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FINANCE COMMITTEE

Hundred and Seventy-third Session
Rome, 12 - 16 November 2018
Progress Report on Implementation of the Audit Committee's Recommendations

MY341e

FC 173

EXECUTIVE SUMMARY

➢ This report outlines the progress on implementation by the Secretariat of recommendations made by the Audit Committee.
➢ The report presents the progress made by FAO in implementing recommendations that were outstanding in the Audit Committee's 2017 Annual report (document FC 170/9 Rev.1).

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

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

Draft Advice

The Committee:
➢ **noted the status of implementation of the recommendations of the Audit Committee; and**
➢ **welcomed and commended the significant progress made in closing recommendations of the Audit Committee and urged the Secretariat to continue efforts to close the remaining outstanding recommendations**.

Introduction

1.   Since 2013, the status of implementation of AC recommendations[1] is the following:

Audit Committee Annual Report	Number of recommendations	Implemented	Outstanding
2014	4	4	0
2015	3	1	2
2016	4	1	3
2017	5	2	3
TOTAL	16	8	8

2.   The table below presents details of the latest status of implementation of each recommendation made by the FAO Audit Committee.

3.   Actions taken by the Secretariat to implement each recommendation are presented in the column entitled Management Comment, and the Audit Committee's view on the progress of implementation of all recommendations is presented in the column entitled classification of status.

4.   The Audit Committee will validate the management comments and actions taken on these recommendations during its meetings scheduled in 2018-2019.

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[1] The table does not include three recommendations from current year Audit Committee' sessions, as 2018 AC Annual report has not been published yet.

STATUS OF AUDIT COMMITTEE RECOMMENDATIONS

Recommendation	FAO AC Report paragraph reference	Responsible Unit	Classification of Status[2]	Management Comments
1. Management to give priority to implementing the recommendations in the [OIG audit] reports, to manage identified GRMS post-deployment system risks and IPSAS project risks, and ensure FAO efficiently prepares IPSAS compliant financial statements.	2013 report, para 20	DDO/CSD/ CIO	Implemented	GRMS post-implementation system risks were addressed through retaining capacity for post-implementation support. This evolved into ongoing support arrangements governed by an SLA in the CIO service catalogue. (http://intranet.fao.org/departments/cio/products_and_services/detail/c/2528 4/) Further enhancements to long-term support for GRMS (as part of the overall ERP system portfolio) would be implemented, if/when required, based on the ERP Roadmap study that was concluded in September 2017. SLAs for GRMS support are in place and published on-line (reference for example the SSC site http://intranet.fao.org/csd/ssc/service_catalogue/). As noted, the ERP Consultancy took place and the report was issued. It is in the process of being implemented, as determined appropriate by the ERP Steering Group (to become ERP Board). The ERP SG has the responsibility to ensure that the FAO ERP environment is and remains coherent, strategically coordinated, and cost-optimized. In so doing the Board will steer decisions and choices that best meet the Organization's need for effective and efficient operation, which includes the review of all GRMS post deployment issues and risk mitigation. As recorded for previous years, the financial statements for 2016 received an unmodified opinion. The statements for 2017 are under review by the external auditors and no significant issue has been raised. The preparation of IPSAS compliant statements has gone well since the introduction of IPSAS in FAO in 2014.
2. The Committee recommended that the Finance Division review its investment	2015 report, para. 13	CSF	Implemented	Additional analysis will be included in the Report on Investments to be presented to the 170th Session of the Finance Committee in May 2018. This

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[2] For the purpose of assessing the status of its recommendations, the FAO Audit Committee endorses the categories of "implemented", "action in progress", "agreed but pending action" and "not agreed".

	reporting, particularly those presented to the governing bodies, so that detailed investment performance, with related benchmarks, should be clearly shown separately from the accounting results which are influenced by exchange rate changes. Present reporting under-reported the creditable investment performance that had been achieved.			includes further analysis of the Euro based investment portfolio excluding the impact of exchange rate changes.
3.	2015 report para 22	The Committee further recommends that the Organization give consideration to more training/orientation to staff on controlling fraud, ethical behaviour and accountability and for managers on handling workplace and administrative conflicts with personnel.	DDO/OHR/ EO	Action in progress	DDO/OHR: Training and orientation to staff is being organized using el-earnings and communication tools. OHR is finalizing two related e-learning courses, one on Fraud and Corruption and another on Internal Control. Both will be launched in November 2018 and made available to all staff through the you@fao platform.

In addition, following the launch of the corporate Anti-fraud Strategy and Action Plan (2018-2021), FAO will implement a structured communication and training programme to foster anti-fraud culture and practices, through training courses on fraud sensitive areas of work, sharing of experiences (across locations and other UN agencies), continuation of periodic communications about reported fraud cases and related administrative actions.

A mandatory video to raise awareness on "Prevention of Harassment, Sexual Harassment and Abuse of Authority" was made available in English, French and Spanish to all personnel through you@fao. Compliance as of 15 October 2018 was 94% staff members and 70% NSHR. A more extensive online training course on the subject is currently under development and will be available to all personnel through you@fao in November 2018. The Ombudsman/Ethics Office, OIG and LEG are contributing to the project. |

Ombudsman and Ethics Office

FAORs and FAO liaison offices were individually informed of how the Ethics office can help in increasing knowledge and raising awareness regarding organizational ethics (February 2017).
Regional ADGs are giving the Ombudsman and Ethics office the opportunity to address Regional Management meetings, which bring together all FAORs, Subregional directors and regional senior managers. Next such meeting is planned with the Regional Office for Asia and the Pacific (RAP).
Meetings are regularly held with OSD (three in 2018) to share non-confidential information on the status of ethics issues in country offices and to coordinate the best way to address them. Meetings were held with technical staff and designated regional focal points. Consultations and exchange will continue.
Collaboration with OIG will be increased to address issues identified by auditors and to use examples shared by investigators to improve the quality of the training package. Existing collaboration has increased since January 2018 and will be maintained.

No.	Recommendation	Report	Office	Status
4.	The Committee expects that in 2016 a critical mass in the number of vendor sanctions cases will be reached and accordingly recommends that management and OIG conduct a lessons learnt exercise in terms of controls.	2015 report para. 25	CSAP/VSC/OIG	Action in progress
	"The Vendor Sanctions Committee had two new cases in 2018 from OIG, one closure of a VSC case without adversarial findings and still one case that is ongoing. With regard to lessons learned, a new proposal of amendment to the sanctions procedures and the sanctions guidelines is finalized and will be shared with ADG CS. The AC 2014/27 on the VSC has also been revised, in consultation with OIG. Meetings have been organized to agree with OIG on how to proceed for a complete revision of the Vendor Sanctions policy and rules for an improvement of the procedures, taking into account the 14 cases reviewed by the VSC since its foundation".			
5.	The Committee recommended that the training of non-staff HR (NSHR) is improved, in particular introducing	2016 report, para.23	OHR/ Ethics Office	Action in progress
	Training to NSHR on ethic and standards of conduct is being addressed as an overall effort of training to all employees. In particular, OHR is developing an awareness video on 'Whistleblower Protection' which will			

No.	Recommendation	Report reference	Office	Status	Action taken
	mandatory and monitored training on ethics and standards of conduct related requirements for those NSHR staff entrusted with critical functions				become mandatory in 2019. The Ombudsman/Ethics Office and OIG are contributing to the project. In addition, a mandatory video to raise awareness on 'Prevention of Harassment, Sexual Harassment and Abuse of Authority' was made available in English, French and Spanish to all personnel through you@fao. Compliance as of 15 October 2018 for NSHR was 70%.
6.	The Audit Committee recommends reviewing the amalgamation of the two functions of Ethics Officer and Ombudsman, functions which have different responsibilities, require different skills and are based on different standards	2016 report, para.27	ODG/LEG/ DDO	Agreed but pending action	The matter is still under discussion with other Rome-based Agencies, while preliminary conclusions indicate that it might be more appropriate to maintain status quo of the joint function at FAO, which has proved to be effective. While the appointment of the Ethics/Ombudsman Officer is expected to be completed by the end of April 2019, some delays may occur in view of ongoing continued discussion on the matter.
7.	The Committee recommends that in the absence of the Inspector General, interim responsibilities be conferred to Senior OIG staff, in order to preserve independence and avoid potential conflicts of interest.	2016 report, para.34	ODG	Implemented	OIG Senior Officers are now systematically OiC in OIG
8.	The Committee recommends that travel arrangements for the Inspector General be left to the appreciation of the Inspector General on substantive matters within the authority of FAO's travel rules.	2016 report, para.34	ODG	On going	In order to continue pursuing the Organization's goals of efficiency savings and cost containment, travel policy and rules should be maintained at corporate level. However, there are generally no restrictions on travel by OIG staff.
9	The committee recommends to reinforce the perception of independence of OIG	2017 report, para. 13	ODG	On going	The above refers.

	Operations with improved travel arrangements				
10	The committee recommends that Management ensure OIG vacancies to be expeditiously filled	2017 report, para. 13	OHR	Implemented	OIG recruitment has been prioritized and appointment decisions taken for all vacant positions. As of 16 October 2018, the OIG projected vacancy rate is 0%.
11	The Committee recommended that capping reports agreed actions/recommendations for field offices be implemented.	2017 report, para. 13	OSD/DDO	Agreed.	The Audit dashboard developed in June 2017 as part of the Integrated Management Information System (iMIS), allows close monitoring of implementation progress of specific recommendations by DDG(O), Regional Offices and FAORs for actions at country level, as well as by business owners (as it is noted that a number of follow-up actions are specific to owners of business areas/processes such as travel, procurement, HR, etc.) and/or OSD. Regular Operational Arm Meetings (chaired by DDG(O), with the participation of OSD, ADGs/RRs and key stakeholders) provide a forum for the review of issues for field offices, including progress against outstanding agreed actions. Additional initiatives, such as the Think Labs, recently initiated by OSD, allow country offices to discuss specific issues/concerns and draw on lessons learned/collective wisdom in resolving them. More formal structures such as contained in the Internal Control Framework, iMIS and the FAOR Assessment monitoring tool, are additional ways for OSD and the business process owners to track progress against the responsibilities of FAORs. They also capture further issues arising from DOs.
12	The committee recommends that FAO consider alternative solutions with regard to the Organization's After Service Medical Coverage liabilities	2017 report, para. 16	CSF	On going	Management continues to draw the attention of the Governing Bodies to this matter, including presenting regular documents providing updated information on the size of the liabilities, options to address the funding gap of the ASMC Liability, the ongoing discussions within the United Nations System on this matter, and on activities aimed at containing the costs of the current medical insurance plan.
13	The Committee recommends that FAO Governing Bodies add professional posts to OIG	2017 report, para. 45	OHR	Implemented	In order to assist with managing the investigation caseload, including provision of specialist expertise in its new mandate areas of harassment and sexual exploitation and abuse, staffing in the Office of the Inspector

	audit and investigation functions to allow the Organization to improve its response to demands related to sexual harassment and sexual exploitation and abuse.			General was supplemented with an additional Professional position at level P-3.
14	Urged the Organization to extend the recommendations dashboard to include External Auditor and JIU recommendations;	49th Session of FAO Audit Committee, Item 6	DDO/OIG/CSF/OSP	Implemented	A dashboard for monitoring progress in implementing External Audit recommendations has been in place since June 2017 (part of the iMIS) and for JIU recommendations a web-based tracking system is available.
15	Recommended the use of indicators/systems to evaluate the Internal Control questionnaires;	49th Session of FAO Audit Committee, Item 6	OSP	Implemented	A system is in place to control and manage the internal control questionnaires, with clear access control and a structured workflow. The system allows the completion of the questionnaire at the relevant office, with controlled sign off by the person in charge, followed by review and validation by designated staff at the next level (office of Assistant Director General or Regional Office). Structured follow up of the status of internal control is enabled by summary reports which provide an overview of the status of internal controls, both by control point and by office.
16	Informed that the AC would be making a formal proposal relating to MS 330 to remedy the conflict of interest in the disciplinary procedures for P4 staff and below where currently the same person is responsible for the recommendation and decision.	49th Session of FAO Audit Committee, Item 6	AC	Under implementation	A proposal will be sent to the Secretariat after the Audit Committee's 50th session in December 2018