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# FINANCE COMMITTEE

**Hundred and Sixty-first Session**

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

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### 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 160th Session in November 2015 and now includes the management's response to recommendations contained in the 2014 Long Form Report.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

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

#### Draft Advice

**The Committee:**

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

## Introduction

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

Audit Report	Total Recommendations	Outstanding at previous Reporting Date <sup>1</sup>	Closed since previous Reporting Date	Outstanding at this Reporting Date
Long Form Report 2008-09 <sup>2</sup>	27	5	3	2
Long Form Report 2010-11	69	6	6	0
Long Form Report 2012-13	57	39	10	29
Long Form Report 2014	26	26	5	21

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. In addition, the table now also includes the management's response to recommendations contained in the 2014 Long Form Report.

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

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<sup>1</sup> FC157/14

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

## 2014 - AUDIT OF HEADQUARTERS

## FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Governance and Change Management in Human Resources (HR)					
3	Design and implement a concrete and formal change management plan to better control the implementation of the Human Resource Strategy. (Paragraph 56)	2015	OHR	Integration of HR strategy, policy, planning and implementation functions within one office in the 2015-16 PWB approved by FAO Members has resulted in better coordination and control of concrete implementation of policy and HR Strategy, as well as providing a positive feedback platform, which is enabling the coalescence of change management and control efforts	In process.
Performance Management					
6	Craft appropriate strategies for the systematic review of the Performance Evaluation and Management System (PEMS) including the adoption of a quality assurance mechanism and ensure that these are applied on a consistent basis. (Paragraph 73)	2015	OHR	Quality assurance mechanisms are being established and will start with a more systematic review of the quality of PEMS workplans in 2016.	In process.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Performance Management					
11	Craft the Organization's succession strategy and embed the same in the on-going workforce planning exercise with particular emphasis on leveraging fully on the knowledge, skills and experience of prospective retirees to build a pipeline of talents thereby ensuring the mitigation of knowledge gaps. (Paragraph 102)	2015	OHR	In 2015, preparatory work was undertaken to put in place tools supporting the development of effective workforce planning with the overall aim to implement a workforce planning strategy that aligns workforce and organizational needs in order to meet corporate regulatory, service and production requirements. In 2014, a total of 61 standardized HR Reports were released in key areas of focus for HR (gender and geographic distribution, succession planning etc.) and an additional 10 HR servicing operational reports were released in 2015. A business case document on Workforce Planning has also been drafted for a web-based workforce planning platform.	In process.  Validation will be undertaken once the business case document on Workforce Planning has been finalized.
Technical Cooperation Programme (TCP)					
15	Continue to ensure that guidelines clearly define amongst others, the clear roles and responsibilities of Budget Holders and TCP Coordinators in the conduct of regular monitoring of projects; and that these are supported with tools and techniques to further improve monitoring activities thereby enhancing the quality of decisions at all levels. (Paragraph 122)	2015	TC	<b>Recommendation to be closed</b>  Strengthened BH responsibilities and accountability are in place at the corporate level. The revised TCP Manual 2015 is aligned with the Project Cycle (PC) and is an Appendix to the PC Guide. In particular, regarding monitoring responsibility, the TCP Manual Phase 4 (Implementation and Monitoring) refers to the roles, responsibilities and obligations of the BH. The FPMIS tool has built in support to the BH/TCP Coordinator in fulfilling their monitoring tasks, sending automatic alerts when urgent action is needed. In addition, the High Level	For closure

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				Field Programme Monitoring report provides a quarterly overview of the status of project implementation and closure situation requiring urgent action by the BH. The Field Programme Groups in the Regional Offices (including the TCP officers) are tasked with taking immediate follow-up action with BHs on required actions.	
19	Determine monitoring strategies that bring about more adequate controlling of project budget deliverables and oversight; and ensure that policies, procedures and tools are in place to facilitate monitoring within the regions and at the corporate level. (Paragraph 141)	2015	TC	<p><b>Recommendation to be closed</b></p> <p>TCP is fully aligned with the corporate project cycle - corporate strategies, policies, procedures and tools on monitoring apply mutatis mutandis to the TCP. Monitoring mechanisms are in place to assist budget holders to effectively manage project implementation. TCP standard reports are available in FPMIS and regular follow-up is undertaken by the TCP Officers in the RO and at headquarters level. In addition, the High Level Field Programme Monitoring report provides a quarterly overview of the status of projects requiring urgent action. The Field Programme Groups (including the TCP Officer) in each region take immediate follow-up action with the BHs to address the outstanding actions. Finally, the TCP aspects are integrated in the e-learning course under development and addressed to BHs. A help desk facility is also available with the TCP Officers in ROs and at headquarters.</p> <p>BH accountability has been strengthened, both in decentralized offices and at HQ with operational</p>	For closure.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			<p>and monitoring support provided by the Field Programme Support Network (FPSN) at sub-regional 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:</p> <ul style="list-style-type: none"> <li>• all new DO budget holders are briefed on the FPSN Monitoring tool available through FPMIS to facilitate the monitoring of their ongoing projects;</li> <li>• the designation memorandum assigning BH responsibility specifies the need for cash monitoring and prompt calls for funds;</li> <li>• automatic trigger messages from FPMIS remind BHs of the need to call for funds, among other actions; and</li> <li>• the subregional Field Programme Support and Monitoring Officers (FPSMOs) as well as regional operations staff regularly provide overall monitoring and feedback on necessary actions to be taken by BHs.</li> </ul> <p>A new high level quarterly monitoring, based on a new tool in FPMIS, was 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 senior management as appropriate. Specific capacity building efforts</p>	

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				started in 2015 (Budget Holder e-learning course as well as face to face project cycle training).	
Internal Control					
23	Continue its work to install a robust internal control framework within the current biennium as planned and ensure that it is ably supported by tools and guidance, directly linked to risk management framework and activities, and couched in accountability arrangements defined in its Accountability Policy. (Paragraph 173)	2015	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 second quarter of 2016.	In process.
Statement of Internal Control					
24	Establish a mechanism for responsible officers of the Organization to provide assurance to the Director-General (DG) on the functioning of internal controls within their respective areas of responsibility and for the DG to issue a Statement of Internal Control to be appended to the annual financial statements. (Paragraph 179)	2015	OSP	The internal control framework, which is undergoing final management review for release in the second quarter of 2016 will require responsible managers to provide assurance as recommended by the External Auditor.	In process.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Risk Management					
25	Ensure that risk management is comprehensively and clearly embedded in all of its decision and work processes, and must be supported with further competency build-up and appropriate risk management tools. (Paragraph 196)	2015	OSP	Risk management is being applied in work-planning for the FOs, and will be applied for operational management for the SOs and CPFs.	In process.
Audit of Decentralized Offices					
26	Continue strengthening the internal control system in decentralized offices through a well-designed internal control framework and a continuous re-tooling of all staff performing programmatic, administrative and financial functions in the decentralized offices. (Paragraph 200)	2015	OSP/OSD	Briefing and training materials directed at the needs of field staff will be developed to accompany the internal control framework.	In process.

## 2014 - AUDIT OF HEADQUARTERS

## SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
IPSAS-Lessons Learnt and Benefit Realization					
1	Review the IPSAS implementation process and determine the lessons learnt, the areas which need further improvement, and how the new information created under the new reporting framework can be used for decision making purposes. (Paragraph 46)	2015	CSF	Lessons learned and areas for improvement identified during preparation of the 2014 Accounts are being addressed going forward, including as part of the preparation of the 2015 Accounts.	In process.
2	Validate and confirm the benefits realized in the implementation of IPSAS, and render a report thereon to inform stakeholders of the benefits of adopting the new financial reporting framework. (Paragraph 47)	2015	CSF	This work will be now be performed following the successful completion of the first set of IPSAS Financial Statements.	In process.
Recruitment of Professional Staff Members					
4	Strengthen further the Office of Human Resources (OHR) capacity to adequately control the professional staff recruitment process and remind hiring units of the existing provisions that provide that when the qualifications and competence of	2015	OHR	In 2015, the time to fill professional positions was reduced by half compared to 2014 demonstrating the commitment made by HR to improve the effectiveness and efficiency of professional staff recruitment. OHR staffing capacity will be further increased in order to assist with the wave of	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	candidates are equal, preference should be given to internal candidates from within FAO or the United Nations Commission System (UNCS). (Paragraph 63)			<p>selection processes that will take place over the coming months.</p> <p>The enhanced use of the i-Recruitment system, along with a more systematic recourse to pools or rosters of pre-cleared candidates for all categories, professional and general service, will significantly streamline the recruitment processes and timeframes.</p>	
Performance Management					
5	Enhance the OHR Performance Management Policy by expanding formally the use of career development objectives from a mere basis of skills management to a more comprehensive set of development goals that go beyond competency. (Paragraph 69)	2015	OHR	A new performance management policy was adopted at the end of July 2015, which includes stronger mechanisms to support staff development. The new policy and system was launched in early 2016 and allows for expanded categories of development goals such as actions to apply learning or on-the-job training. Work is commencing in 2016 to establish learning paths for specific roles which in turn can be reflected in developmental plans and will be implemented during the biennium 2016-17.	In process.
Staff Development and Training					
7	Prepare learning plans that are based on analysis of the knowledge and skills needs of staff, and design and implement learning programmes that are clearly linked to organizational needs and priorities in order to	2015	OHR	The needs are analysed from several angles: through individual developmental plans as part of PEMS, through staff development plans where offices can reflect individual and office objectives as well as through addressing recommendations made by internal audit reports. As a result, a	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	optimize the use of staff development funds. (Paragraph 77)			number of programmes are currently under development to improve the operational capacity of staff (project holder, project cycle, etc.).	
8	Measure the effectiveness of its learning programmes through impact evaluation in addition to the existing practice to have a more effective basis in the formulation of future learning plans. (Paragraph 83)	2015	OHR	<p>All new programmes are designed with a clear target audience in mind and where possible base lines are established so as to be in a position to carry out impact evaluations. Examples include:</p> <ul style="list-style-type: none"> <li>- for the project cycle programme baseline indicators can be established on the quality of projects formulated and financial reporting.</li> <li>- for the managing for results programme a needs assessment was carried out which will serve as base line for future impact evaluations for the various components of the learning programme.</li> <li>- for the middle managers course surveys have been introduced to assess whether participants apply what they have learned over time.</li> </ul>	In process.
Staff Mobility					
9	Enhance further the Mobility Policy through the lessons learned in the 2014 and 2015 exercises and the robust engagements with line managers and staff to warrant wider acceptance of the Policy. (Paragraph 90)	2015	OHR	The first full scale Mobility Programme implemented in 2015 incorporated improvements on the 2014 programme, enabling oxygenation of the Organization in line with its international nature. The 2016 programme has incorporated a number of lessons learned, including greater internal corporate communication, enhanced	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				outreach by managers, and increased engagement of staff members.	
Gender Representation					
10	Enhance the OHR current methodology in establishing gender targets in relation to job vacancies and decision for selection and appointment, and resolve the conflicts in policies on competence and gender parity so that realistic targets are established and managed. (Paragraph 96)	2015	OHR	Enhanced attention to gender and geographic representation in appointment has been undertaken since the 2015 Conference, without prejudice to the guidance provided repeatedly by the Finance Committee and other governing bodies for primordial consideration of merit.	In process.
Investment Centre Division (TCI)					
12	Ensure that risk considerations are reflected within the Strategy for Investment Support, and ensure that the Strategy and its deliverables are timely delivered by 31 December 2015. (Paragraph 107)	2015	TC	<b>Recommendation to be closed</b> FAO has developed a Strategy for Support to Investment in Food and Agriculture which is expected to be cleared by Senior Management review by first quarter 2016. The Strategy includes a risk matrix where the Organization has identified nine major risks that could challenge a successful delivery of its work and the achievement of impact at scale. Appropriate mitigation actions have been proposed for each risk.	For closure.
Emergency Rehabilitation Division (TCE)					

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
13	Craft clear protocols dedicated for L1 and L2 emergencies to ensure clearer accountability lines. Clarify the roles and responsibilities, and control designs for L3 protocol. (Paragraph 112)	2015	TC	<p>FAO issued the Director-General's Bulletin 2013/32 - FAO's Declaration and Response Protocol for Level 3 Emergencies (FAO, 2013a) and the accompanying Operational Guidelines for Level 3 Emergency Preparedness and Response (Level 3 Guidelines) (FAO, 2013b).</p> <p>FAO's Handbook for Emergency Preparedness and Response was finalized in 2015. The Handbook offers information to aid decentralized offices for all levels of emergency response. It includes the most common events triggering the activation/declaration process of Level 1, 2 and 3 Emergencies and how they should be addressed. All the protocols and guidelines listed will be reviewed and revised in the first quarter of 2016 in consultations with the Decentralized Offices (DOs).</p>	<p>In process.</p> <p>Validation will be undertaken once the protocols and guidelines have been finalized.</p>
Technical Cooperation Programme (TCP)					
14	Refine further the quantifiable output indicators taking into consideration the planned commitment to the TCP appropriation and ensure that the development of performance indicators is robustly monitored around the defined dimensions. (Paragraph 117)	2015	TC	<p>At the end of 2013, the Governing Bodies of FAO approved comprehensive proposals for the enhancement of the TCP (Document JM 2013.2/2). This document included -inter alia- the simplification and alignment of TCP procedures to the corporate Project Cycle procedures. The TCP manual was consequently revised and issued in March 2015 as an Appendix to the Project Cycle Guide and aligned with the corporate project cycle.</p>	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
16	Strengthen further the monitoring and review of the project terminal reporting process and engage more robustly with the decentralized offices to ensure that terminal reports are made readily available in the Field Programme Management Information System (FPMIS). (Paragraph 126)	2015	TC	<p>One of the measures introduced in the TCP Manual 2015 is the adoption of the same terminal report (TR) format for TCP and TF projects. The new format of the terminal reports includes reporting on the following four dimensions: Relevance, Achievement of results, Implementation of work plan and budget and Sustainability. Terminal reports will be uploaded in FPMIS and indicators on these 4 dimensions will be developed.</p> <p>TC/TCP Team as part of its oversight function monitors the TR preparation process and review completeness and quality of TR information</p>	In process.
17	Assess the functioning of the new Terminal Reports system and ensure that opportunities for enhancements are taken advantage of, to improve the quality of the evaluation of projects, as required. (Paragraph 131)	2015	TC	This will be done in due time and in collaboration with the Project Cycle Team (TCS) as the same format is now used for all projects in FAO.	In process.
18	Conduct a thorough assessment of the most current competency needs of the decentralized offices particularly in the management of TCP projects to support the smooth implementation of the new TCP Manual, aligned to the Project Cycle Guide and ensure that expected results from the initiative are materialized. (Paragraph 135)	2015	TC	<p><b>Recommendation to be closed</b></p> <p>Specific funding was made available by OSP to the Project Cycle Team (TCS) to carry-out capacity development activities during 2015 in all FAO regions, capturing all FAO country offices. The capacity development activities focus on the revised Project Cycle as also introduced in the TCP Manual 2015. Workshops were held in SEC (Ankara); Bangkok (RAP); Harare (SFS and SFE and English speaking West Africa); Santiago (RLC); Barbados</p>	For closure.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				<p>(SLM and SLC). The remaining regions/offices will be completed by year-end.</p> <p>Specific training on TCP Manual has been provided to RAF (December 2015) by the TCP HQ Team. Additional training is foreseen during 2016. An e-learning tool is being developed for the PC including the TCP. All these initiatives are expected to strengthen capacities and specific competency of the DOs in managing TCP projects.</p>	
Performance Monitoring and Reporting					
20	<p>Consider the inclusion of other variables that caused the overachievement of targets in the upcoming Performance Implementation Report (PIR) to warrant a more informative explanation on the deviation and establish a clear process of target setting where it begins with the country offices, and the focus and non-focus country offices involved. (Paragraph 153)</p>	2015	OSP	<p><b>Recommendation to be closed</b></p> <p>C 2015/8 Programme Implementation Report (PIR) 2014-15 includes explanations for over-achievement of targets where appropriate. A clear corporate process for setting Output targets for 2016-17 based on country office input took place from July to November 2015. The targets were validated by the Regional Offices and Strategic Programme Management Teams. The methodology and resulting targets are published in CL 153/3 6 Adjustments to the PWB 2016-17 paragraphs 17-47 and Web Annex 6 Output Indicators and Targets</p>	For closure
21	<p>Improve its validation methodology through OSP's close engagement with the country offices in determining the most appropriate timing of validation, standard information in the narrative</p>	2015	OSP	<p>OSP provided structured guidance and engaged with country offices through the Regional Offices and newly constituted Strategic Programme management teams in validating outputs and preparing narratives for end-2015 performance</p>	In process.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>summaries, and solutions to resolve challenges encountered during the reporting and validation phases. (Paragraph 158)</p>			<p>during the last quarter of 2015, as reported in the PIR 2014-15. As this was the first biennium in which the new approach to corporate reporting was implemented, feedback has been sought and lessons identified to improve the process in the 2016-17 biennium, and for the next MTP/PWB.</p>	
<p>22 Improve the formulation of outputs moving forward to the next biennium to ensure that terminologies used are consistently applied across all Strategic Objectives (SOs) and within the standards set by the United Nations Development Group (UNDG) Results-Based Management (RBM) Handbook. (Paragraph 162)</p>	2015	OSP	<p>Will be addressed during preparation of the Medium Term Plan 2018-21 during the second half of 2016.</p>	In process.

## 2012-13 BIENNIUM - AUDIT OF HEADQUARTERS

## FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Audit of Accounts – Contributions Receivables					
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 countries. (Paragraph 43)	2014	CSF/OSD	<p>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.</p> <p>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.</p> <p>In 2015, OSD, in consultation with CSF, intensified the efforts on this exercise to: i) fix discrepancies between FAO data and situation on the ground; ii) contact governments to follow up on the arrears and, if necessary, negotiate alternative options to settle them; iii) provide governments with the new Host Country Agreement template to obtain their views prior to official submissions.</p>	<p>In process.</p> <p>We took note of Management's actions aimed at reducing the arrears on GOCCs. However, only a slight reduction was observed in the uncollected GCCCs as at 31 December 2015 compared with previous financial period.</p>
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	2014	CSF	<p>Management continues to draw the attention of the Governing Bodies to this matter, including presenting regular documents providing updated</p>	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	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)			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.	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	<b>Recommendation to be closed</b>  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.	For closure.  Further opportunities for improvements will be reported in the 2015 year-end audit of SSC.
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	2014	OSP	<b>Recommendation to be closed</b>  This recommendation is superseded by recommendation 23 of the 2014 Long Form Report. We suggest to close this recommendation and monitor implementation through follow-up of the more recent 2014 recommendation.	For closure.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
accountability and transparency in the Organization. (Paragraph 86)					
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	<p><b>Recommendation to be closed</b></p> <p>Risks were addressed as evidenced by successful completion of IPSAS compliant financial statements for 2014.</p>	For closure.
Management of Procurement					
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	The development of an Implementation Plan for the Procurement Strategy is included in the CSAP Work-plan for 2016 and will be presented to the new Chief of Procurement for their consideration.	In process.  Validation will be undertaken during the 2016 audit.
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	2014	CSA/CIO	<p>CSAP and ADG, CS will engage Senior management on the issue addressed in (a).</p> <p>Implementation of (b) will depend on the wider strategy and priorities for future GRMS developments and will be considered in that context.</p>	In process.  Validation will be undertaken once updated response/action is received from Management on implementation of (b).

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	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)				
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 a comprehensive GRMS Operations documentation which will be finalized by April 2016.	In process.

## 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	<p>It is already standard practice to seek donors' approval to deposit the unspent cash balances of emergency projects to SFERA.</p> <p>Systematic discussions have been concluded with resource partners and dispositions taken whenever possible:</p> <ul style="list-style-type: none"> <li>- those resource partners who were willing to include standard wording on final disposition of positive balances have already done so.</li> <li>- some others have indicated they do not wish to consider binding contractual clauses, but prefer to leave their options open for final reallocation.</li> </ul>	<p>In process.</p> <p>Since the issue still persisted during the 2015 interim audit, we issued related recommendation that CSF consider including in the accompanying letter to the Final Financial Report to donors not only the request for instructions for disposal of unspent funds, but also a proposal to transfer unspent cash balances to other FAO projects in lieu of refunds, particularly for existing project agreements where reallocation is authorized.</p>
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	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	<p>In process.</p> <p>For further validation at 2015 year-end audit..</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	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)			policies on unspent cash balances, including those involving inactive donors.	
<b>Accountability and Internal Control Framework</b>					
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	<p><b>Recommendation to be closed</b></p> <p>This recommendation is superseded by recommendation 24 of the 2014 Long Form Report. We suggest to close this recommendation and monitor implementation through follow-up of the more recent 2014 recommendation.</p>	For closure.

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	<p><b>Recommendation to be closed</b></p> <p>CSF has provided virtual and on-site training sessions throughout 2014 covering a wide range of topics, including asset management. This effort has continued during 2015, including through delivery of refresher workshops; e-learning modules and virtual training sessions, complemented by expanded guidance provided through the FAO Handbook.</p>	For closure.
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 manage critical procurement risks. (Paragraph 119)	2015	CSA/OSP	<p>The process for the management of risk in procurement is included in the revised manual section on procurement. This revision, which is expected to be finalised soon, provides for the identification of procurement risk, and the assessment of likelihood and impact, and the specification of measures to address the risk by treating either the likelihood of its occurrence and/or its potential impact, through planning, monitoring and other appropriate actions. The procurement risk survey undertaken in 2015 led to the identification of risk identification and mitigation actions to be taken at a transaction and procurement policy level. These actions are being prioritised for implementation in 2016.</p>	In process.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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	New Framework Agreements have personalized SOPs which provide guidance on the monitoring of that specific Framework Agreement. New Guidance Notes have been prepared for the identification and development of Framework Agreements, including the best practice of sharing LTAs among UN agencies. New monitoring reports are in use in the Contracts Unit for cost control and end by date review. Monitoring and review of vendor performance within Framework agreements will be prioritized as part of the review of contract management in 2016.	In process.
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	FAO has introduced a Corporate Environmental Responsibility Policy on Facilities, Travel and Procurement in order to complement the recently implemented FAO Environmental and Social Management Guidelines by NRC which covers the Organization's global projects and programmes.	In process.

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 has currently been utilized by the Organization. A Sourcing of Procurement solution has also been successfully implemented as pilot in HQ. A proposal for a Local Travel solution has been finalized and is expected to be implemented during 2016.	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	The survey together with the assessment report are planned for completion by March 2016. Based on the assessment report CIO will drive for continuous improvement to improve overall GRMS performance and results, including a follow up GRMS user satisfaction survey planned for the end of 2016.	In process.
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	<b>Recommendation to be closed</b>  The organization continues to strengthen the integrity of the Asset Register through system enhancements, training and improved internal controls.	For closure.  Significant improvements were noted during the 2015 interim audit.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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	<p>Additional system enhancements in the Asset Register will be implemented to address points a) and b).</p> <p>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.</p>	<p>In process.</p> <p>For validation in the audit in 2016.</p>
34	Streamline asset reporting and improve efficiency in data processing. (Paragraph 238)	2014	CSF	<p><b>Recommendation to be closed</b></p> <p>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.</p>	For closure.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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 and notes the work already completed and implemented for the cash management process.	In process.  For validation once the actions to implement the recommendation are reported complete.
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 once the actions to implement the recommendation are reported complete.

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	<p><b>Recommendation to be closed</b></p> <p>This recommendation is superseded by recommendation 26 of the 2014 Long Form Report. We suggest to close this recommendation and monitor implementation through follow-up of the more recent 2014 recommendation.</p>	For closure.

## SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Audit of Decentralized Offices					
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	<p>Recommendation agreed and being implemented by Decentralized Offices (DOs).</p> <p>The decentralized offices, in agreement with the respective government counterparts, within the CPF document, will identify the priorities to guide the future use of the TCP resources and provide an indicative related budget. This forms the TCP indicative pipeline which, as an Annex, forms an integral part of the CPF document signed by the concerned government authorities (cf CPF Guidelines).</p> <p>It in turn allows the FAOR to plan with the ROs/SROs the required involvement of the technical officers (LTOs or others).</p> <p>ROs monitor countries' use of indicative allocation and approval rate - TC ensures regular monitoring and oversight.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>In process.</p> <p>We noted that coordination with governments still needs to be improved in the decentralised offices audited in the 2015 interim audit.</p>

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	<p><b>Recommendation to be closed</b></p> <p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>TCP Coordinators have been requested to report back on any bottlenecks leading to slow approvals and disbursements.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>For closure.</p> <p>Any reportable deficiencies will be included in the 2015 year-end audit.</p>
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	<p>Recommendation agreed and being implemented.</p> <p>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.</p> <p>Most of the decentralized offices have included pipeline of national TCP project proposals as a CPF annex helping RLC in an equitable distribution of resources among countries in the regions taking into account government priorities. It is still to be noted</p>	<p>In process.</p> <p>Deficiencies were noted at decentralized offices visited in the 2105 interim audit.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				<p>that levels of approvals per country may vary since TCP responds to Government requests.</p> <p>Recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	
43	<p>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).</p>	2014	TC/OSD/DOs	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>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, including progress and terminal reporting, a new system of high level quarterly monitoring reports has been implemented, which track various key criteria 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 staff involved in project management also highlighted the importance of reporting requirements.</p>	<p>In process.</p> <p>Deficiencies were noted at decentralized offices visited in the 2105 interim audit.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			<p>Strengthened BH responsibilities and accountability are in place at the corporate level. The revised TCP Manual 2015 is aligned with the Project Cycle (PC) and is an Appendix to the PC Guide. In particular, regarding monitoring responsibility, the TCP Manual Phase 4 (Implementation and Monitoring) - refers to the roles, responsibilities and obligations of the BH. The FPMIS tool has built in supports to the BH/TCP Coordinator in fulfilling her/his monitoring task, sending automatic alerts when urgent action is needed. In addition, the High Level Field Programme Monitoring report provides a quarterly overview of the status of project implementation and closure situation requiring urgent action by the BH. The Field Programme Groups in the Regional Offices (including the TCP officers) are tasked with taking immediate follow-up action with BHs on required actions. In fact, the ROs proactively support BH in addressing issues highlighted in the high level quarterly monitoring reports. TC as part of its oversight function, through the HQ TCP Team, regularly monitors the progress made by DOs in implementing the required actions. A system has been established at TC/TCP Team level to regularly check on a random basis completeness and timeliness of the information/reports uploaded in FPMIS and send reminders to BH to take necessary action. TC/TCP Team as part of its oversight function review completeness and quality of TR information.</p>	

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.	
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	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>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.</p> <p>TCP Coordinators have been requested to report back on any bottlenecks leading to slow disbursements. BHs are regularly requested by the Funding Liaison Unit the reasons for requests of project extension to enable analysis of bottlenecks and identification of remedial actions, as appropriate. ROs proactively support BHs in addressing implementation issues. TC as part of its oversight function, through the HQ TCP Team, regularly monitors project delivery and send reminders to DOs and BHs to take necessary action.</p>	<p>In process.</p> <p>Deficiencies were noted at decentralized offices visited in the 2105 interim audit.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.	
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	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>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.</p> <p>ROs proactively support BHs to address any bottleneck to operational/financial closure. TC as part of its oversight function, through the HQ TCP Team, regularly monitors the progress made by BHs in implementing the required actions and support, as appropriate</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>In process.</p> <p>Delays in operational and financial closure of projects were noted at decentralized offices visited in the 2105 interim audit.</p>
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	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this</p>	<p>In process.</p> <p>Deficiencies were noted at RAP, REU, SLM, FAVIE and FEGEO.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	in the best interest of the Organization (paragraph 277).			recommendation on the basis that oversight and monitoring mechanisms are now established.	
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	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>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.</p> <p>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.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>In process.</p> <p>Deficiencies were noted at RAP, REU, SLM, FAVIE and FEGEO.</p>
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	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>The Organization has published procedures regarding custodianship of assets. The Property Loan Form is signed by staff members to accept</p>	<p>In process.</p> <p>Deficiencies were noted at RAP, SLM and FAVIE.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				<p>responsibility for non-expendable items issued for official use.</p> <p>During the PVAR in 2014, the Assets Groups reviewed all reports to confirm that every asset was assigned to a custodian.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established</p>	
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	<p><b>Recommendation to be closed</b></p> <p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>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.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>For closure.</p> <p>Reportable deficiencies related to this issue will be reported in the 2015 year-end audit report, if any.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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	<p>Recommendations 50-52 are agreed and being implemented by Decentralized Offices.</p> <p>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).</p> <p>OHR has agreed more detailed agreed actions contained in the OIG report, AUD 2615 "Review of NSHR" where several relate to this overall objective. Work will be undertaken in this biennium to implement these recommendations.</p>	In process.
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	OHR has agreed more detailed agreed actions as contained in AUD 2615 'Review of NSHR' based on which actions will be taken in consultation with the SSC in 2016.	In process.
53	We recommended and the decentralized offices concerned agreed to protect the Organization from incurring losses due to non-recovery of travel advances and	2014	CSA/DOs	<p>Recommendation agreed and being implemented by Decentralized Offices.</p> <p>Monitoring of travel advances is done locally by the concerned decentralized offices. Automated TEC reminders and a payroll recover process for</p>	<p>In process.</p> <p>We noted travel advances that were not settled within</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	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).			outstanding travel advances is already a standard feature in GRMS	the prescribed period by staff at RAP,REU and SLM.
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.  Monitoring of travel advances is done locally by the concerned decentralized offices. Automated TEC reminders and a payroll recover process for outstanding travel advances is already a standard feature in GRMS  .	In process.  With deficiencies at RAP, REU and SLM.
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.  Several reports were implemented in 2015 to assist in DO monitoring, including and further reports are planned for 2016.	In process.

## 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	<p><b>Recommendation to be closed</b></p> <p>Monitoring actions are ongoing throughout the lifecycles of projects as described below.</p> <p>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.</p> <p>Specific actions in place to address these recommendations include:</p> <ul style="list-style-type: none"> <li>• all new DO budget holders are briefed on the FPSN Monitoring tool available through FPMIS to facilitate the monitoring of their ongoing projects;</li> <li>• the designation memorandum assigning BH responsibility specifies the need for cash monitoring and prompt calls for funds;</li> </ul>	<p>For closure.</p> <p>Any significant project over-expenditures will be reported in the current audit.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			<ul style="list-style-type: none"> <li>• automatic trigger messages from FPMIS remind BHs of the need to call for funds, among other actions; and</li> <li>• the subregional Field Programme Support and Monitoring Officers (FPSMOs) as well as regional operations staff regularly provide overall monitoring and feedback on necessary actions to be taken by BHs.</li> <li>• 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.</li> </ul> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	

## SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Budgetary Controls					
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. (Paragraph 62)	2012	OSD, TC, FPSN, CSF	<p><b>Recommendation to be closed</b></p> <p>See management comment to recommendation no. 2</p> <p>Actions are ongoing by TCS, CSF and concerned BHs to resolve over-expenditures with OSD follow-up to expedite operational and financial closures.</p> <p>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.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>For closure.</p> <p>Lack of Management's actions to resolve project over-expenditures will be included in the current audit report, if any.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
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	<p><b>Recommendation to be closed</b></p> <p>The ongoing SP5 evaluation will cover all aspects of the FAO resilience agenda, including those related to food chain crisis prevention.</p> <p>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.</p> <p>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.</p>	For closure.
Project Evaluation					
50	Develop the guidelines to implement the recommended additional evaluation policies and ensure its completion. (Paragraph 247)	2012	OED	<p><b>Recommendation to be closed</b></p> <p>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.</p> <p>In addition to the 2015 OED Manual, a series of guidelines, templates and procedures have been developed to improve the quality of evaluations, standardize the focus of the analysis and</p>	For closure.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				<p>assessments. All of which will reduced inter-evaluator variability and poorly evidenced judgments.</p> <p>OED has strengthened its internal peer review and quality assurance system to produce quality evidence-based evaluations and introduced a validation process of the recommendations with the key users of the evaluation for each evaluation.</p>	
52	<p>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)</p>	2012	OED	<p><b>Recommendation to be closed</b></p> <p>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.</p> <p>Between 2015 and 2016, 3 strategy evaluations, 15 country programme evaluations and 2 Strategic Objective-level evaluations have been conducted to capture the long-term impact of FAO programmes/projects.</p>	<p>For closure</p> <p>We took note of the Management response and agreed to OED's proposal to use a proportion of the funds gathered in the Trust Fund for the evaluation of voluntary-funded initiatives for ex-post evaluation of projects.</p>

2010-11 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Project Management					
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	<p><b>Recommendation to be closed</b></p> <p>See response to recommendation no. 2, especially the new quarterly high level monitoring reports include operational and financial closure among the various criteria tracked.</p>	<p>For closure.</p> <p>Any reportable project deficiencies will be included in the audit report.</p>

## 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 and PWB 2016-17. While increases to the WCF have not been approved by the Conference, it encouraged the ongoing efforts by the Secretariat to improve the financial situation, liquidity and reserves.	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	2010	OSP/CSF	<b>Recommendation to be closed</b>  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	For closure.  We took note of the Management's response that the use of standard Oracle

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>checking in accordance with the budget fungibility rules.</p>			<p>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 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.</p> <p>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.</p> <p>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 was defined during 2014-15 in line with the new ways of working and the results framework, and was released for use by budget holders in April 2016. The use of standard Oracle budgetary functionality for automated funds</p>	<p>budgetary functionality for automated funds checking has not been found to be practical. Nonetheless, we appreciate that a new standardized monitoring and reporting system was released for use by the budget holders starting April 2016.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			checking has not been found to be practical in this context.	
Rec 8. Support costs to Field Programme (Project Servicing Costs)				
<p>We suggest that the Organization:</p> <p>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.</p> <p>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:</p> <p>b.1 unrecovered fixed indirect support costs</p> <p>b.2 unrecovered support costs by category of programmes or projects;</p>	2012	OSP	<p>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.</p> <p>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</p>	<p>In process.</p> <p>Validation will be undertaken once Management report that complete actions were undertaken to address the recommendations.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>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</p> <p>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).</p> <p>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.</p> <p>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:</p>			<p>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 by other UN Organizations. Thus recommendation 8a) has been implemented.</p> <p>Recommendations 8b.3) and 8c) were addressed in the PIR 2012-13 (Section III.D - Cost of Field Programme Support).</p> <p>Recommendation 8.d.1 was addressed in the Annual Report of Support Costs Expenditure and Recoveries to the Finance Committee (e.g. FC 151/9).</p> <p>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. Recommendations 8b.1), 8b.2), 8.b.4) and 8.2.d) are addressed by the new FAO Cost Recovery Policy based on the principle of full proportional cost recovery.</p>	

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<p>d.1 consider articulating the instances where recovery is possible or not and;</p> <p>d.2 establish the extent at which the Organization desires to recover the cost of TSS.</p>				
<b>SIGNIFICANT</b>				
<b>Rec 17. Procurement – Liquidated Damages of Late Deliveries Assets</b>				
<p>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.</p>	<p>2011 onwards</p>	<p>CSA</p>	<p><b>Recommendation to be closed</b></p> <p>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.</p> <p>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</p>	<p>For closure.</p> <p>In view of the actions taken by Management to address the issue, this recommendation can be closed.</p> <p>This issue on liquidated damages will still be monitored for consideration in future audit.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			<p>Procurement intranet site and further dissemination to Budget Holders and other relevant personnel are undertaken via e-mail and the CSAP NewsBrief.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	

## 2008-09 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<b>FUNDAMENTAL</b>				
Rec 21. Budgetary Controls – Projects (Regional Office for Africa)				
<p>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.</p> <p>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.</p> <p>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</p>	2010	RAF	<p><b>Recommendation to be closed</b></p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established outlined in the response to recommendation 2 of the 2010-11 Long Form Report.</p>	<p>For closure.</p> <p>We noted from the FPMIS that FAORAF had no projects requiring housekeeping action for over-expenditure as at 1 April 2016.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
consent/approval to prevent incurrence of negative cash balance for TF projects				