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# FINANCE COMMITTEE

**Hundred and Sixty-fourth Session**

**Rome, 7 - 11 November 2016**

**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 161st Session in May 2016.
- This report also now includes the management's response to recommendations contained in the 2015 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 and commended the significant progress made in closing recommendations of the External Auditor and urged the Secretariat to continue efforts to close the remaining outstanding recommendations.**

## Introduction

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

Audit Report	Total Recommendations	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	2	2	0
Long Form Report 2012-13	57	29	27	2
Long Form Report 2014	26	21	8	13

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.

4. Management comments are also now provided for recommendations contained in the 2015 Long Form Report. The External Auditor will validate the management comments and actions taken on these recommendations during the audits scheduled for the end of 2016.

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<sup>1</sup> FC161/14

<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.

## 2015 - AUDIT OF FINANCIAL STATEMENTS

## FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Unfunded employee benefit obligations					
1	Continue identifying a consistent funding source and come up with a comprehensive plan to fully fund the employee benefit obligations over a set targeted period of time. (Paragraph 31)	2017	CSF/OHR	<p>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.</p> <p>FAO's Governing Bodies have consistently emphasized that this matter concerned the entire UN system and encouraged the participation of the secretariat in the UN Common System's search for a solution to this issue.</p>	<p>In process.</p> <p>We will continue to monitor Management's action on this recommendation.</p> <p>We recognize that this matter concerned the entire UN system.</p>
Cash voucher scheme					
2	Formulate and issue immediately administrative rules relating to the use of the Cash and Voucher Scheme to ensure that the best value for money is obtained; guarantee validity and regularity of said transactions; and	2017	TC/TCS	<p>TC carried out an assessment of all UN Agencies cash transfer project manuals, assessed the current FAO country offices operational cash based projects practices and identified specific gaps in FAO rules and regulations. An interdepartmental working group was established to work on the</p>	<p>In process.</p> <p>We took note of the ongoing activities being implemented by the Secretariat to</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
assure fair presentation of the affected accounts in the financial statements. (Paragraph 38)			<p>formulation of a new Manual Section, as well as the amendment of current Manual Sections to include necessary provisions for the implementation of such activities.</p> <p>The formulation of the new Manual Section started in July 2016 and is expected to be released in early 2017.</p>	implement the recommendation.

## SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Cash voucher scheme					
3	Provide accounting guidance to the decentralized offices concerned in the recording of expenses for agricultural inputs distributed and the cash for work paid to beneficiaries, which are reimbursed through money vendors, to ensure consistency in the recording thereof. CSF may also consider the use of new accounts to distinguish transactions through the cash voucher scheme. (Paragraph 40)	2017	CSF	<p>Management agrees to pursue the formulation and immediate issuance of administrative rules/ relevant manual section relating to transactions using the Cash Voucher Scheme. This will be done in parallel with the issuance of the administrative rules/relevant manual section (mentioned in recommendation 2-2015) related to the Cash Voucher Scheme.</p>	<p>In process.</p> <p>We will continue to monitor the actions to be taken on this recommendation.</p> <p>An audit of FAO Somalia will be undertaken this fall to review the implementation of the cash voucher scheme.</p>
Prepayments and employee receivables					

4	Strengthen monitoring mechanisms over the timely clearance of advances through the enforcement of policies relating to the recovery of outstanding advances and ensuring the timely processing of claims. (Paragraph 46)	2016	CSF/SSC	We are monitoring the advances of the old transactions and have established procedures with SSC to initiate the time of recovery of advances. We are further working to strengthen this area. The recommendation is expected to be implemented by the end of 2016.	In process.  We appreciate the actions being taken to address the recommendation.  Further validation will be undertaken at year-end audit for 2016.
Shared Services Centre (SSC)					
5	Further improve its processing and review of transactions by enforcing strict compliance with relevant staff and financial rules, regulations and procedures. (Paragraph 48)	2016	CSS	After further review, additional controls will be implemented to further improve compliance with relevant policies and regulations by 2017, including improvements in the processing of education grants.	In process.  We will validate the activities that will be undertaken in next audit visit to SSC.
Travel (TVL) module					
6	Conduct a review and analysis of the identified issues and limitations affecting the application of the GRMS functionalities on travel and provide solutions to fully achieve benefits from the system. (Paragraph 51)	2016	CSA	Review and implementation of system improvements is part of the ongoing work of the CSA travel unit.  A comprehensive review of the system will be carried out as part of the OIG review of GRMS and the ERP roadmap project, expected to be completed by the end of 2017.	In process.  We will continue to monitor the activities that will be undertaken to address the recommendation.

2015 - REVIEW OF MANAGEMENT CONTROL  
 FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Programme management					
7	Strengthen oversight in ensuring adherence with established guidelines on project closure, and better management of project information, through closer monitoring of the on and off system project data, to improve support to project management decisions. (Paragraph 64)	2016	TC/TCS	<p>Recommendation to be closed.</p> <p>As a follow up to the guidance provided by the Corporate Projects Management Board (CPMB) in Spring 2016, TC has engaged in an intensive corporate monitoring exercise to strengthen oversight over project management issues, including operational closure.</p> <p>TC has further refined project monitoring requirements and collaborated with OSP and CIO to design an operational dashboard in iMIS, based on FPMIS source data, for management use. Since June 2016, monitoring based on system data has been intensively performed.</p> <p>TC has also strengthened capacity to process operational closures in adherence with established closure guidance. In addition, closure guidelines were refined in relation with the update to Phase 6 of the FAO Project Cycle Guide. As a result, the number of projects in need of management action was reduced to below the 5% targeted threshold.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the TC Department to strengthen oversight in programme management.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Procurement of goods and services					
9	Reinforce monitoring control on compliance with applicable rules and regulations by activity owners in the procurement process; and build further competency of staff charged with procurement delivery to effectively address the observed gaps. (Paragraph 77)	2016	CSA	<p>Recommendation to be closed.</p> <p>CSAP has issued guidance notes on appropriate Segregation of Duties and Approval Responsibilities. CSAP has updated the FAO Handbook providing clear instructions on the roles, responsibilities for staff involved in procurement actions and links to further support and guidance. Webinars have been developed and held with decentralized offices on the use of GRMS for monitoring procurement activities.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the CSAP to reinforce controls on procurement.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>
Risk management					
17	Ensure that risk management effectively permeates into its operational processes and decisions as planned through: a) better-coordinated corporate action and monitoring; and b) institution of related measures to build a risk aware culture. (Paragraph 123)	2017	OSP	<p>Recommendation to be closed.</p> <p>Risk management techniques are widely used in FAO by projects, business units, capital expenditure projects and many technical units. A Corporate Risk Log has been prepared and is nearing the completion of its first refresh, during which all relevant parts of FAO were consulted. E-learning module on risk has been prepared and is available through the internal risk management web site, and FAO's e-learning portal (you@fao). Risk perspectives have also driven other policy initiatives such as the recent training on the project cycle.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the OSP on risk management.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>

SIGNIFICANT					
Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Programme management					
8	Provide additional functionality within the PIR process or in other functionalities, a mechanism that would allow delivery units to measure their own performance in the achievement of results. (Paragraph 67)	2017	OSP	<p>Recommendation to be closed.</p> <p>Work Planning 2016-17 was strengthened by:</p> <p>1) planning and regular monitoring of products and services as milestones, with due dates and geographical focus, associated to corporate Outputs, by Division, Regional/Sub Regional Offices;</p> <p>2) introducing Service Agreements signed between each SPL and each unit that formally documents the unit's contribution in terms of milestones and targets to the corporate results of the Organization and the associated resources.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the OSP to strengthen monitoring in programme management.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>
Letters of Agreement					
10	Strengthen the review and monitoring of LoA activities to ensure compliance with regulations, accuracy of documentations, efficiency in implementation and improve accountability. (Paragraph 82)	2016	CSA/FAVIE/RAF	<p>Recommendation to be closed.</p> <p>CSAP has issued a guidance note on the role of the LoA unit and the need to ensure quality assurance for LoAs above the USD100,000 threshold.</p> <p>Additional guidance has been issued to support the decentralized offices to deliver appropriate quality assurance for LoAs under the USD 100,000 threshold.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the CSAP to provide guidance on LOA implementation.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>

				<p>CSAP has updated the FAO Handbook providing clear instructions on the roles and responsibilities for staff involved in Letters of Agreement contract management and provided links to further support and guidance.</p> <p>Webinars have been developed and held with decentralized offices on the use of GRMS for monitoring procurement activities.</p>	
Human resources management					
11	Ensure that future TORs detail clearly the roles and responsibilities of consultants and other contracted parties to strengthen controls and protect the interests of the Organization. (Paragraph 91)	2016	OHR/ES/FI/ FO/RAF	<p>Recommendation to be closed.</p> <p>OHR and SSC/HR will continue supporting hiring units to ensure that proper contractual tools are used and TORs are drafted in accordance with corporate standards, through the review of requests for hire and revision of guidelines and supporting documentation, with a view to providing comprehensive and simple guidance to managers.</p>	<p>In process.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>
12	Optimize the value obtained from employing non-staff human resources through adequate review and clarification of their TORs, timely assessment of their performance, and appropriately controlling the risk of work disruptions and information security breaches brought about by the nature of their employment. (Paragraph 96)	2016	OHR/RAF/R EU/RAP/FR ZIM/FAVIE	<p>Mechanisms to increase the tracking and follow-up of submission of QARs to be explored and put in place, if possible, including the possibility of introducing technical improvements to automate reminders using GRMS. OHR/SSC to discuss with CIO on possibilities in this regard with targeted completion in 2017.</p>	<p>In process.</p> <p>We took note of proposed actions to implement the recommendation.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>

Cash management					
13	Strengthen the process controls over the management of cash, its recording and reporting by improving compliance and related monitoring activities to guarantee its safe custody and its efficient and economic utilization. (Paragraph 99)	2016	CSF/REU/S LM/FAVIE/ FRZIM	<p>Recommendation to be closed.</p> <p>Implementation of better cash monitoring controls to assist offices in tracking usage of cash is underway. Further alternatives in payment alternatives in lieu of cash are also being reviewed.</p> <p>Four out-posted finance officers (at P3 level) were filled in RAP, RLC, RNE and RAF to bring financial monitoring and support closer to the Decentralized Offices. As part of this effort, more detailed financial risk assessments of each decentralized office are being carried out regularly.</p>	<p>In process.</p> <p>Validation of the implementation of recommendation will be undertaken in the 2016 year-end audit. There are actions to address the issue which are still underway.</p>
Asset and inventory management					
14	Enhance the upkeep of Fixed Assets and Inventory through improved monitoring by process owner of compliance with prescribed Organizational guidance and regulations to ensure better asset safeguarding, asset information quality; and, support the transition to IPSAS. (Paragraph 102)	2016	CSF/FECEO /RAF/SLM/E S/RAP/ES/FI	<p>An exercise is underway to review the procedures and systems for the entire asset and inventory cycle. A roadmap is being devised and upon completion and implementation in 2017, the revised process should address the majority of the issues raised.</p>	<p>In process.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>
Reporting to donors					
15	Enhance monitoring controls over project responsibilities and information, including financial reporting, through system functionality improvements	2016	CSF/TC/OSP	<p>Recommendation to be closed.</p> <p>The Operational Monitoring Dashboard launched in April 2016 provides the systems functionality improvements to respond to this recommendation.</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically the CSF to</p>

	<p>supporting project responsibility triggers, reports tracking, and data accuracy and completeness that ensures efficient donor reporting. (Paragraph 113)</p>		<p>The Dashboard provides accurate information regarding project operations that is directly relevant to donor reporting.</p> <p>During project implementation, in addition to FPMIS 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 from mid-2014 to mid-2016, which tracked 7 key criteria, including terminal reports, for follow-up by regional and sub regional offices 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, implemented in 2015, strengthened the operational capacity of 350 regional/subregional/country office staff involved in project management. This capacity building effort will extend over 2016-17.</p> <p>In follow up to the CPMB guidance (Spring 2016), TC has engaged in an intensive corporate monitoring exercise to strengthen oversight over project management issues, including operational closure.</p> <p>TC has further refined project monitoring requirements and collaborated with OSP and CIO to design an operational dashboard in iMIS, based on FPMIS source data, for management use, and since June 2016, monitoring based on system data has been intensively performed. TC has also</p>	<p>strengthen monitoring controls on Reporting to donors.</p> <p>We will validate the actions taken during the year-end 2016 audit.</p>
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				strengthened the capacity to process operational closures in adherence with established closure guidance. In addition, closure guidelines were refined in relation with the update to Phase 6 of the FAO Project Cycle Guide. As a result, the number of projects in need of management action was reduced to below the 5% targeted threshold.	
Travel management					
16	Further improve further the efficiency and effectiveness of staff travel through (a) adequate planning; (b) the strengthening of monitoring mechanisms to prevent granting of additional advances where prior advances remain unsettled and are overdue; (c) adequate monitoring of the timely submission and processing of travel claims, and (d) submission of supporting documents such as BTORs after completion of duty travels. (Paragraph 118)	2016	CSA/ES/FI/F O/RAP/FEG EO/FRZIM	Recommendation to be closed.  GRMS Travel system enhancements to facilitate travel planning, timely submission of travel claims, BTOR's and recoveries have been implemented in 2016.	In process.  We appreciate the actions taken by the Secretariat to improve travel management.  We will validate the actions taken during the year-end 2016 audit.

## 2015 - OPERATIONS OF DECENTRALIZED OFFICES

## FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Technical cooperation programme					
18	Continue to pursue robust representation to Member States for early identification and approval of projects, and exact the discharge by process owners of TCP project responsibilities that are vital to the approval of TCP projects, commitment and allocation of TCP resources and attainment of the desired level of TCP delivery, to ensure overall effectiveness in TCP implementation. (Paragraph 130)	2016	TC/TCDP	Decentralized Offices which formulated new CPFs have included a pipeline of national TCP project proposals as a CPF annex. This helps in the early identification of requests for technical assistance to be funded by TCP and further reduces the time lag on project approvals. The inclusion of the TCP general provision to the CPF annex also provides an opportunity to initiate project implementation without a formal counter signature, if agreeable to the Government, to avoid any delay in start-up of project activities.	In process.  We appreciate the actions taken by the Secretariat specifically the TC Department to strengthen oversight in programme management.  We will validate the actions taken during the year-end 2016 audit.
Fraud risk response mechanism					
20	Ensure that all country offices update their Fraud Control Plans including the fraud and other corrupt practices risk assessments to warrant a more comprehensive view of current developments affecting the level of risks. In addition, we recommended that FAO ensure that the succeeding context for risk assessments and FCPs	2016	TC	Information requirements for project progress reports are being revised and updated to include a more comprehensive approach to risk management.  The approach will encompass both monitoring and reporting on risks to the project as well as possible environmental and social risks from the project. This is part of a broader area of work focused on better mainstreaming of risk management	In process.  We took note that actions to implement the recommendation are still underway.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
include Project Implementation Reporting as one of the Fraud Risk Categories to improve the quality of resulting risk management strategies. (Paragraph 143)			throughout the project cycle, from Identification onwards. Please see further comments under recommendation 21.	

## SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Country programming framework					
19	Ensure that Country Programming Frameworks are supported with the CWPs that are fully documented and have undergone inter-disciplinary technical and quality assurance review in compliance with CPF Guidelines to ensure that the CPFs contribute towards achieving the Organization's Strategic Objectives. We recommended further that FAO ensure that Resource Mobilization Strategy and Action Plans are prepared to help operationalize strategies more effectively and efficiently, in support of the CPF	2016	OSP/TC	<p>Recommendation to be closed.</p> <p>Under new CPF guidelines issued in July 2015, all new CPFs undergo inter-disciplinary technical and quality assurance review coordinated by the regional CPF focal point under the guidance of the Regional Strategic Programme Coordinator, involving SP focal points, gender focal point, TCP officer, and others as appropriate, ensuring that CPFs contribute to achieving the Strategic Objectives through Output targets. CPF formulation and implementation is monitored through the corporate Operational Monitoring Dashboard put in place in 2016.</p> <p>Concerning CPF resource mobilization, regional offices are supporting country offices to plan and guide resource mobilization as part of the new CPF</p>	<p>In process.</p> <p>We appreciate the actions taken by the Secretariat specifically by the OSP and TC with regards to the CPF.</p> <p>We will validate the actions taken during the fall and year-end 2016 audit.</p>

	implementation in the Country Offices. (Paragraph 137)			process, monitored through the Operational Monitoring Dashboard.	
Cases of fraud and presumptive fraud					
21	Further strengthen its fraud risk governance through a review of the currently identified fraud risk factors and the adequacy of related risk response mechanisms to better manage fraud vulnerabilities. (Paragraph 152)	2016	OSD	<p>Business units including Ethics, CSAP, CSF and OSP, OSD are working together to revise the Fraud Prevention Plan, in collaboration with the Internal Control Framework team, to have a cohesive and coordinated process.</p> <p>Feedback received from decentralized offices will be included in the revised fraud prevention plan. This may include case studies, red flags warning signs and check-lists that will facilitate the review and identification of risks.</p> <p>Individual business units will have the opportunity to provide additional oversight via various dashboards that have been created to measure performance and identify anomalies and possible issues for further review.</p>	<p>In process.</p> <p>We took note that actions are underway for the implementation of this recommendation.</p> <p>We will validate the actions taken during the fall and year-end 2016 audit.</p>

## 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 OHR in the 2016-17 PWB has resulted in better coordination and control of concrete implementation of HR Strategy. The process is currently ongoing.	In process.  We will continue to monitor the design and implementation of a formal change management plan for the HR strategy.
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 2017. In the meantime, quality assurance framework is being defined for more systematic quality controls. The quality control exercise will start with review of the quality of PEMS work plans during the year-end. In 2017, activities will extend to a quality review of the year-end appraisal, including analysis of rating distribution and written comments.	In process.  We took note of the progress and timeline in the full implementation of recommendation in 2017.

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. As part of the measures needed to support workforce planning, a skills inventory will be prepared at the start of 2017 using the inputs to the study on technical capacity of the Organization, to be compared to the requirements of the Organization, as described by the technical units, as to which skills, knowledge, competencies, etc. are required in each functional area.	In process.  We took note of the preparatory work and plans for the development of a workforce planning.  We will validate the implementation of this recommendation during the fall and year-end audit.
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	<b>Recommendation to be closed.</b>  A corporate Accountability Policy was promulgated in January 2015 (FC 156/15 and CL 150/4 refer). The internal control framework was put in place and reported to the Finance Committee in May 2016 (FC 161/16). The framework is conceptually and functionally linked to the Accountability Policy.	Recommendation is closed.  We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
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	Processes and other materials to support a Statement of Internal Control and a management representation to the Director-General are being developed, with completion expected in time for the 2017 Financial Statements, as agreed with the Finance Committee and welcomed by the Council (CL 154/REP paragraph 16i).	In process.  We took note of the expected timeline of completion of the actions required in the recommendation.
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	<p><b>Recommendation to be closed.</b></p> <p>Risk management is being applied in work-planning for the FOs, and will be applied for operational management for the SOs and CPFs. Training materials are in place.</p> <p>As this recommendation is superseded by recommendation 16 of the 2015 Management Letter we recommend it be closed.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>
Audit of Decentralized Offices					

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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. The process to support the production of the Statement on Internal Control will create the structure and incentives for the continual review and improvement of internal control practices at operational level.	In process.  We will validate the implementation of this recommendation as we continue the audit of decentralized offices.

## 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	CSD/CSF	<p><b>Recommendation to be closed.</b></p> <p>Lessons learned and areas for improvement identified during preparation of the 2014 Accounts were addressed in the preparation of the 2015 Accounts.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>
2	Validate and confirm the benefits realized in the implementation of IPSAS, and render a report thereon to inform stakeholders of the benefits of adopting the new financial reporting framework. (Paragraph 47)	2015	CSD/CSF	Scheduled for closure by the end of 2016 once report is presented to relevant stakeholders.	<p>In process.</p> <p>Validation will be undertaken once the relevant report is rendered by the end of 2016.</p>
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	2015	OHR	<p><b>Recommendation to be closed.</b></p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>that provide that when the qualifications and competence of candidates are equal, preference should be given to internal candidates from within FAO or the United Nations Common System (UNCS). (Paragraph 63)</p>			<p>OHR staffing capacity was increased in order to assist with the high volume of selection processes during recent 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 will significantly streamline the recruitment processes and timeframes. Selection reports clearly indicate which internal candidates are suitable for a position and are short-listed along with other candidates.</p>	<p>Secretariat in implementing the recommendation.</p>
Performance Management				
<p>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)</p>	2015	OHR	<p>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.</p>	<p>In process.</p> <p>We took note of the actions taken by Management to implement this recommendation.</p> <p>We will validate the actions taken during the 2016 year-end audit.</p>
Staff Development and Training				
<p>7 Prepare learning plans that are based on analysis of the knowledge and skills needs of staff, and design and implement learning programmes that</p>	2015	OHR	<p><b>Recommendation to be closed.</b></p> <p>Extensive work has taken place in 2016 to establish priorities with HQ and Regional units to ensure that learning programmes are designed and offered to</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>are clearly linked to organizational needs and priorities in order to optimize the use of staff development funds. (Paragraph 77)</p>			<p>respond to user needs and address corporate priorities. As a result, a range of courses is now launched around project cycle, managing for results, and budget holding, as well as on technical areas such as food security and nutrition.</p>	<p>Secretariat in implementing the recommendation.</p>
<p>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)</p>	<p>2015</p>	<p>OHR</p>	<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> <p>Activities are ongoing, and results from surveys and comparison to baselines will be possible once sufficient data is collected and programmes are launched.</p>	<p>In process.</p> <p>We noted the ongoing work relating to the implementation of this recommendation.</p>
<p>Staff Mobility</p>				

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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	<b>Recommendation to be closed.</b>  With the 2014 and 2015 mobility exercise experiences, a new process for mobility was implemented in 2016, with a higher degree of engagement from senior management. As a result, 50 staff members will undertake a geographical move by the end of 2016 which means that the annual corporate target under the mobility exercise has been nearly reached this year.	Recommendation is closed.  We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.
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.  We will validate the actions taken during the 2016 year-end audit.
Emergency Rehabilitation Division (TCE)					
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	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).	In process.  We took note of the schedule for the drafting and finalization of protocols for L1, L2 and L3.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				FAO's Handbook for Emergency Preparedness and Response was finalized in 2015, including the most common events triggering the activation/declaration process of Level 1, 2 and 3 Emergencies and how they should be addressed. The drafting of the related L1 and L2 protocols as well as the revision of L3 protocols is planned by end of 2016.	
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/TCS (with OPS/CSF and TCDP)	<p><b>Recommendation to be closed.</b></p> <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> <p>Furthermore, as regards management of the TCP appropriation, within the PWB 2016-17, refined corporate output indicators allow reporting on the use of the TCP biennial appropriation and closer monitoring and reporting on the progress in project approvals and delivery against the appropriation.</p> <p>In addition, on a day-to-day basis, the newly introduced operational monitoring dashboard allows managers to exercise close monitoring of the</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				<p>individual project's delivery and undertaking of timely relevant actions where needed.</p> <p>This recommendation has been implemented and can be closed.</p>	
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/TCDP	<p><b>Recommendation to be closed.</b></p> <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 are uploaded in FPMIS and indicators on these four dimensions will also be made available.</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> <p>This recommendation has been implemented and can be closed.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>
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/TCS/TC DP	<p>This is a priority for the last quarter of 2016 and will be addressed as part of a broader review and update of FAO Project Cycle arrangements for monitoring, performance assessment and reporting.</p>	<p>In process.</p> <p>We will validate the actions taken during the 2016 year-end audit.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments	
Performance Monitoring and Reporting					
21	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 summaries, and solutions to resolve challenges encountered during the reporting and validation phases. (Paragraph 158)	2015	OSP	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 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.	In process.  We will validate the actions taken to implement the recommendation during the 2016 year-end audit.
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)	2015	OSP	Will be addressed during preparation of the Medium Term Plan 2018-21 during the second half of 2016.	In process.  Validation will be undertaken at year-end audit for 2016.

## 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)	2016	CSF/OSD	<p><b>Recommendation to be closed.</b></p> <p>In 2015-16, 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>For cases where FAO cannot recover existing/old balances, the Organization has either continued to make attempts to receive value in kind from the host country in lieu of outstanding balances or has started the re-negotiation of the HCA to reflect the current in-kind contribution being already provided by the host country beyond what envisaged in the agreement.</p> <p>As of August 2016, OSD has approached 52 FAO Country Offices for this exercise. For most of these countries, the Organization is following up in order</p>	<p>Recommendation is closed.</p> <p>We appreciate the efforts and actions taken by the Management to address this recommendation. However, we will monitor the collection of GCCs in future audits.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				to sign a new and improved Agreement or to settle any existing arrears.  On the basis of the actions taken, we would therefore recommend to close the recommendation	
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	<b>Recommendation to be closed.</b>  This recommendation is superseded by recommendation 1 in the 2015 Long Form Report on Unfunded employee benefit obligations.	Recommendation is closed.  Follow-up will be undertaken on the recommendation relating to unfunded staff related scheme liabilities reported in the 2015 Long Form Report.
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	<b>Recommendation to be closed.</b>  An Implementation Plan for the Procurement Strategy has been developed and the elements of the Strategy that are relevant for the current biennium and acknowledging significant staff changes since the original Strategy was prepared have been adopted..	Recommendation is closed.  We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.
18	Enhance the procurement planning capabilities and related accountability at relevant levels of	2014	CSA/CIO	<b>Recommendation to be closed.</b>  CSAP has issued updated guidance on the importance of Procurement Planning with particular	Recommendation is closed.  We recognize and appreciate the work performed by the

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	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)			<p>attention to the roles and accountabilities of the Budget Holders and Authorized Officials.</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>	Secretariat in implementing the recommendation.
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	<p><b>Recommendation to be closed.</b></p> <p>The GRMS Operations document has been finalized. It is suggested for this recommendation to be closed.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

**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/TCS	<p><b>Recommendation to be closed.</b></p> <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 in agreements 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>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p> <p>The unspent balances of project funds forming part of the Contributions Received in Advance Account will still be monitored and reviewed in future audits.</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 possibility of claim is low, and consider derecognizing the same as a liability in the books once the	2014	CSF	<p><b>Recommendation to be closed.</b></p> <p>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>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	appropriate policies have been established. (Paragraph 49)			policies on unspent cash balances, including those involving inactive donors.	The unspent balances of project funds forming part of the Contributions Received in Advance Account will still be monitored and reviewed in future audits.
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><b>Recommendation to be closed.</b></p> <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 by year-end 2016, 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 and mitigation actions to be taken at a transactional and procurement policy level. A procurement risk tool has been developed for the decentralized offices, and appropriate guidance note issued. In conjunction with staff in OSP and OSD there are ongoing actions for the development of further supporting guidance and inclusion of procurement risk awareness in general</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				office risk and fraud management (Recommendation 16/2015).	
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	<p><b>Recommendation to be closed.</b></p> <p>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 have been adopted within standard management protocols.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>
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	2015	CSD/CSA	<p><b>Recommendation to be closed.</b></p> <p>FAO has introduced a Corporate Environmental Responsibility Policy on Facilities, Travel and Procurement in order to complement the FAO Environmental and Social Management Guidelines, which cover the Organization's global projects and programmes (AC 2016/15 of 7 June 2016 refers).</p> <p>A Green Procurement Framework has been issued that adapts best practices from other UN Agencies. Procurement staff have undergone training in Sustainable Procurement and further training is scheduled for 2016. As new tenders are prepared,</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	implementation and monitoring; and e) adopting specific sustainability practices. (Paragraph 174)			the opportunity for considering sustainability issues has increased and for some tenders there has been purposeful inclusion of sustainability criteria in the specifications. Currently monitoring is done off-line given resource constraints.	
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 completed by the end of 2016.	In process.  We will validate the work to be done to implement this recommendation during the 2016 year-end audit.
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	<b>Recommendation to be closed.</b>  Implementation of a local travel solution has been approved as a Capital Expenditure initiative during 2016-17. Technical development of the solution is advanced and will be delivered to be tested by the business in September and released by the end of 2016.  The sourcing solution "InTend" has been procured and is being used by CSAP.	Recommendation is closed.  We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.
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	2015	CIO	<b>Recommendation to be closed.</b>  The first comprehensive GRMS user satisfaction survey was conducted by KPMG, completed in July 2016, and the results have been published.	Recommendation is closed.  We recognize and appreciate the work performed by the

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	Satisfaction Survey to accurately measure the actions to be undertaken. (Paragraph 201)				Secretariat in implementing the recommendation.
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	The Office of the Inspector General has performed a comprehensive review of Asset tracking in FAO. All system development related to receiving and retirement of Assets has been put on hold subject to considering recommendations arising from this review. Implementation of changes will be planned for 2017.	In process.  Further Management's actions relating to this recommendations will be reviewed/validated in future audits.
35	Enhance the reporting capabilities of the Travel and Cash Modules by considering the users' needs and using the most appropriate format to	2014	CIO/CSF/ CSA	<b>Recommendation to be closed.</b>  The Organization has continued to develop and release a number of new reports to enhance the reporting capabilities of Travel and Cash Modules.	Recommendation is closed.  We recognize and appreciate the work performed by the

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	maximize the use of information. (Paragraph 245)				Secretariat in implementing the recommendation.
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	<p><b>Recommendation to be closed.</b></p> <p>The noted absences of frameworks reported in 2014 in relation to the implementation and operations of GRMS, have been addressed by (a) the formal Change Management Process, endorsed and managed by the GRMS Steering Group, and (b) by the relocation of GRMS to the United Nations International Computer Centre (UNICC) in Geneva, Switzerland in November 2015. The latter is also covering business continuity, disaster recovery and security measures regulated by a formal Service Deliver Agreement subject to policies and guidelines that conform to industry standards.</p> <p>In relation to access and data security concerns: (a) Authorized access controls were migrated from the IT Division to the Shared Services Centre (SSC) in Budapest during the 1st quarter of 2016. Access to the system is based on defined Organizational role and tied to the duties and responsibilities of an individual; (b) technically GRMS can only be run on the FAO network (encrypted), including through controlled CITRIX sessions in some field offices, and from the Internet through the FAO Secure Access Gateway (SAG); and (c) for development and test data security, masking solution has been put in place. In addition, penetration tests have been</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

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Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			regularly scheduled and ArcSight is used to monitor logs and potential security breaches.	

## 2012-13 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

## 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/TCDP/D Os	<p><b>Recommendation to be closed.</b></p> <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, 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>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p> <p>Follow-up of implementation of recommendation will be undertaken under Recommendation No. 18 reported in the 2105 Long Form Report.</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.	
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><b>Recommendation to be closed.</b></p> <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>decentralized offices have included pipeline of national TCP project proposals as an annex to the newly formulated CPF helping RO's in an equitable distribution of resources among countries in the regions taking into account government priorities. Levels of approvals per country may vary in line with Government requests and priorities.</p> <p>Recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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/TCS/TC DP	<p><b>Recommendation to be closed.</b></p> <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 2015 capacity-building plan strengthened the operational capacity of regional/subregional/ country office staff involved in project management also highlighted the importance of reporting requirements.</p> <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</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			<p>of the BH. The FPMIS tool has built in supports to the BH/TCP Coordinator in fulfilling the monitoring task, by 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 and senior managers are altered to emerging issues through the operational dashboard. 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.</p> <p>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 follows up with BH's on necessary action. TC/TCP Team as part of its oversight function review completeness and quality of terminal report information.</p> <p>While some isolated examples of non-compliance may still be observed, we recommend to close this</p>	

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				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><b>Recommendation to be closed.</b></p> <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, coupled with the operational dashboard, addresses project implementation and alerts regional offices and HQ units to required follow-up. 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 TCP project delivery and follows up with DOs and BHs as necessary.</p> <p>While some isolated examples of non-compliance may still happen, we recommend to close this</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				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/TCS/TC DP	<p><b>Recommendation to be closed.</b></p> <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 and operational dashboard 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 provides support, as appropriate</p> <p>While some isolated examples of non-compliance may still occur, we recommend to close this recommendation on the basis that oversight and monitoring mechanisms are now established.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p> <p>Compliance with the timely operational and/or financial closure of projects will still be reviewed in future audits.</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><b>Recommendation to be closed.</b></p> <p>Recommendation agreed and being implemented by Decentralized Offices.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	in the best interest of the Organization (paragraph 277).			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.	Secretariat in implementing the recommendation.
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><b>Recommendation to be closed.</b></p> <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>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>
48	We recommended that Management establish custodianship and accountability of each staff member and official for non-expendable items	2014	CSF/DOs	<b>Recommendation to be closed.</b>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	using the prescribed forms (paragraph 281).			<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 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>	Secretariat in implementing the recommendation.
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><b>Recommendation to be closed.</b></p> <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</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
				objective. Work will be undertaken in this biennium to implement these recommendations.	
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	<b>Recommendation to be closed.</b>  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.	Recommendation is closed.  We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.
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	<b>Recommendation to be closed.</b>  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	Recommendation is closed.  Follow-up will be undertaken under Recommendation No. 4 reported in the 2015 Long Form Report.
54	We further recommended and the decentralized offices concerned agreed that the travel initiator regularly monitor outstanding travel advances, and refrain from granting	2014	CSA/DOs	<b>Recommendation to be closed.</b>  Recommendation agreed and being implemented by Decentralized Offices.	Recommendation is closed.  Follow-up will be undertaken under Recommendation No.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	further travel advances unless the previous one has been settled (paragraph 293).			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.	4 reported in the 2015 Long Form Report.
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	<p><b>Recommendation to be closed.</b></p> <p>CSF is developing a set of key monitoring reports which will support more systematic monitoring of compliance with financial regulations and procedures.</p> <p>Several reports were implemented in 2015 to assist in DO monitoring, including and further reports were implemented for 2016.</p> <p>Four P3 out posted finance officers were filled in RAP, RLC, RNE and RAF to bring financial monitoring and support closer to the Decentralized Offices. As part of this effort, more detailed financial risk assessments of each Decentralized Office are being carried out regularly.</p>	<p>Recommendation is closed.</p> <p>We recognize and appreciate the work performed by the Secretariat in implementing the recommendation.</p> <p>However, further validation will be undertaken after CSF has completed the development of key monitoring reports on compliance with financial regulations and procedures by the decentralized offices.</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 would 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	<p><b>Recommendation to be closed.</b></p> <p>The Secretariat included proposals to increase the funding level of the WCF in the PWB 2014-15 and PWB 2016-17 consistent with this recommendation.</p> <p>The Governing Bodies considered these proposals and decided not to increase the funding level of the WCF at this time.</p>	<p>Recommendation is closed.</p> <p>We took note of the Management's comments. The recommendation to increase the level of WCF may not be relevant at this time.</p>
Rec 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	2012	OSP	<p><b>Recommendation to be closed.</b></p> <p>The Secretariat presented measures to improve implementation of the Organization's Support Cost Policy to the Finance Committee at its 138th</p>	<p>Recommendation is closed in view of the new cost recovery policy (2016).</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>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> <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</p>			<p>Session in March 2011. These measures were welcomed these measures 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 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>We took note and appreciated the actions taken by Management to address the recommendations relating to Project Servicing Costs.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
<p>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</p> <p>TSS cost recovery:</p> <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>			<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> <p>With the establishment of this policy, this recommendation can be considered closed. Implementation and monitoring of the new cost recovery policy will be reported to the Finance Committee.</p>	

