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منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

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**Management Response to the recommendations presented in the
Report of the External Auditor for 2020**

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

Mr Aiman Hija
Director and Treasurer, Finance Division
Tel: +3906 5705 4676 - Email: Aiman.Hija@fao.org

Documents can be consulted at www.fao.org

EXECUTIVE SUMMARY

- This document presents the Management Response to the recommendations detailed in the Report of the External Auditor for 2020.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

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

Draft Advice

The Committee:

- **noted the Management Response and proposed actions to implement the recommendations presented in the Report of the External Auditor for 2020; and**
- **encouraged the Secretariat to continue in its efforts so as to close the outstanding recommendations.**

Introduction

1. The table below presents the Management comments for the recommendations contained in the Report of the External Auditor for 2020.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
FUNDAMENTAL				
Financial Matters				
Employee Benefits Obligations				
1.	Besides effectively pursuing additional assessments on Member Nations to bridge the funding gap in After Service Medical Coverage (ASMC) and Termination Payments Fund (TPF), FAO may explore alternatives as suggested by the UN After Service Health Insurance (ASHI) Working Group, participate in UN Common System's search for a solution and prepare long term strategy to bridge the gap in funding of ASMC and TPF. (<i>Paragraph 67</i>)	2022	CSF	<p>Management continues to draw the attention of the Governing Bodies to this matter, including regularly presenting documents providing updated information on the size of the liabilities, and options to address the funding gap, and is committed to evaluating the feasibility of any long-term strategy to bridge the gap in funding of ASMC and TPF.</p> <p>Regarding the UN ASHI working group, several recommendations are not feasible for implementation as they are not tailored to FAO's ASMC programme.</p> <p>Furthermore, collective negotiations with health care providers are not feasible as FAO has a different risk profile, demographic and geographic presence, and coverage of benefits are all different. Instead, service providers have been working on expanding their network to have the best price for all FAO insured population.</p> <p>Management notes that there have been some discussions at the UN level pertaining to leveraging national health schemes; however, due to the difficulties in managing this recommendation at a national level for each country involved, no conclusions have been reached. FAO promotes the use of the national health programmes in its Basic Medical Insurance Plan (BMIP) coverage to encourage staff to consider the ASMC as offering supplementary benefits through reimbursing 100 percent of the remaining out-of-pocket portion of national expenses.</p>

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Budget Variance				
2.	FAO may comply with the requirements of International Public Sector Accounting Standard (IPSAS) 24 and accordingly provide (i) suitable explanation of the differences for each level of oversight by governing bodies, and (ii) if such explanation is included in other public documents issued in conjunction with the financial statements and are so cross referenced, then these need to be internally consistent. <i>(Paragraph 71)</i>	2021	CSF/OSP	<p>Management notes the recommendation and highlights that additional narrative on chapter variances was included in the revised 2020 Financial Statements within Note 25.10, and provided to the External Auditor on 27 June 2021.</p> <p>Management will continue to review and strengthen the Financial Statement note disclosures relating to Budget Variances in future financial reporting periods.</p>
Supplier advances				
3.	Monitoring of supplier related advances (mainly Vendor Advances) may be strengthened and a time bound strategy for settling supplier related advances may be framed. <i>(Paragraph 76)</i>	2021	SSC	The Finance Division (CSF) has already established monitoring tools to monitor all advance types, including vendor advances and on the average time to settlement. CSF informs relevant offices when settlement times seem excessive.
Assets				
5.	FAO may reassess the useful life of its assets to reflect fair presentation as per IPSAS and to ascertain reasonable estimate of useful life of assets for their further utilization or disposal. <i>(Paragraph 87)</i>	2021	CSF	FAO will consider the re-assessment of useful economic lives of its various asset classes.
Receivable Assessed Contribution				
6.	FAO may assess the recoverability of old outstanding assessed contributions, take action as per Financial rules and Regulations and seek approval of the Conference to write	2021	CSF	Management notes the recommendation and continuously assesses the recoverability of old outstanding assessed contributions in order to determine the appropriate provisions to be recorded in the financial statements, and to evaluate any

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	off the irrecoverable assessed contributions. <i>(Paragraph 89)</i>			requests for arrears installment plans. Nonetheless, Management disagrees with the proposal to write-off old outstanding amounts and notes that i) FAO is awaiting a UN resolution on the appropriate action to take regarding Yugoslavia; and ii) other outstanding receivables owing from Member Nations would require FAO Conference approval in order to be written off.
7.	FAO may, after assessing possibility of recovery on a case by case basis of the old outstanding receivables, other than Government Counterpart Cash Contributions (GCCC), consider write off of irrecoverable amounts on a periodic basis <i>(Paragraph 93)</i>	2021	CSF	Management confirms that FAO reviews the recoverability of other receivables on a periodic basis in line with the recommendation.
Management Matters				
Regional Initiative to End Hunger in Africa by 2025				
33.	FAO may improve delivery of projects under the Regional Initiative for ensuring that project outcomes are achieved in a time-bound manner. <i>(Paragraph 259)</i>	As part of ongoing work	RAF	<p>Actions are being taken as part of ongoing work by Budget Holders and monitored for compliance by the Field Programme Support Network (Project Task Force in Regional Office for Africa (RAF) and Subregional Offices) to ensure timely reporting on all projects.</p> <p>In addition, at the beginning of each month, a trigger is generated by the Field Programme Management Information System (FPMIS) system and sent to all budget holders to complete pending actions, including the submission of reports</p>

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				based on the requirements set out in the relevant funding agreement.
SIGNIFICANT				
Financial Matters				
Assets				
4.	FAO may review the threshold for capitalization of its property, plant and equipment. (<i>Paragraph 80</i>)	2021	CSF	Management takes note of the recommendation and clarifies that UN Accounting Policies are not binding on FAO. Management believes the current capitalization threshold of USD 1 500 is appropriate and that increasing the capitalization threshold to USD 5 000 would exclude entire asset classes from the Financial Statements. FAO will review and consider the effects of a less radical increase of the capitalization threshold going forward.
Inventory Management				
8.	FAO may ensure compliance to IPSAS 12. Priority may be accorded to time-bound implementation of Global Inventory Management System (GIMS) with inclusion of best inventory management practices in the module. (<i>Paragraph 96</i>)	2022	SSC	Ongoing activity with progress on track. The planned rollout follows a phased approach, and the project commenced in Q1 2021.

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Open items in Bank Reconciliation				
Financial Instruments -Value at Risk				
9.	FAO may work out Value at Risk (VaR) of all the investment portfolios and disclose the same with all parameters, assumptions, data and method in its financial statements, as per IPSAS-30, for better understanding of financial risk. <i>(Paragraph 98)</i>	2021	CSF	FAO outsources the calculation of VaR measures of its externally managed portfolios to its global custodian, Northern Trust. FAO agrees to disclose the VaR values with the objective of better explaining the financial risk embedded in its portfolios.
Compliance Audit at FAO Headquarters				
Procurement Management				
10.	Uploading of documents in Global Resource Management System (GRMS) relating to procurement may be ensured to facilitate proper evaluation and monitoring of the procurement process and also to enhance transparency. It is also recommended to ensure that actual delivery dates of goods are entered in GRMS to facilitate evaluation of vendor performance. <i>(Paragraph 103)</i>	To be decided in view of pending internal review by FAO	CSLP	<p>FAO agrees to ensure that documentation for each Purchase Order (PO) is easily available and will review options to achieve this in a manner that may not involve a permanent presence of such documents in GRMS. This is due to:</p> <ul style="list-style-type: none"> a) the lack of capabilities for tagging, categorizing and searching for attachments in a transactional system, such as GRMS and b) impact on future performance of the system as more and more documents are being added. <p>As for the second point, i.e. delivery date of goods, the Procurement and Letters of Agreement team (CSLP) agrees in principle with the recommendations and will collaborate with the Digitalization and Informatics Division (CSI) and the Shared Services Centre (SSC) to confirm the</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				feasibility/acceptability of this recommendation in line with the Enterprise Resource Planning (ERP) capabilities.
Travel Management				
11.	An effective monitoring and follow-up mechanism on outstanding travel advances may be put in place for compliance of the stipulated timelines for settlement, with particular emphasis on old cases. It may be ensured that correct and updated data of outstanding advances is maintained by removing transactions that are already adjusted from the database. <i>(Paragraph 108)</i>	As part of ongoing work	CSLD	Agreed.
Governance Issues				
13.	FAO may work out the VaR on all the investment portfolios in order to assess the potential loss on the entire investment portfolio and also consider raising the confidence level for better risk monitoring. <i>(Paragraph 117)</i>	2021	CSF	FAO has requested additional Value at Risk (VaR) analysis from the custodian, which will enable disclosure of both 95 percent and 99 percent confidence level metrics.
14.	In light of the nature of complaint cases, FAO may examine if any systemic improvements are required in the Organization. It may consider providing Office of the Inspector General (OIG) with adequate resources to address the increasing numbers of complaints. <i>(Paragraph 119)</i>	As part of ongoing work	OSP	In 2022-23, Management allocated an additional biennial allocation of USD 1.1 million to further strengthen the investigation function (C 2021/3 para 59 b). This matter is kept under continuous review during the implementation period with further funding forthcoming based on OIG needs and availability of funding.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Field Offices				
Project Management				
16.	Project implementation may be improved through better risk assessment and planning for ensuring timely completion of projects. It may be ensured that operational and financial closure of projects are effected within the prescribed timelines. <i>(Paragraph 128)</i>	As part of ongoing work	PSS/CSF	It should be noted that extension of the project Not to Exceed (NTE) date is often required considering: (a) that donors often impose tight dates during the project formulation phase linked to donor funding cycle concerns; (b) as a consequence, an extension of project dates is often done in the interest of project beneficiaries; (c) FAO is working in complex environments where there are several aspects outside of FAO's control that may lead to project delays (such as changes in government, natural disasters etc.).
17.	Process owners may be sensitised about ownership of data and the need to ensure accuracy of data/information on the system. <i>(Paragraph 130)</i>	2022	PSS/OSP	The recommendations will be taken into consideration when defining training requirements.
Procurement				
19.	A review may be carried out, of all cases where actual quantity received was short of net ordered quantity. GRMS may be updated to reflect the correct position wherever quantity ordered has undergone a change post ordering. <i>(Paragraph 136)</i>	2022	CSLP	CSLP as a policy owner will ensure guidance and support to the Decentralized Offices (DOs) to prevent such gaps and shortcomings, thus enhancing the capacity of the DOs in the successful implementation of the revised Manual Section 502, decentralization of the procurement function and effective application of the increased Delegation of Authority by the respective Decentralized Offices. As a first step towards implementation of the above, International Procurement Officers (IPOs) have been deployed in each of the FAO Regional Offices. The regional IPOs will be key players in ensuring a streamlined approach leading to

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				further efficiencies, enhanced internal controls and capacity development of the Country Offices under their oversight.
20.	FAO may ensure that information in GRMS regarding amount invoiced is aligned to quantity received and not to quantity ordered in all cases, for ensuring correctness of information, and also for providing an added checkpoint for ensuring correctness of payments. <i>(Paragraph 137)</i>	2022	CSLP	CSLP will raise awareness and communicate to all the Budget Holders in headquarters and Decentralized Offices, to recall and emphasize the importance of entering the receipt in GRMS, as per the actual delivered quantity versus the PO quantity.
21.	All open Purchase Orders where due dates of delivery have been exceeded may be reviewed and liquidated damages may be imposed wherever applicable. <i>(Paragraph 139)</i>	2022	CSLP	<p>CSLP as a policy owner will ensure guidance and support to the DOs to prevent such gaps and shortcomings and thereby enhancing the capacity of the Decentralized Offices in successful implementation of the revised Manual Section 502, decentralization of the procurement function and effective application of the increased Delegation of Authority by the respective Decentralized Offices.</p> <p>As a first step towards implementation of the above, IPOs have been deployed in each of the FAO Regional Offices. The regional IPOs will be key players in ensuring a streamlined approach leading to further efficiencies, enhanced internal controls and capacity development of the Country Offices under their oversight.</p> <p>The above measures will encompass - inter alia - addressing issues such as those highlighted by external audit</p>

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Internal Control Measures				
25.	FAO to strengthen internal controls for ensuring greater accountability and better compliance to embedded control procedures for safeguarding FAO assets and property, ensuring accuracy in reporting on status of internal control, and for ensuring correctness of payments to consultants, suppliers and service providers. (<i>Paragraph 153</i>)	As part of ongoing work	OSP	<p>Continuous efforts are being made to strengthen internal controls in the Organization, which includes risk identification and defining actions to reduce the Organization's exposure to potential risks and reduce the likelihood that those risks will recur. Efforts have also been made to increase knowledge and awareness on risk management and internal control reporting by conducting numerous briefings to headquarters Divisions and Decentralized Offices. In the instructions and briefings, the Office of Strategy Programme and Budget (OSP) has emphasized that the responses to the Internal Control Questionnaire (ICQ) should be carefully considered to reflect the reality. In addition, OSP has provided additional training to the validators to improve the quality and objectivity of the responses.</p> <p>As part of the Internal Control Framework, the Business Owners have overall responsibility for designing and implementing effective internal controls. The questions in the ICQ are based on risks identified by relevant Business Owners so that an office can assess whether internal controls are being applied. The responses received through the ICQ and the Statement of Internal Control provide inputs to the Business Owners in the identification of internal control weaknesses, improvements to business processes and Oversight. As a result, some Business Owners are providing capacity building and have improved dashboard information for monitoring purposes.</p> <p>Guidance on Remuneration for Consultants, Subscribers to Personal Services Agreements (PSAs) and other affiliated personnel is clearly outlined in the respective Human Resources (HR) Manual Sections (MS 317, MS 319). In addition to the</p>

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			<p>respective Manual Sections there is a Corporate Framework on the employment of Consultants (MS 317) and Subscribers (MS 319) that provides detailed guidance on the application of the respective Manual Sections. The Guideline outlines how to determine the appropriate Non Staff Human Resources (NSHR) category and provides the maximum daily rates for each category. The actual management and governance of contracts and payments is decentralized, and it is the responsibility of the hiring manager, approving authority and the SSC/finance teams to ensure that the guidelines are properly applied and that payments are in accordance with the guidelines and contracted rates. The Human Resources Division (CSH), in coordination with SSC and the Regional HR Officers, will continue to provide training and guidance to offices to ensure that they are aware of relevant resources and guidance and are properly applying this guidance.</p> <p>The Logistics Services Division (CSL) has collaborated closely with OSP to review and revise both Fraud Prevention Plans (FPPs) and ICQs to ensure compliance with the governing policies and processes under oversight of the CSL (procurement of goods and services, travel, facilities management).</p> <p>CSL continuously ensures quality guidance and support to the Decentralized Offices, focusing on strengthened controls. This was addressed in particular with the revision of MS 502, and deployment of the IPOs close to operations.</p> <p>To enhance internal controls and monitoring of Back to Office Reports (BTORs), CSLD-Travel Unit is currently working on Business Change Request (BCR) for a BTOR reminder in GRMS for which requirements are currently under discussion.</p>

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26.	Replenishment of petty cash may be done timely and unannounced cash counts be conducted every month to check the existence of cash in the possession of the custodian at any point of time. Authorized amount of Petty Cash in decentralized offices may be reviewed based on utilization. <i>(Paragraph 158)</i>	2022	CSF	Instructions will be issued to the regional outposted Finance Officers to arrange for unannounced cash counts as deemed appropriate based on the country risk profiles.
Human Resource Management				
28.	There should be sustained efforts at filling up vacant positions in a competitive and time-bound manner, while ensuring transparency in the process of selection. Training plans may be prepared based on identification of skill gaps and training needs; a system of evaluating impact of training may be instituted. <i>(Paragraph 174)</i>	2022 (CSHR) 2023 (CSHL)	CSH	CSH continues to look at ways to streamline and bring about efficiencies to the recruitment process while ensuring that the selection process is conducted in a fair and transparent manner. The CSH strategic plan supports the ongoing development of strategic partnerships and projects, as well as the needs of technical and non-technical functions, with a focus on a merit-based process that considers the career development of internal candidates and which factors in talent mobility and diversity. As part of a consolidated corporate learning framework, CSH will develop guidance for divisions/offices in consultation with relevant business owners on the implementation of the annual staff development plan based on skill gaps and training needs and a systematic approach to the evaluation of the impact of staff learning and training activities taking into consideration the practices established by other UN agencies. The responsibility for the preparation and implementation of the annual unit-level staff development plans rests with unit heads.

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Performance Review on Regional Initiative to End Hunger in Africa by 2025				
29.	<p>FAO may consider: (a) devising a suitable quantitative metric in regard to the ‘mainstreaming of zero hunger’, in the context of its commitment to ‘Mainstreaming of Zero Hunger in FAO’s work at country and regional levels’ (b) suitably reviewing the ratio of projects, contributing to the ‘mainstreaming of zero hunger’, in the overall portfolio of projects, which are operational in the African Region, as well as in the focus countries, in the context of the metric so devised. (c) the Organization may direct resource mobilization efforts towards projects that contribute to mainstreaming hunger in its work at Country and Regional levels; and (d) consider ways of enhancing policy approaches to position itself better for bringing in desired changes at policy level. <i>(Paragraph 198)</i></p>	2023	RAF-ADG/ DDG-Bechdol	<p>a) The Regional Initiative (RI1) is not a stand-alone programme/project but rather a delivery mechanism. It aims to achieve mainstreaming of hunger principally at the policy and strategic level. In this respect, a more appropriate measure would be the food security and nutrition (FSN) policy processes that FAO has provided support for or contributed to, at the country and/or regional levels; and/or the number of countries that have mainstreamed Zero Hunger in their strategic documents and policy frameworks relative to all countries that committed to the Malabo declaration.</p> <p>In fact, FAO already uses a number of policy processes to measure the mainstreaming of Zero Hunger in strategic and policy documents relating to food and agriculture at country and regional levels.</p> <p>b) Nearly all that FAO does, in terms of its other four Strategic Objectives (besides SO1), also contributes towards the objective of ‘Zero Hunger’; although only SO1 has ‘eradication of hunger’ as its direct objective, there is no established “threshold ratio”, which will determine its suitability or adequacy relative to other equally relevant SOs or development priority areas.</p> <p>c) Resource mobilization for projects is done at country level and project funding depends on the area of interest of the Resource Partner. This is beyond the control of the FAO Country Office unless it is a specific project to be funded by the</p>

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				<p>Technical Cooperation Programme (TCP), which should be considered as seed funding.</p> <p>d) FAO appreciates this recommendation and acknowledges the fact that it could achieve more desired changes, should it be able to increase and strengthen capacities to support policy implementation and analysis at regional, sub-regional and country levels.</p>
30.	<p>FAO may review the targets and indicators for assessing the contribution of results in the Africa region to FAO corporate output targets, for ensuring that its performance vis-à-vis these targets better reflect overall progress in achievement of outcomes under SO1 and the food security outcomes in the Africa region, in the context of its global goal of ‘reduction of the absolute number of people suffering from hunger’ (linked to RI1). <i>(Paragraph 204)</i></p>	2023	RAF-ADG/DDG-Bechdol	<p>FAO Outcome indicators measure whether countries have made the necessary changes and established the required capacities to achieve the Strategic Objectives (SO1 and others), in areas under FAO’s mandate; FAO uses them to assess its contribution and to increase the focus of its support where needed.</p> <p>Outcome indicators also reflect changes in the global enabling environment, for example, through the development of policy frameworks, international norms and standards.</p> <p>Changes in Outcome indicators are the result of policies and programmes implemented by several stakeholders (FAO, Member countries, Regional Economic Communities, and development partners). Those changes or any progress reported cannot be attributed to FAO’s work alone. In fact, FAO uses “Corporate Assessments” which are validated by its Members, to measure its contribution to Outcomes.</p> <p>Furthermore, there are other factors that undermine the efforts of FAO, Members, and partners to reduce the absolute number of people suffering from hunger, despite the welcome changes in policy processes that have been achieved. Over the years, the main causes of the increasing number of food-insecure people in Africa are a combination of unstable food markets and</p>

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				commodity prices, economic slowdowns and downturns, climate shocks (variability and extremes), natural disasters (severe droughts and floods), persistent political instability, conflicts and other forms of violence. These are reported in various editions of the Regional Overview of Food Security and Nutrition (2018, 2019, and 2020).
31.	The Organization may strengthen the process of consolidated stock-taking/assessment of its projects, relating to hunger eradication efforts, which have been in operation in the focus countries, during the period 2014 to 2020, in order to identify gaps and define priorities in this regard, for the remaining period of this Regional Initiative, as well as for assessing the impact and outcome of these projects. (<i>Paragraph 208</i>)	2022	RAF-ADG/ DDG-Bechdol	FAO achievements are usually not reported by project at the corporate level. We would suggest that a more useful analysis could be to review the countries that reported results (that were validated) and counted as part of the progress towards reaching the SO1 Output targets in the 2014-15, 2016-17 and 2018-19 biennia, and then for each country, review the number of projects linked to SO1 and their budgets and expenditures during that period.
Project Planning, Monitoring and Evaluation				
34.	FAO may review the list of Special Attention Countries for taking up TCPs, and direct resource mobilisation efforts for taking up greater number of Trust Fund projects in disadvantaged countries. (<i>Paragraph 273</i>)	2023	DDG-Bechdol/ PSS/PSR	<p>The review of the criteria for TCP regional allocation is under review by Members in the context of the strategic exercise, in consultation with Members, with the aim to refine, and possibly unify, the criteria of resource allocation, to be submitted for approval by the 43rd Session of the Conference (June 2023) (Council CL 166/REP).[Recommendation implemented]</p> <p>FAO already gives priority to the UN categories of Special Attention Countries for TF. This has been confirmed in the new SF, special attention is accorded to Least Developed Countries (LDCs), Low-Income Food Deficit Countries (LIFDC), Land-Locked Developing Countries (LLDCs) and Small Island Developing States (SIDS), and also to Lower Middle-Income</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				<p>countries with high incidence of poverty and food insecurity. These countries are trackable in corporate systems, and consideration will be given to include specific Integrated Management Information System (iMIS) views related to results, achieved with FAO contribution, resources mobilized and delivery.</p> <p>It is the strategic framework that will drive the formulation of trust funds and Special Attention Countries are well identified. This is also embedded in FAO's way of working and cannot be implemented through the project cycle manual, which focuses on processes rather than substance. Also, Trust Funds (TFs) are largely driven by donor priorities.</p>
35.	<p>FAO may monitor the formulation of Country Programming Framework (CPF) where the CPFs have either not been formulated or have expired. It may also be ensured that CPFs are evaluated with reference to the priorities envisaged by the respective countries. (<i>Paragraph 277</i>)</p>	<p>As part of ongoing work</p>	<p>OSP</p>	<p>The tools for monitoring the status of CPFs are being strengthened. OSP is managing a database of CPF cycle and its formulation progress along with UN Sustainable Development Cooperation Framework (UNSDCF) as CPF must be duly derived from UNSDCF process. This dataset is being updated on a monthly basis based on the UN Development Coordination Office (DCO) dashboard and inputs from CPF focal-points from Regional Offices.</p> <p>Regarding CPF evaluations, as per the "Indicative rolling work plan of evaluations 2021-2023" (http://www.fao.org/3/nd807en/nd807en.pdf), the Organization continues conducting evaluations of FAO's contributions at national level for the Organization's accountability to the country and for advising the Organization and the country in the formulation of CPFs and their implementation.</p> <p>The plan for country evaluations is developed in consultation with the Regional and Country Offices. In principle, countries</p>

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			in the penultimate year of CPF implementation are selected. Other factors considered during the consultations include: the strategic importance of the programme in the view of the Regional Office, country programmes that are under-evaluated; programmes in the countries with high needs of FAO support; and the usefulness of evaluation as an input to the development of a new strategic direction for the programme, such as in countries with new government administration or countries developing the system-wide UNSDCF.	
36.	FAO may strengthen the FPMIS tool “Field Programme Support Network (FPSN) pipeline monitoring” to ensure yearly monitoring and review of pipeline projects and improve guidance on pipeline management by requesting project formulators and Budget Holders to review and update pipeline projects status in regular intervals for ensuring that these projects are still under active formulation. <i>(Paragraph 281)</i>	As part of ongoing work	PSS	<p>The Project Support Division (PSS), in consultation with the Resource Mobilization and Private Sector Partnerships Division (PSR), will consider improving the guidance on pipeline management by requesting that Formulators and Budget Holder (BH) review and update pipeline projects status once a year.</p> <p>It is also to be noted that FPMIS already includes a tool called “FPSN pipeline monitoring” and yearly monitoring and review will be set up on an institutional basis.</p>
37.	(a) The new Project Lifecycle Management System (PROMYS) that is targeted to be rolled out by end 2022, has the functionality for uploading Log Frame Matrix (LFM) and Work Plans (b) The LFM and Work Plans may be redesigned to make them user friendly without compromising on the information/content required for efficient project monitoring. (c) Insertion of LFM and Work Plan in the ERP should be made	2023	OSP	<p>These recommendations will be considered in the context of the design and implementation of the new PROMYS system.</p> <p>Phase 1 of PROMYS project was completed in 2020 (scoping phase). Additional work is required in 2021-2023.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	mandatory for projects above USD 500 000 to enhance accountability and improve monitoring. (<i>Paragraph 285</i>)			
38.	<p>(a) Corporate monitoring of performance of the BHs be strengthened for ensuring that project deliveries are within the approved/revised budget and cash received and there is timely adjustment of unspent cash balances; and</p> <p>(b) Validation checks should be embedded in the ERP to disallow project deliveries to exceed the budget and cash received (with exceptions for cases that are governed by specific funding arrangements as in cases of United States Agency for International Development (USAID) and European Union (EU) funded projects). (<i>Paragraph 289</i>)</p>	2023	PSS/CSF	These recommendations will be considered in the context of the design and implementation of the new PROMYS system.
39.	<p>FAO may (a) incorporate a validation check in ERP whereby Funding Liaison Officers (FLOs) would be required to certify on the system that reallocations are as per funding agreement and has the approval of donors.</p> <p>(b) Establish a threshold beyond which reallocations between budget lines would require corporate monitoring and approval. (<i>Paragraph 295</i>)</p>	2023	PSS/PSR	These recommendations will be considered in the context of the design and implementation of the new PROMYS system.
40.	To enhance the effectiveness of FPSN monitoring and ensure timely remedial action from an operational perspective: (b)	2022	OSP/PSS/CSF	These recommendations will be considered in the context of the design and implementation of the new PROMYS system.

Recommendation	Suggested Timeline	Responsible Unit	Management Response
<p>(a) The upcoming ERP may have the provision to link delivery/expenditure with budget instead of with cash received, for correctly flagging low delivery projects.</p> <p>(b) The stipulation of the project remaining in the defined condition for 30 days may also be reviewed.</p> <p>(c) All projects, excluding those for which last tranche of fund is to be received after its completion, may be flagged for priority action as soon as expenditure exceeds 80 per cent of cash received. <i>(Paragraph 299)</i></p>			
41.	2023	PSS	<p>FAO will consider an enhanced monitoring mechanism in the new PROMYS.</p> <p>However, the issue of time lag between approval and start of implementation often depends on factors that are outside FAO's control (for example, the signature of project agreements by recipient governments).</p> <p>Phase 1 of PROMYS project was completed in 2020 (scoping phase). Additional work required in 2021-2023.</p>
42.	2022	PSS	PSS provides training on project cycle management on a regular basis.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
43.	FAO may ensure that a robust module for monitoring achievement of milestones vis-à-vis targets be incorporated in PROMYS for facilitating corporate monitoring of project implementation. <i>(Paragraph 309)</i>	2023	OSP/PSS	These recommendations will be considered in the context of the design and implementation of the new PROMYS system. Phase 1 of PROMYS project was completed in 2020 (scoping phase). Additional work required in 2021-2023
44.	(a) An active monitoring framework may be established at corporate level to ensure timely operational and financial closure of projects. (b) The main reasons for delays be regularly analysed and reported. (c) It may be ensured that PROMYS has adequate MIS features for facilitating periodic review of project closure by focal points in Headquarters and by senior management. <i>(Paragraph 313)</i>	2023	OSP/PSS	These recommendations will be considered in the context of the design and implementation of the new PROMYS system.
45.	FAO may: (a) Strengthen corporate monitoring of submission of Progress Reports to ensure that projects are progressing as envisaged. (b) Ensure uploading of progress reports in the new ERP, PROMYS be made mandatory. (c) Incorporate MIS feature in PROMYS for generating periodic reports on status of	2023	PSS/OSP	Agreed, as part of PROMYS developments. Phase 1 of PROMYS project was completed in 2020 (scoping phase). Additional work required in 2021-2023. The FPMIS module already includes a “reports” tab for the uploading of progress and terminal reports in the system.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>submission of progress reports by Budget Holders.</p> <p>A framework of monitoring by Corporate Management may be instituted for carrying out periodic review of progress of projects. <i>(Paragraph 316)</i></p>			
46.	<p>The due date of submission of terminal reports as per funding agreements should mandatorily be entered on the ERP for each project and should form part of basic information required to be entered prior to commencement of project activities. There should be active monitoring of submission of terminal reports as stipulated in the extant instructions related to project closure. <i>(Paragraph 319)</i></p>	2023	PSS/PSR	<p>Agreed, as part of PROMYS developments.</p> <p>Phase 1 of PROMYS project was completed in 2020 (scoping phase). Additional work required in 2021-2023.</p>
47.	<p>b) An institutional mechanism for documenting and archiving lessons learned from completed projects, based on evaluation reports, may be introduced for facilitating this information to be used in future programming decisions;</p> <p>c) As the organization undertakes large number of projects below USD 4 000 000, a suitable mechanism may be devised for undertaking their evaluation/impact assessment. We recommend and Management agreed that all project managers may be encouraged to enhance</p>	<p>To be decided based on FAO's internal consultation</p> <p>2022</p>	OED	<p>Re b): Consultations to be undertaken between units to determine action and timeframe</p> <p>Re c): Evaluation of projects under USD 4 million do not fall under the evaluation policy, except when requested by the donor (e.g. Global Environment Facility (GEF)). Projects under USD 4 million contribute to the evaluation pool fund which is used to conduct synthesis, country programme evaluations, thematic evaluations and impact evaluations. These projects are not subject to a separate evaluation but can be covered under one of these evaluative modalities.</p> <p>We agree that it would be useful to have impact assessments for small projects as well, however the Office of Evaluation (OED)</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>their Monitoring and Evaluation (M&E) system and undertake impact assessments, for enhanced learning and result-based management.</p> <p><i>(Paragraph 324)</i></p>			<p>cannot commit to undertake evaluations of projects under USD 4 million, not only because it is not in the Organization's policy, but also because OED would not have the human resource capacities. Donors may also not be willing to put the necessary resources.</p> <p>Projects below USD 4 million are evaluated using a cluster or programme approach. They contribute to the Evaluation Trust Fund and a certain number of them are covered through thematic, strategic and Country Programme Evaluations. Resilience and emergency projects are clustered by type of crisis as they are part of a collective response to natural and/or humanitarian crisis in the context of consolidated appeals or a component of FAO country programme framework (eg. locust response, El Nino response, Lake Chad crisis, etc.).</p> <p>However, we agree that all project managers should be encouraged to enhance their M&E system and include more analysis of the results, such as impact assessments, for increased learning and result-based management.”</p>
MERITS ATTENTION				
Compliance Audit at FAO Headquarters				
Concessionaire Services				
12.	<p>Management may introduce service level agreements with clearly defined performance indicators into the new contracts of concessionaires in order to bolster the contractual framework. <i>(Paragraph 114)</i></p>	2021	CSL	<p>Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) will be introduced systematically to the new concessionaries' contracts, wherever it could be deemed feasible.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				<p>Current contracts have already been concluded on the basis of specifications criteria/requirements set forth in solicitation documents, to which bidders showed interest in response to FAO's tender, and contracts were thus established.</p> <p>CSL is making steady progress towards addressing of this recommendation.</p>
Governance Issues				
15.	<p>FAO may continue to review the pending accepted actions on recommendations periodically at an appropriate level and implement these in a time bound manner. (Paragraph 123)</p>	As part of ongoing work	OIG/DDCT	<p>Implementation of this recommendation is already in progress. During the period January to mid-October 2021, 141, i.e. nearly one-third (29%) of the 480 Agreed Actions outstanding as of December 2020 have been closed.</p> <p>Measures put in place included:</p> <p>a) a senior management-led campaign to recall across all streams and locations the importance of timely implementation, with due priority to those of a high risk nature or which had been long outstanding (all concerned offices/units were specifically requested to review the outstanding agreed actions/recommendations and prepare time-bound plans to address each recommendation);</p> <p>b) an ADGs/RRs-led campaign to ensure that Country Offices under their purview are provided with the adequate support in addressing outstanding agreed action/recommendations as well as any other systemic control weaknesses detected and that – in collaboration with business owners – adequate measures are put in place that aim at further strengthening of internal control environment;</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				<p>c) the setting-up of a network of Internal Control and Compliance focal points to reinforce dialogue across offices and adoption of good practices;</p> <p>d) an upgrading of the audit recommendation dashboard.</p> <p>OIG will work closely together with Management on this endeavour while Management will have the responsibility for the agreed actions.</p>
Procurement				
18.	<p>A system of quarterly review of annual procurement plans be introduced in field offices to facilitate evaluation of progress of procurement against planned milestones. Procurement plans may be updated to ensure that it remains a live document reflecting changing procurement requirements. Project teams may be alerted on the importance of timely submission of procurement plans. (Paragraph 134)</p>	2022	CSLP	<p>In order to implement this recommendation effectively, an online tool/platform where Decentralized Offices can enter and update their procurement plan is required. CSLP will collaborate with the responsible stakeholders/ business owners to pursue the solution.</p>
22.	<p>Services received may also be updated in GRMS immediately on receipt of certification from contract manager and prior to release of payment for ensuring that end-to-end position of procurement action in respect of services is reflected in the system. (Paragraph 140)</p>	2022	CSLP	<p>CSLP as a policy owner and “centre of excellence” will ensure guidance and support to the Decentralized Offices to prevent such gaps and shortcomings, thus enhancing the capacity of the Decentralized Offices in successful implementation of the revised Manual Section 502, decentralization of the procurement function and effective application of the increased Delegation of Authority by the respective Decentralized Offices.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				<p>As a first step, IPOs have been deployed in each of the FAO Regional Offices. The regional IPOs will be key players in ensuring a streamlined approach leading to further efficiencies, enhanced internal controls and capacity development of the Country Offices under the Regional Office oversight.</p> <p>As part of the process, regional IPO will ensure a streamlining of the verification of the services receipt to match the receiving action for goods.</p>
23.	Where acquisitions are not required to have Purchase Requisition (PR) numbers, the field of PR number may be populated with information like “Not applicable”, “Not required”, etc. instead of leaving it unpopulated, to provide an assurance that the prescribed workflow has been complied with. <i>(Paragraph 141)</i>	2022	CSLP	<p>CSLP as a policy owner will ensure guidance and support to the Decentralized Offices to prevent such gaps and shortcomings, thus enhancing the capacity of the Decentralized Offices in successful implementation of the revised Manual Section 502, decentralization of the procurement function and effective application of the increased Delegation of Authority by the respective Decentralized Offices.</p> <p>As a first step towards implementation of the above mentioned, IPOs have been deployed in each of the FAO Regional Offices. The regional IPOs will be key players in ensuring a streamlined approach leading to further efficiencies, enhanced internal controls and capacity development of the Country Office under the Regional Office oversight.</p> <p>As part of the process, the regional IPO will ensure a streamlined approach and application of the adequate audit trail throughout the Procure-to-Pay cycle.</p>
24.	Security instruments may be consistently obtained from vendors and documented in high value procurements to secure the	2022	CSLP	<p>CSLP as a policy owner and “centre of excellence” will ensure guidance and support to the Decentralized Offices to prevent such gaps and shortcomings. Thus enhancing the capacity of the Decentralized Offices in successful implementation of the</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	interests of the organization. (<i>Paragraph 143</i>)			<p>revised Manual Section 502, decentralization of the procurement function and effective application of the increased Delegation of Authority by the respective Decentralized Offices.</p> <p>As a first step towards implementation of the above mentioned, IPOs have been deployed in each of the FAO Regional Offices. The regional IPOs will be key players in ensuring a streamlined approach leading to further efficiencies, enhanced internal controls and capacity development of the Country Office under the Regional Office oversight.</p> <p>As part of the process, special attention will be given in ensuring a streamlined approach with regards to consistency in managing the security instruments and relevant documents for high-value procurement actions in the emergency operations (L3).</p>
Internal Control Measures				
27.	The established policy on settlement of advances and the eventual recovery after default must be followed stringently and periodic monitoring of travel and other prepayments may be carried out. (<i>Paragraph 161</i>)	As part of ongoing work	SSC	Agreed.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Management Matters				
Regional Initiative to End Hunger in Africa by 2025				
32.	The Organization may consider the feasibility of creating a dedicated functionality/link, within any of its existing ERP systems, for monitoring, evaluation and reporting of programmes and projects, related to the ‘Regional Initiative to End Hunger in Africa by 2025’, to enable access to consolidated and ready information in regard to the Regional Initiative (RI) to various internal stakeholders. <i>(Paragraph 213)</i>	2022	CSI/DDG-Bechdol	Given the overlap of RI1 and SO1, the recommended approach would be to treat RI1 as an integrated component of SO1, for which functionality is available in the existing ERP systems, that enables access to consolidated and ready information.
Project Planning, Monitoring and Evaluation				
47.	a) Better compliance to the criteria set for mid-term evaluation, separate final evaluation and submission of management response may be ensured. <i>(Paragraph 324)</i>	As part of ongoing work	OED	OED has a monitoring system to keep track of all evaluations and management responses, and follows up regularly with budget holders in case of non-compliance. Mid-term evaluations are no longer under OED responsibility and are not tracked by OED.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
48.	The provision for reporting status of implementation of the actions to be taken in response to OED's observations and recommendations may be incorporated in PROMYS. Corporate monitoring of follow-up action on recommendations/issues highlighted in evaluation reports may be strengthened. (<i>Paragraph 327</i>)	2023	OSP	The recommendations will be taken into consideration when defining user requirements for PROMYS.