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FINANCE COMMITTEE

Two Hundred and Sixth Session

Rome, 3-7 November 2025

Management Response to the Recommendations presented in the Report of the External Auditor for 2024

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

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EXECUTIVE SUMMARY

- The report presents the Management Response to the recommendations detailed in the Report of the External Auditor for 2024.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to review the document and provide guidance as deemed appropriate.

Draft Advice

The Committee:

- **noted the Management response and proposed actions to implement the recommendations presented in the Report of the External Auditor for 2024; and**
- **encouraged Management in its efforts to close the outstanding recommendations.**

Introduction

1. The table below presents the Management comments on the recommendations contained in the Report of the External Auditor for 2024.

Long Form Report 2024

Recommendation		Suggested Timeline	Responsible Unit	Management Response
FUNDAMENTAL				
MANAGEMENT MATTERS				
Performance audit of the Office of Climate Change, Biodiversity and Environment (OCB)				
Linking of programmes/projects with the Strategy on Climate Change (SCC) framework				
3.	OCB to encourage stronger integration of the framework of strategy on climate change and its Action Plan into planning efforts under PPA BE1, leveraging the network of climate change focal points to facilitate coordination and implementation. *(Paragraph 69)*	2025	OCB	OCB will encourage the climate change focal points to integrate aspects related to the Strategy and its Action Plan into their offices' results planning in PIRES for 2026-2027. To do so, OCB will organize at least two meetings and provide guidance accordingly.
Mechanism for FAO's climate change focal points				
5.	OCB to regularly monitor and evaluate the performance of the focal points as per the Terms of Reference (ToR), including the submission of progress reports and performance data, to ensure strategic alignment and effectiveness in mainstreaming of PPA BE1 across various divisions and Decentralized Offices. *(Paragraph 83)*	2025	OCB	A periodic survey (with first issuance planned for December 2025) will be developed for distribution among the focal points and which will guide OCB on how it can improve its support to the network as well as to collect information on training needs and progress reporting. It will be conducted every two years in line with FAO's reporting cycle to analyse advances in their responsibilities as per the ToRs, keeping in mind that the reporting line of the focal points, and therefore the performance assessment, is the prerogative of the respective division/office of the focal point. In addition, climate change focal points will be invited to share progress at the regular meetings organized by OCB.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Performance audit of Hand-in-Hand initiative (HIH)				
Resource mobilization in countries post participation in Investment Forum				
13.	FAO to implement a robust follow-up process, post-forum, to ensure that potential commitments are actively pursued. FAO to consider the requirement for additional financial and technical resources to enable more follow-up to take place at country level. *(Paragraph 143)*	Implemented*	DDCG	Additional resources for the Hand-in-Hand Initiative were included in the PWB 2026-27 presented to the 44th session of the FAO Conference.
Compliance Audit Findings				
Scope of engagement under OPIM (MS 701)				
22.	FAO to review the highlighted cases and similar instances where multiple POs have been frequently awarded to the same agency eligible under FAO Manual Section (MS) 701 and explore the feasibility of adopting an Operational Partners Implementation Modality (OPIM) to improve efficiency and compliance. *(Paragraph 191)*	2025	PSS	MS 701 has been substantially revised and the draft new version includes a Framework Agreement option which would allow the inclusion under one single framework agreement, the currently separate LoAs and related POs of a partnership nature (excluding those where their nature is of a procured service provider which will continue to be processed under MS 507), as well as currently separate project by project-level OPAs.
Purchase Orders issued without purchase requisitions and/or without UNGM registration				
23.	In compliance with the extant MS provisions, FAO to ensure that purchase orders are not issued without a purchase requisition. *(Paragraph 195)*	2026	CSL	CSL will issue further guidance on circumstances that would waive the need for a purchase requisition.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
SIGNIFICANT				
MANAGEMENT MATTERS				
Performance audit of the Office of Climate Change, Biodiversity and Environment (OCB)				
Non-alignment of SDG targets in the Action Plan				
2.	Office of Climate Change, Biodiversity and Environment (OCB) to consider improving the alignment of Sustainable Development Goal (SDG) targets listed in the output lines of the FAO Action Plan on climate change with the relevant targets of the Strategic Framework 2022-31, giving priority, whenever possible, to the targets relevant to the Programme Priority Area (PPA) on *Climate change mitigating and adapted agrifood systems*. Such alignment could be done in the updated Action Plan document, thereby ensuring transparency and strategic consistency. *(Paragraph 64)*	2026	OCB	An updated Action Plan will be prepared for 2026-2029. The "matrix of outcomes and outputs" of the Action Plan will be updated during that process (by the end of 2025). The final document should be published after the mid-term review of the Strategy has been presented at the May 2026 session of the Council, at the latest.
Development and utilization of digital tools				
4.	OCB to monitor the utilization of various tools, assess the requirements of stakeholders, provide necessary training as well as update the tools in line with the vision of the Strategic Framework 2022-31. Further, the available tools may be made more visible to enhance awareness and utilization. *(Paragraph 77)*	2025	OCB	**Monitoring:** OCB will expand its use of analytics to track how web-based tools are being used, by how many people, from which regions, etc. (already done for Earth Map and Collect Earth). **Training:** OCB will offer on demand training, subject to the availability of resources, including through leveraging existing projects. **Visibility:** OCB is compiling information on the added value and case studies of the use of its tools in a catalogue to serve as OCB's offer. This will be made visible through (i) dedicated introductory sessions for FAORs/FAO Country Offices, and (ii) uploaded onto the OCB website.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Programme management, monitoring and evaluation – Absence of baseline and milestones data for output indicators				
6.	OCB to take up the issue with Office of Strategy, Programme and Budget (OSP) to ensure that baselines and milestones for the PPA *Climate change mitigating and adapted agrifood systems* output indicators are clearly outlined in the upcoming programme documents, prior to biennium implementation, to enhance performance management, monitoring and evaluation framework. *(Paragraph 88)*	Implemented *	OCB	The "baselines" and "milestones" are published in the "Annex 1: Updated results framework 2026-29" of the Medium-Term Plan 2026-29.
Programme management, monitoring and evaluation – Milestones and Deliverables Status				
7.	During the year-end reporting exercise, OCB to verify the status of its milestones and deliverables and initiate corrective actions where necessary. For the next biennium, OCB to ensure that milestones and deliverables logically follow the formulation of output statements. *(Paragraph 93)*	2025	OCB	In 2025, OCB created a Programme Hub to enhance its coordination modalities. As part of this, by December 2025, the Programme Hub will improve the preparation, implementation, monitoring, and reporting of OCB results. This improvement in strategic programming will maximize the use of PIRES so that all results "at risk" at the year-end reporting have mitigation actions inserted in PIRES, and that all results with status "achieved" have lessons learned and supporting evidence uploaded in the system.
Programme management, monitoring and evaluation – Monitoring and reporting of output statements for PPA in PIRES				
8.	OCB to maximize the use of the Programme Planning, Implementation Reporting and Evaluation Support System (PIRES) reporting framework to define quantifiable outputs, document lessons learned and comprehensively report on risks and mitigation actions for incomplete or delayed milestones and deliverables.	2025	OCB	See comment under recommendation 7.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	(Paragraph 93)			
Performance audit of Hand-in-Hand initiative (HIH)				
Selection of investors for IF – Absence of criteria and documentation				
11.	HIH to establish and document clear criteria for screening and shortlisting private sectors to ensure a standardized and transparent process and enhance accountability. *(Paragraph 134)*	Implemented*	DDCG	The criteria have been developed by the HIH team and will soon be made available on the HIH website after the HIH Investment Forum 2025.
Local, subregional and regional investment events				
14.	FAO to encourage countries to replicate successful models like the Pakistan National Investment Forum by organizing local, subregional and regional investment events tailored to the specific needs and interests of local stakeholders and investors, to increase the chances of attracting relevant investors. *(Paragraph 144)*	Implemented*	DDCG	The HIH team has set up a shared folder which is shared with each of the HIH regional focal points, and shared further when a national HHI Investment forum is being conceptualized and developed. This has proven to be very useful to encourage countries to take some best practice examples and adapt them to national, subregional and regional fora such as those held in 2025 in both RAF and RAP.
Robust tracking mechanism				
15.	FAO to establish a robust tracking mechanism with additional resources to better capture the outcomes of negotiations and subsequent actions post-forum. This would include monitoring each commitment from the initial discussions at the HIH Investment Forum through to final agreements and actual delivery of HIH objectives. *(Paragraph 145)*	2025	DDCG	The new Monitoring and Evaluation system, with country-led reporting, has been developed using corporate systems and a rollout training exercise will be completed before the end of 2025.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
Periodic reviews of national & regional investment forums				
16.	FAO to implement a systematic process for conducting periodic reviews of national and regional investment fora along with international investment fora for each country, to assess the effectiveness of the fora in translating negotiations into actual investments. *(Paragraph 146)*	2025	DDCG	A new News section on the HIH page where these events are promoted has been implemented.
Requirement of financial and technical resources				
18.	FAO to consider providing additional technical and financial resources to HIH in line with the Council recommendation of December 2024, with focus on development and enhancement of the HIH tools and approaches, to better support its growing number of Member Governments, so as to not only increase the number of countries benefiting from HIH but also improve its ability to monitor progress and evaluate long-term impact. *(Paragraph 154)*	Implemented*	DDCG	Additional resources for the Hand-in-Hand Initiative were included in the PWB 2026-27 presented to the 44th session of the FAO Conference. In addition, an application has been made for funds from the Flexible Voluntary Contribution (FVC).
Development of geospatial platform				
19.	In line with the Council recommendation of December 2024, FAO to provide necessary resources to continue the efforts for development of geospatial platform related applications/tools to support country-level HIH efforts and to	Ongoing	DDCG	Both Regular Programme and extrabudgetary funds are provided, including for the use of Geospatial, as per the concept note on the HIH dashboard.

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	facilitate country and regional initiative engagements with investors. *(Paragraph 160)*			
COMPLIANCE AUDIT FINDINGS				
Interest on unspent balances of voluntary contributions				
21.	To promote transparency and in recognition of the fiduciary nature of its relationship with donors, Audit recommends FAO to disclose the methodology used for calculating interest payable on unspent donor balances in its submission to the Finance Committee. *(Paragraph 185)*	2026	CSF	Additional information on the rate of return applied to unspent balances held on behalf of Trust Fund resource partners will be shared through the Report on Investments presented to the Finance Committee on an annual basis.
Open Purchase Orders beyond promised delivery date				
24.	FAO to conduct routine review of purchase orders that remain open beyond the promised delivery date and take appropriate action, including closure, while ensuring compliance with relevant Manual provisions. *(Paragraph 200)*	2026	CSL	CSLP will continue to monitor and remind buyers to close purchase orders when no further payments are expected. CSLP, in coordination with the relevant stakeholders, will also explore the feasibility of automating PO closure based on predefined conditions, with the aim of minimizing the number of open POs that are no longer required.
Travel management				
26.	FAO to consider establishing a centralized system of Quarterly Travel Plans (QTPs) from all divisions at headquarters to facilitate the bundling of missions where feasible and support economic and strategic travel planning. *(Paragraph 215)*	2025	CSL	The establishment of a centralized system for Quarterly Travel Plans (QTPs) has been assessed in a joint effort with CSI with the conclusion that complete re-development of the module would be required to fit the current FAO organizational structure. Given that over 75 percent of FAO travellers cannot be included in travel plans as they are non-staff (guests and affiliate workforce), the limited impact of implementing such recommendation does not justify the effort of re-designing the module or developing an ad hoc QTPs centralized system. However,

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				the importance of travel planning will continue to be reinforced at divisional level to facilitate bundling of missions and to maximize efficiencies, even if not automated through a centralized system.
27.	FAO to strengthen travel planning in Decentralized Offices to ensure greater efficiency and effectiveness. *(Paragraph 215)*	2025	CSL	The importance of travel planning as a key enabler for travel management efficiencies will be reinforced with Decentralized Offices in addition to headquarters.
MERITS ATTENTION				
COMPLIANCE AUDIT FINDINGS				
Financial audit				
Earmarking of investments held at FVSD for employee benefits and accounting thereof				
1.	FAO to disclose in the notes to accounts the income, expenses, gains and losses relating to Fair Value through Surplus or Deficit (FVSD) and Fair Value through Net Assets (FVNA) instruments separately, to improve the traceability of income/gains/losses associated with funds earmarked for post-employment benefit obligations. *(Paragraph 52)*	2025	CSF	Note 21 of the Financial Statements already separately discloses income, expenses, gains and losses relating to FVNA instruments. Management notes that funds earmarked for post-employment benefit obligations are not directly aligned to either FVSD or FVNA accounting classifications; therefore, the recommendation in this regard is not relevant. Going forward, for the 2025 Financial Statements, Note 21 pertaining to income, expenses, gains and losses relating to FVSD instruments could be further dissected to separately present amounts earned on current instruments (being extrabudgetary debt securities) versus amounts earned on non-current securities (being Regular Programme equity instruments earmarked for post-employment benefit obligations).
Internal Control				
Non-compliance with prescribed period of engagement – consultants and NPP				
25.	FAO to actively monitor and address system bugs in TALEO to maintain data integrity with the Global Resource Management System (GRMS), while also ensuring regular oversight of cases	2025	CSH	The CSH Division is developing new guidelines for the engagement of PSA National and National Project Personnel (NPP) contracts. These guidelines will include clear provisions for monitoring and reporting, aimed at strengthening oversight and ensuring alignment with FAO's regulatory framework. It is worth mentioning that the mandatory break

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	where National Project Personnel (NPPs) continue beyond the allowed 12-month engagement period at any one stretch. Audit further recommends the Human Resources Division (CSH), as the business process owner, to review and track implementation of relevant policies and procedures across both headquarters and field offices by developing necessary tools to monitor and enforce them. *(Paragraph 204)*			calculation for PSA Nationals (330 days) is already implemented in GRMS. Additionally, a Business Change Request (BCR) has been prepared to enable monitoring of the maximum contract duration for NPPs (12 months), which will further support compliance and transparency. The CSH Division and the SSC are working closely with CSI to actively monitor and address system bugs in TALEO that may affect data accuracy or synchronization with GRMS.
Back to Office Report				
28.	FAO to ensure adherence to Manual provisions for the submission of Back-to-Office Reports (BTORs) and the processing of Travel Expense Claims (TECs) with all mandatory documentation. *(Paragraph 215)*	2025	CSL	Given that Back-to-Office Reports (BTORs) are technical documents, it is the responsibility of officers in charge when approving Travel Expense Claims (TECs) to ensure compliance with BTOR submission. Communication to reinforce adherence to this requirement will be sent out. In addition, BTOR compliance reports will be developed and made available to divisions. SSC will continue to check and verify mandatory supporting documentation as per current practice.
MANAGEMENT MATTERS				
Performance audit of the Office of Climate Change, Biodiversity and Environment (OCB)				
Evaluation of the PPA on *Climate change mitigating and adapted agrifood systems*				
9.	Any changes in the Sustainable Development Goal (SDG) indicators related to the PPA BE1 to be recalled in the guidance for the formulation of biennial workplans and projects/programmes, so that FAO's contribution through the PPA BE1 is captured and monitored effectively.	2025	OCB	In line with its role as technical lead for the PPA BE1, OCB will guide units in the formulation of biennial workplans, projects and programmes contributing to the PPA Outcome.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	(Paragraph 99)			
Performance audit of Hand-in-Hand initiative (HIH)				
Participation in HIH initiative				
10.	Despite their limited resources, HIH to make additional efforts to provide support to all eligible countries and bridge investment gaps. *(Paragraph 124)*	2025	DDCG	Within available resources, support is being provided as a priority to the countries participating in the HIH Investment Forum in October 2025. To date this includes 31 countries and 6 regional HHI initiatives for the HIH Investment Forum 2025.
Selection of countries and regional initiatives for participation in IF				
12.	HIH to automate the screening process for bilateral meeting requests, ensuring the system captures all relevant information, including the rationale for accepting or declining each request. The existing matchmaking application could be enhanced to include a field for documenting the rationale behind declined requests, to enhance transparency. *(Paragraph 135)*	Implemented*	DDCG	The new bilateral Matchmaking application was launched at the end of June 2025. This includes additional fields as suggested, and requires FAOR to record the reasons for declining bilateral meeting requests at both the screening and the government consultation stage.
Governments engagements				
17.	FAO to document and share success cases within HIH so that more Member Governments can engage successfully with investors. (*Paragraph 146)*	2025	DDCG	Three success case videos of 2-3 minutes each (Nepal, Peru and South Sudan) are being developed and will be presented at the Hand-in-Hand Investment Forum 2025. A shorter overview video is also being developed for the opening session of the HIH Investment Forum.
Inclusion of certain indicators in HIH Monitoring and Evaluation dashboard				
20.	Audit appreciates the considerable efforts of the HIH in enhancing the Monitoring and Evaluation (M&E) dashboard in line with the guidance of	Implemented*	DDCG	The new Monitoring and Evaluation systems, with country-led reporting, have been developed using corporate systems. The HIH

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	FAO Governing Bodies and recommends that HIH explore the possibility of including all key indicators and expedite efforts to incorporate regional initiatives as well into the Monitoring and Evaluation (M&E) system. (*Paragraph 169)*			Regional Initiatives have also been included in the M&E, and training will be completed before the end of 2025.

Implemented* – For those recommendations which Management considers as implemented, the External Auditor will validate the management comments and actions taken on these recommendations during its upcoming audits.