



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and Twenty-sixth Session

Rome, 11 – 15 May 2009

Progress Report on Implementation of the External Auditor's Recommendations

Executive Summary

- i) This document reports the progress on implementation by the Secretariat of recommendations arising from the 2006-2007 Long Form Report of the External Auditor as well as recommendations from previous Long Form Reports.
- ii) The recommendations are divided into three segments according to the urgency of implementation ascribed by the External Auditor: *Fundamental*, *Significant* and *Merits Attention*.
- iii) The External Auditor has taken note of the status of implementation of each recommendation presented by the Secretariat in the column entitled *Management Response*.

Action Requested

The Finance Committee is requested to take note of the progress of implementation of the External Auditor's recommendations

Contact.

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Recommendation	Suggested Timeframe	Management Response
FUNDAMENTAL		
FINANCIAL MATTERS		
Adoption of International Public Sector Accounting Standards		
<p>1. I recognise the steps already taken towards adoption of IPSAS by effecting significant changes in accounting policy and encourage the Organization to carry forward the momentum. I recommend that the Organization should closely monitor the time and cost framework for adoption of IPSAS, considering both the significant volume of work involved in the transition and the decentralised nature of the activities of the Organization.</p>	2011	<p>The IPSAS Project Board continues to monitor on a regular basis the progress and associated costs of IPSAS adoption; reports are also submitted to each regular session of the Finance Committee to enable members to monitor progress. The detailed project planning in place recognizes the significant volume of Organizational change required in the transition towards IPSAS including the need for proper definition of and improvements in business processes at corporate and field level. The chief risk for the project remains the constraints on user resources as a result of competing Organizational initiatives. Recognizing these constraints, at the Board Meeting of August 2008 the Board approved a revised plan whereby IPSAS compliance would be achieved in 2012.</p>
Regular and Technical Cooperation Programmes' Disbursements		
<p>2. I observe that TCP disbursement has been affected by the liquidity position of the Organization. Further, the current business model would also strain the capacity of the Organization to handle such a high volume of extra budgetary resources and the RP/TCP appropriations and disbursements simultaneously in a timely manner. I recommend that the Organization consider reviewing its capacity and business model and processes and putting appropriate mechanisms and procedures in place to ensure that the finalisation of and the disbursements relating to TCP projects do not suffer.</p>	2009	<p>The slow-down in the TCP delivery was affected by the severe liquidity shortage experienced by the Organization that led to a slow down in TCP approvals during part of 2006-07. The significant decrease was also a result of the high percentage of projects approved during 2004-2005 that were fully delivered within the same biennium. The disbursements against the 2006-07 appropriation have reached over USD 62 million as of February 2009 against the net appropriation of USD 95.7 million. Every effort shall be made to fully disburse the TCP appropriation for 2006/07 by the end of current financial year. In this regard, a message from the ADG/TC was sent to all concerned Budget Holders 3rd October 2008 to speed</p>

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		up the delivery of approved projects in order to ensure that the Organization is in position to fulfil the commitments made to the counterpart governments. The Organization's capacity and business model and processes are under review as part of IPA implementation including the Root and Branch review.
FIELD OFFICES		
Internal Control Mechanisms		
3. I recommend the Organization continue to take action to strengthen the functioning of the internal control measures in the field offices also through training and on site support provided to field administrative staff.	2008	<p>The Organization continues to provide significant dedicated support to field administrative staff through both on-site training initiatives and help-desk support provided by HQ business units. During 2008, on-site training was provided to 16 countries. This support continues to be maintained in 2009 and will also be supplemented by specific training to support changes to field business processes introduced by IPSAS implementation.</p> <p>In addition, concerned HQ Divisions work together to organize regular training courses on Office management targeted for Assistant FAORs/Administration staff. These courses include a session on financial matters including financial control.</p>
HUMAN RESOURCES MANAGEMENT SYSTEM (HRMS) PROJECT		
Project Timelines		
4. The launching of a project as important as the HRMS without first ensuring a timely source of funding led to a weaker sense of ownership of the project that impacted adversely on efficient project formulation and implementation. I recommend that the Organization should in future consider committing resources to a project only after identifying a dedicated and time bound source of	2008 onwards	The Secretariat agrees with the principle of the External Auditor's recommendation. At the same time it is noted that the Organization faces the challenge of unfunded mandates with implementation of the Immediate Plan of Action (IPA). Indeed, there are a growing number of projects, some of which are part of the IPA, which are only partially funded through Chapter 8. Unless additional resources are

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funding for the entire project		<p>identified as part of the IPA, these projects risk being delayed or cancelled.</p> <p>On the broader issue of project planning and resource commitment, it is noted that projects moving forward within the Organization are accompanied by Project Initiation Documents (PID), which include breakdown of costs for resources and sources of funding. This mechanism is in place and all PIDs have to be approved by the relevant Project Board before resources are committed; and costs are also tracked during project implementation.</p> <p>An issue that is being addressed in parallel is determination of user requirements so that the scope of the project is adequately defined in advance and as such the proper funding and timelines are defined.</p> <p>Finally, it has been recognized that a number of projects, including ones related to the FAO ERP, require resources experienced in the FAO environment and business processes. The Organization endeavours to retain such resources by looking across the complete program of work and scheduling projects accordingly, within budgetary and timeline constraints.</p>
Infrastructure Adequacy		
<p>5. HRMS has a vital role to play in the process of decentralisation. Connectivity and adequate capacity of the field offices would be pivotal in determining their ability to optimally utilise HRMS. I recommend that this crucial aspect be focussed upon and prioritised so that the project does not end up as a costly IT oriented exercise for use by HQ and SSC. I further recommend that:</p> <ul style="list-style-type: none"> the analysis of the lab tests and live tests carried out from 	2009	<p>The Organization agrees with the External Auditor's recommendation and notes the following with regards to its implementation:</p> <p>In 2007 HRMS was rolled out to 52 countries in a phased deployment. Deployment to a further 38 countries is planned for early March 2009.</p> <p>Performance testing was carried out extensively during 2008 for all</p>

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<p>country offices desktops may be analysed so that post roll-out problems, if any, in this regard are minimised;</p> <ul style="list-style-type: none"> • before rolling out HRMS functionalities in offices which are dependent upon ISPs it should be ascertained that the these ISPs are sufficiently sized and have suitable performance levels so that the connectivity does not become an impediment in the effective functioning of the HRMS in these offices; and • the Organization revisits and examines whether the defined desirable connection speed is indeed adequate given the additional functionalities rolled out/to be rolled out. 		<p>locations scheduled to receive HRMS self-service functionality. These tests were performed at Rome HQ through remote connections to the decentralized offices (DOs), effectively emulating live tests from these locations. The testing indicated that the HRMS functionalities rolled-out can be accessed by all users over the Wide Area Network (WAN). The levels of performance varied, depending on the connection bandwidth and traffic. Performance testing has recently been initiated in preparation for the implementation of PEMS in FAO decentralized offices.</p> <p>The Organization is currently in the process of purchasing a performance testing software tool that will be utilized to further enhance the capability to test performance of functionalities (including customizations) before these are rolled-out to DOs. The tool is expected to be in place during the 3rd quarter of 2009.</p> <p>A plan to increase the bandwidth for DOs has been put forward as part of the Immediate Plan of Action (IPA), and the recent deployment of the HRMS Leave Management system to a number of offices. This functionality does not require much in terms of Internet Service Provider (ISP) capacity and can be run also at locations with low bandwidth.</p>
ORACLE ERP FINANCIALS		
Emergency Changes		
<p>6. I recommend that the Organization enhance the capacity of the business units to enable them to prepare change request specifications. I further recommend that the Organization introduce a formal emergency change procedure.</p>	<p>2008</p>	<p>In line with the External Auditor’s recommendation, the Organization has introduced an emergency change procedure. A change management process was introduced in January 2008. This process formalized the operational part of changes to the production</p>

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		<p>environment and has been utilized for both scheduled and emergency changes. 20 emergency changes were handled through this process during 2008 for the Oracle ERP.</p> <p>Training of business units to enable preparation of change request specifications is expected to take place subject to availability of resources. At the same time, work is ongoing within the Organization to build up a reserve of skilled functional analysts in the Shared Services Centre to support and complement the needs of business units in defining their requirements and specifications.</p>
<p>FUNCTIONING OF THE INTERNAL OVERSIGHT MECHANISM IN THE INTERNAL AUDIT DEPARTMENT AND LOCAL AUDIT PROGRAMME</p>		
<p>Budgeting Time</p>		
<p>7. I encourage the Organization to move forward in conducting a gap analysis of the variance between business requirements and current capabilities of AUD. I further recommend that the Organization should prepare and implement the Enterprise Risk Management (ERM) on priority with the assistance of AUD. Pending the preparation of the ERM, AUD should undertake a detailed risk assessment exercise, identifying the units/processes at the auditable entity level after duly considering risks or control concerns indicated by Management..</p>	<p>2009</p>	<p>The Organization is in the process of preparing the Enterprise Risk Management (ERM) assessment under the Immediate Action Plan (IPA) - with a dedicated project headed by the Deputy Director-General and supported by AUD. Furthermore, pending full implementation of an ERM framework, AUD will complete during June-October 2009 a detailed risk assessment exercise that identifies the units/ processes at the auditable entity level after duly considering risks or control concerns indicated by Management.</p>
<p>Local Audit Programme - IPSAS</p>		
<p>8. I observe that the Local Audit Programme is an essential link in the assurance and comfort mechanism relating the Organization's Financial Accounts, more so in the context of the</p>	<p>2008</p>	<p>The transfer of the Local Audit Programme (LAP) function from AFF to AUD will be completed in 2009. As described in the Management Response to recommendation 22 below, new</p>

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<p>reform process and adoption of IPSAS, and recommend that the LAP is enabled to play that role.</p>		<p>arrangements have been introduced to strengthen the assurance and comfort derived from the Local Audit Programme. In addition, the new arrangements will directly support the introduction of IPSAS by having local reviews carried out by knowledgeable internal resources better able to adapt to changing management needs and support lesson learning and training across field offices.</p>
<p>PROCUREMENT OF SERVICES OF CONSULTANTS AND PERSONAL SERVICES AGREEMENT (PSA) SUBSCRIBERS BY THE EMERGENCY OPERATIONS AND REHABILITATION DIVISION (TCE)</p>		
<p>Enhancing Transparency</p>		
<p>9. The rules and procedures governing selection and contracting of services of Consultants and PSAs are not in public domain. There is a lack of proper documentation in selection process. I observe that, going forward, there is scope for improving transparency in the procedures and practices adopted by the Organization and recommend that:</p> <p>a) the process of selection of Consultants should be adequately documented to provide a record of procurement activities and how these have been conducted, and also to facilitate scrutiny of these activities at a later date;</p> <p>b) to promote further transparency in its functioning, the Organization should consider placing its guidelines/rules relating to identification, selection and contracting of Consultants and</p>	<p>2008</p>	<p>An HR policy proposal has been developed by the Human Resources Division to address the concerns that have been raised regarding the use of non-staff contracts and on their recruitment modalities. This proposal is under review by Senior Management. The recommendations of the external auditor relating to transparency have been taken into account in the draft proposal. A separate paper dealing with these issues is being presented to the 126th Session of the Finance Committee.</p>

Recommendation	Suggested Timeframe	Management Response
<p>PSAs in public domain for easy accessibility by all stake holders, experts, technical personnel and other</p> <p>c) the Organization should consider tailoring, in future, the terms and conditions of the service agreements with Consultants to be in line with the best practice of publishing names of successful candidates and other brief details in its Website to enhance transparency in the procurement process</p>		
Waivers		
<p>10. In the light of the significant number of waivers being granted, I recommend that, looking forward, the Organization should consider disclosing such waivers, to begin with, in the Organization's Intranet in the interest of greater transparency</p>	2008	<p>AFH is currently developing a framework which will allow for the disclosure of the number of waivers granted to all Departments, including TC, on the intranet on a quarterly basis. As a matter of privacy, the name of the individuals concerned will not be disclosed. The delay in the implementation of this recommendation has been due to the priority given to the implementation of IPA initiatives in 2008 and the limited resources available.</p>
TECHNICAL COOPERATION PROGRAMME		
Accounting of TCP Expenditure: Return Flow		
<p>11. I recommend that the Organization should bring the actual practice of the "return flow" process including the latest changes of this process to the notice of the Governing Bodies. I further recommend that the accounting and reporting procedures of the "return flow" process should be reviewed and codified. The</p>	2005	<p>As regards the first part of the recommendation, the practice of the return-flow mechanism, introduced in prior years to ensure full use of TCP appropriations by reclassifying expenditure on ongoing and completed projects to the preceding biennium, was discussed by the Finance Committee at its 108th Session.</p>

Recommendation	Suggested Timeframe	Management Response
<p>monitoring mechanisms should be reoriented to adhere to these procedures.</p>		<p>Given the possible requirement to complete a return-flow exercise for the 2006-2007 TCP appropriation at the end of 2009, TC and AFF have initiated the process of documenting the procedures for return-flow and its associated operational and financial reporting requirements. Following the finalisation of these procedures, they shall be presented to the Finance Committee for information.</p>
SIGNIFICANT		
FINANCIAL MATTERS		
Liquidity Position		
<p>12. I recommend that the pursuance of the matter of collection of outstanding assessed contributions be continued vigorously. Given the sensitivity of the Organization's liquidity to the quantum and timing of the receipt of the contributions, I recommend that the issue of increasing the corpus of the Working Capital Fund be revisited. In the light of the increase in the proportion of the salary component in the overall cost structure of the Organization, I encourage the Organization to consider closely reviewing the adequacy of the Project Support Costs recoverable to ensure financial sustainability of the Organization's activities</p>	2009	<p>The Organization continues to pursue the collection of outstanding contribution and reports actions taken and progress on this area on a regular basis to the Finance Committee.</p> <p>Proposals to replenish reserves to levels which would provide a safety net to avoid liquidity shortages will be presented as part of the PWB proposals for 2010-11.</p> <p>Furthermore, the Finance Committee (FC) in October 2008 endorsed in principle the concept of expanding cost recovery to include fixed indirect costs. FAO is actively engaged in the UNDG-HLCM Working Group on Cost Recovery which is undertaking an inter-agency study to arrive at possible areas of harmonization. Building on this work, FAO will present a proposal to the FC in July 2009 for an expanded cost recovery policy.</p>

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Staff Related Liabilities		
13. I recommend that the Organization decides on a timeframe by which the past-service ASMC liability should stand fully funded and take appropriate follow up action.	2009	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. The next report on this matter will be presented to the Finance Committee at its session in May 2009 where the Committee will consider the latest actuarial valuation as at 31 December 2008; and in conjunction with the PWB 2010-11 make its recommendation for ASMC funding in 2010-11.
FIELD OFFICES		
Capacity Building		

Recommendation	Suggested Timeframe	Management Response
<p>14. I recognise the steps taken and contemplated by the Organization towards capacity building. I observe that decentralisation process could succeed only with adequate capacity at the field level to shoulder additional responsibilities and increased delegation and encourage the Organization to take stock of the existing position and move forward in a planned way towards effective capacity building of the field offices</p>	<p>2009</p>	<p>The current review of Country Coverage and the ensuing decisions by the Conference at the end of 2009 will provide the opportunity and resources to implement the optimal staffing pattern to ensure the success of the decentralization process.</p> <p>In addition the Organization will review as part of the competency framework and the profiles of jobs to be developed in 2009 as well as the staffing processes to be instituted, the implementation of the requisite modalities that ensure effective capacity building within the field offices.</p>
<p>Procurement of Goods and Services</p>		
<p>15. Procurement is a high risk category process from oversight point of view. I take note of the action taken/contemplated following the audit of field offices and recommend closer monitoring to ensure compliance</p>	<p>2009</p>	<p>The Organization will continue its efforts in respect of oversight and monitoring in the area of procurement consistent with the improvements introduced following the audit of field offices.</p>
<p>HUMAN RESOURCES MANAGEMENT SYSTEM (HRMS) PROJECT</p>		
<p>Mapping with Organizational objectives and Streamlining of Business Processes</p>		
<p>16. A project meant to bring in BPR to better achieve the Organization’s strategic objectives through increased efficiencies, has mainly resulted in automation primarily aligning it with the Oracle functionalities leaving the system changes to be brought about after the closure of the project through SCRs. I take note of</p>	<p>2009</p>	<p>Work is ongoing to prioritise the existing SCRs, and new procedures are under review to improve the SCR formulation process as well as to improve the quality of user testing. Furthermore, an added dimension to the SCR concept (and associated risk management) is the regular review of packaged functionalities offered in ERP</p>

Recommendation	Suggested Timeframe	Management Response
<p>the action being taken to recognise the portions of the packaged solution that do not match well with Organization's overall business objectives and to mark it for customisation and recommend that in respect of customisations that are not possible due to cost and time issues, the risks involved should be recognised, accepted and approved at the appropriate level.</p>		<p>upgrade releases (current and future).</p>
<p>Estimation of Efficiency Gains</p>		
<p>17. A viable mechanism that takes into account, inter alia, the reduced functionalities rolled out, the cost of resolving Problem Reports and System Change Requests and the cost to various Divisions in the process leading to and of the roll out, past and future, would be necessary to arrive at any meaningful estimate of savings or efficiency gains, if any. I recommend putting in place such a mechanism. I further recommend that:</p> <p>(a) a review of the To-Be and Gap Analysis documents and improvement proposals vis-à-vis what has actually been delivered and what remains to be delivered should be carried out by the process owners; and,</p> <p>(b) a policy note should be prepared on what can be achieved from among pending deliverables emerging from (a) above and signed off at appropriate level</p>	<p>2009</p>	<p>As noted in the Management Response to recommendation 16, work is in progress with regards to resolution of SCRS, which the Organization notes is the object of the recommendation given that there is a distinction between Problem Reports and System Change Requests. The former indicate issues that affect the usage of the system based on current functionalities while the latter indicate changes to functionalities based on new/modified operational requirements.</p>
<p>Change Management</p>		

Recommendation	Suggested Timeframe	Management Response
<p>18. I recommend immediate formulation and effective communication of a formal and complete change control policy for Oracle HRMS. I further recommend that the potential serious risks of the absence of an established configuration management policy specifying the baseline and the approach to handle change must be recognised and accepted at the appropriate level</p>	<p>2009</p>	<p>The Organization agrees with the recommendation and notes that the system change procedure has been completed and was published on the Intranet in November 2008.</p> <p>Furthermore, the operational component of the change management process for the complete Oracle ERP (and satellite systems) has been in place since January 2008. This process includes coordination of changes by the Administrative Applications Coordination Unit (ACU) and a formal approval of changes by an Administrative Systems Operating Committee (ASOC). Changes to production are implemented and communicated through Change Management Announcements (CMA). Enhancements of a configuration management policy (currently configuration management only exists for development objects) will be a major step forward but it should be recognized that managing this process and maintaining an up-to-date configuration baseline is a resource-intensive exercise that will required full-time commitment of personnel, especially during this period of major flux in the ERP configuration (multiple projects and changes are under way or scheduled through 2011).</p>
<p>ORACLE ERP FINANCIALS</p>		
<p>Database and Application Security</p>		
<p>19. I recommend that the Organization reconfigure the values of parameters in user profiles reflecting security requirements of the system, balancing security with usability and ensuring better access controls. I observe that setting resource limits help ensure that the application or user doesn't intentionally, or inadvertently, take over the database and system's resources and recommend that</p>	<p>2008</p>	<p>Some steps have been taken as a result of internal audit observations (for example the limiting of generic accounts). The use of custom user profiles and their impact in coordination with business units is currently being investigated. This activity has to be balanced against the level of available resources and the large number of ERP related initiatives currently under way. With regards to segregation of</p>

Recommendation	Suggested Timeframe	Management Response
the Organization should consider ways of setting resource profiles to limit the use of database resources		duites, procedures are in place and period reviews by the SSC are planned.
Business Continuity Management		
20. In view of the integrated nature of ERP system, a Business Continuity Plan and a Disaster Recovery Plan for IT are of crucial importance. I recommend that the Organization should revisit the issue and either take immediate steps to put a BCP and a DRP in place or clearly recognise and accept the risks associated with not having a BCP and a DRP in an ERP environment.	2009	The Organization has recently conducted an Information Risk Assessment and one of the findings is that FAO should indeed take immediate steps to put a Business Continuity Plan and a Disaster Recovery Plan in place. The recommendations from the assessment will be presented to the Information Management and Technology Committee (the Organization's policy making body for information systems and technology matters) for endorsement, and implementation of the External Auditor's recommendation is expected by the end of 2009.
FUNCTIONING OF THE INTERNAL OVERSIGHT MECHANISM IN THE INTERNAL AUDIT DEPARTMENT AND LOCAL AUDIT PROGRAMME		
Segregation of Investigative and Auditorial Work within AUD		

Recommendation	Suggested Timeframe	Management Response
<p>21. I recommend that the process of functional separation of responsibilities within the Office of the Inspector General should be expedited. I further recommend the formulation of specific contractual terms for consultants if engaged for investigative work</p>	<p>2008</p>	<p>The Organization confirms that the recommendation has been fully implemented in 2008.</p>
<p>Timeliness and Evaluation of Local Audit Reports</p>		
<p>22. I recommend that the local audits should be planned based on an evaluation of risk and that unless warranted by exceptional circumstances, audits should not be carried out more often than once per annum.</p>	<p>2008</p>	<p>Consistent with the External Auditor’s recommendation (see also recommendation 44 below), the design of the Local Audit Programme has been revisited with responsibility for carrying out audit reviews now transferred from external contractors to a dedicated Inspection Unit within AUD.</p> <p>Tangible benefits from the new approach include:</p> <ul style="list-style-type: none"> • more reliable and higher quality reports, resulting from the application of a common methodology; • findings that are more relevant to changing managerial needs, by making more explicit use of risk assessment techniques; • greater added value by producing a new output for LAP - an annual summary report - that draws together findings and identifies trends; • streamlined and more timely reporting; • more predictable and controllable costs; and • more effective use of existing AUD staff, by releasing resources to address other more substantive issues in the field. <p>Workplans and reports are now being tested and the new arrangements are being introduced during 2009.</p>

Recommendation	Suggested Timeframe	Management Response
PROCUREMENT OF SERVICES OF CONSULTANTS AND PERSONAL SERVICES AGREEMENT (PSA) SUBSCRIBERS BY THE EMERGENCY OPERATIONS AND REHABILITATION DIVISION (TCE)		
Corporate Roster		
<p>23. The responsibility for creation and maintenance of Corporate Roster would fall on the Organization as a whole and not form a direct and sole responsibility of the TCE. However, I recommend that TCE should strengthen its efforts to immediately develop and maintain a comprehensive roster subject-wise and region-wise to make the process of selection of Consultants more efficient, broad based, objective and transparent. At a later stage, the Organization's Corporate Roster, when set up, can draw from and subsume the TEC's comprehensive roster</p>	2009	<p>The Organization agrees with the External Auditor's recommendation and is in the process of implementing it. A consultant has been recruited to work on the creation of a corporate iRoster. Consultations and workshops have been held with stakeholders within FAO, including TCE, and business requirements have been defined. It is expected that a pilot will be launched in January 2010. Progress is contingent on the finalization of other projects within Oracle, including iRecruitment.</p> <p>Once the corporate roster is developed by the Human Resources Management Division as part of the iRecruitment module, the departmental and Divisional rosters, including TCE's roster, will be consolidated into the corporate roster. A corporate roster will ensure greater accessibility by Departments and Offices to a wider pool of independent contractors certified as possessing the requisite set of competencies and skills for the different areas of the Organization's mandated activities. In the meantime, TCE is in the process of adapting an existing roster function in Country Office Information Network to its use.</p>
Selection Process		

Recommendation	Suggested Timeframe	Management Response
24. As the practice of single source selection through personal contacts and recommendations would limit competition, affect transparency, and minimise opportunities for obtaining best value for money, I recommend that the selection process of Consultants/PSAs may be made more formal, broad based and competitive	2008	This recommendation has been taken into account in the HR policy proposal referred to in the Management Response provided to recommendation 9 above.
Performance Monitoring		
25. The Organization should strengthen their efforts to ensure meaningful, comprehensive and transparent evaluation of performance of Consultants and PSAs to make these assessment reports more reliable as an effective tool to monitor the quality of work output	2008	The Organization's HR policy proposal regarding the use of non-staff referred to in the Management Response provided to recommendation 9 above takes account of this recommendation.
Appropriate Framework of Rules		
26. The emergency and rehabilitation operations and the volume of delivery of these operations have grown tremendously. There have been a significant number of waivers granted in the appointment of Consultants and PSAs and issue of frequent 'case to case' instructions which are, perforce, ad hoc in nature. I, therefore, recommend that the issue of framing of a comprehensive framework of rules to guide the selection and contracting of Consultants and PSAs for emergency projects, as distinct from rehabilitation or other projects, be visited	2008	The Organization is conducting a consultative round-table which includes AFH and TCE with a view to developing <i>inter alia</i> a comprehensive framework of rules to guide the selection and contracting of Consultants and PSAs for emergency activities. In this context, consideration will also be given to the procedural approaches and practices followed at the World Food Programme in applying the same set of rules and provisions currently being applied by FAO, without apparently having to resort to the same extent of waivers being granted.
HUMAN RESOURCES MATTERS		

Recommendation	Suggested Timeframe	Management Response
Cases of Fraud and Presumptive Fraud		
<p>27. I recommend that the Organization consider introducing a mandatory process by the line managers to verify whether a disciplinary proceeding is pending against a staff member before accepting the staff member's request for separation</p>	2009	<p>On the basis of Manual paragraph 314.3.1, AFH is consulted by line managers, heads of offices, personnel officers and others when notices of resignation are submitted by staff members, whether in the field or at headquarters. The rationale behind this consultative process is to allow the Organization to take appropriate action where the staff member concerned is subject to disciplinary proceedings, including an investigation. AFH has recently implemented a new process providing that upon receipt of a notice of resignation, AFH always consults with AUD to ensure that the staff member concerned is not under investigation.</p>
Applicable rules and regulations for employment of retirees		
<p>28. The existing guidelines and practices for the re-employment of former staff members who have been separated should be consolidated into a comprehensive policy, which should address, in particular, the following issues: minimum time lapse between termination and re-employment, maximum time of employment, nature of the assignment, financial and other conditions of employment. As far as the first point is concerned, I consider the UN standard rule of three years minimum to be a good practice. It should be duly recalled in all termination agreements. The Director-General could, of course, always grant a waiver to this rule on the basis of detailed justifications. The maximum time of employment could be based on the one for retirees (six months). Once defined, the rules governing re-employment of separated staff should be incorporated into the FAO Manual under Section 300</p>	2003	<p>The Organization confirms that, in line with the External Auditor's recommendation, a consolidated policy has been drafted on the use of retirees taking into consideration the relevant recommendations emanating from the Independent External Evaluation report . This draft policy is in the process of being presented to Senior Management for approval. A separate paper dealing with these issues is being presented to the 126th Session of the Finance Committee.</p>

Recommendation	Suggested Timeframe	Management Response
OFFICIAL TRAVEL		
Lack of Validation Checks in ATLAS		
<p>29. I recommend that the Organization continues with the process for replacement of the travel system in order that it fully meets the current and future requirements of the Organization. I also recommend that adequate resources may be provided for having a web based travel monitoring package fully integrated with Oracle Financial Applications.</p>	<p>December 2005</p>	<p>The Organization continues to implement the External Auditor's recommendation. A survey of solutions in place in other UN Agencies has recently been started, and it is planned to have business case and business requirements completed by the end of 2009.</p>
REVIEW OF CONTRACTS FOR LOCAL SERVICES		
Outsourcing by the Organization		
<p>30. I recommend that, in view of the changed circumstances, the Organization develops comprehensive policy/guidelines covering issues such as impact on costs, impact on staff, quality measurement indicators and decentralization of services for approval at the appropriate level, including if required, from the Governing Bodies, to govern its outsourcing operations both in Headquarters and in the decentralized offices.</p>	<p>By end of 2006</p>	<p>The implementation of the Budapest SSC Hub is 90% completed. Further review and additional inputs are expected to come as part of the ongoing Root & Branch Review, to include additional services and improve internal governance. Furthermore, a progress report on the implementation of the SSC Budapest is currently a standing item on the agenda of the Finance Committee.</p>

Recommendation	Suggested Timeframe	Management Response
MERITS ATTENTION		
FINANCIAL MATTERS		
Statements of the UNDP Account for Services Provided		
31. I recommend that the Organization should continue its efforts at reconciling the balances with UNDP.	2008	As recommended, efforts are ongoing to reconcile balances with UNDP and it is noted that progress is being made.
Clearing Accounts		
32. I recommend that the Organization should proceed with making the necessary adjustments or write-offs as appropriate, to the prepayments account and the clearing accounts identified at the end of 2006-2007 biennium. I encourage the Organization to continue on an ongoing basis to monitor and settle outstanding items of clearing accounts in a timely manner	2008	<p>The Organization is in the process of making the necessary adjustments and write-offs referred to in the Long Form Report and these will be finalized during 2009.</p> <p>The Organization will continue to monitor and settle outstanding items on clearing accounts in a timely manner consistent with the established procedures for the management of these accounts.</p>

Recommendation	Suggested Timeframe	Management Response
Banking Arrangements		
33. I recommend that, as planned, the Organization implements the third tier of the banking strategy and completes the process of rationalization of banking arrangements. The Organization should move towards a regime of total Electronic Data Interchange and e-banking.	December 2007	<p>The transfer of headquarters' (HQ) payments and receipts management to the new corporate bank was completed in October 2008.</p> <p>The Organization has also begun consolidating, where possible, field banking operations with key regional banks. Where feasible, such banks are being set up for e-banking, which allows for better HQ control over balances and greater efficiencies in currency management for the field.</p>
FIELD OFFICES		
Monitoring of Advances		
34. I recognise the steps being taken by the Organization to improve the monitoring of granting and recovery of advances and encourage the Organization to continue its efforts on an ongoing basis	2009	The Organization will continue its efforts to monitor and recover advances consistent with the improved procedures in this area introduced during 2006-07. These procedures will be reinforced during 2009 by training activities carried out at decentralized locations.
Field Accounting System and Field Programme Management Information System		
35. I take note of the steps taken towards more effective and efficient use of the available IT systems and tools and recommend that efforts to encourage their optimal use be continued.	2008	The Organization will continue its efforts to provide improved system support to decentralized offices in the area of financial transaction processing as part of the field system solution to be implemented with the IPSAS project. More generally, optimal use of IT systems continues to be pursued by the Organization.

Recommendation	Suggested Timeframe	Management Response
Timeline and Closure of Field Projects		
36. I take note of the action taken in improving the planning, implementation and closure processes of both technical assistance and emergency projects and encourage the Organization to move forward towards an efficient planning process that aims at time bound delivery, improved documentation and a timely closure procedure.	2009	Control of the project closure process is an established part of the management of the entire project cycle, including planning on which timely delivery and closure depend. In addition work is in progress on a financial closure procedure which is expected to be published by mid-2009.
HUMAN RESOURCES MANAGEMENT SYSTEM (HRMS) PROJECT		
Shared Services Centre		
37. I recommend that the Service Level Agreements be finalised and benchmarks for various identified and accepted key performance indicators determined. As a data warehouse helps in performing complex queries and analysis without slowing down the operational systems, not making use of the corporate data warehouse may become an impediment in the successful functioning of the SSC as well as HRMS. I recommend that the Organization consider expanding the corporate data warehouse at the appropriate time	2009	<p>Work is underway in the definition of SSC Service Level Agreements (SLAs) since October 2008. The Organization continues this development of standard frameworks for internal as well as external SLAs and Operational Level Agreements (OLAs) with the participation of the SSC and other stakeholders.</p> <p>Draft SLAs for about 80% of the SSC services have been defined and are being reviewed/discussed with Departmental representatives. The remaining 20% is expected to be completed by the end of 2009.</p> <p>Furthermore, the expansion of the corporate data warehouse is foreseen as part of an overall MIS initiative in the Organization. The use of the data warehouse and related data marts with a Business Intelligence platform for data management and dissemination of information is envisioned. The purchase of a BI tool is in the final stages</p>

Recommendation	Suggested Timeframe	Management Response
Testing		
<p>38. I recommended that all the tests as per the Testing Requirements and Strategy documents be carried out on the remaining modules/functionalities before rollout so that the business objectives of HRMS are fully achieved and spill-over costs are minimised. I further recommend that end users be more effectively involved in the project</p>	<p>2008</p>	<p>The Organization is building up knowledge in newly acquired resources to improve the coordination and quality assurance of testing activities. (See also response to recommendation 6 above).</p> <p>Testing is facilitated through the use of automated tools purchased by the Organization. (installed and scheduled for use by March 2009). Also facilitating this process is the establishment of a Quality Assurance Team (4th quarter 2008) which facilitates testing and allows for effective involvement of users in the process.</p> <p>It should be noted that the HRMS project completed in March 2007 and the Post Implementation phase in December 2007. User participation is currently ensured through constant communication with the Programme Coordination Units.</p>
ORACLE ERP FINANCIALS		
Field Accounting System Replacement Project		
<p>39. I observe that the drivers for the decision to hold back, for the present, proceeding with the FAS Replacement Project pending a review of other related developments were present and known much earlier. I recommend that, looking forward, the need to launch a new project or the need to continue with one that has been launched should be assessed in the light of other activities /initiatives of the Organization</p>	<p>2008 onwards</p>	<p>The FAS Replacement Project was restarted in February 2009 with the appointment of a new project manager. The first activity for the Project will be to confirm the scope in the light of new requirements arising from both IPSAS and the business. As a result of its being a key dependency of the IPSAS Project, the IPSAS Project Board is currently reviewing its potential integration into the IPSAS Project to ensure maximum synergies are achieved.</p> <p>Furthermore the project shall be assessed within the context of technologies that shall become available in a new major release of Oracle e-Business Suite 12.1, scheduled for release in 2009 and implementation by the Organization in 2011.</p>

Recommendation	Suggested Timeframe	Management Response
User Authentication		
<p>40. There is a gap in practice as compared to the stipulated safety procedures. I recommend that the Organization review the position relating to stipulated procedures and evaluate the practices, standard or otherwise, from system security point of view</p>	2008	<p>User access control procedures have been reviewed and deemed to provide sufficient safeguards from a system security point of view – FAO has adopted a defence-in-depth approach to help ensure the security of the Oracle EBS infrastructure. More specifically, access control has been evaluated in light of the protection mechanisms offered not only by Oracle EBS authentication mechanisms but also by the workstation configuration (password-protected screensavers, software and security patching) and network access controls (network authentication).</p> <p>All system accounts are reviewed on a regular basis to ensure only the minimum number required for ongoing system operation are defined and the monthly account monitoring procedures ensure corrective action can be taken to ensure inconsistencies and/or errors are corrected as soon as they occur.</p>
Chart of Accounts		
<p>41. I recommend that any code combination created that violates latest cross validation rules should now be disabled and the process documented for oversight purposes</p>	2008	<p>The Organization agrees that for completeness, any code combinations created which violate latest cross validation rules should now be end-dated following a review of historical transactions posted to these codes. We further note that cross validation rules are now strictly applied and that the limited number of code combinations identified as exceptions were created either prior to the establishment of such rules or during the post implementation period in 1999 where cross validation rules were in some cases relaxed to allow accounting for transactions and closure of ledgers.</p>

Recommendation	Suggested Timeframe	Management Response
IT Governance		
42. In the light of the increasing demands on IT System's resources, I recommend that a high level cross cutting IT governance mechanism that can consider and prioritise the competing demands be considered in the ongoing process of review of IT governance in the Organization	2009	<p>An Inter-Departmental Working Group developed a proposal for a new and rationalized IT Governance structure. The proposal is being considered for review by the Root and Branch Review consultancy team prior to implementation.</p> <p>The new IT Governance structure proposes the framework and elements for developing the cross cutting mechanisms for prioritization of the Organization's IT demand and investment.</p>
FUNCTIONING OF THE INTERNAL OVERSIGHT MECHANISM IN THE INTERNAL AUDIT DEPARTMENT AND LOCAL AUDIT PROGRAMME		
Timeliness of Issuance of Audit Reports		
43. I recommend that AUD establish a timeframe for the issuance of audit reports and also consider putting an effective monitoring mechanism in place to track the receipt, issue and the details of action taken relating to the audit reports	2009	AUD has established a timeframe for the issuance of audit reports (three months for routine audits and six months for complex audits). In the first half of 2009, AUD will implement a new Project and Exception Tracking module in TeamMate that will allow both AUD and clients to enter and track actions that have been taken to address AUD recommendations.
Timeliness and Evaluation of Local Audit Reports		
44. I observe that establishment of benchmarks and timelines would lead to prompt issue and objective review of audit reports thereby enabling initiation of corrective action in a time-bound manner and recommend that effective steps be taken to derive the intended benefits to the Organization from the programme.	2008	As described in the Management Response to recommendation 22 above, the new LAP arrangements no longer depend upon receipt of reports from external contractors which were often delayed. Rather, under the new arrangements the Inspection Unit in AUD will issue reports for review and initiation of follow up action by Finance Division. Timely issue, review and initiation of corrective action are integral features of the new arrangements.

Recommendation	Suggested Timeframe	Management Response
PROCUREMENT OF SERVICES OF CONSULTANTS AND PERSONAL SERVICES AGREEMENT (PSA) SUBSCRIBERS BY THE EMERGENCY OPERATIONS AND REHABILITATION DIVISION (TCE)		
Repeated engagement of Consultants/PSAs		
<p>45. I observe that there are repeated engagement of the same individuals for long periods through extensions or re-employment on various projects and recommend that the Organization should make further efforts to streamline the process of selection of Consultants/PSAs, identify more experts through a systematic process to expand its database so as to reduce dependence on a limited number of experts</p>	2009	<p>The Organization concurs with the recommendation and individual Divisions conduct the requisite forward planning of their human resources needs so as to avoid increased reliance on the same individuals. With regard to the selection procedures of independent contractors, it should be noted, as indicated in the responses provided above, the HR policy proposal concerning the use of non-staff will offer a comprehensive framework of rules to guide the selection and contracting of Consultants and PSAs.</p>
The Use of Personal Service Agreements		
<p>46. Since Personal Service Agreements for hiring services of Administrative Support Staff had been used in the past and were still being used by some FAO Representations, I recommend that TCE should effectively monitor and ensure that such personnel are not hired on Personal Services Agreements. I further recommend that employment of Consultants under Personal Service Agreements may not be resorted to as a specific Manual Section already exists for contracting services of Consultants</p>	2008	<p>The Organization notes that the use of PSA contracts by TCE for administrative support staff has decreased, and that the HR policy proposal for the use of non-staff contracts will introduce a more stringent and effective oversight of the use of Consultancy and PSAs contracts. This will entail Divisions ensuring that the functions for which such independent contractors are recruited be limited to those for which the contractual instrument is intended.</p>

Recommendation	Suggested Timeframe	Management Response
Administrative Resource Management System		
<p>47. Though the Administrative Resources Management System is designed to facilitate online maintenance of Employee Assignment History and record of past performance, it is not serving the intended purpose as the information available on the system is incomplete. I, therefore, recommend that information relating to Consultants/PSAs in the System may be updated regularly and the accessibility related problems addressed so that it proves to be a useful tool to the procuring officers</p>	<p>2009</p>	<p>The Organization is planning to roll out the ePPR (electronic personnel processing requests) to Decentralized Offices during 2009. Further improvements to NSHR processing continue to be managed through the SCR process. TCE will be fully involved in these relevant enhancements to this system.</p>
Processing Timeframe		
<p>48. I recommend that specific time frame may be prescribed for various stages of processing and granting approvals in cases of engagement of Consultants and PSAs, including waivers</p>	<p>2009</p>	<p>Such timeframes for the various stages of approval for the recruitment of Consultants and PSAs shall be defined within the framework of the Service Level Agreements to be concluded between the SSC and Departments/Offices. The Team Track system, introduced as for eventual use by all SSCs, is expected to help to enhance tracking and monitoring of the processing cycle.</p>