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FINANCE COMMITTEE

Hundred and Forty-eighth Session

Rome, 18 - 22 March 2013

Progress Report on Implementation of the External Auditor's Recommendations

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EXECUTIVE SUMMARY

- This document outlines the progress on implementation by the Secretariat of recommendations made by the External Auditor.
- This updated report incorporates the requests made by the Committee at its 147th Session in November 2012 to include in the report details of the office responsible for implementation of each recommendation and also includes the management's response to recommendations contained in the 2010-11 Long Form Report.
- Since the next audit visit of the External Auditor is not scheduled until after the date of preparation of this update paper, the External Auditor's comments on the status of recommendations are unchanged from those reported to the Committee at its 147th Session.

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 looked forward to an updated Progress Report at its next regular session in 2013**.

Introduction

1. The table below summarizes overall FAO progress in implementing the External Auditor's recommendations.

Audit Report	Total Recommendations	Completed and Closed	Outstanding to Date
Long Form Report 2008-09[1]	27	11	16
Review and Assessment of SFERA[2]	8	4	4

2. The table below presents details of the latest status of implementation of each recommendation which had not yet been completed and closed at the date of the previous progress report presented to the Finance Committee, including the timeline suggested by the External Auditor for implementation. In addition, the table now also includes the management's response to recommendations contained in the 2010-11 Long Form Report.

3. Actions taken by the Secretariat to implement each recommendation are presented in the column entitled *Management Response*, and the External Auditor's view on the progress of implementation of all recommendations is presented in the last column entitled *External Auditor's Comments.*

4. Since the next audit visit of the External Auditor is not scheduled until after the date of preparation of this update paper, the External Auditor's comments are unchanged for the recommendations reported to the Committee at its 147th Session and are not yet available for recommendations contained in the 2010-11 Long Form Report.

[1] The recommendations contained in the 2008-09 Long Form Report encompass and take account of outstanding aspects of previous External Audit Recommendations.
[2] FC143/16 Add. 1 refers

2010-11 BIENNIUM - AUDIT OF HEADQUARTERS
FUNDAMENTAL

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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	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: • distribution of timely statements; • publishing updates on the status of the Contributions and Arrears on the FAO public websites; • 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.
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 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	2012	BHs/FPSN/ OSD	Recommendation implemented with monitoring ongoing throughout the lifecycles of projects. The first level of responsibility rests with the 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. Specific actions in place to address these recommendations

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	ensuring that charges to the project are appropriate. (Paragraph 60)			include: • all new DO budget holders are briefed on the FPSN Monitoring tool available through FPMIS to facilitate the monitoring of their ongoing projects; • the designation memorandum assigning BH responsibility specifies the need for cash monitoring and prompt calls for funds; • automatic trigger messages from FPMIS remind BHs of the need to call for funds, among other actions; and • 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.
Implementation of IPSAS/ERP Project				
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 of IPSAS in 2014. (Paragraph 69)	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 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	OSP	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.
Technical Cooperation Programme				

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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, 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)	2012	TC/ROs	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. Management will continue to monitor the level of approvals and provide support and guidance when required. 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. In January 2013, the TCP team shall be undertaking a critical review of requests in the pipeline pending for more than 12 months.

SIGNIFICANT

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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	Agreed. This is in line with the established fungibility rules.
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	Agreed.
8	Improve budget governance by providing a layer of control to monitor the budget holder's action on expenditure commitments, and to treat risks of over-commitment at source. (Paragraph 50)	2012	OSP	Not agreed. 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 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. Commitments are included when monitoring whether expenditures exceed the overall allotment and in deciding

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				whether to request programmatic explanations for any shifts in the work programme during implementation.
9	Ensure that expenditures are always within the limits of the authorized project budget, and the cash provided by the donors by: (a) constantly 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 and obtaining prior approval before committing expenditures that will exceed the latest approved budget; and (d) constantly ensuring that charges to the project are appropriate. (Paragraph 61)	2012	OSD	See management comment to recommendation no. 2
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	See management comment to recommendation no. 2 Actions are ongoing by TCSR, CSF and concerned BHs to resolve over-expenditures with OSD follow-up to expedite operational and financial closures.
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	2012	BHs/FPSN/OSD	See management comment to recommendation no. 2

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	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)			
Implementation of IPSAS/ERP Project				
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 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)	2012	CSF	Recommendation implemented
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.
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 accounting pronouncements in the Organization as well as provide	2012	CSF	This deliverable is included in the workplan for 2013.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	information on what IPSASs are directly or not directly related to its operations. (Paragraph 77)			
Results-based Management				
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 results and future planning are facilitated for the next Medium Term Plan (MTP)/Programme of Work and Budget (PWB). (Paragraph 86)	2012	OSP	Recommendation implemented. 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 is focusing on the quality of the formulation of the Medium Term Plan 2014-17 during 2012-13. An inter-divisional Reference Group on RBM was set up under OSP coordination for this purpose.
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	Recommendation implemented. 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.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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 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)	2012	OSP	Guidance and support tools for the identification, scoring and mitigation of risks will be 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
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.
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. 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		Suggested Timeline	Responsible Unit	Management Response
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	Recommendation implemented. 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.
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	Recommendation implemented. 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.
22	Promote and strengthen the use of the existing Quality Assurance facility in 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	2012	OSP	The recommendation will be addressed in the context of work on the accountability and internal control framework.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	ORs/URs for the achievement of intended results. (Paragraph 119)			
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	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.
Enterprise Risk Management				
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 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)	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.
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	2012	OSP	Partly agreed and implemented. Part (c) of the recommendation has been implemented. 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

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	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)			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.
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	Recommendation implemented. A set of standard reports have been introduced in FPMIS to effectively monitor the project approvals and deliveries.
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 "Clearances" field for the automatic	2012	TC/OSD	In addition to the response provided to recommendation (5), we note that: (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. (b) - The new standard TCP reports created and TCP processes to be reflected in FPMIS, (along with newly released Guide to the Project Cycle - Phases 4-6), seek to address these issues. The guidance provided is enhanced through training and workshops.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	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. (Paragraph 164)			(c) - 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. (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 in the new project page in FPMIS designed for this purpose. (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.
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)	2012	TC/OSD/FPSN	The budget holders of the concerned projects have already been contacted to expedite the completion of pending project closure formalities without any further delay. 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). These and similar issues were addressed during the 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	2012	TC/OSD/FPSN	Recommendations a) and b) have been implemented Clear instructions have been provided to budget holders to

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	handover/disposal; (b) timelines on disposal of assets/equipment and submission of Terminal Reports; and (c) corporate sanctions for non-compliance. (Paragraph 172)			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. The new Project Cycle includes an improved closure phase (phase 6) which has been agreed upon with the relevant units. 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.
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/FPSN	See response to recommendation 28 above. The ongoing monitoring of regional portfolios with support from OSD will be further strengthened by the re-launching of Operations Support missions in 2013.
31	Review the corporate Budget Holder training course and include the FPMIS operational monitoring tools for projects (FPSN and Pending Housekeeping Actions), and create e-learning related products for the staff members in the field. (Paragraph 177)	2012	TC/CSP	Plans are to ensure training on TCP related issues, tools and guidelines, including new standard reports for project monitoring and reporting. 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.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Management of Emergency and Rehabilitation Activities				
32	Make the operating information more reliable by obtaining necessary country-level data as basis for decision-making. (Paragraph 182)	2012	TC	Achievement statements will be reformulated within the framework of the on-going integration process.
33	Pursue monitoring activities with the participation of non-Emergency Operations and Rehabilitation Division (TCE) personnel in the entire SO I activities. Embed in the programmed actions the monitoring activities pertaining to coordination since majority of SO I teams are not directly under the supervision of the TCE. (Paragraph 185)	2012	TC	SO I activities are planned and monitored at a corporate level, ensuring full involvement of decentralised offices.
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.
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.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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.
37	Require submission of reports within the project time frames despite identified constraints. Prioritize the enhancement of the competencies of those charged with report preparation particularly in the field offices. (Paragraph 197)	2012	TC	Project closure activities are strictly followed up monthly for projects under closure. Donor reporting remains a top priority and management will pursue capacity development efforts in this area, particularly in support of field offices.
38	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)	2012	TC	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.
39	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)	2012	TC	We note that this Organizational Output has not been included under the 2012-2013 PWB and is therefore no longer relevant.
40	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). Include in the Project Agreements clauses pertaining to Disposal of Equipment, or use of equipment after the NTE date. (Paragraph 209)	2012	TC	Project closure has been included as a specific phase of the new project cycle to emphasize its importance and specificity. Under the closure step, specific instructions are included for fulfilling the following actions: • project terminal report completion; • coordination of departure of field project personnel; • provision of last inputs; • disposal of equipment; • information of all parties of operational closure.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				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.
Human Resources Management				
41	That the hiring units and the CSH: (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; (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 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 complete, timely and accurate; and (ii) gaps and duplications in numbering are avoided. (Paragraph 215)	2012	OHR	Monitoring mechanisms are in place and the evaluation of candidates is now handled through iRecruitment. Following the implementation of GRMS, efforts will initially focus on stabilizing the iRecruitment application and its functionalities prior to pursuing improvements to the system.
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	The processing time for the evaluation of candidatures has generally improved thanks to the implementation of iRecruitment.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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. As part of the implementation of the current selection procedure, the PSSC Secretariat put in place a database which allows timely verification of all recruitments in process. Hiring managers have also been encouraged to verify the geographic representation status before finalizing the list of interviewees. Tangible results have been registered, such as the reduction in the number of over-represented countries, from 14 in 2010 to only 4 in 2012.
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.
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	Recommendation implemented a) &b) the recruitment of the second batch of JPP is being handled through iRecruitment, thereby significantly reducing the time taken to evaluate candidatures. c) the implementation plan was established and communicated to recruiting Units. Follow-up was carried out by CSP.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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	No late applications were accepted in 2012, except in cases where clear technical difficulties with iRecruitment prevented the candidates from submitting their applications within the deadline.
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	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.
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	Efforts remain ongoing to finalize the new corporate mobility policy. An initial draft was submitted to the Office of the Director-General in January 2012, and subsequently revised. In light of the strategic importance of this policy and impending changes to the HR management team, a decision has been taken to retain the current policy in draft form until the incoming HR Director has had a chance to review it in consultation with the DG and determine how to position mobility within the overall direction of human resources management in FAO and in line with the strategic objectives of the organization.
Project Evaluation				
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	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: a) vacancies for OED posts are drafted based on UNEG standards;

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	management and programme managers; (c) Criteria for the selection of projects to be evaluated; (d) Timing of the conduct thereof; (e) 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)			b) the Evaluation Committee (Internal) will be requested to discuss and provide feedback on expectations from senior management and programme managers; c) OED is monitoring with TCSR the inclusion of evaluation provisions in projects, as per Field Programme Circular 2011/1 d) closer internal monitoring of progress on conducting project evaluations has been instituted in OED; 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; f) by end of 2013, OED expects having the database set-up and functioning, as part of the Evaluation Knowledge Management Strategy.
50	Develop the guidelines to implement the recommended additional evaluation policies and ensure its completion. (Paragraph 247)	2012	OED	Work is in progress: besides those already available on project and country evaluations, OED expects to issue the Handbook on evaluation in FAO and the Guidelines on thematic and strategic evaluations in the first half of 2013.
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)	2012	OED	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.
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)	2012	OED	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 should be noted thematic, strategic and country evaluations have already included ex-post

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				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	Work to implement the recommendation is in progress and plans are to complete QA tools by mid-2013
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.
55	Establish a validation/closure procedure for implemented recommendations and a monitoring system that will keep track, either on a semestral or annual basis, the status of recommendations until closure. (Paragraph 266)	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 the evaluation.

2010-11 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES				
SIGNIFICANT				
Recommendation		Suggested Timeline	Responsible Unit	Management Response
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.
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.
58	Ensure the provision of evaluation budget for every project to enable the conduct of a terminal or ex-post evaluation. (Paragraph 277)	2012	BHs/TC/OSD	For all cases where an evaluation is required by the donor, project evaluations have been and will continue to be carried out. For all other projects, evaluation budgets are established in accordance with established policies. 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

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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.
Procurement and Letters of Agreement (LoA)				
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	CSAP has, with the introduction of the Revised Manual Section MS502 “Procurement of Goods, Works and Services” in January 2010 , and the new MS507 “Letters of Agreement” in July 2011, given significant attention and resources to the development of procurement capacity within the decentralized office network. The Revised MS502 allows for an increased level of directly delegated financial authority. This gives the decentralized offices considerable autonomy to undertake regular and project funded procurement, and in the preparation of tenders, and the planning and delivery of goods and services for both regular program and project activities. To support this responsibility granted to the Authorized Officials in the Decentralized offices under MS502 and MS507, 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 Agreement Intranet pages. Many of these resources are available in French, Spanish and English.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				CSAP staff have held 62 training courses for MS502 Procurement for 1032 participants in 21 countries to date. In addition, MS507 Letters of Agreement training has reached 840 staff through 38 training courses in 17 countries. In 2013 further training courses will be held in every FAO region. CSAP has posted 6 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. Being on site has significantly increased the communication flows between project/program officers and the procurement team, allowing for synergies in planning and project preparedness for planting seasons and emergencies. Every day CSAP staff provide timely, relevant advice and support to colleagues in the decentralized locations.
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	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. Furthermore, the Emergency Response Coordination Unit has hired additional Field Verification Officers to strengthen the monitoring of the project activities on the ground.
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

Recommendation		Suggested Timeline	Responsible Unit	Management Response
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
Asset Management				
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: 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. b) Verification of non-expendable properties will henceforth be carried out on a rolling basis. 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
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.
Consultants				
66	Implement the prescribed controls and guidelines/ regulations in hiring consultants. (Paragraph 300)	2012	OHR	The recruitment of international NSHR assigned to decentralised offices is undertaken by the relevant SSC hub while the recruitment of local NSHR was delegated to the decentralised offices as part of the streamlining measures for

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				administrative work, in accordance with the principle of subsidiarity. Extensive guidelines on the procedures to be followed by decentralised offices in undertaking local NSHR recruitment have been published on the internet, which highlight the need for a competitive selection procedure. In addition, there are Standard Terms of Reference (TORs) templates in English, French and Spanish, which provide for clear outputs and performance indicators for the contract holder. Finally, it is made very clear that an ADM 104 (Quality Assessment form) must be completed at the end of the assignment.
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 Ethiopia	Agreed.
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
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)	2012	CSF	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.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				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.

2008-2009 BIENNIUM - AUDIT OF HEADQUARTERS
FUNDAMENTAL

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
FUNDAMENTAL				
Rec 1. Staff Related Liabilities				
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	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 143rd Session of the Finance Committee in May 2012, where the Committee considered the results of the latest actuarial valuation as at 31 December 2011 and the results of a study of alternative strategies and options for funding of staff related liabilities. The 37th Session of the Conference in June/July 2011 reiterated the need to take additional steps to improve the financial situation of the Organization but noted that the incremental funding proposals were not feasible at the moment given the current economic situation. The Conference noted that it would revisit the issue of finding these liabilities in future biennia.	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.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			The matter will be further discussed at the March 2013 Session of the Finance Committee where the Committee will review the results of the latest actuarial valuation as at 31 December 2012 and consider funding approaches to be reported to the Council in the context of the PWB 2014-15.	
Rec 3. Host Country Agreements				
We recommended and the Organization agreed to undertake a comprehensive review of outdated Host Country Agreements (HCAs) to assess the adequacy of the contributions, in cash or in kind, and explore the possibility of generating additional revenues by negotiating improved cost-sharing schemes between the Organization and amenable host countries.	2010	OSD	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. This exercise will be carried out on a pilot basis for a first 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).	As the comprehensive review of the HCAs is ongoing, the recommendation shall be monitored until it is fully addressed.
Rec 4. Working Capital Fund (WCF)				
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,	2010	CSF	The Secretariat included proposals to increase the funding level of the WCF in the PWB 2012-13. The 37th Session of the Conference in 2011 reiterated the need to take additional steps	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.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
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.			to improve the financial situation of the Organization but noted that the incremental funding proposals were not feasible at the moment given the current economic situation. Conference therefore deferred to future biennia the replenishment of the Working Capital Fund. Proposals to increase the funding level of the WCF will be presented within the PWB 2014-15.	
Rec 5. Regular Programme budgetary controls				
We encourage the Organization to consider the standard Oracle budgetary functionality for effective and efficient fund sufficiency checking in accordance with the budget fungibility rules.	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 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	We recognize the linkage of the recommendation with the ongoing review of the new planning and budgeting module and we encourage the Organization to complete the action on the recommendation.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			allottee appropriations and for the review and authorization of additions to and transfers between allotments. 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. 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.	
Rec 7. Project management – project closure				
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.	2011	TC	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	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			reduce the delays in financial closures TC, in consultation with a wide range of stakeholders in headquarters and DOs is currently 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. 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. 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 ROs also highlight the need for action in that respect. However, the BH is the ultimate responsible, and is held accountable, for ensuring closure actions take place (e.g.	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			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.	
8. Support costs to Field Programme (Project Servicing Costs)				
We suggest that the Organization: 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. 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	2012	OSP	The Secretariat presented measures to improve implementation of the Organization's Support Cost Policy to the Finance Committee at its 138th Session in March 2011. These measures were welcomed by the Committee 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. The 37th 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	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 2012-2013 audit.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
costs from Extra Budgetary (EB) funded projects to show the following: b.1 unrecovered fixed indirect support costs; b.2 unrecovered support costs by category of programmes or projects; 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 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). 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			means for improved cost 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. 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.	

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
fund and how these were calculated. 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: d.1 consider articulating the instances where recovery is possible or not; and d.2 establish the extent at which the Organization desires to recover the cost of TSS.				
Rec 9. Property Management - Custody and accountability over non-expendable property				
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	2010	CSF/CSDU	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. With regard to the issuance of secure gate passes, the Security Service will review the	In view of the wider review of the recommended processes under IPSAS, verification will be undertaken as soon as the subject guidelines and procedures under IPSAS Project have been reported complete. Meantime, during audits in the current biennium, we still noted some offices (RAP, Myanmar) where issuances of property to staff members were not documented by Custody of Property Form.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
office premises.			feasibility of this recommendation taking into consideration the cost of implementing the new procedures.	
Rec 10. Non-expendable property and Expendable property				
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.	2010	CSF	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.	In view of the wider review of the recommended processes under IPSAS, verification will be undertaken or as soon as the subject guidelines and procedures under IPSAS Project have been reported complete. Meantime, we still noted, during the audit in the current biennium, issues on recognition of non-expendable property in RAP, Myanmar and Sri Lanka.
Rec 11. Year End Asset Reports				
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	2011-12	CSF	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	In view of the wider review of the recommended processes under IPSAS, verification will be undertaken as soon as the subject policies and procedures under IPSAS are put in place. Meantime, we still noted, during the audit in the current biennium, issues on the YEAR in Myanmar and RAF.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
records in the Organization is included in the new policy.			count and verification will be carried out.	
SIGNIFICANT				
Rec 16. Plan Assets				
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).	2012	CSF	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.	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.
Rec 17. Procurement – Liquidated Damages of Late Deliveries Assets				
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.	2011 onwards	CSA	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. In order to address this recommendation, the Organization will prepare and	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			communicate guidance to Budget Holders reminding them of their responsibilities for monitoring deliveries and procedures related to the application of liquidated damages. Guidance notes to the Budget Holders have been prepared and are currently being finalized in light of changes introduced by GRMS and the receiving function. Dissemination to Budget Holders will be via e-mail and the CSAP NewsBrief, and by posting the Guidance notes on the Procurement intranet pages. This is in progress and should be completed by 15 February 2013.	
MERITS ATTENTION				
Rec 19. Special Fund for Emergency and Rehabilitation Activities				
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.	2012	TC	Guidelines related to the management of the SFERA were endorsed for immediate use by the Director, TCE at the end of November 2011. The Field Programme Circular "Procedure for the management of the Special Fund for Emergency and Rehabilitation Activities (SFERA)" was issued on 31 October 2012.	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

2008-09 BIENNIUM - AUDIT OF DECENTRALIZED OFFICES				
Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
FUNDAMENTAL				
Rec 20. Budgetary Controls – Regular Programme (Regional Office for Africa)				
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. We also encourage RAF to work consistently within the limit of the institutional allotment provided in accordance with the PWB.	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 2012-2013 audit.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
Rec 21. Budgetary Controls – Projects (Regional Office for Africa)				
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. 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. 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	2010	RAF	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. 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. 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. 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.	Observation was also noted during the 2010-11 audit . RAF's compliance to be evaluated during biennium 2012-2013 audit.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
cash balance for TF projects				
Rec 22. Non-Expendable Properties				
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.	In view of the wider review of these recommended processes under IPSAS, verification will be undertaken as soon as the subject guidelines and procedures under IPSAS Project have been reported complete.
Rec 25. Project Management - Delays in Terminal Reporting and Closures				
We reiterate that utmost efforts be exerted to observe the timelines for project implementation and completion	2011	TC	The Organization concurs with the recommendation, acknowledging challenges to delays in project closures – please refer to comment to recommendation 7 above. 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	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
			and it is expected that delays in terminal reporting will be reduced. Furthermore, the new Project Cycle 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. 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.	

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				
Proceed to the immediate issuance of the “Guidelines on the Governance and Management of SFERA” which should incorporate the following: a) the maximum amount that a project may obtain as a cash advance from SFERA; b) the prescribed period for reimbursement of SFERA advances following receipt of donor contributions; 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 d) requiring a logical framework for all projects, regardless of project cost, as a best management practice tool in	2012	TC	Guidelines related to the management of the SFERA were endorsed for immediate use by the Director, TCE at the end of November 2011. The Field Programme Circular "Procedure for the management of the Special Fund for Emergency and Rehabilitation Activities (SFERA)" was issued on 31 October 2012.	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

Recommendation	Suggested Timeline	Responsible Unit	Management Response	External Auditor's Comments
planning, monitoring and reporting.				
Rec 2. Logical Framework for SFERA Projects				
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 2012-13 biennium audits.
Rec 4. Citeria for Fund Applications under Revolving Funds				
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.	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.

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).	The Organization's compliance shall be evaluated during the 2012-13 biennium audits.