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منظمة
الأغذية والزراعة
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FINANCE COMMITTEE

Hundred and Sixtieth Session
Rome, 2 - 6 November 2015
Progress Report on Implementation of the External Auditor's Recommendations

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 157th Session in March 2015.

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;**

➢ **welcomed the progress made in closing recommendations of the External Auditor and urged the Secretariat to continue efforts to close the remaining outstanding recommendations; and**

➢ **looked forward to an updated Progress Report which would also include the status of implementation of recommendations contained in the 2014 Long Form Report.**

Introduction

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

Audit Report	Total Recommendations	Outstanding at previous Reporting Date[1]	Closed since previous Reporting Date	Outstanding at this Reporting Date
Long Form Report 2008-09[2]	27	6	1	5
Long Form Report 2010-11	69	16	10	6
Long Form Report 2012-13	57	57	18	39

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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[1] FC157/14

[2] The recommendations contained in the 2008-09 Long Form Report encompass and take account of outstanding aspects of previous External Audit Recommendations.

2012-13 BIENNIUM - AUDIT OF HEADQUARTERS
FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Audit of Accounts – Contributions Receivables				
1 Encourage Member Nations to pay their financial obligations promptly and to avail of the installment schemes offered by the Organization. (Paragraph 43)	2014	CSF	Management confirms that all efforts to collect contributions on time are pursued and progress is regularly reported to the Finance Committee, Council and Conference.	**Recommendation closed.** We noted a decline in the balance of receivables by USD 17.3m (18 percent) from USD 98.96 million in 2013 to USD 81.63 million in 2014. Overall, collection rates for both current assessments and arrears also increased slightly. Quarterly statements were sent out to Member States to remind them to settle their unpaid assessed contributions..
2 Intensify the collection of Government Counterpart Cash Contributions (GCCC) arrears and fast-track the re-negotiation of the Host Country Agreements (HCAs) and thereafter, conduct periodic revisions of the contributions to reflect the changes in the economic conditions of the concerned	2014	CSF/OSD	Management continues the process of re-negotiation of HCAs, taking into account changing economic conditions of concerned countries. Statements of Account were issued in order to remind concerned Governments of the arrears. For cases where FAO will not recover existing/old balances, the Organization will continue to make attempts to receive value in kind from the host country in lieu of old balances outstanding.	**In process.** We noted that unpaid GCCCs in 2014 remained the same at USD 3.48 million level in 2013. Likewise, no HCA has been finalized in 2014. The issue on how the in-kind

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
countries. (Paragraph 43)				services/donations given by host countries in lieu of unpaid balances will be valued should also be addressed by Management.
Audit of Accounts – Staff Related Schemes and Fund Balance				
5 Evaluate the best option to address its remaining unfunded staff related scheme liabilities with the end in view of identifying a consistent funding source and come up with a comprehensive plan to fully fund the Staff Related Schemes (SRS) liability over a determined period of time. (Paragraph 57)	2014	CSF	Management continues to draw the attention of the Governing Bodies to this matter, including presenting regular documents providing updated information on the size of the liabilities, options to address the funding gap of the ASMC Liability, on the ongoing discussions within the United Nations System on this matter, and on activities aimed at containing the costs of the current medical insurance plan. These efforts are ongoing and will continue.	**In process.** We noted that Management continues to address the funding gap of the ASMC liability through the ongoing discussions within the United Nations System on the matter, and on activities aimed at containing the costs of the current medical insurance plan.
Shared Services Centre				
6 Continue implementing measures aimed at improving the quality and accuracy of processed transactions in a timely manner in accordance with FAO's prescribed regulations and policies. (Paragraph 61)	2014	CSS	Management agrees and confirms the importance of continuously striving to improve the quality and accuracy of transaction processing. Actions which have already been undertaken to address specific recommendations have been reflected in the Long Form Report (in particular para 60) and these efforts will continue.	**In process.** Validation will be undertaken during the audit of the SSC in 2015.
Technical Cooperation Programme				
7 Optimize corporate oversight, management and advisory services	2014	TC	Following issuance in December 2014 of DGB 2014/53: alignment of resource mobilization and	**Recommendation closed.**

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	for the Technical Cooperation Programme (TCP) by complementing this with the determined implementation of the transformational change programme which is aimed at improving accountability and internal control at decentralized offices. (Paragraph 77a)			the project cycle to the Strategic Framework, which specifies inter alia roles and responsibilities in the two areas of resource mobilization and project cycle management, the TCP Manual was finalized and issued in March 2015 . The revised TCP Manual defines the key corporate roles and responsibilities in relation to the management of the TCP. It was released along with the guidance on the formulation of the CPF Annex related to TCP indicative pipeline. Therefore, the alignment of the TCP to the Strategic Framework at country level is to be ensured through the CPF process, led by the FAOR/TCP coordinator. Full monitoring has been in place and the rates of approvals against the 14-15 biennium and rates of expenditures against the 12-13 biennium, have evolved satisfactorily and the forecast is to reach 100% delivery against the 12-13 biennium and 100% approvals against the 14-15 biennium.	
Accountability and Internal Control Framework					
10	Formalize its policy framework on internal control and design a mechanism in which the overall effectiveness of the internal control system in the three levels of the Organization is monitored, assessed and reported to reinforce accountability and transparency in the Organization. (Paragraph 86)	2014	OSP	A corporate Accountability Policy was promulgated in January 2015(FC 156/15 and CL 150/4 refer). The internal control framework is undergoing final management review for release in the last quarter of 2015.	**In process.** While the Accountability Policy is already in place, the Internal Control Framework is still not delivered.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Progress of International Public Sector Accounting Standards (IPSAS) Implementation				
12 Address the risks associated with the on-going activities such as generation of opening balances, additional dry runs and inventory count and stock takes to ensure the successful preparation of its first IPSAS-compliant financial statements. (Paragraph 97)	2014	CSF	The related risks are managed and addressed on an ongoing basis. The opening balance preparation and dry run exercises were completed and the results presented to the External Auditor for Review. Additional reports have been developed to support the year-end stocktake and training has been provided to ensure that users fully understand the process and the requirements for performing the count.	**In process.** Noted gaps in the stock-take procedures were communicated to management during the 2014 year-end audit.
Management of Procurement				
15 Engage more closely with Senior Management to push for the finalization and approval of the proposed Procurement Strategy during the first year of the biennium 2014-2015, and to prepare an Implementation Plan based on the approved strategies so that projected changes are effected before the end of the biennium. (Paragraph 113)	2014	CSA	The procurement strategy has been submitted to the Office of the Inspector General for review in line with the recommendation of the Finance Committee at its 156th Session in November 2014. The Office of the Inspector General reviewed the procurement strategy as well as the staffing/budget proposal to implement it and concluded that i) the strategy is an appropriate development in strengthening FAO's management of procurement-related risks; and ii) the staffing/budget proposal for implementation presents a viable basis to move ahead, on a cost-neutral basis comparing before and after costs, and with funding already available to meet the transitional costs. Management agreed to implement the Strategy, which involves a number of staffing actions, with the PWB 2016-2017. Staffing actions to fill existing vacancies in positions envisaged by the Strategy are pending, with consultants backfilling.	**Recommendation closed.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
17	Prepare an implementation plan based on the approved strategies to strengthen capacity at HQ and in the field in support of the decentralized office network, so that projected changes are effected before the end of the biennium 2014–2015. (Paragraph 128)	2014	CSA	This recommendation is linked to recommendation 15 above.	**In process.** Validation will be made to determine if the implementation of the plan has been prepared.
18	Enhance the procurement planning capabilities and related accountability at relevant levels of the Organization particularly in a) requiring the development by Budget Holders of procurement plans, with this task reflected in the Budget Holder Performance Evaluation and Management System (PEMS) Agreement and b) implementing a project planning module in the Global Resource Management System (GRMS) that will allow, to the extent possible, the consolidation of procurement plans. (Paragraph 139)	2014	CSA/CIO	CSAP and ADG, CS will engage Senior management on the issue addressed in (a). Implementation of (b) will depend on the wider strategy and priorities for future GRMS developments and will be considered in that context.	**In process.** Validation will be undertaken once updated response/action is received from Management. .
Global Resource Management System (GRMS)					
27	Prepare a consolidated GRMS operations document to ensure that all support and maintenance activities are managed properly and consistently. (Paragraph 193)	2014	CIO	All the information elements of the GRMS Operations document have been collected in order to produce comprehensive GRMS Operations documentation. The finalization of the documentation will take place after the GRMS	**In process.**

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				Baseline upgrade project, which will impact support and maintenance arrangements.	

SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Audit of Accounts – Contributions Received in Advance				
3 Enhance the existing policies by including a provision in donor agreements on the manner of disposition of unspent balances and including a timeframe for donors to respond to requests for refund instructions. For existing project agreements, particularly where re-allocation of unspent balances is authorized, promptly start a dialogue/consultation to request donors to transfer unspent cash balances to other FAO projects in lieu of refunds. (Paragraph 47)	2014	CSF/TC	CSF will review the possibility, within the boundaries established by donor rules and FAO contractual obligations, of including a clause in donor agreements which specifies the timeframe within which the donor must respond to the request for refund instructions and of defining a policy for final disposal of aged unclaimed balances. It is already standard practice to seek donors' approval to deposit the unspent cash balances of emergency projects to SFERA. Those resource partners who were willing to include standard wording on final disposition of positive balances have already done so. Some others have indicated they do not wish to consider binding contractual clauses, but prefer to leave their options open for final reallocation.	**In process.** No new/enhanced policy has been released to address the increasing balance of unspent balances from financially closed projects.
4 Facilitate the refund of unspent cash balances to active donors, review old balances due to inactive donors from whom no feedback or instructions have been received and the possibility of claim is low, and consider derecognizing the same as a liability in the books once the appropriate policies have been established. (Paragraph 49)	2014	CSF	The Trust Fund Liaison unit regularly reviews outstanding balances in order to follow-up and remind donors to provide instructions. We will continue efforts towards implementing relevant policies on unspent cash balances, including those involving inactive donors.	**In process.** We noted that the balance of unrefunded cash balance from financially closed projects increased further from USD 12.01 million in 2013 to USD16.77 million in 2014. .

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Technical Cooperation Programme					
8	Prioritize the alignment of the TCP Manual to the New Project Cycle, as well as measures allowing the Country Programming Framework (CPF) to become the starting point for the prioritization of TCP assistance in line with the Strategic Objectives (SOs), so as to simplify the steps, hence, enhancing the approval process. (Paragraph 77b)	2014	TC	Specific improvements reflected in the revised TCP Manual issued in March 2015 include: a) Facilitated upstream identification of priorities and adjustment to the CPF b) Enhanced alignment with SOs c) Simplified review mechanism d) Simplified formats e) Harmonized reporting: The TCP Manual was released along with the guidance on the formulation of the CPF Annex 3 related to the "TCP indicative pipeline". At country level, the alignment of the TCP to the Strategic Framework is thus to be ensured through the CPF process. During the CPF formulation phase, the FAO Representative will highlight, under the strategic priorities identified, those outputs and/or activities which could be achieved through TCP contributions. The indicative TCP pipeline will form an Annex to the CPF document and be included in its resource mobilization plan. OSP has recently released the updated "guide to the formulation of the Country Programming Framework", as the corporate instrument that defines the development priorities for collaboration between FAO and a Member country, the outputs to be achieved contributing to national outcomes.	**Recommendation closed.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
9	Continue its efforts to improve the rate of approval and project delivery through implementation of the management actions identified in previous reports to address recommendations in this area. (Paragraph 77c)	2014	TC	As detailed in the updates provided to the above recommendations relating to TCP (and as documented in detail in the responses to the audit queries about the 2014 year-end Audit, in particular as regards monitoring actions and progress in both approvals against 2014015 and delivery against 2012-13), this recommendation could be considered as implemented.	**Recommendation closed.**
Accountability and Internal Control Framework					
11	Integrate in its on-going enhancement of its internal control the formulation of a mechanism for responsible officers of the Organization to provide assurance to the Director-General, who is tasked with the overall responsibility for the Organization's internal control, on the functioning of internal controls within their respective areas of responsibility. Such feedback from those officers would be the DG's basis to prepare a Statement of Internal Control that would be appended to the financial statements. (Paragraph 91)	2014	OSP	A corporate Accountability Policy was promulgated in January 2015 (FC 156/15 and CL 150/4 refer). The internal control framework, which is undergoing final management review for release in the last quarter of 2015, requires responsible managers to provide assurance as recommended by the External Auditor.	**In process.** While the Accountability Policy is already in place, the Internal Control Framework is still not delivered.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Progress of International Public Sector Accounting Standards (IPSAS) Implementation				
13 Ensure that the planned staff training on IPSAS is conducted continuously and integrated in the eLearning platform, and that the policy enhancements on property accountability are consistently implemented in support of proper asset management. (Paragraph 98)	2014	CSF	CSF has provided virtual and on-site training sessions throughout 2014 covering a wide range of topics, including asset management. This effort will continue, including the implementation during 2015 of a pilot online, interactive GRMS training programme on invoice management which will serve as a template for training on other GRMS modules.	**In process.** We recommended and Management agreed to ensure that staff involved in the recording of assets and manual accruals are trained and/or updated on the new policies and procedures under IPSAS.
Implementation of the Enterprise Risk Management (ERM)				
14 Continue to embed the ERM in managing corporate results hierarchy, business improvement projects and rapid problem response to ensure that the risks of the Organization are continuously identified, addressed and mitigated. In addition, ensure that capacity development to mainstream the ERM is included in future work. (Paragraph 106)	2015	OSP	Implementation of ERM will be enhanced through the corporate Accountability Policy promulgated in January 2015 and the internal control framework to be put in place by June 2015. An on-line training course was developed during 2014 and made available to staff at all locations in January 2015.	**Recommendation closed.** A related recommendation was raised in the current audit.
Management of Procurement				
16 Develop a Procurement Risk Management Process to further enhance risk management capability including a tool to support the decentralized offices in identifying their business risk environment and	2015	CSA/OSP	CSAP issued a risk survey to the decentralized offices addressed to all staff who were involved in the procurement process. The Survey closed on 26 June and the results are being analysed with OSP to provide the basis for the Risk Management Framework.	**In process.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	manage critical procurement risks. (Paragraph 119)				
19	Enhance its FA procurement policies, procedures and guidelines to include specific decision criteria as to when procurement activities should be tendered as an FA and including additional information regarding FA durations and extension so as to improve the current controlling policies and to support accountability enhancement. (Paragraph 147)	2014	CSA	CSAP has enhanced its guidance on use of Framework Agreements across the Organization and has uploaded its current Framework Agreements on the FAO Handbook webpage. The guidance on the intranet has also been linked to Guidance developed by the HLCM Procurement Network (UNGM site) to support Best Practices in Sharing UN LTAs.	**Recommendation closed.** .
20	Prepare clearer and more concrete guidelines in monitoring the performance of Framework Agreements and apply these consistently to all vendors to ensure the realization of benefits on FAs. (Paragraph 153)	2014	CSA	For new Framework Agreements CSAP is developing individual SOPs which provide guidance on monitoring the specific Framework Agreement. CSAP is also developing a more general guidelines and will finalize prior to 4th Q 2015.	**In process.**
21	Ensure that Delivery Dates captured in the GRMS reflect the actual date as indicated in the Delivery Notes to ensure the accuracy of information. (Paragraph 159)	2014	CSA/CSF	CSAP has issued updated Guidance Notes on the application of Liquidated Damages which explains the requirement of correctly indicating the actual Delivery Dates in GRMS for both goods and Works and Services: In addition there is clear guidance on the Finance section Handbook on correct receiving procedures: CSAP and CSF are also are planning to issue joint training material on the receiving function prior to Quarter 4 2015.	**Recommendation closed.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
22	Ensure good contract management and institute measures to ensure that the data provided with regard to Promise/Delivery Dates and Receipt Dates in all Purchase Orders is correct for decision making purposes. (Paragraph 164)	2014	CSA/CSF	In addition CSAP has issued a Guidance on Contract Management which highlights the responsibilities of Contract Managers to follow up on completion of the services.	**Recommendation closed.**
23	Endorse a Corporate Environmental Responsibility Policy and formulate a green procurement framework with policies and guidelines on: a) conducting a review of current practices in the UN to identify best practice; b) setting best value for money sustainability goals for its adoption where possible, noting that a number of suppliers are continuously improving their 'green' product offering; c) developing an appropriate strategy for the change; d) creating accountability in its implementation and monitoring; and e) adopting specific sustainability practices. (Paragraph 174)	2015	CSD/CSA	CSA has drafted a FAO Climate Neutrality Strategy 2015 -2020 which includes also the FAO Corporate Environmental Responsibility Policy on Facilities, Travel and Procurement. The Climate Neutrality Strategy has been developed in collaboration with NRC and will be ready to be submitted to Senior Management within the end of July 2015. This Policy complements the recently implemented FAO Environmental and Social Management Guidelines by NRC which covers the Organization's global projects and programmes.	**In process.**
24	Implement the newly established Vendor Sanction Procedures to further protect the interest of the Organization against defrauding vendors. (Paragraph 178)	2014	CSA/OIG/ LEG	The Vendor Sanctions Committee is fully functioning and has reviewed 6 submissions as at mid-September which are at various stages.	**Recommendation closed.**

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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	This work will be performed following the successful completion of the first set of IPSAS Financial Statements and which represents the final component of the GRMS Programme..	**In process.**
26	Include among its priorities for the current biennium the development and completion of the Travel Entitlement, Local Travel and Sourcing of Procurement modules to ensure the realization of the full benefits of GRMS.(Paragraph 188)	2014	CIO/CSA	Entitlement travel functionality was implemented in 2014 and is currently been utilized by the Organization A Sourcing of Procurement solution has also been identified. A proposal for the Local Travel solution has been drafted and is expected to be finalized during the 4th Quarter 2015.	**In process.**
28	Consider the users' views culled from the initial survey results of GRMS modules implementation as inputs to its on-going efforts to stabilize further the solution, and conduct a comprehensive User Satisfaction Survey to accurately measure the actions to be undertaken. (Paragraph 201)	2015	CIO	A user satisfaction survey will take place in 2015 which will cover all aspects of GRMS including support arrangements, system functionality, key administrative business processes and associated policies and procedures. The user satisfaction survey will take place after the GRMS baseline upgrade, i.e. in Quarter 4, 2015.	**In process.**
29	Conduct a thorough test of the functionality to determine processing points where errors reside and revise the interface strategy and design with consideration of the following: a) the automatic interface method; b) data	2014	CSF	Processing points at the interface level have been addressed. The ERP upgrade in Q4 2015 will in addition address technical related internal processing issues.	**Recommendation closed.**

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
fields being interfaced; c) the controls to reasonably assure that the data is interfaced completely and accurately; and d) timing requirements. (Paragraph 206)				
30 Enhance the Month and Year-End Closure facility, by reviewing the system configuration in the processing of accruals to ensure that encumbrances at year-end closures that fall outside the system parameters are managed. (Paragraph 213)	2015	CIO/CSF	This recommendation was addressed as part of the development of the travel accrual process in support of the IPSAS financial statements.	**Recommendation closed.**
31 Conduct a review and analysis of the Travel and Procurement Modules exception reports and based thereon, apply system validation controls, where applicable, for these Modules; instruct Budget Holders to faithfully ensure that outstanding commitments are valid and accurate to avoid repetitive exceptions at year end; and, verify/analyze the causes of inconsistencies and accordingly correct program routines of the month and year- end facility to warrant data integrity, the activities to be performed by the Application Specialists in coordination with the BPOs. (Paragraph 222)	2015	CIO/CSA	Additional cross validations have been introduced in the Procurement Module. In addition, in the Travel area, a Travel to General Ledger verification report has been deployed in order to facilitate the year end process activities and to reconcile outstanding commitments.	**Recommendation closed.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
32	Closely align asset management and reporting with the Organization's accountability requirements to strengthen the integrity of the Asset Register. (Paragraph 233)	2014	CSF	The organization continues to strengthen the integrity of the Asset Register through system enhancements, training and improved internal controls. In addition, Assets is piloting a Business Process Modelling (BPM) tool to improve system integration and ease-of-use.	**In process.** For validation in the audit in 2015.
33	Perform the following system enhancements: a) capture of serial number in the Receiving functionality of the Procurement Module to ensure that information can be reflected in the Asset Register when it is interfaced from Accounts Payable; b) inclusion of a facility on asset tagging and making this as a mandatory field when manually adding the assets in Asset management module of GRMS; and c) "defaulting" the head of office or unit as the assigned custodian of assets when added to the Asset Register, with linkage to organizational or country codes, and with the necessary authority to update once accountability is transferred to another, in compliance with existing policy. (Paragraph 234)	2014	CIO/CSF	Additional system enhancements in the Asset Register will be implemented to address points a) and b). No action on point c). The current configuration of the Human Resource tables in GRMS does not allow for the recognition of department head by organizational or country code. We do, however, manually enter the department head when new assets are added and the custodian is unknown to ensure that all new assets are assigned to a custodian.	**In process.** For validation in the audit in 2015.

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
34	Streamline asset reporting and improve efficiency in data processing. (Paragraph 238)	2014	CSF	New reports are available in iMIS to facilitate project closure, physical verification of assets and the inventory stocktake. The Organization will continue to develop and release new reports to address future needs.	**In process.** For validation in the audit in 2015.
35	Enhance the reporting capabilities of the Travel and Cash Modules by considering the users' needs and using the most appropriate format to maximize the use of information. (Paragraph 245)	2014	CIO/CSF/ CSA	The Organization will continue to develop and release new reports to address these requirements. We note that new bank reconciliation exception report has been implemented prior to the end of 2014 to support the cash management process. The enhancement of the Travel reporting capabilities has been included in the scope of the Local Travel solution proposal.	**In process.** For validation in the audit in 2015.
36	Ensure that the Change Management, Service Level Agreement (SLA) Management and Information and Communication Technology (ICT) Security Frameworks are delivered within 2014 and adopt strategies to mitigate risks emanating from the current absence of these Frameworks. (Paragraph 249)	2014	CIO	The Change Management process has been submitted and endorsed by the GRMS Steering group. Service Levels for ICT support of GRMS have been defined as part of the CIO Service Management Initiative and are currently being finalized for publication.	**In process.** For validation in the audit in 2015.

2012-13 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES
FUNDAMENTAL

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Audit of Decentralized Offices					
37	Strengthen the internal control system in decentralized offices through a well-designed internal control framework and through a continuous re-tooling of all staff performing programmatic, administrative and financial functions in the decentralized offices. (Paragraph 253)	2014	CS/OSD/TC OSP	Briefing and training materials, directed at the needs of field staff, are being developed to accompany the internal control framework, which is undergoing final management review for release in the last quarter of 2015.	**In process.** While the Accountability Policy is already in place, the Internal Control Framework is still not delivered.

SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Audit of Decentralized Offices				
38 We recommended and the Regional Offices concerned agreed to ensure that the allocation to country offices is in accordance with the guidelines in the TCP Manual based on the needs and priorities of the countries and the Organization, as embodied in the Country Programme Framework, Regional Initiatives and the Strategic Framework (paragraph 257).	2014	TC/ROs	Regional Offices ensure allocation of TCP resources to country offices in accordance with the guidelines in the TCP Manual and in line with the indicative pipeline (CPF annex) and taking into account any country's emerging priorities as communicated by government authorities. All special attention countries did receive an indicative allocation, some of which following a substantive dialogue on priority needs and proposed catalytic use of resources.	**Recommendation closed.** We recognize the actions taken by the Regional Offices on this matter and their efforts to comply with the TCP guidelines.
39 We recommended and the decentralized offices concerned agreed to be proactive in coordinating with their counterpart governments to identify needs that will support the country's development objectives in order to maximize the utilization of their TCP allocations. We also recommended that the decentralized offices ensure the availability of technical staff to handle TCP projects and that priority be accorded for their implementation (paragraph 260).	2014	TC/DOs	Recommendation agreed and being implemented by Decentralized Offices (DOs). The decentralized offices, in agreement with the respective government counterparts, within the CPF document, will highlight priorities to guide the future use of the TCP resources. During a biennium, project approvals at country level can be delayed due to specific country circumstances, such as CPF ongoing formulation or government changing priorities. ROs monitor countries' use of indicative allocation and approval rate - TC ensures regular monitoring and oversight.	**In process.** We noted that coordination with governments needs to be improved in the absence of project approvals in some countries from regional offices audited.

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
40	We recommended and the decentralized offices concerned agreed to thoroughly identify and study key assumptions and potential risks during project planning/development to determine alternative courses of action that will mitigate the impact when risks occur (paragraph 263).	2014	TC/OSD/ DOs	Recommendation agreed and being implemented by Decentralized Offices. TCP Coordinators have been requested to report back on any bottlenecks leading to slow approvals and disbursements.	**In process.** At RLC, it was noted that signatures from some government counterparts were not easily obtained causing delay in the project implementation. In the case of FNSDN, alternative courses of action were not apparent in cases of delays in project implementation.
41	We also recommended and the decentralized offices agreed to be responsive to government priorities by anticipating common project implementation bottlenecks, particularly in the procurement activities, and employ adequate monitoring to ensure the timely completion of projects (paragraph 264).	2014	TC/OSD/ DOs	Recommendation agreed and being implemented by Decentralized Offices. The decentralized offices, in agreement with the respective government counterparts, within the CPF document, will highlight priorities to guide the future use of the TCP resources. Monitoring mechanisms are in place to allow DOs to ensure that project activities are completed in a timely manner. Bottlenecks will be brought to the attention of ROs and/or TC as required, depending on the nature of the difficulty encountered.	**In process.** It appeared that CPFs have not been fully integrated in the allocation done by RLC. As a result, there were instances when countries received more than their indicative allocations while others have not received their allocations yet during the audit.
42	We recommended and the decentralized offices concerned agreed to ensure that the minimum information contemplated in Section 6.1 of the TCP Manual are submitted by the counterpart or the requesting government together with the official request for TCP assistance before	2014	TC/DOs	Recommendation agreed and being implemented by Decentralized Offices. The indicative TCP pipeline which is to be added as an Annex to the CPF document will ensure that the minimum information is available to enter the projects in the active pipeline.	**Recommendation closed.** No noted deficiencies on decentralized offices visited at year end of 2014. However, we will still continue to validate the said requirements in the audit of

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	they are recorded in the active pipeline. This will provide inputs for an accurate assessment of the technical feasibility of TCP requests. We further recommended that FAO exhaust all means to quantify the government inputs in the project document to be able to come up with realistic budget allocations (paragraph 266).				decentralized offices in the future.
43	We recommended and the decentralized offices concerned agreed that their Budget Holders regularly coordinate with the Technical Officers on the project reporting requirements for the complete and timely uploading of information, thereby enhancing the value of FPMIS as an indispensable tool in project monitoring. We also recommended that the decentralized offices establish control measures to ensure the accuracy and completeness of Terminal Statements and Accomplishment Reports (paragraph 269).	2014	TC/OSD/ DOs	Recommendation agreed and being implemented by Decentralized Offices. Budget Holders are informed of the reporting requirements for each project through the project document and project agreement. During project implementation, in addition to automatic trigger messages for specific actions to be taken regarding - among others - progress and terminal reporting, a new system of high level quarterly monitoring reports has been implemented, which track various key criteria, including terminal reports, for follow-up by regional and subregional operations staff with the concerned DOs. Furthermore, during their HQs briefing, FAORs are shown the various tools in FPMIS for monitoring their programmes (FPSN Monitoring Active Projects, etc.) which include reporting requirements as well as financial actions to be taken. The capacity building plan being implemented from September-December 2015 by TCS , aimed at strengthening the operational capacity of regional/subregional/ country office	**In process.** We noted some relevant reports that were not uploaded in a timely manner at FPMIS on projects implemented by RLC, RNE, FLBRA and FAPHI.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			staff involved in project management also highlights the importance of reporting requirements.	
44 We recommended and the decentralized offices concerned agreed to strictly monitor the implementation of projects and ensure that all deliverables and documentations are completed within the lifespan of the project (paragraph 271).	2014	TC/OSD/ DOs	Recommendation agreed and being implemented by Decentralized Offices. As noted in the response to recommendation no. 43, the new quarterly high level monitoring initiative which began in July 2014 is designed to address project implementation, with quarterly reports sent to regional offices and HQs units for follow-up, copied to the respective senior management. In addition, the capacity building plan mentioned above is specifically geared to enhance the capacity of BHs and of RO's operations staff providing monitoring and support to them.	**In process.** We noted low project deliveries at RLC, RNE, FLBRA, FAPHI and FNSDN.
45 We recommended that the decentralized offices require the Budget Holders to expedite the operational and/or financial closure of the projects and follow up on the status of the requests for closure (paragraph 273).	2014	TC/OSD/ CSF	Recommendation agreed and being implemented by Decentralized Offices. As noted in the response to recommendation no. 43, the new quarterly high level monitoring reports include operational and financial closure among the various criteria tracked, to be further reinforced by the capacity building plan.	**In process.** Delays in operational and financial closure of projects were noted at RLC, RNE, FAPHI, FLBRA and FNSDN.
46 We recommend that the decentralized offices ensure compliance with prescribed regulations and guidelines in conducting procurement and perform procurement activities that will result	2014	CSA/DOs	Recommendation agreed and being implemented by Decentralized Offices.	**In process.** In the decentralized offices audited, we noted incomplete/deficient procurement plan, non-utilization of PR functions in

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
in the best interest of the Organization (paragraph 277).				GRMS, deficiencies in the solicitation and award, incomplete data in the PO, and delays in the deliveries by service providers.
47 To ensure complete and accurate data on property, we recommended that the decentralized offices concerned improve their asset management by: a) conducting a physical verification of assets regularly; b) utilizing Physical Verification Asset Reports (PVARs) in iMIS in the conduct of their physical verification of assets; and c) reconciling physically verified assets against the asset records in GRMS (paragraph 279).	2014	CSF/DOs	Recommendation agreed and being implemented by Decentralized Offices. The Organization adopted a new cyclical approach to complete the physical verification of assets in 2014 allowing decentralized offices to select a quarter during the year in which to complete the physical verification and reduce the workload during peak times. As a result, there has been a 14% increase in the timely filing of the PVAR in 2014, and are expected to continue to improve. The Assets Unit reviews all PVAR results for correctness and completeness and works with the decentralized offices to make corrections in order to improve the accuracy of the data.	**In process.** Deficiencies were noted at RLC, RNE, FAPHI, FLBRA and FNSDN.
48 We recommended that Management establish custodianship and accountability of each staff member and official for non-expendable items using the prescribed forms (paragraph 281).	2014	CSF/DOs	Recommendation agreed and being implemented by Decentralized Offices. The Organization has published procedures regarding custodianship of assets. The Property Loan Form is signed by staff members to accept responsibility for non-expendable items issued for official use. During the PVAR in 2014, the Assets Groups reviewed all reports to confirm that every asset was assigned to a custodian.	**In process.** Deficiencies were noted at RNE, FNSDN and FLBRA

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
49	We recommended that the decentralized offices concerned ensure that property disposals/transfers comply with prescribed guidelines for proper accountability (paragraph 283).	2014	CSF/DOs	Recommendation agreed and being implemented by Decentralized Offices. The Assets Unit performs a post factum audit of retirement transactions entered by the decentralized offices into COIN to verify approvals and documentary evidence. Results of every review are emailed to the decentralized office and the corresponding regional office. If corrective measures are required, the Assets Unit provides instructions and works with the decentralized offices to understand the requirements.	**In process.** Deficiencies noted at RNE, FAPHI and FLBRA.
50	We recommended that the decentralized offices ensure that the Guidelines provided under MS 317 on the employment of consultants and under MS 319 on subscribers to Personal Services Agreement are complied with (paragraph 286).	2014	OHR/DOs	Recommendations 50-52 are agreed and being implemented by Decentralized Offices. It is noted that that these points are covered in the revised Guidelines on the employment of national PSAs and NPPs (issued March 2014), as well as in the Guidelines on Consultants and PSAs (issued November 2013)	**In process.** Deficiencies were noted in the selection and hiring of consultants at RLC, RNE and FNSDN.
51	We recommended and the decentralized offices concerned agreed that quality assessment be made for every consultant upon completion of each assignment so that only those who satisfactorily accomplish their contracts are considered in future selection processes (paragraph 288).	2014	OHR/DOs	See response to recommendation 50 above.	**In process.** No quality assessments were undertaken on samples tested at RLC, RNE, FAPHI and FNSDN.
52	We recommended and Management agreed: a) to refrain from adjusting	2014	OHR/DOs	See response to recommendation 50 above.	**Recommendation closed.**

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
the honoraria of the consultants if there is no change in the terms of reference; and b) to consider all relevant factors such as, but not limited to, the nature of work to be performed, standard rates in the locality for comparable position and educational qualification required for the job to determine a realistic and reasonable honorarium to avoid contract amendments (paragraph 290).				
53 We recommended and the decentralized offices concerned agreed to protect the Organization from incurring losses due to non-recovery of travel advances and enjoin all NSHRs as well as their staff to settle their travel advances one (1) month after completion of a journey, or 60 days where travel is more than 30 days in accordance with MS 450.5.31 (paragraph 292).	2014	CSA/DOs	Recommendation agreed and being implemented by Decentralized Offices.	**In process.** We noted travel advances that were not settled within the prescribed period by staff at RLC, RNE, FAPHI and FLBRA.
54 We further recommended and the decentralized offices concerned agreed that the travel initiator regularly monitor outstanding travel advances, and refrain from granting further travel advances unless the previous one has been settled (paragraph 293).	2014	CSA/DOs	Recommendation agreed and being implemented by Decentralized Offices. .	**In process.** With deficiencies at RNE, RLC and FAPHI.

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
55	We recommended and the decentralized offices concerned agreed to ensure strict compliance with financial regulations, rules and policies to improve the financial and cash management in the decentralized offices (paragraph 296).	2014	CSF/DOs	Recommendation agreed and being implemented by Decentralized Offices. In addition, CSF regularly reviews bank reconciliation reports for discrepancies and follow-up with decentralized offices.	**Recommendation closed.** Significant compliance was noted from the decentralized offices audited.
56	We further recommended that CSF improve its monitoring control in decentralized offices by regularly checking their compliance with financial regulations and policies to lessen the risk of inappropriate use of funds (paragraph 297).	2014	CSF	CSF is developing a set of key monitoring reports which will support more systematic monitoring of compliance with financial regulations and procedures.	**In process.** Deficiencies noted at RNE and FAPHI.
57	We also recommended that CSF consider in its action plan the continuous re-tooling of staff performing financial functions in the decentralized offices (paragraph 298).	2014	CSF	CSF together with other CS divisions, Regional Offices and CIO will undertake a joint training/support effort during 2015 to assist decentralized offices in the usage of GRMS CSF has provided virtual and on-site training sessions throughout 2014 covering a wide range of topics, including asset management. This effort will continue, including the implementation during 2015 of a pilot online, interactive GRMS training programme on invoice management which will serve as a template for training on other GRMS modules.	**Recommendation closed.**

2010-11 BIENNIUM - AUDIT OF HEADQUARTERS

FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Budgetary Controls				
2 Ensure that expenditures are always within the limits of the authorized project budget and cash provided by the donors by: (a) constantly monitoring the cash balance and considering it as the limit of further incurring expenditure for the project; (b) promptly initiating the request for Call for Funds in accordance with Project Agreements when cash balance is low; (c) promptly preparing Budget Revision with the proper approval before committing expenditures that will exceed the latest approved budget; and (d) constantly ensuring that charges to the project are appropriate. (Paragraph 60)	2012	BHs/FPSN/ TCS	Monitoring actions are ongoing throughout the lifecycles of projects as described below. The first level of responsibility rests with the Budget Holders (BHs), whether in decentralized offices or at HQ with operational and monitoring support provided to them by the Field Programme Support Network (FPSN) at subregional and regional levels with corporate tools, procedures and overall monitoring from OSD, CSF and Funding Liaison Units. Specific actions in place to address these recommendations include: • all new DO budget holders are briefed on the FPSN Monitoring tool available through FPMIS to facilitate the monitoring of their ongoing projects; • the designation memorandum assigning BH responsibility specifies the need for cash monitoring and prompt calls for funds; • automatic trigger messages from FPMIS remind BHs of the need to call for funds, among other actions; and • the subregional Field Programme Support and Monitoring Officers (FPSMOs) as well	**In process.** Cash and budget deficits were still noted for on-going projects as at end of 2014 at RLC, RNE and FAPHI .

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			as regional operations staff regularly provide overall monitoring and feedback on necessary actions to be taken by BHs. • In addition new high level quarterly monitoring, based on a new tool in FPMIS, has been instituted as of July 2014 to track financial, reporting and closure criteria. Quarterly reports are sent to the FPSN regional members for follow-up through the subregional FPSMOs with BHs, and to HQs programme coordination units for follow-up with Rome-based BHs, with copies to relevant senior management.	

SIGNIFICANT

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Budgetary Controls					
9	Ensure that expenditures are always within the limits of the authorized project budget, and the cash provided by the donors by: (a) constantly monitoring the cash balance and considering it as the limit of further incurring expenditure for the project; (b) promptly initiating the request for Call for Funds in accordance with Project Agreements when cash balance is low; (c) promptly preparing Budget Revision and obtaining prior approval before committing expenditures that will exceed the latest approved budget; and (d) constantly ensuring that charges to the project are appropriate. (Paragraph 61)	2012	OSD	Recommendation to be closed. See management comment to recommendation no. 2, especially the new quarterly high level monitoring initiative. Suggested that this recommendation should be closed in light of the monitoring tools and regular reports being provided. FPSN members and BHs continue to follow up at field level on individual projects.	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.2 above.
10	Expedite action in coordination with relevant divisions and/or donors to resolve the over-expenditures in operationally closed projects and allow their financial closures.	2012	OSD, TC, FPSN, CSF	See management comment to recommendation no. 2 Actions are ongoing by TCS, CSF and concerned BHs to resolve over-expenditures with OSD follow-	**In process.** RLC and FAPHI were noted to be taking steps to resolve the negative cash balances in

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	(Paragraph 62)			up to expedite operational and financial closures. TCS continues to work closely with CSF and OSD to resolve outstanding issues, within the limits of donor grant regulations. Improvement in this area is almost entirely contingent upon the issues outlined in management response to Recommendation 2, as post-factum action can only mitigate the damage.	the projects which are not yet financially closed. .
11	That (a) Budget Holders/Lead Technical Units inform the official Funding Liaison Officer and the donor liaison group to ensure that formal agreement and funding are obtained from donors before incurring commitment and expenditure for the next phase of the project; and (b) clear operational guidance is provided on the communication flow. (Paragraph 63)	2012	BHs/FPSN/OSD	See management comment to recommendation no. 2. The various field project monitoring tools available in FPMIS, and shown to all new DO BHs during their HQs briefings, include financial actions to be taken (i.e. need for call for funds, warnings re over-expenditures). In addition, a step-by-step operational guidance is being prepared together with CSPL on the key actions to be taken during a project's life cycle, with the related workflow.	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.2 above.
Management of Emergency and Rehabilitation Activities					
38	Conduct an evaluation of the expected impact of a more inclusive and integrated analysis on food chain crisis prevention, a desired outcome stated in the PIR. (Paragraph 202)	2012	TC	An evaluation on the tool was foreseen within the framework of the corporate strategy on information systems for food and nutrition security which is under development. The evaluation of the tool has been halted as a result of the development of the new Strategic Framework, under which the corporate strategy on information systems for food and nutrition security has become obsolete. It is therefore proposed to close this recommendation.	**In process.**

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
40	Make policy enhancements to the Field Programme Manual to define timelines for full settlement of commitment, filing of pending claims, and processing of Property Transfer Form (PTF). Include in the Project Agreements clauses pertaining to Disposal of Equipment, or use of equipment after the NTE date. (Paragraph 209)	2012	TC	Project cycle and specific operational guidelines on how to close projects have been completed and published together with related UPKs.	**Recommendation closed.**
Human Resources Management					
41	That the hiring units and the CSH: (a) closely monitor vacancies that are experiencing delays in the processing of applications and that efforts be made to facilitate the timely completion of the evaluation; (b) define a policy on the maximum time allowed for accounts to remain idle in iRecruitment before they may be purged from the system as well as the desired retention period for reports; and (c) revisit the design and routine assignment of vacancy numbers in the iRecruitment to ensure that (i) the basic control on the existence of an audit trail is embedded in the system so that the processed data are	2012	OHR	(a) Monitoring mechanisms are in place to monitor vacancies experiencing delays and CSP is actively following up where necessary with recruiting areas. The implementation of iRecruitment is greatly speeding up the timely completion of pre-screening of applicants. (b) Further review of this item was undertaken during the definitions of requirements and testing of the new FAO Roster functionality in 2014, and a concurrent programme (FAO Notify Applicants to update account) was developed for the Recruitment Office use. However, the general policy for iRecruitment on purging of accounts has not yet been defined by CSP and this question will be reviewed in 2015. (c) This is an identified technical issue for which actions to address it have been initiated.	**Recommendation closed.** The OHR now has a new strategy and the iRecruitment had already undergone a series of enhancements. .

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
complete, timely and accurate; and (ii) gaps and duplications in numbering are avoided. (Paragraph 215)				
Project Evaluation				
50 Develop the guidelines to implement the recommended additional evaluation policies and ensure its completion. (Paragraph 247)	2012	OED	A new manual on evaluation has been issued in April 2015 which encompasses overall guidelines for evaluation in FAO. This manual is used for all project evaluations.	**In process.** For validation in future audit.
52 Conduct an ex-post evaluation on projects to fully assess the impact and sustainability of completed projects. Allocate a budget for the conduct of ex-post evaluation. (Paragraph 258)	2012	OED	Project funds are not available for ex-post evaluations or any other purpose after financial closure of the project. However, OED proposes to use a proportion of the funds gathered in the Trust Fund for the evaluation of voluntary-funded initiatives for this purpose. At the same time, it should be noted thematic, strategy and country evaluations have already included ex-post evaluations, and impact studies have been a recurrent feature of country evaluations.	**In process.** For validation in future audit.

2010-11 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES
SIGNIFICANT

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Project Management					
56	Work within the approved project budget, and in the case of Trust Fund (TF) projects, work within the cash received from donors; ensure that funds are available for the project before incurring commitments and expenditures; diligently monitor and check cash balances through Field Programme Management Information System (FPMIS), Oracle Data Warehouse and Field Accounting System (FAS); and alert Finance Division (CSF) of any prospective need to obtain additional cash from the donor. (Paragraph 273)	2012	BHs/FPSN/ OSD	See response to recommendation no. 2, especially the new quarterly high level monitoring reports which include operational and financial criteria among those tracked .	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.2 above.
57	Review and monitor the status of projects with past NTE dates to determine any reporting deficiencies, require immediate compliance with donor's other requirements, and request full release of the remaining funds for said projects. (Paragraph 274)	2012	BHs/FPSN/ OSD	See response to recommendation no. 2, especially the new quarterly high level monitoring reports include operational and financial closure among the various criteria tracked.	**In process.** Deficiencies still noted at RLC, RNE. FAPHI and FLBRA.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Asset Management				
64 Improve asset management by: (a) strict compliance with the Organization's manual, regulations and rules through regular submission of an updated Year-end Asset Report (YEAR) as basis for reconciliation with headquarters records; (b) regular monitoring of procurement of non-expendable properties; and (c) prompt reporting of acquisitions using the ADM 41, and losses, damages and non-serviceability using ADM 83. (Paragraph 294)	2012	CSF	The Organization continues to improve asset management through streamlining, simplification and training. Existing processes that have been updated include: (a) The Organization has adopted an iMIS report, the Physical Verification of Assets Report (PVAR), to support the annual verification of non-expendable goods. The verification is performed on a cyclical basis allowing the decentralized offices to complete the process during off-peak times. (b) The Assets Unit reviews every transaction that is interfaced from Payables before posting it to the Asset Register. (c) The ADM41 is obsolete. All non-expendable purchases are interfaced automatically from GRMS Payables to Assets. Retirements are processed in COIN and GRMS is updated automatically when the retirement is completed.	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.47 (Biennium 2012-13).
65 Establish custodianship and accountability of each staff member and official for both expendable and non-expendable items using the Custody of Property form. (Paragraph 297)	2012	CSF	GRMS allows direct user system input of custodian or responsible officer data and regular monitoring of this is performed by the SSC Assets Group using custom built monitoring reports to ensure adherence to this requirement. Published procedures require the assignment of the head of office as custodian unless a Property Loan Form is used to allow other staff members to take responsibility. The SSC Assets Group is actively enforcing this policy.	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.48 (Biennium 2012-13).

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Consultants				
66 Implement the prescribed controls and guidelines/ regulations in hiring consultants. (Paragraph 300)	2012	OHR	A revised corporate framework on the use of internationally recruited consultants and PSAs was issued at the end of 2013, following extensive consultation with the technical departments. Guidelines for the recruitment and serving of locally -recruited consultants and PSAs were revised and issued in March 2014. Both documents provide substantial guidance on all aspects of their recruitment, including on establishing the honoraria and the importance of the final performance assessment. The templates for the terms of reference of employees, with clear times frames and performance indicators, as well as for performance reports, have been updated and are provided with the new guidelines.	**Recommendation closed.**
68 Ensure strict compliance with financial regulations, rules and policies to improve the financial and cash management in the decentralized offices (Paragraph 306)	2012	CSF	See response to recommendation no. 69	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendations no. 55 (Biennium 2012-13).
69 Improve monitoring control in decentralized offices by checking regularly their compliance with the Organization's financial regulations and policies to address the risk of inappropriate use of funds. Consider in the action plan of CSF the build-up of competencies of staff	2012	CSF	During 2014-15 the Finance Division is completing a process of reorganization Division to better support the transformational changes endorsed by the governing bodies. Internal control of financial and accounting processes will be strengthened both at headquarters and in decentralized locations and will be further supported by the location of dedicated outposted Finance Officers at each	**Recommendation closed.** Validation and monitoring will be undertaken on related recommendation no.56 (Biennium 2012-13).

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
performing financial functions in decentralized offices (Paragraph 307)			Regional Office. These efforts will be facilitated by the rollout of GRMS functionality which provides the Organization with increased tools which support improved monitoring controls in decentralized offices.	

2008-2009 BIENNIUM - AUDIT OF HEADQUARTERS
FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
FUNDAMENTAL				
Rec 4. Working Capital Fund (WCF)				
We recommended that the Organization seriously consider increasing the level of the WCF to provide sufficient buffer to the General Fund (GF). In this regard, the Secretariat confirmed that they will include proposals to increase the level of the WCF in the PWB for 2012-13 under the section on Financial Health similar to those which were previously presented in the PWB 2010-11 but which were not endorsed by the Membership at that time. We also reiterate our recommendation that the Organization continue its efforts to collect contributions and arrears due from member states.	2010	CSF	The Secretariat included proposals to increase the funding level of the WCF in the PWB 2014-15. However the 38th Session of the Conference in June 2013 deferred to future biennia. At is 154th Session in May 2014, the Finance Committee reviewed document FC154/5 which provided a review of the levels of the Working Capital Fund and the Special Reserve Accounts. Following its review, the Committee looked forward to considering proposals related to the replenishment of the reserves of the Organization in the context of the proposed Programme of Work and Budget 2016-17.	**In process.** We took note of the actions taken by the Secretariat and the Governing Bodies to increase the funding level of the WCF. The recommendation shall be monitored until it is fully addressed.
Rec 5. Regular Programme budgetary controls				
We encourage the Organization to consider the standard Oracle budgetary functionality for effective and efficient fund sufficiency checking in accordance with the budget fungibility rules.	2010	OSP/CSF	The External Auditor notes in his report (para. 61) that a thorough approach to budgetary control is already in place at the Organization, which ensures that budget holders are provided with regularly updated budget status information and which includes all transactions processed in both Oracle and non-Oracle applications. Such information is	**In process.** Validation will be undertaken once a new reporting system has been put in place.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			made available to budget holders (BH) via the Integrated Management Information System (iMIS) and is updated on a daily basis. BHs are instructed to review this information regularly and to commit funds after review of the available balances. In addition to this, the Organization has established systems and procedures for monitoring and reporting on the status of allottee appropriations and for the review and authorization of additions to and transfers between allotments.	
			With the implementation of GRMS and the roll-out of financial systems to country offices in 2013-14, more complete and timely financial information became available to facilitate the potential implementation of automated budgetary control functionality.	
			During 2012-13 the Organization finalized the requirements for the design of the new Planning and Budgeting Model, which was introduced for 2014-15. A new standardized monitoring and reporting system has been defined during 2014-15 in line with the new ways of working and the results framework, and will be implemented for the 2016-17 biennium. The use of standard Oracle budgetary functionality for automated funds checking has not been found to be practical in this context.	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
8. Support costs to Field Programme (Project Servicing Costs)				
We suggest that the Organization: a) in accordance with the principle of reasonable alignment of support costs to field programmes and projects as they had actually materialized and recoveries from donor funded projects, work on the immediate expansion of the policy on support cost reimbursements to include recovery of any fixed indirect costs as far as already acceptable to donors and can be made acceptable to them and provide for the appropriate guidelines and training required. b) in accordance with the principle of transparency and in order to accurately establish the reasonable level of support cost reimbursements, consider reporting and assessing the level of reimbursements of support costs from Extra Budgetary (EB) funded projects to show the following: b.1 unrecovered fixed indirect support costs b.2 unrecovered support costs by category of programmes or projects; b.3 unrecovered support costs represented by the difference between the approved Technical Support Services (TSS) and Project Servicing Costs (PSC) rates and actual reimbursements; and	2012	OSP	The Secretariat presented measures to improve implementation of the Organization's Support Cost Policy to the Finance Committee at its 138th Session in March 2011. These measures were welcomed by the Committee and it looked forward to reviewing in further detail at its session in October 2011 proposals for cost recovery measures of categories previously excluded from the policy. The 37th Session of the Conference in June 2011 reaffirmed the policy of full cost recovery and noted its concern about the persistent under-recovery of administrative and operational support costs as regularly reported in the biennial Programme Implementation Reports. The Conference urged the Director-General to vigorously pursue improved administrative and operational support cost recovery from extra-budgetary activities and develop new mechanisms, as appropriate, building on the experience of other UN Agencies. Such means for improved cost recovery, including for security, information systems and technology were considered by the Finance Committee in October 2011 and approved by the Council in December 2011. As a result, an uplift of project staff costs and project consultant costs has been gradually introduced from 2012 and was fully implemented by January 2014 to improve cost recovery for categories of variable indirect costs that had been largely excluded from the FAO Support Cost Policy, but were normally recovered	**In process.** Validation will be undertaken once Management report that complete actions were undertaken to address the recommendations,

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
b.4 unrecovered support costs represented by the difference between the support cost income budgeted and the actual reimbursements by manner of recovery (fixed-percentage charge, direct charge to programme or project or combination of the two). c) in order to present fairly the support costs actually incurred under the Regular Programme (RP) funds, consider the disclosure in the financial statements of the unrecovered support costs from donor funded projects and absorbed by the RP fund and how these were calculated. d) in keeping with the principle of reasonable alignment of support costs to field programmes and projects as they had actually materialized and recoveries from donor funded projects, and in order to accurately establish the reasonable level of TSS cost recovery: d.1 consider articulating the instances where recovery is possible or not and; d.2 establish the extent at which the Organization desires to recover the cost of TSS.			by other UN Organizations. Thus recommendation 8a) has been implemented. Recommendations 8b.3) and 8c) were addressed in the PIR 2012-13 (Section III.D - Cost of Field Programme Support). Recommendation 8.d.1was addressed in the Annual Report of Support Costs Expenditure and Recoveries to the Finance Committee (e.g. FC 151/9). A comprehensive review addressing all aspects of FAO's support cost policy was initiated in 2012 and reported progressively to the Finance Committee in November 2013, May and November 2014. The Finance Committee endorsed a new cost recovery model in November 2014 based on the proportional full cost recovery principle. It requested the Secretariat to prepare a new cost recovery policy, which was presented to and endorsed by the Finance Committee and Council in March 2015 for implementation from 2016. The implementation plan is being prepared.	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
SIGNIFICANT				
Rec 16. Plan Assets				
We recommend that the Organization consider placing the earmarked long term investment and advance payments for the Separation Payment Schemes (SPS) in a separate trust fund to properly recognize them as Plan Assets as part of the effort towards full adoption of International Public Sector Accounting Standards (IPSAS).	2012	CSF	As noted by the External Auditor in his report (para. 158), review of the recommendation to place the earmarked assets in a separate trust fund shall be undertaken within the context of IPSAS implementation.	**Recommendation closed.** IPSAS was implemented in 2014 without creating a separate Trust Fund.
Rec 17. Procurement – Liquidated Damages of Late Deliveries Assets				
We recommend that the monitoring of deliveries be strictly performed by the Budget Holders (BH). The recommendation to impose penalties, if any, should be made by him/her already and subsequently deducted from the payment.	2011 onwards	CSA	The Organization agrees that monitoring of deliveries should be performed by the Budget Holders and, as appropriate, that they make recommendations regarding application of liquidated damages for late delivery. However, final determination of application of liquidated damages rests with the Buyer and Authorized Official so as to ensure that all factors including any mitigating circumstances or contractual obligations are considered. Guidance notes to the Budget Holders have been prepared and take into account changes introduced by GRMS and the receiving function. The Guidance Notes are posted on the front page of the Procurement intranet site and further dissemination to Budget Holders will be undertaken via e-mail and the CSAP NewsBrief.	**In process.** We noted that no liquidated damages were imposed by RLC and FAPHI on late deliveries. Compliance will be validated again in 2015 audits.

2008-09 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
FUNDAMENTAL				
Rec 21. Budgetary Controls – Projects (Regional Office for Africa)				
We recommended and RAF agreed that the Budget Holders (BHs) endeavour to work within the approved project budget for TCP and in the case of Trust Fund (TF) project within the cash received from donor. To ensure that funds are available for the project before incurring commitments and expenditures, the BH should consider employing worksheet of actual commitments and expenditures outside of the existing systems to keep track of project cash or fund balance until system embedded controls to prevent over-expenditure are put in place. In the event that the cash balance is low and there is a need to obtain additional cash from the donor and as required in the Project Agreement, the BH needs to promptly request from the Finance Division - Project Accounting (CSFE) the need for the Call for Funds and submit budget revision needing donor's consent/approval to prevent incurrence of negative cash balance for TF projects	2010	RAF	RAF agrees with the recommendation, and notes that the newly created Regional Programme Coordination Unit (RPCU) has the responsibility to address the issues and closely monitor programmes/projects and their budgets in the manner that has been recommended by the External Auditor. Some FAO Representations are already using the tracking system to monitor their project budget. Following the hub trainings carried out by RAF at the end of the last biennium, RAF is now working closely with other FAO Representations to have the tracking system in place. The new field solution to be rolled out in 2013 as part of the GRMS Programme will provide complete and timely information on local commitments, hence facilitating budget and cash balance monitoring, and more timely call for funds. It is also noted that "The Field Programme Support Network" (FPSN) Monitoring Tool in FPMIS highlights where Budget Holder attention is required for a call for funds as one of the specific monitoring elements and FPMIS also sends trigger	**In process.** Over-expenditures were still noted in RAF projects during our 2012-13 audits. Further validation will be conducted in the audit in 2015.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			messages in this respect.	