, the performance evaluation for non-staff resources is performed through Taleo, reinforcing the monitoring activities on this important task. Advanced functionalities were also activated in Taleo, allowing the Organization to better monitor the selection process and the performance evaluation of employees, thanks to ad hoc reports and the possibility to have an online access to all relevant documentation (sample report attached).</p>	We appreciate the actions taken by Management to improve monitoring on compliance with the note key human resources policies.
<b>Cash management</b>					
26	Strengthen monitoring and supervisory controls over cash related processes to ensure that responsibilities are performed to guarantee the adequacy of safeguards and effectiveness of resource	2018	CSF	CSF reviews cash management as part of its Country Financial Risk Reports. Almost every country office has been evaluated at least once (attached is a recent example). All Country Financial Risk Reports are available in COIN or could be provided by CSF upon request. Furthermore, the adequacy of cash management processes is evaluated annually in the ICQs of the decentralized offices- available for consultation	<b>Implemented</b>  We will continue to monitor the result of an annual evaluation of cash management in Country Financial Risk Report and in ICQs.

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	utilization. (Paragraph 157)				
Asset and inventory management					
27	Ensure that activities, processes and responsibilities relating to asset and inventory are properly observed and undertaken through enhanced monitoring mechanisms to adequately safeguard and effectively utilize its resources. (Paragraph 161)	2018	CSF/SSC	A project proposal has been endorsed by the ERP board and funding allocated by the CAPEX board. Project implementation will now proceed.	In progress.  We will continue to monitor the implementation of the project on inventory management and its impact on ensuring safeguard and proper utilization of resources.
Travel management					
28	Reinforce monitoring measures to enhance the proper execution of travel processes and accountabilities to ensure compliance with existing travel policies and procedures for improved delivery of works. (Paragraph 165)	2018	CSF	Local and regional travel dashboards were implemented in 2018-2019 by CSF to enable country and Regional Offices to monitor local travel activities. The two dashboards give the country and Regional Offices a 360 degree overview of all travel activities and related transactions, including outstanding travel advances.	<b>Implemented</b>  We appreciate the actions taken by Management to improve the monitoring of travel activities in the representation offices. We will continue to monitor the compliance to existing travel policies and procedures.
Cases of fraud and presumptive fraud					

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
29	Sustain its robust action against fraud and corrupt practices within all levels of the Organization through prompt action on reported fraud cases and strengthening of existing fraud mechanisms in line with its zero tolerance for fraud policy. (Paragraph 175)	2018	OIG/DDO/OHR	<p>OIG will continue to take prompt action on reported fraud cases which are investigated as a priority. This is an ongoing activity with no specific deadline.</p> <p>FAO has approved the corporate Anti-fraud Strategy and is actively working on the implementation of the related Action Plan (2018-2021). In this context, a new tool for preparing and monitoring Fraud Prevention Plans (FPP) across the Organization has been put in place, which allows all FAO units to identify unit specific risks and related mitigating actions. It also facilitates a corporate oversight of key risks (by business area; risk level; locations) and mitigating actions. As of 13 May 2019, the new country FPP were prepared for over 100 countries (in draft/final form), and the rollout to headquarters units is ongoing.</p> <p>FAO has also put in place a new e-learning course for the prevention of fraud and other corrupt practices (compulsory completion by end 2019 for all employees). As of mid-May 2019, almost 1 000 employees had completed the course, with a further 1 200 employees in the process of completion.</p> <p>FAO is also developing an e-learning course on the whistle-blower protection policy.</p>	<p><b>Implemented</b></p> <p>We appreciate the actions taken by Management to implement a corporate anti-fraud strategy and its action plan as well as the introduction of tool for preparing and monitoring fraud prevention plans (FPP).</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment	
<b>2016 – MANAGING CONTROLS IN PROJECTS</b>					
<b>SIGNIFICANT</b>					
Field Project Management Information System (FPMIS)					
7	Revisit/update the Navigation Improvement Recommendations to make the System user-friendly so that this will become acceptable to the intended users, thus, advancing the level of usability of functionalities. (Paragraph 91.a)	2017	OSP	While certain streamlining and improvement may still be carried out in FPMIS, any major infrastructural changes in FPMIS will be considered in the context of the new PROMYS initiative, rather than implemented within FPMIS.	
<p><b>Closed.</b></p> <p>Considering that improvements needed to be carried out to implement the recommendation would require significant change in the structure of FMPIS, we will review and continue to monitor in our next audit visit the functionalities of the proposed system for project, PROMYS.</p>	8	Capture the delays in the submission of final financial reports to donors under the existing Field Programme Support Network (FPSN) quarterly monitoring facility in coordination with CSF, given that the final financial report comes chronologically	2017	OSP	<p>This aspect requires changes to Phase VI of the project cycle to capture the official request for financial closure, the actual financial closure, submission date to the donor and all related documentation.</p> <p>Such significant changes are not foreseen to be made in FPMIS at this point, due to the decision to initiate the process of identifying an improved project lifecycle management solution. Improvements to data collection, such as the one proposed in the recommendation, will be included in the PROMYS project based on a review of user needs.</p>
	<p><b>Closed.</b></p> <p>Considering that improvements needed to be carried out to implement the recommendation would require significant change in the structure of FMPIS, we will review and continue to monitor in our next</p>				

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	after financial closure, and consider the uploading of the duly received covering letter of financial reports by the donor for better compliance with donor reporting. (Paragraph 91.b)				audit visit the functionalities of the proposed system for project, PROMYS.
9	Improve the functionalities in the Logical Framework Matrix (LFM), work plan monitoring and budgeting to make it more flexible and adaptable to project requirements, and to include indicators to monitor qualitative aspects of project implementation. (Paragraph 91.c)	2017	OSP	While certain streamlining and improvement may still be carried out in FPMIS, any major infrastructural changes, such as the recommended overhaul of the LFM and work plan monitoring, will be considered in the context of the new PROMYS initiative rather than implemented within FPMIS	<b>Closed.</b>  Considering that improvements needed to be carried out to implement the recommendation would require significant change in the structure of FMPIS, we will review and continue to monitor in our next audit visit the functionalities of the proposed system for project, PROMYS.
10	Conduct a comprehensive analysis of the crucial issues identified by system users to obtain better clarity in defining its	2017	OSP	This review is being undertaken in Phase 1 of the PROMYS initiative, scheduled to take place in September - December 2019.	In progress. We will continue to monitor the result of Phase 1 of the PROMYS initiative.

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	roadmap to deliver an integrated solution and in prioritizing its activities, moving forward. (Paragraph 92)				
11	<p>Step up its process and integration enhancements of related systems, particularly focusing on the following:</p> <p>a) inclusion of sublines segment in the GRMS to ensure that project expenditures can be easily and systematically monitored and reported by results and taking into consideration the effects of budget equalization;</p> <p>b) restoration of the asset link with GRMS to enable the availability of the list of equipment in the FPMIS;</p> <p>c) provision of link between financial data in FPMIS with</p>	2017	PS/OSP/CIO	<p>- Point (c) has been completed with direct access from FPMIS to iMIS established for the purpose of obtaining project budget monitoring reports.</p> <p>a) The requirements for results based transaction recording and reporting will be reviewed within the scope of the PROMYS initiative.</p> <p>b) CIO proposes continuing utilization of iMIS for this purpose until such time when the tools associated with the Project Lifecycle Management automation are delivered (see point a) above).</p> <p>d) This is part of the scope of the PROMYS initiative.</p> <p>Points a) and d) will be reviewed within the scope of the PROMYS project rather than addressed within FPMIS or GRMS at this point in time.</p>	<p><b>Closed.</b></p> <p>We will continue to monitor the result of the PROMYS initiative that is expected to address the recommendations.</p>

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	<p>GRMS for generation of information in real-time, and inclusion in the single log-in access of iMIS as this is the access design for all interrelated systems; and</p> <p>d) inclusion of budget fungibility segments in GRMS in support of the existing module in FPMIS for effective monitoring of projects at the point of commitment and expenditures. (Paragraph 97)</p>				
<b>2016 – MANAGING RISKS</b>					
<b>FUNDAMENTAL</b>					
<b>SIGNIFICANT</b>					
Risk management					
17	<p>Revisit its risk management framework and the process by which it is being adopted, craft strategies to embed this across all levels of the Organization, and ensure that its adaptive</p>	2017	DDO / OSP	<p>Implemented</p> <p>Since 2016, the Organization has made significant progress in strengthening the corporate approach to risk management, now firmly embedded in the Organization’s Internal Control Framework (first issued in 2016; update issued in 2019) and has accordingly strengthened related tools and processes. The rollout of the strengthened approach to risk identification and monitoring started in 2018, with risk logs prepared by Regional Offices and DDGs at headquarters; informing the</p>	<p><b>Implemented.</b></p> <p>We appreciate the substantial action taken by Management to improve and strengthen its risk management.</p>

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<p>capacity is fully considered and that the shared concept of risk management is embraced by all stakeholders to achieve the intended benefits of risk management.(Paragraph 125)</p>			<p>2018 Internal Control Reporting and the 2019 update of the Corporate Risk Log.</p> <p>This process continued in 2019, with the preparation of risk logs by all FAO offices (to be completed by end 2019), accompanied by the newly launched course on internal control (inclusive of a risk management section), an intensive briefing programme, detailed guidance and a new online tool (in line with actions identified in the Statement of Internal Control [SIC]). Risk logs will be maintained on an ongoing basis as part of the planning and results/budget reporting process.</p> <p>This phased approach supports the Organization's gradual adoption of a comprehensive approach to risk management, and integration with other corporate processes.</p> <p>Based on the above, the 2016 recommendation is considered implemented, and further actions in strengthening the approach are embedded under 2018 and 2019 SIC and updates on the 2017 EAUD Recommendation 10.</p>	



Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
<b>2015 - AUDIT OF FINANCIAL STATEMENTS</b>				
<b>FUNDAMENTAL</b>				
Cash voucher scheme				
2	Formulate and issue immediately administrative rules relating to the use of the Cash and Voucher Scheme to ensure that the best value for money is obtained; guarantee validity and regularity of said transactions; and assure fair presentation of the affected accounts in the financial statements. (Paragraph 38)	2017	PS/PSD	The new Manual Section (MS702) on Cash- and Voucher-Based Transfer Projects was drafted, tested with several country offices, and cleared with relevant divisions. Required adaptations for FAO systems (GRMS and FPMIS) were also implemented. On 08/05/19, MS702 on Cash Transfers was released and this recommendation can be closed as fully implemented.
<b>Implemented</b> We appreciate the actions taken by Management to formulate, test and issue a Manual Section on Cash- and Voucher-Based Transfer Projects to implement this recommendation.				
<b>SIGNIFICANT</b>				
Cash voucher scheme				
3	Provide accounting guidance to the decentralized offices concerned in the recording of expenses for agricultural inputs distributed and the cash for work paid to beneficiaries, which are reimbursed through money vendors, to ensure consistency in	2017	CSF	CSF established a new parent account 5030, Cash and Financial Assistance, and 3 new account codes: 5730 - Unconditional Cash Transfer; 5731 - Conditional Cash Transfer and 5732 - Direct Beneficiary Grants The list of accounts on the CSF intranet page has been updated and CSF published the new account descriptions to provide guidance on their use. The new MS 702, Cash Transfers was published on 8 May 2019 and the new account codes are now available for transaction processing and budgeting in GRMS and FPMIS.
<b>Implemented</b> We appreciate the actions made by Management in establishing new account codes to distinguish transactions through the cash voucher scheme apart				

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
	the recording thereof. CSF may also consider the use of new accounts to distinguish transactions through the cash voucher scheme. (Paragraph 40)				from the issuance of the new MS 702.
Travel (TVL) module					
6	Conduct a review and analysis of the identified issues and limitations affecting the application of the GRMS functionalities on travel and provide solutions to fully achieve benefits from the system. (Paragraph 51)	2016	CSF	A re-development of the QTP function would be a complex procedure as it would require re-designing of the entire QTP. With respect to access controls - the only approval functions in GRMS Travel are Budget Holder and Supervisory approvals. They are both derived from existing Budgetary (PO) and Supervisory (HR) approval hierarchies. The scope of this recommendation needs to be reconsidered.	<b>Closed.</b>

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<b>2014 - AUDIT OF HEADQUARTERS</b>					
<b>FUNDAMENTAL</b>					
Governance and Change Management in Human Resources (HR)					
3	Design and implement a concrete and formal change management plan to better control the implementation of the Human Resource Strategy. (Paragraph 56)	2015	OHR	The HR Change Management Plan will be fine-tuned, reflecting the strategic direction of the new FAO management which took office on 1 August 2019. The updated Plan will be implemented in sync with the new HR Strategy and Action Plan to be formulated for 2020/21.	<p>In progress.</p> <p>We appreciate the actions taken by Management to develop an updated change management plan.</p> <p>We will continue to monitor the implementation of the updated HR Plan following the formulation of the new HR Strategy and Action Plan.</p>
Performance Management					
6	Craft appropriate strategies for the systematic review of the Performance Evaluation and Management System (PEMS) including the adoption of a quality assurance mechanism and ensure that these are applied on a consistent basis. (Paragraph 73)	2015	OHR	<p>Following the 2018 PEMS quality review and staff survey, measures have been put in place to further improve PEMS. Additional training for staff and managers is under development. This includes a video focused on writing well-defined (SMART) performance objectives (released in Q1 2019) and two e-learning courses focused on clarifying the PEMS process and giving and receiving feedback (scheduled for release in Q3 2019).</p> <p>A fixed annual timeline for all PEMS phases was established starting with the 2019 PEMS planning launched on 1 December 2018. As part of the multirater process, managers can now select up to three direct reports to provide feedback at year-end, in addition to their other</p>	<p><b>Implemented</b></p> <p>We appreciate the action of Management in conducting PEMS quality review and staff survey as well as the planned additional trainings for staff and managers to this regard.</p> <p>We will continue to monitor the continuous implementation of the actions taken and the result of the planned trainings for staff and managers.</p>

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				<p>multirater choices. The Organization has also been reinforcing the PEMS policy and process through webinars with PEMS focal points. Additionally, a 'Manager's Checklist' has been created to provide guidance on addressing underperformance. A more detailed guide on this topic is currently being developed.</p> <p>OHR continues to monitor PEMS compliance and application of performance ratings. In this regard, OHR provided a report on 2018 Year-End compliance (97%) and overall performance ratings to senior management.</p> <p>To further strengthen performance management appraisal and compliance, the Organization automated the Probationary Period Performance Appraisal process as of 1 April 2019 in the online performance management module in you@fao. Briefing sessions on the process are organized for staff and managers.</p>	
Internal Control					
<b>SIGNIFICANT</b>					
IPSAS-Lessons Learnt and Benefit Realization					
2	Validate and confirm the benefits realized in the implementation of IPSAS, and render a report thereon to inform stakeholders of the benefits of adopting the new financial reporting framework. (Paragraph 47)	2015	CSD/CSF	The Report on IPSAS Benefits realization has been completed and shared with the FAO Audit Committee. The Report will also be shared with other relevant stakeholders, including through submission to the ERP board.	<p><b>Implemented</b></p> <p>We appreciate the completion of the Report of IPSAS Benefits realization which was shared to the FAO Audit Committee and which will be shared to other relevant stakeholders.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comment
<b>Performance Management</b>					
5	Enhance the OHR Performance Management Policy by expanding formally the use of career development objectives from a mere basis of skills management to a more comprehensive set of development goals that go beyond competency. (Paragraph 69)	2015	OHR	<p>To provide support on establishing well-defined PEMS work plan objectives, a new online training has been released. This video reinforces the linkage between the PEMS work plan, competencies and developmental objectives, and emphasizes the importance of developmental objectives as a means to support continuous improvement and career development. The tool also provides information on establishing a learning plan that takes into consideration individual strengths, gaps and professional goals.</p> <p>For the PEMS Planning 2019 'Key Reminders' communication, OHR reinforced the importance of identifying opportunities for development and adding them to the learning plan as a means to grow professionally and broaden career possibilities.</p>	<p><b>Implemented</b></p> <p>We appreciate Management's action in providing an online training for the development of a well-defined PEMS. The issuance of the Key Reminders' communication further address the implementation of the recommendation. We will continue to monitor the result of the actions taken to implement the recommendation.</p>
<b>Staff Development and Training</b>					
8	Measure the effectiveness of its learning programmes through impact evaluation in addition to the existing practice to have a more effective basis in the formulation of future learning plans. (Paragraph 83)	2015	OHR	<p>OHR received 21 responses on training evaluation practices through UN learning managers' networks. Good practices have been assessed and actions taken to measure the effectiveness of FAO corporate training programs since September 2018. This includes the implementation of a learning needs analysis (pre-course) and customization of content based on these</p>	<p><b>Implemented</b></p> <p>We appreciate the actions taken by Management to measure the effectiveness of its learning programs. We will continue to monitor the continuity of the actions implemented to address the recommendation.</p>

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				<p>needs, an immediate post-course evaluation to measure 'reaction' and 'learning' (Kirkpatrick Model levels 1 and 2) and an online impact evaluation questionnaire completed six months after the course to measure 'behavior' (level 3 - degree to which participants apply what they learned during training when they are back on the job).</p> <p>Results are monitored and will inform changes to learning programs as necessary to enhance overall effectiveness.</p>	
Emergency and Resilience Division (PSE)					
13	Craft clear protocols dedicated for L1 and L2 emergencies to ensure clearer accountability lines. Clarify the roles and responsibilities, and control designs for L3 protocol. (Paragraph 112)	2015	PS	<p>FAO issued Director-General's Bulletin 2013/32 - FAO's Declaration and Response Protocol for Level 3 Emergencies (FAO, 2013a) and the accompanying Operational Guidelines for Level 3 Emergency Preparedness and Response (Level 3 Guidelines) (FAO, 2013b).</p> <p>Following extensive consultation with FAO Decentralized Offices and headquarters divisions, the revision of Director-General's bulletin 2013/32 on Level 3 emergency protocols is finalized. The revised DGB, seeks also to further enhance FAO responses to emergencies by introducing declaration and response protocols at regional level.</p> <p>The final release of the DGB was conditioned by the results of the ongoing IASC discussions. At its Principals'</p>	<p>In progress.</p> <p>We note that IASC decided for the ERC to lead the finalization of the protocol of the humanitarian system-wide emergency activation system. We will continue to monitor the full implementation of this recommendation.</p>

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			<p>meeting held at the end of May 2019, the IASC decided that the ERC lead the finalization of the protocol of the humanitarian system-wide emergency activation system taking into consideration the need for continuing major responses and high levels of financing for the biggest protracted crises.</p> <p>In the meantime, the “Emergency and Preparedness Response” section of the FAO Handbook provides country offices with the relevant guidance to prepare and respond to crises.</p>	

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<b>2012-13 BIENNIUM - AUDIT OF HEADQUARTERS</b>				
<b>SIGNIFICANT</b>				
Global Resource Management System (GRMS)				
25	Document the benefits realized by the Organization on the deployed solution to determine the effectiveness of the GRMS programme. (Paragraph 183)	2014	CSD	The report has been completed, approved by all stakeholders and shared with the auditors.
<p><b>Implemented</b></p> <p>We appreciate the actions taken by Management to conduct benefit assessment and document the benefits realized from GRMS.</p>				