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## FINANCE COMMITTEE

**Hundred and Fifty-first Session**

**Rome, 11 - 15 November 2013**

**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 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 148th Session in March 2013. The External Auditor's views on the status of implementation of the recommendations are also reflected in the 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 reviewed and noted the status of implementation of the recommendations of the External Auditor.**
- **The Committee welcomed the progress made in closing recommendations of the External Auditor and urged the Secretariat to continue in its 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 |
|---|-----------------------|---|--------------------------------------|------------------------------------|
| <b>Long Form Report 2008-09<sup>2</sup></b>       | <b>27</b>             | 16  | 7                                    | <b>9</b>                           |
| <b>Review and Assessment of SFERA<sup>3</sup></b> | <b>8</b>              | 4   | 3                                    | <b>1</b>                           |
| <b>Long Form Report 2010-11</b>                   | <b>69</b>             | 69  | 23                                   | <b>46</b>                          |

2. It is highlighted that of the recommendations reported in the summary table above as still outstanding at this reporting date, a further **22** recommendations are considered as implemented in the Management Response. The External Auditor will validate the management actions reported during the upcoming 2012-13 biennium audits prior to confirming closure of these recommendations. These recommendations are:

- Long Form Report 2008-09 - **1** recommendation (Rec. 17)
- Review and Assessment of SFERA - **1** recommendation (Rec. 2)
- Long Form Report 2010-11 - **20** recommendations (Rec. 1; 2; 4; 6; 7; 9; 10; 11; 43; 44; 45; 46; 47; 51; 54; 56; 57; 58; 62; 63)

3. 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.

4. 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*.

<sup>1</sup> FC148/22 presented in March 2013 refers

<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.

<sup>3</sup> FC143/16 Add. 1 refers

## 2010-11 BIENNIUM - AUDIT OF HEADQUARTERS

## FUNDAMENTAL

| Recommendation                           | Suggested Timeline  | Responsible Unit | Management Response | External Auditor's Comments   |  |
|--|---|------------------|---------------------|---|--|
| Assessed Contributions of Member Nations |   |                  |                     |   |  |
| 1  | Encourage the Member Nations to promptly pay their current assessments and settle their contributions in arrears through the instalment plan scheme for better liquidity, and to sustain the Organization's Programme of Work. (Paragraph 43) | 2012             | CSF                 | <p>Recommendation Implemented</p> <p>The Secretariat continues its efforts at Headquarters and FAO offices to remind Member Nations of their financial obligations and to emphasize the importance of timely payment of Assessed Contributions in its cash management for the execution of the Programme of Work including:</p> <ul style="list-style-type: none"> <li>• distribution of timely statements;</li> <li>• publishing updates on the status of the Contributions and Arrears on the FAO public websites;</li> <li>• soliciting payments of current contributions and arrears through official correspondence and direct contacts with Member Nation Representatives and Government Officials, including through the negotiation of instalment plans.</li> </ul> | The financial performance review and the validation on Management's actions shall be undertaken during the biennium-end audit for 2012-2013. |
| Budgetary Controls                       |   |                  |                     |   |  |
| 2  | Ensure that expenditures are always within the limits of the authorized project budget and cash provided by the donors by: (a) constantly   | 2012             | BHs/FPSN/OSD        | <p>Recommendation implemented with monitoring actions ongoing throughout the lifecycles of projects as described below.</p> <p>The first level of responsibility rests with the</p>   | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013.  |

| Recommendation  | Suggested Timeline  | Responsible Unit | Management Response   | External Auditor's Comments  |                        |
|---|---|------------------|---|--|------------------------|
| <p>monitoring the cash balance and considering it as the limit of further incurring expenditure for the project; (b) promptly initiating the request for Call for Funds in accordance with Project Agreements when cash balance is low; (c) promptly preparing Budget Revision with the proper approval before committing expenditures that will exceed the latest approved budget; and (d) constantly ensuring that charges to the project are appropriate. (Paragraph 60)</p> |   |                  | <p>Budget Holders (BHs), whether in decentralized offices or at Hqs with operational and monitoring support provided to them by the Field Programme Support Network (FPSN) at subregional and regional levels with corporate tools, procedures and overall monitoring from OSD, CSF and Funding Liaison Units.</p> <p>Specific actions in place to address these recommendations include:</p> <ul style="list-style-type: none"> <li>• all new DO budget holders are briefed on the FPSN Monitoring tool available through FPMIS to facilitate the monitoring of their ongoing projects;</li> <li>• the designation memorandum assigning BH responsibility specifies the need for cash monitoring and prompt calls for funds;</li> <li>• automatic trigger messages from FPMIS remind BHs of the need to call for funds, among other actions; and</li> <li>• the subregional Field Programme Support and Monitoring Officers as well as regional operations staff regularly provide overall monitoring and feedback on necessary actions to be taken by BHs.</li> </ul> |  |                        |
| <b>Implementation of IPSAS/ERP Project</b>  |   |                  |   |  |                        |
| 3   | Strengthen project risk management by constantly addressing all existing and emerging risks, and closely monitoring all major activities of the project, to ensure the implementation | 2012             | CSF/GRMS  | Risk management procedures have been aligned with the Organization's risk management framework. Risks are monitored at a programme level and critical risks are communicated to the Programme Executive or Programme Executive | Recommendation closed. |

| Recommendation                  | Suggested Timeline   | Responsible Unit | Management Response  | External Auditor's Comments   |
|---------------------------------|--|------------------|--|---|
|                                 | of IPSAS in 2014. (Paragraph 69)   |                  | Board as appropriate.  |   |
| Enterprise Risk Management      |  |                  |  |   |
| 4                               | Intensify the implementation of the ERM project and monitor more effectively its progress to achieve intended results on time, enable Management to act on key corporate risks, and protect the reputation, relevance and future existence of the Organization. (Paragraph 136)  | 2012             | <p>OSP</p> <p>Recommendation Implemented</p> <p>Implementation of ERM is being redesigned to fit into the broader planning and monitoring process, including an accountability and internal Control framework, which is being developed as part of the Director-General's Transformational Change programme.</p> <p>The Organization is committed to full implementation of ERM integrated with RBM by end 2013.</p>   | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013. |
| Technical Cooperation Programme |  |                  |  |   |
| 5                               | Improve the rate of approval and project delivery by: (a) providing a policy that defines a timeframe for every stage of the process taking into account past experiences or lessons learned in securing project approvals; (b) monitoring action of the budget holders on uncontrollable factors and providing optimal advice on the disposition of the project based on these factors; (c) examining projects in various pipeline stages and extracting exceptions caused by insufficient funding, low priorities, | 2012             | <p>TC/ROs</p> <p>An estimated timeframe for every stage of the process of TCP was defined at the time of TCP decentralization in 2010. DOs have been requested to respect the established timeframe for project approvals (while recognizing that there may be specific circumstances for delays in project approval). No particular concerns have been noted considering that, for the current biennium, almost 50 percent of the appropriation has already been committed to projects by the end of first year of the funding biennium and 84 percent by 31 August 2013. Management will continue to monitor the level of approvals and provide support and guidance when required. In terms of delivery, 87</p> | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013. |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments |
|--|--------------------|------------------|--|-----------------------------|
| <p>pending formal requests from governments/partners and project revisions, if any, and monitoring the disposal of these exceptions by the budget holders; and (d) the TCP Coordinator ensuring that projects in the active pipeline can be funded within 12 months. (Paragraph 155)</p> |                    |                  | <p>percent of the 2010-11 appropriation had been expensed by 31 August 2013.</p> <p>A new standard report entitled "TCP Pipeline Monitoring" has been introduced in FPMIS to help TCP Coordinators in DOs to effectively monitor the project status in the pipeline and enter comments regarding any delay in project approvals.</p> <p>In April 2013, Regional TCP Programme Officers were requested to critically review TCP requests in the active pipeline to ensure that only high priority requests remained and to close requests that have been pending for more than 12 months in consultation with the TCP coordinators.</p> |                             |

## SIGNIFICANT

| Recommendation     | Suggested Timeline  | Responsible Unit | Management Response | External Auditor's Comments  |   |
|--------------------|---|------------------|---------------------|--|---|
| Budgetary Controls |   |                  |                     |  |   |
| 6                  | That concerned divisions obtained the prior approval from OSP for proposals resulting in aggregate year-to-date transfers of allotments in excess of USD 100,000 between organizational results within a Strategic or Functional Objective, or USD 20,000 at chapter level. We also recommended that the concerned divisions evaluate the utilization and balances of allotments at the levels where prior approval from the Director, OSP is required before any shift in resources is implemented. (paragraph 48) | 2012             | OSP                 | Recommendation Implemented.<br>This is in line with the established fungibility rules.   | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013 at FAO HQ. |
| 7                  | That OSP provide feedback to the allottee on actions to be taken based on the review of PBRs available at PIREs and submitted reports, and that the budget holders ensure the proper coding of expenditures (paragraph 49)  | 2012             | OSP                 | Recommendation Implemented.<br>Based on the review of PBRs, OSP replies to allottees and provides feedback as required.  | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013 at FAO HQ. |
| 8                  | Improve budget governance by providing a layer of control to monitor the budget holder's action on expenditure commitments, and to  | 2012             | OSP                 | Not agreed.<br>It should be noted that the cases identified by the External Auditor in the Long Form Report relate to shifts between Organizational Results within the | Recommendation closed.  |



| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|---|--------------------|------------------|--|--|
| <p>treat risks of over-commitment at source. (Paragraph 50)</p>   |                    |                  | <p>delegated authority of the allottee. An additional layer of control to monitor budget holders actions related to these types of shifts is disproportionate to the risk and so not appropriate nor necessary.</p> <p>Commitments are included when monitoring whether expenditures exceed the overall allotment and in deciding whether to request programmatic explanations for any shifts in the work programme during implementation which are outside the fungibility rules.</p> |  |
| <p>9 Ensure that expenditures are always within the limits of the authorized project budget, and the cash provided by the donors by:</p> <p>(a) constantly monitoring the cash balance and considering it as the limit of further incurring expenditure for the project;</p> <p>(b) promptly initiating the request for Call for Funds in accordance with Project Agreements when cash balance is low;</p> <p>(c) promptly preparing Budget Revision and obtaining prior approval before committing expenditures that will exceed the latest approved budget; and</p> <p>(d) constantly ensuring that charges to the project are appropriate.</p> | 2012               | OSD              | <p>Recommendation implemented</p> <p>See management comment to recommendation no. 2</p>  | <p>The Organization's compliance shall be validated during the biennium-end audit for 2012-2013.</p> |

| Recommendation                             |   | Suggested Timeline | Responsible Unit   | Management Response  | External Auditor's Comments   |
|--|---|--------------------|--------------------|--|---|
|  | (Paragraph 61)  |                    |                    |  |   |
| 10   | Expedite action in coordination with relevant divisions and/or donors to resolve the over-expenditures in operationally closed projects and allow their financial closures. (Paragraph 62)  | 2012               | OSD, TC, FPSN, CSF | Recommendation implemented<br>See management comment to recommendation no. 2<br>Actions are ongoing by TCSR, CSF and concerned BHs to resolve over-expenditures with OSD follow-up to expedite operational and financial closures. | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013. |
| 11   | That (a) Budget Holders/Lead Technical Units inform the official Funding Liaison Officer and the donor liaison group to ensure that formal agreement and funding are obtained from donors before incurring commitment and expenditure for the next phase of the project; and (b) clear operational guidance is provided on the communication flow. (Paragraph 63) | 2012               | BHs/FPSN/OSD       | Recommendation implemented<br>See management comment to recommendation no. 2   | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013. |
| <b>Implementation of IPSAS/ERP Project</b> |   |                    |                    |  |   |
| 12   | Expedite the preparation and finalization of the User Requirement Document (URD), User Request Analysis Worksheets (URAWs) and Accounting Policy Statements to ensure that planned timelines are  | 2012               | CSF                | Recommendation implemented   | Recommendation closed.  |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|--|--------------------|------------------|--|--|
| met, to provide a valid basis for the updating of financial rules and regulations, the preparation and finalization of Reporting and Control Deliverables, and to provide valid and necessary inputs for the IPSAS compliant R12 components. (Paragraph 71)  |                    |                  |  |  |
| 13 That Management (a) indicate the specific version of the IPSAS adopted in the URDs, URAWs and accounting policy statements to keep track of the various revisions/amendments and improvements introduced by the International Federation of Accountants (IFAC)/International Public Sector Accounting Standards Board (IPSASB); (b) synchronize the version of all finalized documents; and (c) include a section for drafting and revising history that will provide a monitoring and tracking tool for the preparation of documents. (Paragraph 74) | 2012               | CSF              | Updated IPSAS standards are reviewed on an ongoing basis for any significant changes. The finalized version of the accounting policies will be based on the latest versions of the IPSAS standards and all documents will be synchronized and dated. | Recommendation closed.   |
| 14 Prepare and finalize a Policy Guidance Manual that establishes and provides policy, practice and guidance on the application of IPSAS, and complement the standards and other professional  | 2012               | CSF              | This deliverable is included in the workplan for 2013.   | We noted that of the 31 IPSAS issued by IPSASB, CSF had already identified 22 standards which are related to FAO operations and nine which are not |

| Recommendation   | Suggested Timeline   | Responsible Unit | Management Response | External Auditor's Comments   |                        |
|--|--|------------------|---------------------|---|------------------------|
| accounting pronouncements in the Organization as well as provide information on what IPSASs are directly or not directly related to its operations. (Paragraph 77) |  |                  |                     | <p>directly related. The FAO Accounting Policies and Technical Memoranda need to be enhanced to ensure full compliance with the IPSAS to which they relate</p> <p>Validation will be undertaken once the accounting policies have been finalized.</p>   |                        |
| <b>Results-based Management</b>  |  |                  |                     |   |                        |
| 15   | The Office of Strategy Planning and Resource Management (OSP) together with concerned Departments/Divisions and Strategy Teams: (a) review the formulation of Organizational Results (ORs), Unit Results (URs) or Organizational Outputs (OOs) by ensuring that these are stated in observable changes or outputs to ensure clear association of its contribution to the achievement of the related Strategic Objective (SO)/Functional Objective (FO)/OR; and (b) identify and complete the baseline and target values that are consistent with the performance indicators for the ORs/URs/OOs to ensure that the evaluation/assessment of the progress and the achievement of expected | 2012             | OSP                 | <p>Recommendation implemented.</p> <p>During the 2011 work planning phase for the PWB 2012-13, concerted efforts were made to improve the quality of Organizational Outputs (OOs) to ensure that they are stated in observable changes and to demonstrate clearer contributions to the Outcomes. The Organization continues to focus on the quality of the 2014-15 Operational Work Plans (OWP) during 2012-13. An inter-divisional Reference Group on RBM was set up for this purpose.</p> | Recommendation closed. |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments |
|---|--------------------|------------------|--|-----------------------------|
| results and future planning are facilitated for the next Medium Term Plan (MTP)/Programme of Work and Budget (PWB) (Paragraph 86)   |                    |                  |  |                             |
| 16 That OSP conduct workshops on the formulation of results/outputs and the related indicators for staff that are directly involved in the activity. (Paragraph 87)   | 2012               | OSP              | <p>Recommendation implemented.</p> <p>During the work planning phase for the PWB 2012-13, OSP with CSHT organized a series of training events for the staff involved in the formulation of results. In addition, a number of RBM training sessions were organized in 2012: 197 staff being trained through 10 workshops on Managing for Results globally, and additional 198 staff from 63 countries through Effective Country Programming workshops. For the 2014-15 budget cycle, the Strategic Objective Core Teams under the coordination of OSP and ESS, with the support of the Reference Group on RBM, that includes M&amp;E in house capacity and consultants, is developing the new monitoring framework for 2014-17.</p> | Recommendation closed.      |
| 17 That Management: (a) include in the guidelines the identification of key assumptions and risks associated with each OR/OO, the prioritization criteria, and the formulation of the corresponding appropriate and adequate mitigation strategies to enable Management to treat risks at source; (b) state in the PWB the treatment of assumptions as input into the risk identification process with a separate discussion of the | 2012               | OSP              | <p>Recommendation Implemented</p> <p>Guidance and support tools for the identification, scoring and mitigation of risks have been made available for use in work-planning and reporting. Given the current approach to risk identification, it is possible that the identification of assumptions will not add value, and so will not be a formal requirement</p>  | Recommendation closed.      |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments |
|---|--------------------|------------------|---|-----------------------------|
| common risks identified across the SOs; and (c) at the OO level, include and present the prioritized risks with supporting documentation of the prioritization made in the Work Plans. (Paragraph 96)   |                    |                  |   |                             |
| 18 That OSP continue to strengthen the implementation of the recent realignment of roles and responsibilities, and coordination between the Strategy Teams and the Department/Division heads. (Paragraph 102)   | 2012               | OSP              | Taking into account the challenges of the existing accountability system of the Strategy Teams and the traditional line Departments, the Organization prepared during 2012 a reviewed Strategic Framework which puts in place realigned roles and responsibilities of the Strategy Teams and the Departments starting 2014. New roles and responsibility are defined in the Guidelines for implementation of the new Strategic Framework (30 April 2013). The new arrangements are being put in practice through the development of the 2014-15 Operational Work Plans (OWP).       | Recommendation closed.      |
| 19 That Management: (a) include in the guidelines the preparation of a formal and stable action plan for each product/service that will support the PIRES work plans to facilitate implementation, monitoring and reporting, enhance accountability and ownership; and (b) emphasize in related training sessions the value of the action plan. (Paragraph 107) | 2012               | OSP              | Not agreed.<br><br>While recognizing the need to specify how the outputs are to be achieved in the work plans, the Organization is of the view that there is no need for a separate process or document explaining formal action plans for each product/service, which are an optional tool to support OO development. The work planning guidelines for the PWB 2012-13 strongly recommended increased interdisciplinary collaboration, and also highlighted the importance of defining roles and responsibilities, agreeing timelines as well as financial resource contributions. | Recommendation closed.      |

| Recommendation |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments                             |
|----------------|--|--------------------|------------------|---|---|
| 20             | To stress in the guidelines the importance of reporting progress and accomplishments toward the achievement of the ORs/URs at mid-term by emphasizing the applicability and use of the related indicators and performance measures. (Paragraph 111)                            | 2012               | OSP              | <p>Recommendation implemented.</p> <p>In the 2012 Mid-term Review process, the guidelines stressed the need to report on progress towards the achievement of the indicators and targets. To assist the raters in assessing the performance of their Organizational Results and Organizational Outputs, the formulation information of OR/OOs was provided together with the indicators, targets and budgetary performance.</p>  | Recommendation closed.                                  |
| 21             | Emphasize in the RBM guidelines that all units should undergo the mid-year review and capture the results in Programme Planning Implementation Reporting and Evaluation Support System (PIRES) in conformity with the RBM Monitoring and Reporting Guidelines. (Paragraph 115) | 2012               | OSP              | <p>Recommendation implemented.</p> <p>In 2012, OSP emphasised to all units that they should undertake Implementation Monitoring in PIRES, stressing it is a strongly recommended managerial practice wherein staff responsible for Organizational Outputs would be able to: 1) assess progress of the delivery of products and services and the overall achievement of the Organizational Outputs, in order to strengthen timely completion of activities within budget and meet targets established by the associated performance indicators; 2) analyze achievements, success factors, impediments and constraints, and identify any necessary corrective actions; and; 3) raise any significant issues with the relevant manager. This process provided opportunity to review and record progress in achieving performance indicator targets and helped facilitate the completion of the Mid-Term Review exercise.</p> | Recommendation closed.                                  |
| 22             | Promote and strengthen the use of the existing Quality Assurance facility in   | 2012               | OSP              | The importance of Quality Assurance has been highlighted in the work planning guidelines for the  | In view of the wider review of the recommended process, |

| Recommendation                    |   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|-----------------------------------|---|--------------------|------------------|---|---|
|                                   | PIRES to (a) reinforce accountability and commitment by responsible officers; (b) ensure quality in the design, smooth implementation and monitoring of programmes or projects; and (c) effect the objective evaluation of ORs/URs for the achievement of intended results. (Paragraph 119)   |                    |                  | 2012-13 biennium. The recommendation will be addressed during the 2014-15 implementation and monitoring cycle in the context of work on the new monitoring framework, accountability and internal control framework.  | validation can be undertaken once the accountability and internal framework has been reported finished.   |
| 23                                | Focus on the measurement and reporting of results vis-à-vis resource inputs and utilization, and consider integrating the programme and financial performance into one report to provide policy makers inputs in the planning and budgeting process. (Paragraph 124)  | 2012               | OSP              | Recommendation implemented.<br><br>Guidance for the Mid Term Review of the PWB 2012-13 prompted reviewers to analyse financial resources in relation to programmatic results at the OO and the OR levels. The new monitoring framework for 2014-15 will provide new basis for measuring and reporting on results.   | Recommendation closed.  |
| <b>Enterprise Risk Management</b> |   |                    |                  |   |   |
| 24                                | That Management (a) enhance the Project Staff Structure by anticipating the next steps vis-à-vis the personnel movement/ availability and increasing the number of staff to work on the Project as a means of ensuring that schedules are met and all required deliverables are transmitted; (b) creating the Corporate Risk Committee to ensure the smoother flow of affairs and activities leading up to the achievement of this particular | 2012               | OSP              | OSP is building its ERM capacity. In addition to the P5 Senior Officer, an officer with an operations background (P4 level) was appointed to the ERM function in September 2012. Implementation of ERM is being redesigned to fit into the broader Accountability and Internal Control framework under development. It is anticipated that ERM will use the same governance mechanism as for other aspects of this mechanism. Based on the project's new design, OSP will coordinate with the concerned communications division and promote appropriate technology to support ERM implementation. | In view of the wider review of the recommended process, validation can be undertaken once the accountability and internal framework has been reported finished. |



| Recommendation   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments |
|--|--------------------|------------------|---|-----------------------------|
| <p>Immediate Plan of Action (IPA) reform; and (c) coordinating with concerned communications division, involving people to communicate the essentials, and making technology work for the Project by creating a dedicated webpage link to the ERM Project. (Paragraph 141)</p>   |                    |                  |   |                             |
| <p>25 That Management: (a) institute the use of clearly pronounced Risk Indicators to have an information that will lead to an early identification of warning signal of increasing risk exposures in all the assessed areas of the hierarchy and ensure that the risks are tracked more effectively; (b) enhance the Risk Cataloguing procedure by providing complete and clearer risk definitions, and enhance the preparation of the Risk Log by providing a column for the expected level of risks once a strategy or action is done; and (c) make clearer delineations of risks identified in each of the assessed areas to ensure that risks are put in the right perspective, whether each of the risks presented under each area can be categorized as “Primary Drivers” or “Intermediate Risks” or “Proximate Risks”. (Paragraph 146)</p> | 2012               | OSP              | <p>Partly agreed and implemented.</p> <p>Part (c) of the recommendation has been implemented.</p> <p>The use of risk indicators (part a), particularly if applied at all levels of the hierarchy as proposed by External Auditor, is not considered to be cost-effective or practical. Similarly, at this stage in the development of ERM in FAO, adding an extra column to measure the level of risk after a mitigating action (part b) is likely to prove confusing for users and is not likely to add value, since by definition the mitigating action is required to reduce a risk exposure to an acceptable level.</p> | Recommendation closed.      |

| Recommendation                  | Suggested Timeline  | Responsible Unit | Management Response | External Auditor's Comments  |   |
|---------------------------------|---|------------------|---------------------|--|---|
| Technical Cooperation Programme |   |                  |                     |  |   |
| 26                              | To intensify the monitoring of project data particularly those logged at the Field Programme Support Network (FPSN) taking note of milestones and the project remarks/comments; and deliver appropriate actions to ensure that the desired global information on deliveries is available to TCP management for decision-making purposes. (Paragraph 161)  | 2012             | TC/OSD              | <p>Recommendation implemented.</p> <p>A set of standard reports have been introduced in FPMIS to effectively monitor the project approvals and deliveries.</p>   | Recommendation closed.  |
| 27                              | That Management : (a) enhance the existing guidelines to include a policy that will standardize the documentation and timelines of every activity in the project cycle with consequent adjustments in the FPMIS; (b) include all the processes involved in the project cycle in its on-going enhancement of the FPMIS to give all users of the system comprehensive information for project monitoring and management; (c) require the completion of "Clearances" field in the FPMIS as this facilitates monitoring instead of going over the other documents to look into the approval and dates of issued clearances. Create a link between the "TCP" field and | 2012             | TC/OSD              | <p>In addition to the response provided to recommendation (5), we note that:</p> <p>(a) - TCP Step-by-Step instructions have been updated to provide guidance on required documentation and timelines of every activity at various stages of the TCP project cycle, in line with existing TCP procedures. Revision and update of the guidelines will continue, concurrently with the implementation of the New Project Cycle in FPMIS.</p> <p>(b) - The new standard TCP reports created and TCP processes to be reflected in FPMIS, (along with newly released Guide to the Project Cycle), seek to address these issues. The guidance provided is enhanced through training and workshops with the timing of specific activities envisaged to align with the implementation of the New Project Cycle in FPMIS.</p> | <p>Validation shall be conducted during the biennium-end audit for 2012-13.</p> <p>Deficiencies in project closures were still noted in the audits of the FAO Sub-Regional Office for Central Asia, the FAO Representation, Bangladesh and the FAO Representation, India.</p> |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments |
|---|--------------------|------------------|--|-----------------------------|
| <p>“Clearances” field for the automatic upload of the data input of clearances; (d) establish timelines for the uploading of information in the system especially reports such as the QPIR in aid of monitoring and to give more value to the purpose of the report; and (e) ensure that only documents/reports in their finalized forms are entered in the system to maintain the integrity of the desired information to be delivered.</p> <p>(Paragraph 164)</p> |                    |                  | <p>(c) Recommendation Implemented: TCP Step-by-Step instructions have been revised to reflect the need to enter information and upload the related documentation in FPMIS through Clearances field.</p> <p>(d) Recommendation implemented- A new monitoring and reporting approach for the TCP programme (Phases 4-5) has been developed, substituting the QPIR with a new results-based reporting framework. All reports will be uploaded FPMIS under the link designed for this purpose.</p> <p>(e) Recommendation implemented - This has been clarified. The fact that there are project documents with track changes in FPMIS is not because they were uploaded with track changes but rather due to a lack of compatibility between different versions of Word.</p> |                             |
| <p>28 Improve corporate monitoring and oversight over the programme. Take essential actions to address the root causes of projects which have remained unfinished despite the past Not to Exceed (NTE) dates and those needing operational and financial closure. This is to minimize, if not eliminate, similar occurrences in the future. (Paragraph 168)</p>   | 2012               | TC/OSD/FP SN     | <p>Recommendation Implemented</p> <p>The budget holders of the concerned projects have already been contacted to expedite the completion of pending project closure formalities without any further delay.</p> <p>TCP standard reports shall allow for corporate monitoring and oversight of the programme. As part of the continuous and ongoing efforts in this area, TCP team periodically follows-up with TCP Coordinators and the TCP Regional Programme Officers on the projects ( in the pipeline, operationally active and due for closure).</p> <p>These and similar issues were addressed during the</p>   | Recommendation closed.      |

| Recommendation |   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments               |
|----------------|---|--------------------|------------------|--|---|
|                |   |                    |                  | Joint TC Operations Support and RM Missions to the regional offices in 2010-2011. A comprehensive matrix of systemic issues and constraints was developed, with their resolution being followed up by the units concerned.   |   |
| 29             | Expand the provisions on project closures to include (a) more detailed instructions on assets handover/disposal; (b) timelines on disposal of assets/equipment and submission of Terminal Reports; and (c) corporate sanctions for non-compliance.<br><br>(Paragraph 172) | 2012               | TC/OSD/FP<br>SN  | <p>Recommendations a) and b) have been implemented</p> <p>Clear instructions have been provided to budget holders to expeditiously take action in respect of disposal of equipment and submission of terminal reports. The FPMIS triggers in place already incorporate a timeline for uploading of terminal reports.</p> <p>The new Project Cycle includes an improved closure phase (phase 6) which has been agreed upon with the relevant units.</p> <p>c) At this time, there are no corporate sanctions per se, although a benchmarking exercise is being developed to assess country office performance, with one of the indicators being project management.</p> | Recommendation closed.                    |
| 30             | Strengthen monitoring structure by instituting periodic internal Quality Assurance (QA) Reviews on projects to detect and address promptly at source warning of delays and other impediments. (Paragraph 176)   | 2012               | TC/OSD/FP<br>SN  | <p>See response to recommendation 28 above.</p> <p>The ongoing monitoring of regional portfolios with support from OSD will be further strengthened by the re-launching of Operations Support missions in 2013.</p>  | Recommendation closed.                    |
| 31             | Review the corporate Budget Holder training course and include the  | 2012               | TC/CSP           | Plans are to ensure training on TCP related issues, tools and guidelines, including new standard reports   | Validation shall be undertaken during the |

| Recommendation   |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments  |
|--|--|--------------------|------------------|---|--|
|  | <p>FPMIS operational monitoring tools for projects (FPSN and Pending Housekeeping Actions), and create e-learning related products for the staff members in the field.</p> <p>(Paragraph 177)</p>  |                    |                  | <p>for project monitoring and reporting, with the timing envisaged to align with the implementation of the New Project Cycle in FPMIS.</p> <p>The corporate budget holder course is being revised in line with the needs of the identified target audiences to carry out their budgetary responsibilities. With the revised FAO project cycle and the need to create common discipline across all offices in operational and administrative project management capacity, a set of virtual tutorials have been identified for design and development during the first quarter of 2013. The RLC, has been identified as having the knowledge and expertise in both the content and the development of such tutorials. This internal arrangement will take place in collaboration with OSD, OSP, RLC and CSPL leveraging the expertise of RLC to assist all other regions.</p> | biennium-end audit for 2012-13.  |
| <b>Management of Emergency and Rehabilitation Activities</b> |  |                    |                  |   |  |
| 32   | <p>Make the operating information more reliable by obtaining necessary country-level data as basis for decision-making. (Paragraph 182)</p>  | 2012               | TC               | <p>Achievement statements will be reformulated within the framework of the on-going integration process.</p>  | <p>Validation shall be undertaken during the biennium-end audit for 2012-13.</p> |
| 33   | <p>Pursue monitoring activities with the participation of non-Emergency Operations and Rehabilitation Division (TCE) personnel in the entire SO I activities.</p> <p>Embed in the programmed actions the monitoring activities pertaining to</p> | 2012               | TC               | <p>Recommendation Implemented</p> <p>SO I activities are planned and monitored at a corporate level, ensuring full involvement of decentralised offices.</p>  | <p>Recommendation closed.</p>  |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|--------------------|------------------|--|---|
| coordination since majority of SO I teams are not directly under the supervision of the TCE. (Paragraph 185)  |                    |                  |  |   |
| 34 That Management: (a) review the milestone set to make it more realistic after recognizing impediments that may not have been considered during the initial strategy formulation; (b) consider a more appropriate timeframe within which the milestone will be achieved; and (c) set the bottom line at a level where information movement is not hindered. (Paragraph 188) | 2012               | TC               | The milestone and achievements of the communication strategy will be amended as per the recommendation of the auditors and within the new structure and roles of the division. | Validation shall be undertaken during the biennium-end audit for 2012-13. |
| 35 Include clearer and more accurate indicators in the reformulation of milestones for more effective tracking with utmost consideration of decentralization efforts. (Paragraph 190)   | 2012               | TC               | The milestone and achievements on resource mobilisation will be amended within the framework of the integration of emergency and development programmes.                       | Validation shall be undertaken during the biennium-end audit for 2012-13. |
| 36 Shorten time lag, and manage obstacles that persist among collaboration points, synergy principle agreements and final delivery of security strategy, and provide adjustments to milestone. (paragraph 193)  | 2012               | TC               | The new Administrative Circular recently issued related to Field Security will frame Standard Operating Procedures (SOPs) development.   | Validation shall be undertaken during the biennium-end audit for 2012-13. |

| Recommendation |  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|----------------|--|--------------------|------------------|--|--|
| 37             | <p>Require submission of reports within the project time frames despite identified constraints.</p> <p>Prioritize the enhancement of the competencies of those charged with report preparation particularly in the field offices. (Paragraph 197)</p>                | 2012               | TC               | <p>Project closure activities are strictly followed up monthly for projects under closure.</p> <p>Donor reporting remains a top priority and management will pursue capacity development efforts in this area, particularly in support of field offices.</p> <p>This recommendation is also being reviewed in the context of the integration of emergency and development outreach groups.</p> | Validation shall be undertaken during the biennium-end audit for 2012-13.  |
| 38             | <p>Conduct an evaluation of the expected impact of a more inclusive and integrated analysis on food chain crisis prevention, a desired outcome stated in the PIR. (Paragraph 202)</p>  | 2012               | TC               | <p>An evaluation on the tool is foreseen within the framework of the corporate strategy on information systems for food and nutrition security which is under development.</p>   | Validation will be undertaken once the evaluation has been completed by Management.                              |
| 39             | <p>Consider whether to redefine the Organizational Output, or undertake a more aggressive partnering campaign with donors to fund the project, considering its significant contribution to the attainment of the OO and the age of the proposal. (Paragraph 205)</p> | 2012               | TC               | <p>We note that this Organizational Output has not been included under the 2012-2013 PWB and is therefore no longer relevant and should be closed.</p>   | Recommendation closed.   |
| 40             | <p>Make policy enhancements to the Field Programme Manual to define timelines for full settlement of commitment, filing of pending claims, and processing of Property Transfer Form (PTF).</p>   | 2012               | TC               | <p>Project closure has been included as a specific phase of the new project cycle to emphasize its importance and specificity.</p> <p>Under the closure step, specific instructions are included for fulfilling the following actions:</p> <ul style="list-style-type: none"> <li>• project terminal report completion;</li> </ul>   | Validation will be undertaken once the additional enhancements on the project closure phase have been completed. |

| Recommendation  | Suggested Timeline   | Responsible Unit | Management Response   | External Auditor's Comments  |  |
|---|--|------------------|---|--|--|
| <p>Include in the Project Agreements clauses pertaining to Disposal of Equipment, or use of equipment after the NTE date. (Paragraph 209)</p> |  |                  | <ul style="list-style-type: none"> <li>• coordination of departure of field project personnel;</li> <li>• provision of last inputs;</li> <li>• disposal of equipment;</li> <li>• information of all parties of operational closure.</li> </ul> <p>Additional enhancements of the sections will be made to incorporate recommendation regarding TSS claims, timeline of actions, as well of roles and responsibilities for action.</p> |  |  |
| <b>Human Resources Management</b>   |  |                  |   |  |  |
| 41  | <p>That the hiring units and the CSH:</p> <p>(a) closely monitor vacancies that are experiencing delays in the processing of applications and that efforts be made to facilitate the timely completion of the evaluation;</p> <p>(b) define a policy on the maximum time allowed for accounts to remain idle in iRecruitment before they may be purged from the system as well as the desired retention period for reports; and</p> <p>(c) revisit the design and routine assignment of vacancy numbers in the iRecruitment to ensure that (i) the basic control on the existence of an audit trail is embedded in the system so that the processed data are</p> | 2012             | OHR   | <p>(a) Monitoring mechanisms are in place to monitor vacancies experiencing delays and CSP is actively following up where necessary with recruiting areas. The implementation of iRecruitment is greatly speeding up the timely completion of pre-screening of applicants.</p> <p>(b) The policy will be defined by the end of 2013.</p> <p>(c) This is an identified technical issue for which actions to address it have been initiated.</p> | <p>Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ.</p> |



| Recommendation   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|--|--------------------|------------------|---|---|
| complete, timely and accurate; and (ii) gaps and duplications in numbering are avoided. (Paragraph 215)  |                    |                  |   |   |
| 42 Continuously pursue its efforts to cut down the processing time from VA closure to submission of recommendations to PSSC by reducing the time spent by recruiting units for pre-screening, short-listing, interviewing and selection. (Paragraph 219)   | 2012               | OHR              | Efforts are ongoing to identify bottlenecks in the recruitment process and implement solutions. Regular progress reports are presented at each session of the Finance Committee.<br><br>The processing time for the evaluation of candidatures has generally improved thanks to the implementation of iRecruitment. | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |
| 43 Require hiring units to closely coordinate with the Human Resources Management Division (CSH) and Professional Staff Selection Committee (PSSC) Secretariat to ensure that submissions for possible appointment will not cause the countries they represent to reach the upper representation limit, to sustain the Organizations' gender balance and geographic representation targets. (Paragraph 224); | 2012               | OHR              | Recommendation implemented.   | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |

| Recommendation |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|----------------|--|--------------------|------------------|---|---|
| 44             | Ensure timely recording of the changes in the geographical representation resulting from change of nationality, recruitments, mandatory retirements, resignation and other modes of separation and include in the Geographical Representation Report, the causes of the change in representation of member countries for an accurate and timely representation profile. (Paragraph 225)                  | 2012               | OHR              | Recommendation implemented.   | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |
| 45             | Establish measures to: (a) streamline the recruitment process of Junior Professionals; (b) use the system of iRecruitment in processing applications under the Junior Professional Programme (JPP); and (c) ensure compliance with the requirements of preparing a Project Implementation Document (PID) to establish a clear project outline and more realistic targets and timeframes. (Paragraph 229) | 2012               | OHR              | (a) Recommendation implemented<br>(b) Recommendation implemented<br>(c) A project plan with clear timelines is prepared at the beginning of the recruitment process for each cohort of J's. This is communicated to recruiting units. | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |
| 46             | Establish clear-cut rules on the acceptance and processing of late submissions from prospective JPP candidates to promote fairness among candidates. (Paragraph 232)   | 2012               | OHR              | Recommendation implemented.   | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |

| Recommendation            |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|---------------------------|--|--------------------|------------------|---|---|
| 47                        | Undertake active measures to increase JPP's market base. In this regard, establish linkage with relevant tertiary educational institutions and professional associations to attract participants from target countries. (Paragraph 236)  | 2012               | OHR              | Recommendation implemented.<br>Communications have been sent to FAO Representatives and also Permanent Representatives to identify institutions to which VAs can be disseminated through an automated distribution system. The number of institutions thus contacted has considerably increased since 2010.   | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |
| 48                        | Proceed with the issuance of an official Corporate Mobility Policy to provide a common understanding of the goals, benefits and specific expectations of the Organization from its staff with regard to their performance and conduct as well as to provide guidance on staff rotations and reassignments. (Paragraph 240)   | 2012               | OHR              | Revisions to the draft corporate mobility policy were presented to and endorsed by the Director-General in May 2013. The policy is expected to be implemented by the end of 2013.   | Validation will be undertaken on the status of implementation of this recommendation this 3rd interim audit for the biennium 2012-13 at FAO HQ. |
| <b>Project Evaluation</b> |  |                    |                  |   |   |
| 49                        | Enhance the evaluation policy to comply with the United Nations Evaluation Group (UNEG) Standards by including in the Office of Evaluation (OED) Charter: (a) Responsibilities of evaluators and their required competencies; (b) Expectations from senior management and programme managers; (c) Criteria for the selection of projects to be evaluated; (d) Timing of the conduct thereof; (e) | 2012               | OED              | While the suggestions made do not warrant formal amendment of the Charter, they are largely valid and the sub-recommendations have been or are being addressed as follows:<br><br>a) vacancies for OED posts are drafted based on UNEG standards;<br><br>b) the Evaluation Committee (Internal) will be requested to discuss and provide feedback on expectations from senior management and programme managers;<br><br>c) OED is monitoring with TCSR the inclusion of | Validation shall be undertaken during the biennium-end audit for 2012-13.   |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|---|--------------------|------------------|--|--|
| <p>Institutionalization of the monitoring of evaluation results; and (f) Maintenance of an up-to-date database containing findings, recommendations and lessons learned for use by the Organization and its stakeholders in making decisions. (Paragraph 246)</p> |                    |                  | <p>evaluation provisions in projects, as per Field Programme Circular 2011/1</p> <p>d) closer internal monitoring of progress on conducting project evaluations has been instituted in OED;</p> <p>e) as endorsed by the Programme Committee where cost-effective, the validation of Follow-up Reports to Management Responses has been initiated as part of the evaluation regime;</p> <p>f) by end of 2013, OED expects having the database set-up and functioning, as part of the Evaluation Knowledge Management Strategy.</p> |  |
| <p>50 Develop the guidelines to implement the recommended additional evaluation policies and ensure its completion. (Paragraph 247)</p>   | 2012               | OED              | <p>Work is in progress. OED expects to issue the Handbook on evaluation in FAO and the Guidelines on thematic and strategic evaluations in early 2014.</p>   | <p>Validation shall be undertaken during the biennium-end audit for 2012-13.</p> |
| <p>51 Review the existing planning and collaboratively develop with OED staff the evaluation work plan to foster transparency in planning, monitoring and reporting on the status and results of each project evaluation. (Paragraph 250)</p>                     | 2012               | OED              | <p>The 2013 work-plan for project evaluations was prepared based on the identification of projects due for evaluation by the end of 2013, in consultation with project managers. The plan is regularly updated to reflect new requests for project evaluations or changes in project implementation that affect the timing of evaluation.</p>  | <p>Validation shall be undertaken during the biennium-end audit for 2012-13.</p> |
| <p>52 Conduct an ex-post evaluation on projects to fully assess the impact and sustainability of completed projects. Allocate a budget for the conduct of ex-post evaluation. (Paragraph 258)</p>   | 2012               | OED              | <p>Project funds are not available for ex-post evaluations or any other purpose after financial closure of the project. However, OED proposes to use a proportion of the funds gathered in the Trust Fund for the evaluation of voluntary-funded initiatives for this purpose. At the same time, it</p>  | <p>Validation shall be undertaken during the biennium-end audit for 2012-13.</p> |

| Recommendation | Suggested Timeline  | Responsible Unit | Management Response  | External Auditor's Comments   |   |
|----------------|---|------------------|--|---|---|
|                |   |                  | should be noted thematic, strategy and country evaluations have already included ex-post evaluations, and impact studies have been a recurrent feature of country evaluations. |   |   |
| 53             | Improve the QA tools by providing adequate descriptions/criteria or values to the questions/issues and the scoring scale, where applicable and to the extent practicable, to ensure the quality of the project evaluation processes and outputs. Utilize the QA tools during the execution of evaluation apart from ex-post to ensure improved quality of evaluation processes and reports. (Paragraph 260) | 2012             | OED  | Following the new Project Cycle Guide issued by FAO in 2012, OED has revised its guidelines and tools for project evaluations. Plans are to complete implementation of the recommendation by the end of 2013. | Validation shall be undertaken during the biennium-end audit for 2012-13. |
| 54             | Continue to closely monitor the submission by responsible officials of their responses to evaluation and follow-up reports. Call the attention of those concerned for noted delay or non-submission of the Management Response and Follow-up Reports. Indicate in the report or record the date of receipt of the said reports for monitoring and control purposes. (Paragraph 265)                         | 2012             | OED  | OED continues to monitor timeliness of responses and records related dates of receipt.  | Validation shall be undertaken during the biennium-end audit for 2012-13. |
| 55             | Establish a validation/closure procedure for implemented recommendations and a monitoring system that will keep track, either on  | 2012             | OED  | The follow-up report to management response for project evaluations gives information on the status of accepted recommendations. The report is prepared one year after the management response to             | Recommendation closed.  |

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| Recommendation   | Suggested Timeline | Responsible Unit | Management Response | External Auditor's Comments |
|--|--------------------|------------------|---------------------|-----------------------------|
| a semestral or annual basis, the status of recommendations until closure.<br>(Paragraph 266) |                    |                  | the evaluation.     |                             |

## 2010-11 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

## SIGNIFICANT

| Recommendation     | Suggested Timeline  | Responsible Unit | Management Response | External Auditor's Comments           |   |
|--------------------|---|------------------|---------------------|---------------------------------------|---|
| Project Management |   |                  |                     |                                       |   |
| 56                 | Work within the approved project budget, and in the case of Trust Fund (TF) projects, work within the cash received from donors; ensure that funds are available for the project before incurring commitments and expenditures; diligently monitor and check cash balances through Field Programme Management Information System (FPMIS), Oracle Data Warehouse and Field Accounting System (FAS); and alert Finance Division (CSF) of any prospective need to obtain additional cash from the donor. (Paragraph 273) | 2012             | BHs/FPSN/OSD        | See response to recommendation no. 2. | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013.   |
| 57                 | Review and monitor the status of projects with past NTE dates to determine any reporting deficiencies, require immediate compliance with donor's other requirements, and request full release of the remaining funds for said projects. (Paragraph 274)   | 2012             | BHs/FPSN/OSD        | See response to recommendation no. 2. | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013.<br><br>The deficiencies on reporting requirements were noted in the current biennium's audits of FAO Sub-Regional Office for Central Asia and FAO |

| Recommendation                                    |   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|---|--------------------|------------------|--|---|
|   |   |                    |                  |  | Representation in Bangladesh.   |
| 58  | Ensure the provision of evaluation budget for every project to enable the conduct of a terminal or ex-post evaluation. (Paragraph 277)  | 2012               | BH/TC/OSD        | <p>For all cases where an evaluation is required by the donor, project evaluations have been and will continue to be carried out.</p> <p>For all other projects, evaluation budgets are established in accordance with established policies.</p> <p>In addition, a budget equivalent to 0.4% of the TCP biennial appropriation is made available to BHs to conduct an Ex-Post-Assessment (EPA) of individual TCP projects, as endorsed by the Council at its 141st session</p> | The Organization's compliance shall be validated during the biennium-end audit for 2012-2013.   |
| 59  | That the QPIR be made available on a timely basis to all stakeholders for objective decision-making, transparency and complete documentation of project implementation. (Paragraph 279)   | 2012               | BHs/FPSN/OSD     | A new monitoring and reporting approach for the TCP and other projects/ programmes as part of the new Project Cycle (Phases 4-5) has been developed, substituting the QPIR with a new results-based reporting framework. All reports will be uploaded in the new project page in FPMIS designed for this purpose.  | <p>Recommendation closed.</p> <p>The relevance of the reports under the new results-based reporting framework in FPMIS will be reviewed in future audits.</p> |
| <b>Procurement and Letters of Agreement (LoA)</b> |   |                    |                  |  |   |
| 60  | That the Procurement Service (CSAP) take an active role in developing the competencies of field procurement to ensure that procurements in the decentralized offices are done correctly and in the best interest of the Organization. (Paragraph 283) | 2012               | CSA              | <p>Implemented and mainstreamed.</p> <p>CSAP has developed e-learning modules on procurement and Letters of Agreement, prepared comprehensive guidelines in clear jargon-free language, developed templates and planning spreadsheets for use by the decentralized offices. These resources are all available on the Procurement intranet pages and the Letter of</p>  | Recommendation closed.  |



| Recommendation |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments |
|----------------|--|--------------------|------------------|---|-----------------------------|
|                |  |                    |                  | <p>Agreement Intranet pages. Many of these resources are available in French, Spanish and English.</p> <p>Since 2009, CSAP has provided extensive face-to-face training on MS502 Procurement and advance Procurement issues to over 1200 staff of which 880 were located in the field and in every region. In addition, MS507 Letters of Agreement training has reached 1030 staff of which 670 were staff in the field. CSAP has posted 7 International Procurement Officers (IPOs) to decentralized offices with high volume and/or complex procurement. This deployment has resulted in a significant improvement of the Organization's delivery not only in the respective countries, but also in countries where they have conducted procurement missions.</p> <p>Every day CSAP staff provide timely, relevant advice and support to colleagues in the decentralized locations.</p> |                             |
| 61             | Monitor the progress of completed activities vis-a-vis the expenditures incurred by the Implementing Partners (IPs) with the view of avoiding incurrence of overpayment. (Paragraph 289) | 2012               | FAOR Pakistan    | <p>We note that this observation has been addressed by hiring an additional Monitoring Officer with the objective of strengthening the monitoring and reporting component of the projects.</p> <p>Furthermore, the Emergency Response Coordination Unit has hired additional Field Verification Officers to strengthen the monitoring of the project activities on the ground.</p>  | Recommendation closed.      |

| Recommendation          |   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|-------------------------|---|--------------------|------------------|---|---|
| 62                      | Ensure that the schedule of payment in the LoA adequately protect the Organization's interests and encourage timely delivery of services/products. (Paragraph 290)  | 2012               | FAOR Pakistan    | Recommendation implemented  | Validation to be undertaken during the biennium-end audit for 2012-2013.  |
| 63                      | Ensure that the IPs selected possess good track record and financial capacity, and can perform the activities without requesting significant amounts as initial payment and ensure that the amount of advance payment falls within the limit set out in MS 507. (Paragraph 291)   | 2012               | FAOR Pakistan    | Recommendation implemented  | Validation to be undertaken during the biennium-end audit for 2012-2013.  |
| <b>Asset Management</b> |   |                    |                  |   |   |
| 64                      | Improve asset management by: (a) strict compliance with the Organization's manual, regulations and rules through regular submission of an updated Year-end Asset Report (YEAR) as basis for reconciliation with headquarters records; (b) regular monitoring of procurement of non-expendable properties; and (c) prompt reporting of acquisitions using the ADM 41, and losses, damages and non-serviceability using ADM 83. (Paragraph 294) | 2012               | CSF              | The Organization agrees with the recommendation. Significant changes and improvements of the existing processes are introduced by GRMS:<br>a) The YEAR process will be simplified and more timely and an asset count and verification will be carried out as part of the GRMS deployment.<br>b) Verification of non-expendable properties will henceforth be carried out on a rolling basis.<br>c) Timeliness will improve as the former ADM41 manual process has been automated under GRMS while the ADM83 process is now fully supported by a system workflow | The Organization's compliance shall be validated during the 3rd interim and biennium-end audits for 2012-2013 at SSC, decentralized offices and HQ. |

| Recommendation |  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments   |
|----------------|--|--------------------|------------------|---|---|
| 65             | Establish custodianship and accountability of each staff member and official for both expendable and non-expendable items using the Custody of Property form. (Paragraph 297)  | 2012               | CSF              | New GRMS process to allow direct user system input of custodian and responsible officer data and regular monitoring of this data by SSC Assets Group Budapest using custom built monitoring reports will ensure adherence to this requirement.                                  | The Organization's compliance shall be validated during the 3rd interim audit for the biennium 2012-2013 at SSC.                    |
| Consultants    |  |                    |                  |   |   |
| 66             | Implement the prescribed controls and guidelines/ regulations in hiring consultants. (Paragraph 300)   | 2012               | OHR              | A new proposed corporate framework on the use of internationally recruited consultants and PSAs is reaching the final stage of consultation. Once endorsed, it will provide substantial guidance on all aspects of their recruitment, including honoraria and final assessment. | The status of implementation of this recommendation shall be validated this 3rd interim audit for the biennium 2012-2013 at FAO HQ. |
| 67             | Enforce the provisions of MS 319 particularly on the competitive selection process in the choice of consultants to afford the FAO Representation Office (FAOR) Ethiopia the opportunity of getting the best expert at the most advantageous cost. Expand database of consultants and maximize the use of the Roster to reduce dependence on a limited number of experts in the hiring process. (Paragraph 303) | 2012               | FAOR<br>Ethiopia | Agreed.   | Actions taken by FAOR Ethiopia on this recommendation will requested for validation at biennium-end audit for 2012-13.              |
| 68             | Ensure strict compliance with financial regulations, rules and policies to improve the financial and cash management in the decentralized offices (Paragraph 306)  | 2012               | CSF              | See response to recommendation no. 69   | The Organization's compliance shall be validated during the biennium 2014-15 audit.   |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|---|--------------------|------------------|--|--|
| <p>69 Improve monitoring control in decentralized offices by checking regularly their compliance with the Organization's financial regulations and policies to address the risk of inappropriate use of funds. Consider in the action plan of CSF the build-up of competencies of staff performing financial functions in decentralized offices (Paragraph 307)</p> | 2012               | CSF              | <p>The PWB 2014 proposals reflect a reorganization of the Finance Division to better support the transformational changes endorsed by the governing bodies. Internal control of financial and accounting processes will be strengthened both at headquarters and in decentralized locations and which will be further supported by the location of dedicated outposted Finance Officers at each Regional Office.</p> <p>These efforts will be further facilitated by the rollout of GRMS functionality which will provide the Organization with increased tools which support improved monitoring controls in decentralized offices.</p> | <p>The Organization's compliance shall be validated during the biennium 2014-15 audit.</p> |

## 2008-2009 BIENNIUM - AUDIT OF HEADQUARTERS

## FUNDAMENTAL

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|---|--------------------|------------------|--|--|
| <b>FUNDAMENTAL</b>  |                    |                  |  |  |
| <b>Rec 1. Staff Related Liabilities</b>   |                    |                  |  |  |
| 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. | 2010               | CSF              | <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 148th Session of the Finance Committee in March 2013 where the Committee also considered the results of the latest actuarial valuation as at 31 December 2012.</p> <p>The 38th Session of the Conference in June 2013 noted that the Finance Committee would undertake a comprehensive review of proposals to improve FAO's financial health, liquidity and reserves at its autumn session in 2013 for subsequent consideration by the Council.</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. |
| <b>Rec 3. Host Country Agreements</b>   |                    |                  |  |  |
| 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  | 2010               | OSD              | <p>The Office of Support to Decentralization has prepared a proposal for a comprehensive review and re-negotiation of the FAOR HCAs and relevant Government's contribution based on countries' income classification.</p> <p>This exercise has started on a pilot basis for a first</p>  | As the comprehensive review of the HCAs is ongoing, the recommendation shall be monitored until it is fully addressed.   |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|--|--------------------|------------------|--|--|
| additional revenues by negotiating improved cost-sharing schemes between the Organization and amenable host countries.   |                    |                  | group of countries where there are no arrears and using the new standard HCA format which has been developed. Further details of progress on the pilot were provided to the 147th Session of the Finance Committee ( doc FC 147/14 Annex). Progress on the pilot exercise is slower than originally anticipated, primarily due to the low rate of response from the concerned Governments and the need to re-negotiate the level of their contribution.                |  |
| <b>Rec 4. Working Capital Fund (WCF)</b>   |                    |                  |  |  |
| We recommended that the Organization seriously consider increasing the level of the WCF to provide sufficient buffer to the General Fund (GF). In this regard, the Secretariat confirmed that they will include proposals to increase the level of the WCF in the PWB for 2012-13 under the section on Financial Health similar to those which were previously presented in the PWB 2010-11 but which were not endorsed by the Membership at that time. We also reiterate our recommendation that the Organization continue its efforts to collect contributions and arrears due from member states. | 2010               | CSF              | The Secretariat included proposals to increase the funding level of the WCF in the PWB 2014-15.<br><br>The 38 <sup>th</sup> Session of the Conference in June 2013 deferred to future biennia the replenishment of the Working Capital Fund noting that the Finance Committee would undertake a comprehensive review of proposals to improve FAO's financial health, liquidity and reserves at its autumn session in 2013 for subsequent consideration by the Council. | 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. |
| <b>Rec 5. Regular Programme budgetary controls</b>   |                    |                  |  |  |
| We encourage the Organization to consider the standard Oracle budgetary functionality for effective and efficient fund sufficiency checking in accordance with the budget  | 2010               | OSP/CSF          | 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   | We recognize the linkage of the recommendation with the ongoing review of the new planning and budgeting   |

| Recommendation     | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments  |
|--------------------|--------------------|------------------|---|--|
| fungibility rules. |                    |                  | <p>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 and for the review and authorization of additions to and transfers between allotments.</p> <p>With the implementation of GRMS and the roll-out of financial systems to country offices in 2013, more complete and timely financial information will be available and facilitate the potential implementation of automated budgetary control functionality.</p> <p>During 2012-13 the Organization is finalizing the requirements for the design of the new Planning and Budgeting Model and defining the new structure of the PWB and requirements for a new standardized reporting system, following the recommendations in the Immediate Plan of Action and the Root and Branch Review. 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> | module and we encourage the Organization to complete the action on the recommendation. |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|--------------------|------------------|--|---|
| <b>Rec 7. Project management – project closure</b>  |                    |                  |  |   |
| <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> | 2011               | TC/OSD/BH        | <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>TC, in consultation with a wide range of stakeholders in headquarters and DOs has engaged in the revision and update of most 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. OSD follows up under new organizational responsibilities</p> <p>Phase 6 of the new project cycle describes in detail the procedures which need to take place for ensuring timely project closure. In addition, a new Project Operational Closure Form has been designed.</p> <p>In this context, a new Field Programme Support Network (FPSN) Monitoring Tool is now available in FPMIS for monitoring purposes 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. This tool is now widely used. Training provided by</p> | <p>Recommendation closed.</p> <p>Validation of actions taken by Management relating to the issues on project closure shall be undertaken on related recommendations (Nos. 28 and 29) under the Biennium 2010-11 Report.</p> |



| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|--------------------|------------------|--|---|
|   |                    |                  | <p>ROs also highlight the need for action in that respect.</p> <p>However, the BH is the ultimate responsible, and is held accountable, for ensuring closure actions take place (e.g. Field Project Personnel, Equipment and project inputs are settled in accordance with FAO's standard procedures). The Organization agrees with the recommendation, and confirms all possible actions to this end have been taken.</p>   |   |
| <b>8. Support costs to Field Programme (Project Servicing Costs)</b>  |                    |                  |  |   |
| <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> | 2012               | OSP              | <p>The Secretariat presented measures to improve implementation of the Organization's Support Cost Policy to the Finance Committee at its 138<sup>th</sup> Session in March 2011. These measures were welcomed by the Committee and it looked forward to reviewing in further detail at its session in October 2011 proposals for cost recovery measures of categories previously excluded from the policy.</p> <p>The 37<sup>th</sup> 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</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 be implemented during the biennium 2012-13 verification will be undertaken during the biennium-end audit.</p> |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments |
|--|--------------------|------------------|---|-----------------------------|
| <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 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>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 is being gradually introduced from 2012 to: a) recover the indirect variable costs of services provided in connection with recruiting and managing project personnel where PSC rates were applied below the ceiling rates; and b) 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.</p> <p>A comprehensive report addressing all aspects of this support cost policy will be presented to the Finance Committee during the 2012-13 biennium and which could lead to further improvements in cost recovery.</p> |                             |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
|---|--------------------|------------------|--|--|
| <p>d.1 consider articulating the instances where recovery is possible or not and;</p> <p>d.2 establish the extent at which the Organization desires to recover the cost of TSS.</p>   |                    |                  |  |  |
| <b>Rec 9. Property Management - Custody and accountability over non-expendable property</b>   |                    |                  |  |  |
| <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> | 2010               | CSF/CSDU         | <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 January 2013.</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>Recommendation closed.</p> <p>Validation of actions taken by Management relating to the issues on property accountability and custody shall be undertaken on related recommendation (No. 65) under the Biennium 2010-11 Report.</p> |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|--|--------------------|------------------|--|---|
| <b>Rec 10. Non-expendable property and Expendable property</b>   |                    |                  |  |   |
| <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>  | 2010               | CSF              | <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. The new policies and processes will be implemented in accordance with the GRMS deployment timetable.</p>  | <p>Recommendation closed.<br/>Validation shall be undertaken on the actions taken by Management on related recommendation (No. 64) under the Biennium 2010-11 Report.</p> |
| <b>Rec 11. Year End Asset Reports</b>  |                    |                  |  |   |
| <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> | 2011-12            | CSF              | <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 are required to support the accounting for property, plant and equipment in order to meet IPSAS requirements. The YEAR process will be simplified and more timely as a result of the new asset processes and procedures to be implemented as part of GRMS. In addition, as part of the GRMS deployment, an asset count and verification will be carried out.</p> | <p>Recommendation closed.<br/>Validation shall be undertaken on the actions taken by Management on related recommendation (No. 64) under the Biennium 2010-11 Report.</p> |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments  |
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| <b>SIGNIFICANT</b>  |                    |                  |  |  |
| <b>Rec 16. Plan Assets</b>  |                    |                  |  |  |
| <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> | 2012               | CSF              | <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> |
| <b>Rec 17. Procurement – Liquidated Damages of Late Deliveries Assets</b>   |                    |                  |  |  |
| <p>We recommend that the monitoring of deliveries be strictly performed by the Budget Holders (BH). The recommendation to impose penalties, if any, should be made by him/her already and subsequently deducted from the payment.</p>   | 2011 onwards       | CSA              | <p><b>Recommendation Implemented</b></p> <p>The Organization agrees that monitoring of deliveries should be performed by the Budget Holders and, as appropriate, that they make recommendations regarding application of liquidated damages for late delivery. However, final determination of application of liquidated damages rests with the Buyer and Authorized Official so as to ensure that all factors including any mitigating circumstances or contractual obligations are considered.</p> | <p>The Organization's compliance shall be evaluated during the 2012-13 biennium-end audit.</p>   |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments |
|--|--------------------|------------------|--|-----------------------------|
|  |                    |                  | <p>Guidance notes to the Budget Holders have been prepared and take into account changes introduced by GRMS and the receiving function. The Guidance Notes are posted on the front page of the Procurement intranet site and further dissemination to Budget Holders will be undertaken via e-mail and the CSAP NewsBrief.</p> <p>This action may be considered implemented.</p> |                             |
| <b>MERITS ATTENTION</b>  |                    |                  |  |                             |
| <b>Rec 19. Special Fund for Emergency and Rehabilitation Activities</b>  |                    |                  |  |                             |
| <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> | 2012               | TC               | <p>Recommendation Implemented</p> <p>Guidelines related to the management of the SFERA were endorsed for immediate use by the Director, TCE at the end of November 2011.</p> <p>The Field Programme Circular "Procedure for the management of the Special Fund for Emergency and Rehabilitation Activities (SFERA)" was issued on 31 October 2012.</p>                           | Recommendation closed.      |

## 2008-09 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments  |
|---|--------------------|------------------|---|--|
| <b>FUNDAMENTAL</b>  |                    |                  |   |  |
| <b>Rec 20. Budgetary Controls – Regular Programme (Regional Office for Africa)</b>  |                    |                  |   |  |
| <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> | 2010               | RAF              | RAF will ensure that it works within the limit of allotments provided and reported through PBRs in accordance with the PWB, and that written authorizations are received from OSP before proceeding to budget implementation. | Observation was also noted during the 2010-11 audit . RAF's compliance to be evaluated during biennium -end audit for 2012-2013. |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|--|--------------------|------------------|--|---|
| <b>Rec 21. Budgetary Controls – Projects (Regional Office for Africa)</b>  |                    |                  |  |   |
| <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</p> | 2010               | RAF              | <p>RAF agrees with the recommendation, and notes that the newly created Regional Programme Coordination Unit (RPCU) has 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>Some FAO Representations are already using the tracking system to monitor their project budget. Following the hub trainings carried out by RAF at the end of the last biennium, RAF is now working closely with other FAO Representations to have the tracking system in place.</p> <p>The new field solution to be rolled out in 2013 as part of the GRMS Programme will provide complete and timely information on local commitments, hence facilitating budget and cash balance monitoring, and more timely call for funds.</p> <p>It is also noted that "The Field Programme Support Network" (FPSN) Monitoring Tool in FPMIS highlights where Budget Holder attention is required for a call for funds as one of the specific monitoring elements and FPMIS also sends trigger messages in this respect.</p> | <p>Observation was also noted during the 2010-11 audit .</p> <p>RAF's compliance to be evaluated during biennium-end audit for 2012-2013.</p> |



| Recommendation   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments  |
|--|--------------------|------------------|---|--|
| cash balance for TF projects   |                    |                  |   |  |
| <b>Rec 22. Non-Expendable Properties</b>   |                    |                  |   |  |
| 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. | 2010               | CSF              | The Organization concurs with the recommendation and confirms that these processes are included within the scope of the GRMS program. Automation of the asset process will dispense with the need for ADM41 and ADM83 for Decentralized Offices, simplify and make more timely the count and reconciliation and permit greater control and monitoring of the transactions.  | Recommendation closed.<br>Validation shall be undertaken on the actions taken by Management on related recommendation (No. 64) under the Biennium 2010-11 Report.      |
| <b>Rec 25. Project Management - Delays in Terminal Reporting and Closures</b>  |                    |                  |   |  |
| We reiterate that utmost efforts be exerted to observe the timelines for project implementation and completion   | 2011               | TC/OSD/BH        | The Organization concurs with the recommendation, acknowledging challenges to delays in project closures – please refer to comment to recommendation 7 above.<br><br>The Reports Group in TC Department has been working closely with the FPMIS team and Budget Holders to minimize delays in the operational closure of projects. Since the last update, three consultants have been recruited in the Reports Group, TCSR, and efforts are being made to identify one more. With the new persons on board the capacity of the Group has increased considerably and it is expected that delays in terminal reporting will be reduced.<br><br>Furthermore, the new Project Cycle | Recommendation closed.<br>Validation shall be undertaken on the actions taken by Management on related recommendations (Nos. 27-29) under the Biennium 2010-11 Report. |

| Recommendation | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments |
|----------------|--------------------|------------------|--|-----------------------------|
|                |                    |                  | <p>includes standard formats for reports, indicating their scope and focus, as well as the supporting quality assurance tools available in FPMIS, with scorecards on relevance, achievement of results, implementation and sustainability.</p> <p>By using these scorecards to keep monitoring and performance evaluation data up-to-date in the system, the Budget Holder and project task force will ensure that the production of reports is simplified and less demanding in terms of staff time. Reporting will thus be streamlined; it will focus on results and facilitate analysis. This in turn will step up the operational closure of projects.</p> |                             |

Review and Assessment of the Special Fund for Emergency and Rehabilitation Activities

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|--------------------|------------------|--|---|
| Rec 1. Guidelines on the Governance and Management of SFERA   |                    |                  |  |   |
| <p>Proceed to the immediate issuance of the “Guidelines on the Governance and Management of SFERA” which should incorporate the following:</p> <p>a) the maximum amount that a project may obtain as a cash advance from SFERA;</p> <p>b) the prescribed period for reimbursement of SFERA advances following receipt of donor contributions;</p> <p>c) a criteria in defining emergency situations which would warrant SFERA funding adopting the criteria contained in the 2005 Field Programme Committee document entitled “A new approach for the designation of TCE operational responsibility”; and</p> <p>d) requiring a logical framework for all projects, regardless of project cost, as a best management practice tool in</p> | 2012               | TC               | <p>Guidelines related to the management of the SFERA were endorsed for immediate use by the Director, TCE at the end of November 2011.</p> <p>The Field Programme Circular "Procedure for the management of the Special Fund for Emergency and Rehabilitation Activities (SFERA)" was issued on 31 October 2012.</p> | <p>Recommendation closed with the issuance of the said Field Programme Circular on 31 October 2012.</p> |

| Recommendation  | Suggested Timeline | Responsible Unit | Management Response  | External Auditor's Comments   |
|---|--------------------|------------------|--|---|
| planning, monitoring and reporting.   |                    |                  |  |   |
| <b>Rec 2. Logical Framework for SFERA Projects</b>  |                    |                  |  |   |
| Ensure that a logical framework are prepared for all SFERA-funded projects, regardless of project cost, and made part of project documentation, in accordance with the Instructions Manual on Results-Based Integrated Planning and Monitoring, in order to facilitate review and monitoring of emergency projects. | 2012               | TC               | SFERA funded projects follow the new Guide to the Project Cycle Guidelines (issued on July 2012). All projects include a Results Matrix. | The Organization's compliance shall be evaluated during the biennium-end audit for 2012-13. |
| <b>Rec 4. Criteria for Fund Applications under Revolving Funds</b>  |                    |                  |  |   |
| Establish definite criteria on allocating funds under the revolving fund to be adopted as official policies in the proposed guidelines in the governance and management of the SFERA.   | 2012               | TC               | Addressed as part of guidelines referred under Recommendation 1 above.   | Recommendation closed.  |

| Recommendation   | Suggested Timeline | Responsible Unit | Management Response   | External Auditor's Comments  |
|--|--------------------|------------------|---|--|
| Rec 6. Provision of RBM matrix for every project   |                    |                  |   |  |
| Provide a RBM matrix for every project in the FPMIS to ensure that there is sufficient information on the progress of project activities and project fund utilization. | 2012               | TC               | SFERA funded projects follow the new Guide to the Project Cycle Guidelines (issued on July 2012). | Recommendation closed in view of the adoption of the new Guide to Project Cycle. |