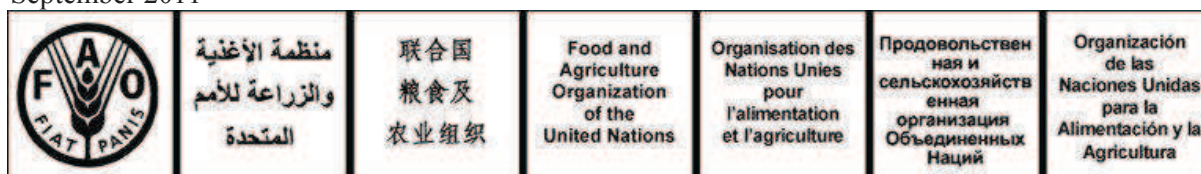


September 2011

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FINANCE COMMITTEE

Hundred and Fortieth Session

Rome, 10 - 14 October 2011

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

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- This document outlines the progress on implementation by the Secretariat of the recommendations arising from the Long Form Report of the External Auditor relating to the 2008-09 biennium. As noted by the External Auditor at the 138th Session of the Finance Committee, the 27 recommendations contained in the 2008-09 Long Form Report encompass and take account of outstanding aspects of previous External Audit recommendations.
- The recommendations are divided into three segments according to the importance of implementation ascribed by the External Auditor: *Fundamental*, *Significant* and *Merits Attention*.
- The status of implementation of each recommendation is presented by the Secretariat 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*.

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 reviewed and noted the status of implementation of the recommendations of the External Auditor, and looked forward to an updated Progress Report at its next regular session in spring 2012.**

Recommendation	Management Response	External Auditor's Comments
2008-2009 BIENNIUM - AUDIT OF HEADQUARTERS		
FUNDAMENTAL		
1. Staff Related Liabilities		
<p>We strongly recommend that the Organization take the matter of funding its staff related liabilities with extreme urgency as deferment of decisions most particularly on funding proposals will in no doubt compromise the financial viability of the Programme of Work and Budget (PWB) in future years.</p>	<p>The Secretariat has drawn the attention of the Governing Bodies on numerous occasions during the past years to the fact that current biennial funding is inadequate, considering the scale of the liability. This matter was most recently discussed at the 138th Session of the Finance Committee in March 2011, where the Committee considered the results of the latest actuarial valuation as at 31 December 2010.</p> <p>The 37th Session of the Conference in June/July 2011 reiterated the need to take additional steps to improve the financial situation of the Organization but noted that the incremental funding proposals were not feasible at the moment given the current economic situation. The Conference noted that it would revisit the issue of finding these liabilities in future biennia.</p>	<p>With the planned revisit of the issue of funding the staff related liabilities by the Conference, the recommendation shall be monitored until it is fully addressed.</p>

2. Delayed payment of Contributions		
<p>We acknowledge Management's conformity with our recommendation and its extensive efforts to improve the timeliness of payment of contributions, including continual follow ups with governments on outstanding items, coordination with Field Offices on communication with governments on arrears in Government Cash Counterpart contributions (GCCC), and negotiation of instalments payment plans for those countries dealing with significant arrears. In addition, we acknowledge the consistent monthly reporting provided by management on the situation of contributions and arrears that is posted both on the external website and the website for Permanent Representations.</p>	<p>Consistent with the External Auditor's comments, the 141st Session of the Council in April 2011 welcomed the marked improvement in the cash position of the Organization and in particular the significant reduction in arrears at the end of 2010 which were at their lowest reported level in nearly three decades.</p> <p>Given the external auditor's acknowledgement of the Secretariat's extensive and ongoing efforts in the area of timeliness of payment by Members of assessed contributions and arrears we would suggest that this recommendation be reported as implemented as of 31 December 2010.</p>	<p>The recommendation may be considered implemented. The External Auditor, during the conduct of audit in the Headquarters in June 2011 noted an improvement in the cash position of the Organization.</p>
3. Host Country Agreements		
<p>We recommended and the Organization agreed to undertake a comprehensive review of outdated Host Country Agreements (HCAs) to assess the adequacy of the contributions, in cash or in kind, and explore the possibility of generating additional revenues by negotiating improved cost-sharing schemes between the Organization and amenable host countries.</p>	<p>It is acknowledged that most of the HCAs may be re-negotiated to reflect the current reality in each country and update the obligations of the two parties accordingly. A comprehensive review of the HCAs is expected to take place in the context of the findings of FAO Vision on Decentralization currently being developed by the Governing Bodies.</p>	<p>As the comprehensive review of the HCAs is still expected to take place, the recommendation shall be monitored until it is fully addressed.</p>
4. Working Capital Fund		
<p>We recommended that the Organization seriously consider increasing the level of the Working Capital Fund (WCF) to provide sufficient buffer to the General Fund (GF). In this regard, the</p>	<p>The Secretariat included proposals to increase the funding level of the WCF in the PWB 2012-13.</p>	<p>We took note of the actions taken by the Secretariat and the Conference to increase the funding level of the WCF. The recommendation shall be monitored until it is fully addressed.</p>

Recommendation	Management Response	External Auditor's Comments
<p>Secretariat confirmed that they will include proposals to increase the level of the WCF in the PWB for 2012-13 under the section on Financial Health similar to those which were previously presented in the PWB 2010-11 but which were not endorsed by the Membership at that time. We also reiterate our recommendation that the Organization continue its efforts to collect contributions and arrears due from member states.</p>	<p>The 37th Session of the Conference in 2011 reiterated the need to take additional steps to improve the financial situation of the Organization but noted that the incremental funding proposals were not feasible at the moment given the current economic situation. Conference therefore deferred to future biennia the replenishment of the Working Capital Fund.</p> <p>Please refer to the comment on recommendation 2 above with regard to the external auditor's recommendation relating to collection of assessed contributions and arrears due from Members.</p>	
5. Regular Programme budgetary controls		
<p>We encourage the Organization to consider the standard Oracle budgetary functionality for effective and efficient fund sufficiency checking in accordance with the budget fungibility rules.</p>	<p>The External Auditor notes in his report (para. 61) that a thorough approach to budgetary control is already in place at the Organization, which ensures that budget holders are provided with regularly updated budget status information and which includes all transactions processed in both Oracle and non-Oracle applications. Such information is made available to budget holders (BH) via the Oracle Data Warehouse (ODW) and is updated on a daily basis. BHs are instructed to review this information regularly and to commit funds after review of the available balances. In addition to this, the Organization has established systems and procedures for monitoring and reporting on the status of allottee appropriations</p>	<p>We recognize the linkage of the recommendation with the ongoing review of the new planning and budgeting module and we encourage the Organization to complete the action on the recommendation.</p>

Recommendation	Management Response	External Auditor's Comments
	<p>and for the review and authorization of additions to and transfers between allotments.</p> <p>The Organization will be reviewing the implementation of a new planning and budgeting module, stemming from recommendations in the Immediate Plan of Action and the Root and Branch Review during 2012-13. The potential use of standard Oracle budgetary functionality for efficient and effective funds checking, if practical, will be considered within the context of that review.</p>	
6. Consultant contracts' terms of reference and outputs		
<p>We recommend that the Organization review thoroughly the performance of the consultants and consider the non-reengagement of those who have not been able to meet the reporting requirements as contained in the contracts. The Organization agrees with the recommendation and notes that quality assessment document drafted by the hiring division shall indicate whether the established deadlines were not met and provide reasons why, and contain a statement of non-rehire if applicable. In this context, we were informed that forms aimed at standardizing Terms of Reference (TORs), objectives and expected outputs for Consultants and Personal Service agreements were transmitted throughout the Organization on 8 September 2010</p>	<p>The introduction in September 2010 of a standard template for Terms of Reference, objectives and expected outputs for consultants and PSA subscribers as part of initiatives relating to the HR Strategic Framework and Action Plan 2010-11, which includes the <i>a priori</i> formulation of measurable key performance indicators, addresses the recommendation.</p> <p>We recommend that the status of this recommendation be updated to implemented as of 31 December 2010.</p>	<p>We took note of the introduction of the standard template and we will validate if the concerned offices are using it.</p>

7. Project management – project closure		
<p>We recommend that the Organization examine more closely the cause of the delay in closure actions in order to address them adequately and set a target of reduction of this delay.</p>	<p>Long standing issues linked to delays in project closures are acknowledged, and the external auditor notes in his report (para. 61) that some steps to improve the situation have been taken; specifically the fact that the closure of projects in Oracle and FPMIS has now been harmonized which will reduce the delays in financial closures</p> <p>Following restructuring within TC Department in 2010, an internal TC review is currently engaged in the update of certain project cycle related procedures including those for operational clearance and operational closure. In addition, a series of missions to the ROs have been undertaken, with the aim of identifying, assessing and solving operational delays and problems, including those related to project closures.</p> <p>In this context, a new Field Programme Support Network (FPSN) Monitoring Tool is now available through FPMIS to call attention to the need for action on those and other operational issues by Budget Holders, Lead Technical Units and others involved in operations and monitoring. Training provided by ROs also highlight the need for action in that respect</p> <p>The Organization agrees with the recommendation, and confirms it is partially implemented.</p>	<p>Since the recommendation is partially implemented, we encourage the concerned offices to complete the required actions to fully address the recommendation.</p>

8. Support costs to Field Programme (Project Servicing Costs)		
<p>We suggest that the Organization:</p> <p>a) in accordance with the principle of reasonable alignment of support costs to field programmes and projects as they had actually materialized and recoveries from donor funded projects, work on the immediate expansion of the policy on support cost reimbursements to include recovery of any fixed indirect costs as far as already acceptable to donors and can be made acceptable to them and provide for the appropriate guidelines and training required.</p> <p>b) in accordance with the principle of transparency and in order to accurately establish the reasonable level of support cost reimbursements, consider reporting and assessing the level of reimbursements of support costs from Extra Budgetary (EB) funded projects to show the following:</p> <p>b.1 unrecovered fixed indirect support costs;</p> <p>b.2 unrecovered support costs by category of programmes or projects;</p> <p>b.3 unrecovered support costs represented by the difference between the approved Technical</p>	<p>The Secretariat presented measures to improve implementation of the Organization's Support Cost Policy to the Finance Committee at its 138th Session in March 2011. These measures were welcomed by the Committee which encouraged the Secretariat to move forward with implementation of measures within the current scope of the FAO Support Cost Policy while 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 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 areas such as security, information systems and technology shall be presented for consideration by the Finance Committee at its session in October 2011 and endorsement by the Council before the end of 2011.</p>	<p>We recognize the efforts being exerted by management in these recommendations but since the means for improved cost recovery, including areas such as security, information systems and technology shall still be presented for consideration by the Finance Committee at its session in October 2011 and endorsement by the Council before the end of 2011, verification will be undertaken during the biennium end 2010-2011 audit.</p>

Recommendation	Management Response	External Auditor's Comments
<p>Support Services (TSS) and Project Servicing Costs (PSC) rates and actual reimbursements; and</p> <p>b.4 unrecovered support costs represented by the difference between the support cost income budgeted and the actual reimbursements by manner of recovery (fixed-percentage charge, direct charge to programme or project or combination of the two).</p> <p>c) in order to present fairly the support costs actually incurred under the Regular Programme (RP) funds, consider the disclosure in the financial statements of the unrecovered support costs from donor funded projects and absorbed by the RP fund and how these were calculated.</p> <p>d) in keeping with the principle of reasonable alignment of support costs to field programmes and projects as they had actually materialized and recoveries from donor funded projects, and in order to accurately establish the reasonable level of TSS cost recovery:</p> <p>d.1 consider articulating the instances where recovery is possible or not; and d.2 establish the extent at which the Organization desires to recover the cost of TSS.</p>	<p>In the meantime, the Organization continues to pursue measures within the scope of the existing policy to improve implementation of recovery of support costs. In this context, following a recommendation issuing from the missions to the ROs (refer to comment on recommendation 7 above), TC Department is working with OSD and OSP to provide a short guidance note to project formulators and Budget Holders on Project Servicing Costs/Administrative and Operational Support (PSC/AOS) matters. It is expected that the final note will be available in the fourth quarter of 2011.</p>	

9. Property Management - Custody and accountability over non-expendable property		
<p>We recommend that issuances of property to a staff member be documented by a Custody of Property Form and that the listing of properties in the name of the division be used only for common equipment such as printers, and photocopiers or divisional (shared) laptops. We also suggest that staff members be required to secure gate passes before a property item is taken out of office premises.</p>	<p>Review of the business process relating to asset management is a feature of the IPSAS project, and the recommendation on accountability of non-expendable property will be considered in that framework. A revised Manual Section is being drafted where the role of “asset custodian” and its associated responsibilities have been defined. It is expected that the revised MS will be implemented by 31 December 2011.</p> <p>With regard to the issuance of secure gate passes, the Security Service will review the feasibility of this recommendation taking into consideration the cost of implementing the new procedures.</p>	<p>In view of the wider review of the recommended processes under IPSAS, verification will be undertaken as soon as the subject guidelines and procedures under IPSAS Project have been reported complete.</p> <p>Meantime, during audits in the current biennium, we still noted some offices (RAP, Myanmar) where issuances of property to staff members were not documented by Custody of Property Form.</p>
10. Non-expendable property and Expendable property		
<p>We recommend that the Organization revisit its policies and procedures in the recognition of non-expendable property and that the valuation method used in recognizing non-expendable property as purchases and as inventory are consistent.</p>	<p>As noted by the external auditor in his report (para.124), the Organization has confirmed that as part of the wider review of changes in processes to address IPSAS compliance requirements, FAO shall review and implement updated/new processes for the identification of and the accounting for property, plant and equipment and the required financial statement presentation and disclosures</p>	<p>In view of the wider review of the recommended processes under IPSAS, verification will be undertaken or as soon as the subject guidelines and procedures under IPSAS Project have been reported complete.</p> <p>Meantime, we still noted, during the audit in the current biennium, issues on recognition of non-expendable property in RAP, Myanmar and Sri Lanka.</p>

11. Year End Asset Reports		
<p>We recognize that the Organization is revising its asset management policies and procedures within IPSAS and recommend that the Organization ensure that the submission of Year End Asset Report (YEAR) by the Offices outside Headquarters as to the timeline of submission, the monitoring of their submission and the immediate verification and reconciliation of property records in the Organization is included in the new policy.</p>	<p>The Organization agrees with the recommendation, and as noted by the external auditor in his report (paras. 130-131), significant changes and improvements of the existing processes would be required to support the accounting for property, plant and equipment in order to meet IPSAS requirements and a detailed review of these processes shall be performed in the context of that the IPSAS project. As a first step, one of the early deliverables of the IPSAS/ERP Program has been to complete in June 2011 a re-implementation of the Oracle fixed asset module used in FAO. This will ensure that all required data to support these new and improved processes is captured for new assets.</p>	<p>In view of the wider review of the recommended processes under IPSAS, verification will be undertaken as soon as the subject policies and procedures under IPSAS are put in place.</p> <p>Meantime, we still noted, during the audit in the current biennium, issues on the YEAR in Myanmar.</p>
SIGNIFICANT		
12. Field Advances – Advances to Staff Members for Tax Payments		
<p>We were informed of the improvements made in the policies related to the recovery of tax advances. However, we still recommend that the Organization through its Liaison Office in Washington require the strict enforcement of the submission of the annual tax returns within the deadline set in the Administrative Circular AC2010/08 so that prepayments are promptly cleared and excess advances refunded immediately by the staff members</p>	<p>The External Auditor (para. 132) has recognized the improvements which have already been made in the policies related to the recovery of tax advances and encourages the Organization to enforce these. CSF shall continue these efforts in conjunction with LOWA.</p> <p>Given the external auditor’s acknowledgment of the ongoing procedures in place to ensure the timely settlement of tax advances, we would suggest that the status of this recommendation be updated to implemented as of 31 December 2010.</p>	<p>The implementation of the recommendation shall be verified during the biennium end 2010-2011 audit.</p>

Recommendation	Management Response	External Auditor's Comments
13. Field Advances – Advances to Consultants		
<p>We emphasize the importance of an intensive monitoring effort and the importance of ensuring the timely settlement of advances especially those remaining uncleared beyond the prescriptive period and that the grant of advances for OCAs be limited to the restrictions of DGP064 so as not to unduly burden the consultants and allow for the immediate settlement of the said advances.</p>	<p>The external auditor notes (para. 140) that the Organization follows up on field advances and generally ensures that these are cleared on a timely basis, whether at the year end or any other period and that FAO is committed to ensuring that follow-up actions will continue.</p> <p>It is noted that the single country (Democratic Republic of Congo) where the majority of the overdue field advances had originated referred to a situation with particular operational difficulties, including a lack of banking systems in some areas of the country and lack of adequate infrastructure to transport documentation from remote locations to FAO office. The level of outstanding advances in this country has now been addressed by the Organization.</p> <p>Given the external auditor's acknowledgment of the ongoing procedures in place to ensure the timely settlement of advances, we would suggest that the status of this recommendation be updated to be implemented as of 31 December 2010.</p>	<p>The implementation of the recommendation shall be verified during the biennium end 2010-2011 audit.</p> <p>We noted during the conduct of audit in the current biennium issues on settlement of advances in RAP and SEU.</p>
14. Field Advances – Payroll Writeback		
<p>We recommend that the Organization sustain its efforts to collect the remaining payroll writebacks.</p>	<p>As noted by the external auditor in para 145, follow up action is continuously being undertaken by the Organization in order to ensure reimbursement of the entire balance due.</p>	<p>In view of the sustained efforts to collect the remaining payroll writebacks, we considered this recommendation as implemented.</p>

Recommendation	Management Response	External Auditor's Comments
	<p>Given the external auditor's acknowledgment of the ongoing procedures in place to ensure the timely settlement of payroll write-backs, we would suggest that the status of this recommendation be updated to implemented as of 31 December 2010.</p>	
15. Technical Cooperation Programme Deferred Income		
<p>We recommend that the Organization implement Technical Cooperation Programme (TCP) projects within the terms of the existing UN Financial Regulation 4.3, specifically the cancellation of unutilized appropriation at the close of the financial period for which the appropriation was voted for to ensure proper programming and implementation of project activities within their approved budgets and appropriation for the year/biennium</p>	<p>The Organization considers that implementation of TCP projects is carried out in compliance with Financial Regulation (FR) 4.3.</p> <p>The return flow practice had been endorsed by the Finance Committee and Council in 1980 to ensure the full utilization of the resources appropriated by the Conference for the TCP and its practice had been consistently applied by the Organization since then. The continued use of the established methodology was most recently confirmed by the Finance Committee at its 128th Session in July 2009.</p>	<p>The Organization's compliance shall be evaluated at biennium end 2010-2011 audit.</p>
16. Plan Assets		
<p>We recommend that the Organization consider placing the earmarked long term investment and advance payments for the Separation Payment Schemes (SPS) in a separate trust fund to properly recognize them as Plan Assets as part of the effort towards full adoption of International Public Sector Accounting Standards (IPSAS).</p>	<p>As noted by the external auditor in his report (para. 158), review of the recommendation to place the earmarked assets in a separate trust fund shall be undertaken within the context of IPSAS implementation.</p>	<p>We will review the implementation of the recommendation within the context of IPSAS implementation, verification will be undertaken as soon as the subject matter has been reported complete.</p>

Recommendation	Management Response	External Auditor's Comments
17. Procurement – Liquidated Damages of Late Deliveries Assets		
<p>We recommend that the monitoring of deliveries be strictly performed by the Budget Holders (BH). The recommendation to impose penalties, if any, should be made by him/her already and subsequently deducted from the payment.</p>	<p>The Organization agrees that monitoring of deliveries should be performed by the Budget Holders and, as appropriate, that they make recommendations regarding application of liquidated damages for late delivery. However, final determination of application of liquidated damages rests with the Buyer and Authorized Official so as to ensure that all factors including any mitigating circumstances or contractual obligations are considered</p>	<p>Since it is not presently possible to systematically identify POs with late deliveries and accrue such penalties in view of the absence of the receipt of goods in the financial system and the accrual of penalties will still be reviewed in the context of the implementation of the receiving process as part of the IPSAS project, the recommendation will be monitored until it is fully addressed.</p> <p>We noted that issues on imposition of liquidated damages still exist in Myanmar and RAP.</p>
MERITS ATTENTION		
18. Travel – Ticket Cancellations		
<p>We recommend that the Organization set a policy that will hold the traveller accountable for the cost of tickets, surcharges and fees where cancellations are caused by him without justifiable reasons. The Organization noted that it will review the impact of such a policy within the context of the staff rules. Simultaneously a communication strategy will be undertaken to sensitize budget holders and approvers of cancellations charges to the cost of cancellation and the need to determine upfront the validity of these charges.</p>	<p>The implementation of a communication policy to reduce cancellation costs is ongoing. Budget holders are being sensitised on a case by case basis of the need to control and hold travellers responsible for cancellation costs that are not directly work related.</p>	<p>As the implementation of a communication policy to reduce cancellation costs is ongoing, the recommendation shall be followed up until it is fully addressed.</p>

Recommendation	Management Response	External Auditor's Comments
19. Special Fund for Emergency and Rehabilitation Activities		
<p>We recommend that management pursue the formulation of guidelines for the SFERA that will specify the maximum amount of the advances that may be granted to a specific project and the definite period within which said advance will be recovered.</p>	<p>The Organization agrees with the recommendation and accordingly has drafted guidelines for internal review and finalization in line with the External Auditor's guidance. The guidelines are expected to be finalized in autumn 2011.</p>	<p>As the guidelines are still to be finalized, the recommendation shall be followed up until it is fully addressed.</p>
2008-09 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES		
FUNDAMENTAL		
20. Budgetary Controls – Regular Programme (Regional Office for Africa)		
<p>We recommend that the Regional Office for Africa (RAF) enforce more strictly the requirement to secure prior approval from the Office of Strategy, Planning and Resources Management (OSP) before incurring commitments and expenditures requiring shifts of allotments exceeding USD 100,000 at programme level and USD 20,000 each at chapter and allottee levels. RAF's request for shift, which may be included in the PBR, needs to state specifically the allotted amounts to be shifted, the source of allotment for transfer between programmes or chapters and the reasons or justifications for the transfer.</p> <p>We also encourage RAF to work consistently within the limit of the institutional allotment provided in accordance with the PWB.</p>	<p>RAF is committed to fully implementing both aspects of the recommendation <i>inter alia</i> by ensuring that written authorizations are received from OSP before proceeding to budget implementation.</p>	<p>RAF's compliance to be evaluated at biennium end 2010-2011 audit.</p>

Recommendation	Management Response	External Auditor's Comments
21. Budgetary Controls – Projects (Regional Office for Africa)		
<p>We recommended and RAF agreed that the Budget Holders (BHs) endeavour to work within the approved project budget for TCP and in the case of Trust Fund (TF) project within the cash received from donor.</p> <p>To ensure that funds are available for the project before incurring commitments and expenditures, the BH should consider employing worksheet of actual commitments and expenditures outside of the existing systems to keep track of project cash or fund balance until system embedded controls to prevent over-expenditure are put in place.</p> <p>In the event that the cash balance is low and there is a need to obtain additional cash from the donor and as required in the Project Agreement, the BH needs to promptly request from the Finance Division - Project Accounting (CSFE) the need for the Call for Funds and submit budget revision needing donor's consent/approval to prevent incurrence of negative cash balance for TF projects</p>	<p>RAF agrees with the recommendation, and notes that the newly created Regional Programming Unit (RPU) will have the responsibility to address the issues and closely monitor programmes/projects and their budgets in the manner that has been recommended by the external auditor.</p>	<p>RAF's compliance to be evaluated at biennium end 2010-2011 audit.</p>

Recommendation	Management Response	External Auditor's Comments
22. Non-Expendable Properties		
<p>We recommend the (i) intensified review of accounting transactions; (ii) periodic and up-to-date reconciliation of the inventory records between the decentralized offices and the headquarters; and (iii) preparation and timely submission of ADM 41 and ADM 83.</p>	<p>The Organization concurs with the recommendation and confirms that these processes are included within the scope of the wider review of changes and improvements in processes required to support the accounting for property, plant and equipment under IPSAS.</p>	<p>In view of the wider review of these recommended processes under IPSAS, verification will be undertaken as soon as the subject guidelines and procedures under IPSAS Project have been reported complete.</p>
23. Consultancy Contracts' Terms of Reference (Regional Office for Africa & Regional Office for Latin America and the Caribbean)		
<p>We recommended and management issued guidelines and a standard template including the TOR of each contract that define (i) tangible and measurable outputs of the work assignment; (ii) deadlines for delivery of outputs and details as to how the work must be delivered, and (iii) performance indicators among others. We further recommend that the TOR be linked by clear reference (i.e., Annex) as integral part to the agreement and we appreciate management's plan to integrate the same as part of the PSA</p>	<p>This recommendation has been implemented – please see comment on recommendation 6 above.</p>	<p>The recommendation may be considered implemented.</p> <p>However, we will validate if the concerned offices are using the standard template prescribed by the Headquarters.</p>

Recommendation	Management Response	External Auditor's Comments
24. Prepayments (Regional Office for Africa)		
<p>While we appreciate the effort of the Organization to prevent the accumulation and further reduce outstanding travel advances, relevant offices should coordinate with Human Resource (HR) Services and Travel Incoming-TECs, Budapest for the follow-up and collection of advances from ex-consultants who were already paid of final honoraria. We also recommend that the Organization include in the consultant's TOR the requirement on submission of TEC and the recovery of outstanding travel advance on the payment of final honorarium</p>	<p>As noted by the external auditor in his report (para. 207), procedures are already in place to hold the final honorarium of consultants until all advances are settled. Payment by the AP-Invoice Unit is effected only after receiving clearance from the SSC-Travel Unit. Monitoring of outstanding advances is handled between the BH and the Receivables Unit in CSF.</p> <p>In addition, RAF confirms that it has recently launched an internal workflow analysis project with the aim of streamlining current processes and in the process it is expected to incorporate the relevant recommendation in its new internal workflows.</p>	<p>RAF's compliance to be evaluated at biennium end 2010-2011 audit.</p>
25. Project Management - Delays in Terminal Reporting and Closures		
<p>We reiterate that utmost efforts be exerted to observe the timelines for project implementation and completion</p>	<p>The Organization concurs with the recommendation, acknowledging challenges to delays in project closures – please refer to comment to recommendation 7 above.</p> <p>Furthermore, the Reports Group in TC Department has been working closely with the FPMIS team, and Budget Holders to minimize delays in operational closure of projects. Of the pending terminal reports identified by the External Auditor, all but three have already been submitted and the corresponding projects have been operationally closed.</p>	<p>The External Auditor noted delays in implementation of projects during the current audit of RAP and SEU.</p>

Recommendation	Management Response	External Auditor's Comments
26. Recording of Expenses (FAO Representation, Lao People's Democratic Republic)		
We recommend that the FAOR Laos (i) allocate the necessary budget for overtime services when preparing budget estimates; (ii) ensure the availability of funds before payments thereof; and (iii) use the appropriate accounts in recording such payments	The Organization agrees with the recommendation, which has been fully implemented. Indeed, in line with decentralization of functions from Headquarters to Regional Offices, the Regional Office for Asia and the Pacific has a dedicated FAOR Network Officer who monitors the budgetary situation of all Country Offices in the region.	The recommendation may be considered implemented.
SIGNIFICANT		
27. Procurement – Absence of PO Delivery Dates (FAO Representation, Nigeria)		
We recommend that Decentralized Offices consider implementation of requirement that the specific delivery dates be disclosed in the Purchase Orders (PO) that will be served to the vendors and to which the vendors should agree.	The Organization agrees with the recommendation, which has been fully implemented. In line with the External Auditor's recommendation, the FAOR Nigeria now uses exclusively Local Purchase Orders with delivery date inserted.	The recommendation may be considered implemented.