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FINANCE COMMITTEE

Hundred and Sixty-ninth Session
Rome, 6 - 10 November 2017
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 164th Session in November 2016.
➢ This report also now includes the management's response to recommendations contained in the 2016 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[1]	Closed since previous Reporting Date	Outstanding at this Reporting Date
Long Form Report 2012-13	57	2	0	2
Long Form Report 2014	26	13	2	11
Long Form Report 2015	21	21	15	6

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 2016 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 2017.

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[1] FC164/11

2016 – FINANCIAL MATTERS
FUNDAMENTAL

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Funding of employee benefit obligations					
1	Evaluate in greater detail the best option to address its remaining unfunded staff-related liabilities with the goal of identifying a consistent funding source and come up with a comprehensive plan to fully fund the SRL over a determined period of time. (Paragraph 37)	2017	CSF/OHR	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, 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.	

SIGNIFICANT

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	Accrual of expenses on Investments				
2	Ensure that investment management fees are recorded in the period they were incurred as required under IPSAS by utilizing the invoices and approved Request for Payment provided by the Custodian as primary reference and ensure that the closure instructions in succeeding financial periods consider the proper accounting treatment of management fees. (Paragraph 42)	2017	CSF	Management confirms that a modified process has been implemented during 2017 to address this recommendation.	
	Global Resource Management System (GRMS)				
3	Enhance the reporting capabilities of the Travel Module by considering user needs and using the most appropriate format to maximize the use of information. The ongoing efforts to review the reporting capability of iMIS must be pursued, to ensure inclusion of the travel monitoring report at the level of the initiator to facilitate compliance with policies on	2017	CIO/CSF	CIO has already developed the Travel to GL accrual automation program in support of Month and Year-End Closure and travel system enhancements were introduced in June 2015 addressing prior recommendations on travel expense claim (TEC), back-to-office report (BTOR) and other travel issues.	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
travel and eliminate duplication of manual reports in the field offices. (Paragraph 46)				

2016 – GOVERNANCE MATTERS				
FUNDAMENTAL				

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Preparedness to issue a Statement of Internal Control (SIC)					
4	Ensure that its risk management practices effectively integrate with and support its Internal Control Framework (ICF) through an assessment of its current risk management practices prior to the initial issuance of the SIC to identify areas for enhancement that will guarantee a more efficient and effective design of risk controls and for clearer accountabilities. (Paragraph 53)	2017	OSP	An assessment of current risk management practices conducted prior to the issuance of the SIC would be useful to inform follow-up actions. An assessment using the Risk Management Society (RIMS) methodology is planned for completion by the end of December 2017.	
5	Ensure that the internal control awareness across the Organization is elevated to a level that is aligned to the adopted internal control principles through effective competency building strategies before the SIC is issued to increase the level of assurance to be provided by the related internal control disclosures. (Paragraph 60)	2017	OSP	Management is planning activities involving a wide scope of work relating to several administrative and technical functions. A detailed communication and awareness-raising programme has been formulated for execution throughout the period of preparation of the SIC.	

SIGNIFICANT				
Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Managing controls in key business processes				
6 Optimize the performance of its management controls around critical operational processes through more robust monitoring and supervision of the performance of these controls and ensure that key controls in every critical process are closely monitored to improve process performance, accountability and management decisions. (Paragraph 83)	2017	OHR/CSAP/ CSF/OSP	Several actions have been taken to address the issues identified and optimize the performance of its management controls around critical operational processes through more robust monitoring and supervision. A new Procurement Planning Guide for the Preparation of Procurement Plan has been issued; a new CSAP Guidance Note for the segregation of duties under procurement roles and responsibilities has been issued; a new CSAP Instruction Note has been issued on Raising Purchase Orders for Goods in GRMS to include FAO General Terms and Conditions for Goods; and a customization in the change of delivery dates input in GRMS has been agreed with OIG.	

2016 – MANAGING CONTROLS IN PROJECTS
SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Field Project Management Information System (FPMIS)				
7 Revisit/update the Navigation Improvement Recommendations to make the System user-friendly so that this will become acceptable to the intended users, thus, advancing the level of usability of functionalities. (Paragraph 91.a)	2017	OSP	Management agrees to streamline the functionalities of FPMIS in the context of reviewing and resolving project-related financial policy issues and project cycle procedures and in the context of the FAO Digital Strategy, as appropriate.	
8 Capture the delays in the submission of final financial reports to donors under the existing Field Programme Support Network (FPSN) quarterly monitoring facility in coordination with CSF, given that the final financial report comes chronologically after financial closure, and consider the uploading of the duly received covering letter of financial reports by the donor for better compliance with donor reporting. (Paragraph 91.b)	2017	OSP/CSF	Will be considered as part of the response to recommendation 7 above.	

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
9	Improve the functionalities in the Logical Framework Matrix (LFM), work plan monitoring and budgeting to make it more flexible and adaptable to project requirements, and to include indicators to monitor qualitative aspects of project implementation. (Paragraph 91.c)	2017	OSP	Will be considered as part of the response to recommendation 7 above.	
10	Conduct a comprehensive analysis of the crucial issues identified by system users to obtain better clarity in defining its roadmap to deliver an integrated solution and in prioritizing its activities, moving forward. (Paragraph 92)	2017	OSP	Will be considered as part of the response to recommendation 7 above.	
11	Step up its process and integration enhancements of related systems, particularly focusing on the following: a) inclusion of sublines segment in the GRMS to ensure that project expenditures can be easily and systematically monitored and reported by results and taking into consideration the effects of budget equalization; b) restoration of the asset link with GRMS to enable the availability of the list of equipment in the FPMIS;	2017	OSP/CIO/OSD	Management will integrate and enhance the related accounting and MIS systems in the context of reviewing and resolving project-related financial policy issues and project cycle procedures. The recommendations for specific enhancements to FPMIS and GRMS functionality will be considered in the context of the comprehensive review underway of the requirements for efficient and effective project management, control and reporting tools as part of the FAO Digital Strategy.	

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
	c) provision of link between financial data in FPMIS with GRMS for generation of information in real-time, and inclusion in the single log-in access of iMIS as this is the access design for all interrelated systems; and d) inclusion of budget fungibility segments in GRMS in support of the existing module in FPMIS for effective monitoring of projects at the point of commitment and expenditures. (Paragraph 97)				
12	Intensify the training of FPMIS users with broader participation based on all roles in project management, and consider other capacity building mechanism that will benefit system users on an organization-wide basis. (Paragraph 102)	2017	TCS/OSP	An enhanced training programme on project management is under preparation and training and capacity building will also represent an integral part of the road map and implementation of the integrated solution as part of the FAO Digital Strategy.	
Technical Cooperation Programme (TCP)					
13	Ensure the overall efficiency and effectiveness of TCP projects through mechanisms that exact responsibilities and properly manage events or instances affecting the promptness, level, and adequacy of information on	2017	TC	Management notes that roles and responsibilities are clearly defined in the Project Cycle guide and have enabled improved overall efficiency and effectiveness of TCP projects. The delivery rate of TCP projects has also been improved through use of the monitoring tools and the inclusion of the TCP	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
TCP commitment delivery. (Paragraph 107)			general provision to the CPF annex which avoids delays in the start-up of project activities. The overall effectiveness in TCP implementation will be assessed during 2018-19 biennium.	
Projects funded by voluntary contributions				
14 Ensure that voluntary funded projects are carried out through activity and monitoring controls that bolster adequate identification and proper management of factors and delivery of project accountabilities that affect the overall efficiency and effectiveness of project implementation. (Paragraph 112)	2017	TC/CSF	Management will continue to ensure effective monitoring and control of projects, including through the use of the iMIS dashboard, system improvements and developments, and provision of updated operational guidelines and continuous support to budget holders.	
15 Consider incorporating a specific provision in all funding agreements it entered into with its resource partners on the disposition of unspent balances, together with the options for the proposed use of the remaining funds in case donors will not respond to requests for refund instructions within a specific period. (Paragraph 116)	2017	TC/CSF	FAO promotes the adoption of framework agreements or standard agreements with its resource partners and whenever compatible with the rules of its partners, proposes that the framework agreement include provisions regarding the use of any unspent funds. It also promotes the transfer of any unspent emergency funds at the end of the project to be allocated to SFERA and for non-emergency programmes to the newly established	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			Special Fund for Development Finance Activities (SFDFA).	
Reporting to donors				
16 Ensure the delivery of its donor reporting accountability through sustained efforts of monitoring activities and controls that exact and backstop delivery of project responsibilities of process owners, and assure that systems provide timely, reliable and relevant information. (Paragraph 120)	2017	TC/CSF/ OSD	Management will continue to ensure effective monitoring of projects, including through the use of the iMIS dashboard, noting that weekly monitoring reports are sent to budget holders and their supervisors to remind them to complete activities and proceed with reporting and closures on time.	

2016 – MANAGING RISKS
FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Fraud risk response mechanisms				
18 Ensure that its fraud vulnerabilities are properly managed through mechanisms that champion dynamic and up-to-date FCPs replete with measures which increase the perception of detection, reinforce segregation of incompatible functions, ensure safeguarding of resources and affirm compliance with regulations. (Paragraph 128)	2017	OSD/OSP/ DDO	Management confirmed that required measures have been put in place to strengthen and communicate the frameworks for accountability and internal control, in particular to Decentralized Offices, including the regular update of the Fraud Prevention Plan. The Fraud Prevention Plan format is also being revised to allow more detailed/country specific inputs on risks the offices face as well as additional controls that have been, or are being, introduced. While the new format will be issued in the last quarter of 2017, an assessment and reporting on the status of implementation of existing Fraud Prevention Plans will be part of the ICQ process.	
Cases of Fraud and Presumptive Fraud				
19 Continue to strengthen its fraud risk governance through processes and mechanisms that afford adequate fraud risks identification and definition of responses for better management of its fraud exposures. (Paragraph 138)	2017	DDO/OSP/ OSD	Measures have been put in place to strengthen and communicate the frameworks for accountability and internal control and the importance the Organization pays to internal control, risk management and fraud detection, raise staff awareness of the types of unsatisfactory conduct and possible disciplinary consequences as well as	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			facilitate general understanding by staff members of the disciplinary process. The ongoing improvement of the guidelines will reinforce the role of Country Offices in identifying and responding to country specific risk vulnerabilities. The Internal Control Questionnaire procedures for 2017 will also highlight this priority.	

SIGNIFICANT				
Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Risk management				
17 Revisit its risk management framework and the process by which it is being adopted, craft strategies to embed this across all levels of the Organization, and ensure that its adaptive capacity is fully considered and that the shared concept of risk management is embraced by all stakeholders to achieve the intended benefits of risk management. (Paragraph 125)	2017	DDO/OSD/ OSP	Management will revisit its risk management framework and the process by which it is being adopted, craft strategies to embed this across all levels of the Organization, and ensure that its adaptive capacity is fully considered and that the shared concept of risk management is embraced by all stakeholders to achieve the intended benefits of risk management. An assessment using the Risk Management Society (RIMS) methodology is planned for completion by the end of December 2017. In addition, awareness of the risk management dimension is emphasized in the internal controls reporting process that will lead to the Statement on Internal Controls for 2017.	

2015 - AUDIT OF FINANCIAL STATEMENTS
FUNDAMENTAL

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
	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	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. 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.	Recommendation closed since this was reiterated in the 2016 audit report. We will continue to monitor Management's action on this recommendation.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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 assure fair presentation of the affected accounts in the financial statements. (Paragraph 38)	2017	TC/TCS	A new Manual Section (MS 702) has been drafted and tested. Current Manual Sections and systems (in particular GRMS) have been amended to include necessary provisions for the implementation of cash based transfers. The draft Manual Section is currently being circulated for Senior Management endorsement and is expected to be released by the end of September 2017.	In process. Neither an amendment nor new guidelines were released as of the date of validation. We will continue to monitor Management's action on this recommendation.

SIGNIFICANT				
Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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	2017	CSF	New processes are currently being tested with FAO Somalia that could possibly be replicated across offices and Cash Based Transfer programmes. Given the varied nature of CBT efforts, there would be several processes and accounting treatments which will be modified, depending on the circumstances. All this work must be done in	In process. As of the date of validation, there were no guidelines formulated or issued.

	consider the use of new accounts to distinguish transactions through the cash voucher scheme. (Paragraph 40)			tandem with the TCS implementation of general cash based transfer guidelines.	We will continue to monitor the actions to be taken on this recommendation.
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	**Recommendation to be closed** 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.	Recommendation is closed. As a result of our recent audit, we noted significant improvements in the monitoring of advances.
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 of the GRMS system by an external consultancy firm is ongoing. Following completion of the review an action plan will be formulated.	In process. We will continue to monitor the result of the comprehensive review of the system by the end of 2017.

2015 - REVIEW OF MANAGEMENT CONTROL
FUNDAMENTAL

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
	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	**Recommendation to be closed.** As a follow up to the guidance provided by the Corporate Programmes 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. 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. 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	Recommendation is closed. We noted an improved/strengthened oversight in programme management.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
			number of projects in need of management action was reduced to below the 5% targeted threshold.	
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	**Recommendation to be closed.** 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.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the CSAP to reinforce controls on procurement.
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	**Recommendation to be closed.** 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	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the OSP on risk management. New recommendation in 2016 audit report was

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
			FAO's e-learning portal (you@fao). Risk perspectives have also driven other policy initiatives such as the recent training on the project cycle.	introduced in the area of risk management.

SIGNIFICANT

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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	**Recommendation to be closed.** Work Planning 2016-17 was strengthened by: 1) planning and regular monitoring of products and services as milestones, with due dates and geographical focus, associated to corporate Outputs, by Division, Regional/Subregional Offices; 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.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the OSP to strengthen monitoring in programme management.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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	**Recommendation to be closed.** CSAP has issued a guidance note on the role of the LoA unit and the need to ensure quality assurance for LoAs above the USD 100,000 threshold. Additional guidance has been issued to support the Decentralized Offices to deliver appropriate quality assurance for LoAs under the USD 100,000 threshold. 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. Webinars have been developed and held with Decentralized Offices on the use of GRMS for monitoring procurement activities.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the CSAP to provide guidance on LOA implementation.
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	**Recommendation to be closed.** 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	Recommendation is closed. In our recent audit, we noted significant improvements along this area.

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
				documentation, with a view to providing comprehensive and simple guidance to managers.	
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/ REU/RAP/ FRZIM/ FAVIE	**Recommendation to be closed.** The new Guidelines for the employment of International Consultants and Subscribers to Personal Services Agreements (PSAs), issued on 8 August 2017, have introduced a dual process for the submission of QARs for international consultants, allocating responsibility to the supervisor and to the second level supervisor.	Recommendation is closed. We recognized the issuance of a new guideline for the employment of international consultants and subscribers to PSAs.
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/ SLM/ FAVIE/ FRZIM	**Recommendation to be closed.** 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. 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.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the concerned units to strengthen cash monitoring controls.

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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/FEGEO /RAF/SLM/ ES/RAP/ES/ FI	**Recommendation to be closed.** Processes have been redesigned and deployed to improve monitoring by process owner to ensure asset safeguarding and quality of information in the asset register. SLA has been formalized between SSC and CSF, outlining responsibly for procedures.	Recommendation is closed We recognized the actions taken by the Secretariat in improving controls over fixed assets.
Reporting to donors					
15	Enhance monitoring controls over project responsibilities and information, including financial reporting, through system functionality improvements supporting project responsibility triggers, reports tracking, and data accuracy and completeness that ensures efficient donor reporting. (Paragraph 113)	2016	CSF/TC/OSP	**Recommendation to be closed.** The Operational Monitoring Dashboard launched in April 2016 provides the systems functionality improvements to respond to this recommendation. The Dashboard provides accurate information regarding project operations that is directly relevant to donor reporting. 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 Decentralized Offices.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically the concerned units to strengthen monitoring controls on reporting to donors. However, deficiencies in the reporting to donors were still noted in the recent audit, hence, the reiteration of recommendation in this area was included in the 2016 audit report.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
			Furthermore, during their headquarters 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. 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. 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 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	

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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/ FO/RAP/ FEGEO/ FRZIM	**Recommendation to be closed.** GRMS Travel system enhancements to facilitate travel planning, timely submission of travel claims, BTORs and recoveries have been implemented in 2016. Monitoring of advances of claims and BTORs is an ongoing and continuing part of day to day operations.	Recommendation is closed. We recognized the actions taken by the Secretariat specifically the concerned units to improve travel management. However, some deficiencies in this area were still noted in the recent audit, hence, the recommendation in the 2016 audit report.

2015 - OPERATIONS OF DECENTRALIZED OFFICES

FUNDAMENTAL

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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/DDP	Decentralized Offices have confirmed having included a pipeline of national TCP project proposals as a CPF annex along with TCP general provisions as applicable in all CPFs approved recently. The overall effectiveness in TCP implementation will be assessed during the 2018-19 biennium.	In process.
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	2016	DDG-O/OSD/TC	**Recommendation to be closed.** A majority of country offices have prepared or updated their Fraud Prevention Plans. In addition to the risks documented in the Fraud Prevention Plans, the Country Annual Reports now include a separate section with a risk assessment analysis. This	Recommendation is closed. We recognize the initial action taken by the Secretariat. A related recommendation is included in the 2016 LFR.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
context for risk assessments and FCPs include Project Implementation Reporting as one of the Fraud Risk Categories to improve the quality of resulting risk management strategies. (Paragraph 143)			information includes an assessment of internal and external risks.	

SIGNIFICANT

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
Country programming framework					
19	Ensure that Country Programming Frameworks are supported with the CWPs that are fully documented and have undergone interdisciplinary 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	2016	OSP/TC	**Recommendation to be closed.** Under new CPF guidelines issued in July 2015, all new CPFs undergo interdisciplinary 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	Recommendation is closed. We recognized the actions taken by the Secretariat specifically by the OSP and TC with regards to the CPF.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
prepared to help operationalize strategies more effectively and efficiently, in support of the CPF implementation in the Country Offices. (Paragraph 137)			corporate Operational Monitoring Dashboard put in place in 2016. Concerning CPF resource mobilization, regional offices are supporting country offices to plan and guide resource mobilization as part of the new CPF 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	DDO/OSD/ OSP	**Recommendation to be closed.** Measures have been put in place to strengthen and communicate the frameworks for accountability and internal control and the importance the Organization pays to internal control, risk management and fraud detection, raise staff awareness of the types of unsatisfactory conduct and possible disciplinary consequences as well as facilitate general understanding by staff members of the disciplinary process. Guidance for the preparation of Fraud Prevention Plans for Country Offices (November 2016) identifies areas that are most prone to fraud risks, along with the relevant control mechanisms. The ongoing improvement of the guidelines will reinforce the role of Country Offices in identifying and responding to country specific risk	In process. We took note that actions were underway for the implementation of this recommendation.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
			vulnerabilities. The Internal Control Questionnaire procedures for 2017 will also highlight this priority.	

2014 - AUDIT OF HEADQUARTERS
FUNDAMENTAL

	Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
	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	During 2017, OHR undertook an internal reorganization to improve integration and synergies to implement the principles and guidelines of the HR Strategy in the different HR areas. Due to the reorganization HR branches have introduced changes and adjustments providing a consistent approach, in line with the needs of the Organization.	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 have started with a more systematic review of the quality of PEMS work plans 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 (2016 year-end audit visit)
Performance Management				
11 Craft the Organization's succession strategy and embed the same in the ongoing 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	**Recommendation to be closed.** Following the recommendations of the study on technical capacity of the Organization, additional efforts have been introduced in the selection and recruitment of consultants, creating specialized rosters of highly qualified candidates ready to take up assignments, which constitute a pipeline of talents. This has been done while more strict controls have been introduced regarding hiring of retirees, particularly to cover functions that they were covering as staff. This is helping units to mitigate knowledge gaps and to plan their workforces accordingly.	In process. We took note of the preparatory work and plans for the development of a workforce planning.
Internal Control				
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	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). Preparations are	In process. We took note of the expected timeline of completion of the actions required in the recommendation. We also

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
to be appended to the annual financial statements. (Paragraph 179)			substantially completed and instructions will be issued late September 2017.	note the progress of the work being done in this area.
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/ DDO	A comprehensive Internal Control Questionnaire to be completed by all Decentralized Offices will be launched in Q4 2017. The ICQ specifically addresses competency (such as training) sufficiency in all key control-related business processes. Regional Offices will provide managerial oversight to this process and provide the structure for planning, monitoring and escalating internal control issues including fraud prevention and detection. To reinforce the importance of internal controls and the preparation of an accurate Statement of Internal Controls, DDO, in coordination with OSP and other relevant units oversees the overall process, and ensures the availability of adequate tools and support to Regional Offices.	In process.

SIGNIFICANT					
Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
IPSAS-Lessons Learnt and Benefit Realization					
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.	In process. Validation showed that no relevant report was rendered by the end of 2016.
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	Lessons learned during PEMS 2016 and 2017 will be taken into consideration when enhancing the policy so that plans are linked with developmental goals.	In process. We took note of the actions taken by Management specifically the OHR to implement this recommendation.
Staff Development and Training					
8	Measure the effectiveness of its learning programmes through impact evaluation in addition to the existing practice to have a more effective basis	2015	OHR	Activities are ongoing, and results from surveys and comparison with baselines will be possible once sufficient data is collected and programmes are launched.	In process. We note the ongoing work relating to the

	in the formulation of future learning plans. (Paragraph 83)				implementation of this 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.
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). Following extensive consultation with FAO Decentralized Offices and headquarters divisions, the revision of Director-General's bulletin 2013/32 on Level 3 emergency protocols is being finalized. The revised DGB, which seeks also to further enhance FAO responses to emergencies by introducing declaration and response protocols for Level 2 Emergencies, is expected to be released by the end of 2017. The DGB revision builds upon	In process. We took note of the schedule for the drafting and finalization of protocols for L1, L2 and L3.

				recommendations from FAO audit and evaluation missions and seeks to integrate best practices and lessons learned from Level 3 emergency responses undertaken to date.	
Technical Cooperation Programme (TCP)					
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/TCDP	This is being addressed as part of a broader review and update of FAO Project Cycle arrangements for monitoring, performance assessment and reporting.	In process.
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	**Recommendation to be closed.** OSP with the involvement of the Regional Offices, 23 country offices and the Strategic Programme teams identified lessons learned from the MTR 2014 and follow up actions. (Ref. MTR – Lessons learned and follow-up report, OSP 5 March 2015). Subsequent improvements to the country results validation methods were implemented including (i) Country Offices are involved for target setting, (ii) SPLs use a common methodology for reviewing country results, (iii) Regional Offices undertake a first review of the results submitted, (iv) comments provided by SPLs when they reject a country results are recorded in FPMIS. The same methodology will support reporting for PIR 2016-17. Continuous improvements are expected as the reporting	Recommendation is closed. We recognized the action taken by the Secretariat to improve its validation method which will sup[port the reporting for PIR 2016-17.

				function gets internalized by units, regions and countries.	
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	**Recommendation to be closed.** As part of the preparation of the Medium Term Plan 2018-21, OSP, in collaboration with SPLs and Regional Programme Leaders, led a corporate review of outputs and their related indicators (reference guidance note OSP 21.09.16). The resulting outputs and indicators show greater standardization across Strategic Programmes and comply better with the Governing Bodies' definitions and the UNDG's RBM standards. Refinements of some of the outputs indicators methodology will be pursued in 18-21.	Recommendation is closed. We recognize the action taken by OSP in leading the corporate review of outputs and their related indicators.

2012-13 BIENNIUM - AUDIT OF HEADQUARTERS
SIGNIFICANT

Recommendation		Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
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 during 2018.	In process.
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	2014	CIO/CSF/ SSC	**Recommendation to be closed.** Processes have been redesigned and deployed to capture serial numbers, asset tagging, and custodian information.	In process. Further management's actions relating to this recommendations will be reviewed/validated in future audits.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments (2016 year-end audit visit)
with the necessary authority to update once accountability is transferred to another, in compliance with existing policy. (Paragraph 234)				