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# FINANCE COMMITTEE

**Hundred and Fifty-sixth Session**

**Rome, 3 - 7 November 2014**

**Status of Actions on FAO Audit Committee Recommendations**

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### EXECUTIVE SUMMARY

- At its 154th Session in May 2014, the Committee was provided with the 2013 Annual Report of the FAO Audit Committee. The report contained five recommendations to FAO management and to the Office of the Inspector General. These subsumed previous year recommendations.
- Since May 2014, progress has been made on addressing these recommendations. At its 151st Session in November 2013, the Committee encouraged harmonization of the format of future status reports on FAO Audit Committee recommendations with other status reports, such as the “Progress Report on Implementation of the External Auditor’s Recommendations” and the “Status of Implementation of JIU Recommendations”. The current status report has therefore adopted a tabular format based on that adopted for the progress reporting on the External Auditor’s recommendations.
- Two recommendations are classified as “ongoing”, with steps taken now in a “maintenance mode” and three recommendations are classified as being “in progress” i.e. further steps are expected in order to address the recommendation.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- Members of the Finance Committee are invited to take note of progress on implementation of the FAO Audit Committee recommendations.

### Draft Advice

#### **The Committee:**

- **took note of the status of actions on recommendations of the FAO Audit Committee; and**
- **looked forward to a further update on the progress made when the Audit Committee’s 2014 annual report would be presented at the Committee’s next regular session in Spring 2015.**

	<b>Recommendation</b>	<b>FAO AC Report paragraph reference</b>	<b>Responsible Unit</b>	<b>Classification of Status</b>	<b>Comments on Status</b>
1.	The Organization continuously assess the capacity of OIG commensurate with the risk level of the Organization and the DG formally take note of the extended time frame for high risk coverage proposed by OIG under the revised audit staffing complement.	15	ODG/OIG	Ongoing	The DG had formally taken note of the extended cycle of OIG audit coverage from 2014 onwards in his comments submitted to the Finance Committee, along with the FAO Audit Committee 2013 annual report. OIG's staffing and budget are under regular review with OSP, taking into account also other developments in OIG's mandate on the investigation side. Management is committed to maintaining the current level of resourcing of the audit, inspection and investigation functions of OIG as established in the 2014-2015 PWB, and increasing it as necessary to accommodate increases in OIG's mandate (e.g. harassment. investigation).
2.	OIG, as part of its 2014 audit work programme component supporting the Organizational transformation, give attention to providing further assurance and advice in the coming year on how [key initiatives started under the <i>Immediate Plan of Action: Results-based management, Enterprise Risk Management and Performance Management; and an Accountability and Internal Control Framework</i> ] are being implemented under the new Framework.	19	OIG	In progress	OIG's 2014 audit work programme gives particular attention to the implementation of the new strategic framework at FAO, taking into account the status of key IPA actions relating to RBA, ERM and performance management.  An overall view of the implementation steps, to assist management to prioritize attention, is at an advanced stage in early October 2014. This will be followed by more targeted reviews of particular aspects

					in the remainder of the 2014-2015 biennium.
3.	Management to give priority to implementing the recommendations in the [ <i>OIG audit</i> ] reports, to manage identified post-deployment system risks and IPSAS project risks, and ensure FAO efficiently prepares IPSAS compliant financial statements.	20	DDO/CSD/CIO	In progress.	DDO/CSD/CIO are giving adequate priority to resolving pending issues relating to GRMS post-deployment risks and IPSAS implementation, as OIG has verified through participation in the IPSAS Project Executive Board. Moreover, feedback received from EAUD is positive regarding the accomplishment of IPSAS compliant financial statements. The main outstanding issues requiring management attention relate mainly to the completion of IPSAS-related system reports, which is on track, and the definition of effective long-term support and governance arrangements for FAO's ERP. OIG will formally reassess the status of implementation of recommendations at the end of the year.
4.	The Organization consider further incentives and disincentives for Regional and Country management to improve performance and internal control.	22	DDO/OSD	In progress.	FC156-15 provides a Progress Report on an Accountability and Internal Control Framework. As indicated in FC156-18, management will provide a further update to the Finance Committee at its Spring 2015 session on strengthening internal controls, including in relation to the Decentralized Offices Network.  Management would like to draw attention to the enhanced FAO recruitment, pre-assignment briefing programme and performance monitoring which is underway; to a new FAOR training programme (FAOR Community and

					Programme) under development, which will have specific elements on internal control for FAORs; and the planned outposting of P3 level Finance Officers to Regional Offices whose role will have a specific focus on monitoring and supporting financial internal controls in the decentralized offices.
5.	OIG continue to work closely with management in ensuring sustained implementation of the Director-General's directions on accountability for timely closing of OIG recommendations.	24	OIG	Ongoing.	<p>In May 2014, OIG fully launched the web-based application for tracking the audit recommendations progress, which allows FAO managers to insert information on implementation of recommendations and supporting evidence at any time. The OIG six monthly analysis was carried out in mid-2014 under this new approach. This workflow has further defined the responsibilities for the management including the role of management in assuring that implementation information is correct.</p> <p>In addition OIG reinforces the above accountability through an expanded transmittal message accompanying individual audit reports.</p>