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منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Two hundred and second Session

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**Management Response to the Recommendations presented in the
Report of the External Auditor for 2023**

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 2023.

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 2023; 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 2023.

Long Form Report 2023			
Recommendation	Suggested Timeline	Responsible Unit	Management Response
FUNDAMENTAL			
Financial Audit			
Non-Provisioning of Expected Credit Loss			
1.	FAO to develop and implement a comprehensive and objective Expected Credit Loss (ECL) provision methodology for outstanding Voluntary Contributions, ensuring compliance with IPSAS 41 and proactively preparing for the future implementation of IPSAS 47 for more accurate presentation of its assets in the financial statements and enhance the reliability of its solvency ratios. <i>(Paragraph 63)</i>	2024	CSF
			<p>In preparation for IPSAS 41 implementation, and with particular regard to the revised requirements for ECL, Management performed and documented a detailed analysis of all revenue and receivable streams over a multi-year period, including the voluntary contribution stream, which represents the largest category of accounts receivable.</p> <p>Management's findings specific to voluntary contributions identified that:</p> <ul style="list-style-type: none"> 98 percent of <u>invoiced</u> voluntary contribution receivables were fully collected within 30 days, and those with longer collection periods did not represent a credit risk, but rather represented a timing issue in the collection of contributions. receivables outstanding under voluntary contribution agreements that have not yet been billed to the donor nor invoiced (95.3 percent of total gross voluntary contribution receivables), cannot be defined as passed due or represent a credit risk in that they are not yet due for collection until they are invoiced. This again reflects a timing issue and not a credit risk, which occurs when a donor defaults on its commitment to pay. <p>The ECL methodology and calculation was based on these findings and in the interest of most fairly reflecting the value of the outstanding receivables and potential for non-collection. Once the Organization has transitioned to IPSAS 47, effective 1 January 2026, the revised IPSAS revenue recognition criteria will significantly impact the value of voluntary contribution revenue and receivables and Management will undertake a further review and revision of the ECL policy in preparation for these changes. At this stage of implementation of the standard, this recommendation is therefore considered to be premature.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response
MANAGEMENT MATTERS			
Performance Audit of Emergency Response Preparedness and Mechanism (ERPM)			
Resource Mobilization (RM) Strategy and Action Plan for COVID-19 Response Recovery Plan (RRP)			
2.	<p>FAO to ensure inclusion of a comprehensive Resource Mobilization Strategy in the Country Programming Framework (CPF) to ensure adequacy of funding for activities under the OER mandate.</p> <p><i>(Paragraph 80)</i></p>	2024	OER
<p>OER has resource mobilization strategies in place for activities under its purview. Humanitarian needs, particularly in food crisis countries, fluctuate annually and resource mobilization efforts are aligned with the UN Humanitarian Response Plan, coordinated by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and the respective clusters.</p> <p>To further support resource mobilization efforts, OER produces annual fact sheets for each country under its purview, conducts regular donor briefings and updates, and assists Country Offices with appeals and urgent calls for assistance. These tools are specifically tailored for humanitarian donors and are normally short-term and serve as complementary efforts to the CPF-linked resource mobilization strategies.</p> <p>FAO is in the process of developing corporate guidance to establish a standardized mechanism for resource mobilization within the CPF. Currently, the CPF requires a summary of the financial landscape as outlined in the United Nations Sustainable Development Cooperation Framework (UNSDCF) along with an overview of FAO's funding outlook and available resources as well as a list of the potential resource partners. The Country Office should also assess the national resource mobilization opportunities including pooled funds for joint programmes to ensure alignment with both national priorities and FAO's strategic objectives.</p>			
Technical Cooperation Programme – Emergency (TCP-e)			
3.	<p>Office of Emergencies and Resilience (OER) to ensure that resource partner, and follow up by beneficiary country are ideally identified, at the Technical Cooperation Programme Emergency Assistance (TCP.e) proposal and terminal report stage, to fully realize the anticipated benefits.</p>	2024	OER
<p>OER is enhancing its approach to ensure that possible resource partners and follow-up commitments by beneficiary countries are identified at both the TCP-e proposal and terminal report stages to maximize the benefits of the projects.</p> <p>Currently, a TCP-e proposal includes a clause under the sustainability section that encourages beneficiary countries to allocate financial resources in the national budgets to respond to future emergencies, reducing dependency on repetitive TCP-e assistance.</p> <p>Additionally, FAO Decentralized Offices (DOs) are regularly reminded to explore alternative funding sources, including extrabudgetary resources, to diversify their</p>			

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<i>(Paragraph 87)</i>			funding portfolio. This proactive approach is intended to strengthen long-term sustainability and reduce reliance on emergency TCP funding.
Performance Audit of Food and Nutrition Division (ESN)				
Resource Mobilization				
12.	<p>FAO to develop a comprehensive Resource Mobilization strategy including a matrix mapping resource partners at the country, sub-regional, and regional levels to FAO's Strategic Framework, Regional Initiatives, and the Country Programming Framework (CPF). ESN to continue to align donor priorities with its mandate by tailoring projects in collaboration with other FAO Offices and Divisions.</p> <p><i>(Paragraph 135)</i></p>	2024	ESN	<p>ESN recognizes the need to ramp up resource mobilization activities, and the risks/challenges related to low funding levels. FAO senior leadership has highlighted the need for a single, concerted approach to resource mobilization and in this context, FAO recently developed a Resource Mobilization Action Plan (REMAP), launched in March 2024, which may provide a good starting point for more proactive, planned actions in resource mobilization (RM). ESN will work with PSR to develop an appropriate approach.</p> <p>ESN notes however, that the Vision and Strategy for Nutrition will be updated in 2025 and prefers that the development of the resource mobilization approach take place in parallel to ensure that updated priorities are reflected. We therefore recommend that the suggested timeline be modified to 2025.</p>
Management of General Fund Resources				
13.	<p>ESN Division to expand its income by increasing its provision of technical support to larger projects. This can be achieved through targeted outreach, enhanced communication, and strengthened collaboration with other Divisions and Regional Offices.</p> <p><i>(Paragraph 139)</i></p>	2024	ESN	<p>ESN is deeply committed to working with other Divisions, Country and Regional Offices, and has undertaken several activities to enhance communication and identify opportunities for collaboration on larger projects. To further support these efforts ESN is undertaking a review of its activities related to "mainstreaming nutrition", with the purpose to identify strengths and areas for improvement, which will further inform the update of the Vision and Strategy for FAO's work in Nutrition, and explicitly the opportunities and processes for strengthening support for these actions through ESN.</p>

Recommendation	Suggested Timeline	Responsible Unit	Management Response	
SIGNIFICANT				
MANAGEMENT MATTERS				
Performance Audit of Emergency Response Preparedness and Mechanism (ERPM)				
Special Fund for Emergency and Rehabilitation Activities				
4.	FAO/OER to prioritize allocation of funds under the 'Level 3 emergency preparedness and response' window of the revolving fund component of Special Fund for Emergency and Rehabilitation Activities (SFERA) in accordance with the Finance Committee's endorsement in its 147th session, to further strengthen available resources for emergency preparedness and response. <i>(Paragraph 92)</i>	2024	OER	SFERA is mainly funded through voluntary contributions from Members. The Level 3 emergency preparedness and response window was established to support (i) preparedness measures and activities strengthening FAO's capacity to respond to large scale emergencies and (ii) Level 3 emergency response and corporate surge. Allotments are triggered by the declaration of a L3 crisis and are made according to available resources. FAO is committed to pursuing its efforts to raise additional resources under the SFERA and report annually to the Finance Committee on the use of the funds.
Non-food & agriculture aid to project in China				
5.	FAO/OER to ensure that the provisions of the TCP manual for procurement of eligible items in its projects should be adhered to. <i>(Paragraph 97)</i>	2024	OER	OER is committed to ensuring adherence to the provisions of the TCP manual regarding the procurement of eligible items in all TCP-e projects. All projects undergo a thorough review and appraisal at multiple levels, including Decentralized Offices, OER and PSS to ensure compliance not only with the procurement criteria but also all TCP requirements. This review also ensures alignment with FAO's mandate.
MEAL Framework				
6.	OER to ensure that Monitoring and Evaluation, Accountability and Learning (MEAL) plan is embedded in programmes having similar goals and scope and actively utilized to	2024	OER	OER is dedicated to embedding the Monitoring, Evaluation, Accountability and Learning (MEAL) plan within programmes having similar goals and scope. The OER MEAL Plan of Action, launched in 2023, has established priority indicators and recommended practices for emergency and resilience interventions. OER actively

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>aggregate monitoring, evaluation, accountability and learning tools at the programme level.</p> <p><i>(Paragraph 102)</i></p>			<p>advocates for and supports Country Offices in the collection, analysis and implementation of these indicators.</p> <p>The Project Activity Information Database (PAID) continues to evolve, facilitating automated data cleaning and improving analysis capabilities to meet corporate system requirements. The database aggregates activity and output-level data across various projects sector and countries.</p> <p>In March 2024, OER produced an ‘Emergencies and Resilience Programme Approach’ document. Along with the ‘Reaching 80 million’ (R80M) initiative, this is a foundational document for OER’s priorities in this biennium. This document reflects the latest trends in acute food insecurity and outlines the overall approach and key elements that are essential for FAO’s emergency and resilience programming at country level to create a common understanding and framework for designing country programming.</p>
Action taken on OIG Recommendations				
7.	<p>OER to develop and implement a system for capturing fundamental descriptive data on the type, extent, nature and value of OER assistance to the Country Offices and provide the breakdown of the corporate target for emergency and resilience assistance by region/sub-region/country.</p> <p><i>(Paragraph 108)</i></p>	2024	OER	<p>OER is committed to developing and implementing a system for capturing fundamental descriptive data on the type, extent, nature and value of OER assistance provided to Country Offices.</p> <p>Through the R80M initiative, OER supports selected focus countries in defining their targets for outreach and resource mobilization over the next two years. Country Offices identify priority areas for support, which are documented in R80M country-level plans. OER will track the support provided to Country Offices, as well as their progress in reaching affected populations. While focus countries may present a partial view of the Organization’s overall efforts, OER utilizes the Project Activity Information Database (PAID) to monitor global achievements regarding beneficiaries reached, based on regular reporting from all Country Offices engaged in emergency and resilience programmes.</p>
Delivery exceeding contributions received				
8.	<p>FAO to take prompt action when the Field Programme Management Information System (FPMIS) triggers excess of delivery as compared to the</p>	2024	OER	<p>FAO has established alert systems within the FPMIS project core page to signal when a project is overspent. This system includes a toolbar with color-coded signals (red indicating overspending), a financial data section linked directly to the Data Warehouse, and a connection to iMIS Budget Holder financial reports. These tools enable prompt identification of excess delivery compared to contributions received.</p>

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	contributions received and take appropriate corrective action, including ascertaining reasons for inaction, despite triggers pointing out that the delivery has exceeded contributions. <i>(Paragraph 112)</i>			To address instances of overspending, OER will continue to conduct regular reviews of project status for all projects under its purview. In cases where excess delivery is identified, operating units and Country Offices will be informed to take corrective action. All Decentralized Offices have access to FPMIS and they are regularly reminded by headquarters to review the status of their projects and take the appropriate actions.
Operationalization of projects				
9.	FAO to ensure that adequate documentation is available before approving the project; and that the country/regional offices are adequately supported in such cases. <i>(Paragraph 117)</i>	2024	OER	FAO has established procedures within the corporate Field Programme Management Information System (FPMIS) to ensure that all project proposals and related documents are cleared by the appropriate competent unit or business owner before being entered into the system. OER has reinforced assistance to Country Offices to ensure the completeness of project documentation. To strengthen preparedness, FAO will further train Country Offices and operating units to ensure that all required documentation is available prior to project approval.
Non-zero cash balance in financially closed projects				
10.	OER/FAO to ensure that projects that are financially closed, do not have cash balances for an inordinate time, and steps are taken for refunding/re-allocation of unspent cash balances. <i>(Paragraph 121)</i>	2024	OER CSF	FAO ensures timely financial closure of projects and the proper treatment of unspent cash balances in accordance with the relevant clauses of individual funding agreements. OER monitors emergency projects that have been operationally closed and provides monthly reports on their financial closure status. To support this process, OER assists Country Offices in finalizing all necessary actions, such as clearing commitments and making budgetary adjustments, to prepare for financial closure. To expedite the process, OER has allocated additional workforce resources, ensuring that cash balances are refunded or reallocated promptly, preventing any prolonged retention of funds post-project closure.
Deficiencies noticed in projects through IT analysis				
11.	FAO/OER to strengthen monitoring to ensure timely delivery of project requirements by implementing system	2024	OSP/ FPMIS/ OER	FAO is committed to strengthening monitoring mechanisms to ensure timely delivery of project requirements. This will be achieved by implementing system controls and applying liquidated damages for delays when appropriate.

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	controls and ensuring application of liquidated damages for delays. Terminal reports and project closures to be closely tracked with clear deadlines and automated reminders to improve accountability and performance. <i>(Paragraph 125)</i>			OER will continue to monitor projects approaching their NTE (Not to Exceed) date through the FPSN toolbar, providing the necessary support to Country Offices (COs) for timely reporting and operational closure. A delivery report is provided on a weekly basis, and OER regularly informs Country Offices, emphasizing the need for immediate action where necessary. Additionally, terminal reports and project closures are closely tracked, with clear deadlines and automated reminders to enhance accountability and performance.
MANAGEMENT MATTERS				
Performance Audit of Food and Nutrition Division (ESN)				
Budget allocation for Work Plan				
14.	ESN to provide a fixed allocation of resources to the Technical Teams for an initial quarter or half-year period once the Biennium work plan is finalized. Subsequent allocations can be adjusted based on a review of task performance and delivery. <i>(Paragraph 144)</i>	2024	ESN	ESN notes that this has been partially implemented in 2024 and will be fully implemented in 2025, with explicit processes to assess task performance and delivery.
FAO Nutrition Marker				
15.	ESN to take steps to ensure FAO's Nutrition for Growth (N4G) commitments are met by organizing training for proper assignment of nutrition markers and addressing expert assessments to foster necessary institutional support for	2024	ESN	Materials to support the utilization of the marker are being reviewed and improved based on recommendations from the external assessment, and a training and rollout plan for the updated approach will follow.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	implementing recommended changes. <i>(Paragraph 149)</i>			
Nutrition for Growth (N4G) Summit				
16.	FAO to intensify corporate-level advocacy for increased visibility of N4G targets in FAO action plans and expedite support to Country Offices (COs) to accelerate progress toward achieving nutrition targets. <i>(Paragraph 154)</i>	2024	ESN	ESN agrees with the auditors that further efforts are needed for FAO to meet its N4G commitments. As noted above, ESN is developing an action plan for nutrition mainstreaming efforts, based on a review of current strengths and areas for improvement, which will then be reflected in the updated Vision and Strategy update. A timeline of 2025 is considered to be a more realistic target to achieve this.
UN Decade of Action on Nutrition				
17.	FAO to identify structural and technical solutions to address the shortage of nutrition expertise in Regional Offices/Country Offices (ROs/COs) ensuring strengthened capacity to support nutrition-related initiatives <i>(Paragraph 159)</i>	2024	ESN	Activities are ongoing, and given the complexity of the challenges, ESN notes that capacity gaps at RO and CO level cannot be fully addressed by the end of 2024 since the process may take some time. In 2024, ESN successfully returned a seconded senior staff member from an external organization, and in collaboration with the Regional Office for Africa, has now seconded her to support nutrition actions from the Subregional Office for Eastern Africa. Further activities are ongoing and will similarly be reflected in the Vision and Strategy update.
Capacity Development of Staff				
18.	a) A Technical Team-wise training need analysis may be developed by the team leads regularly for their staff which may form the basis for	2024	ESN	ESN has undertaken an internal capacity gap assessment for professional staff and identified several areas for up-skilling existing staff, this will be used as a basis for planning staff training allocations, as well as prioritizing filling positions as they become vacant (e.g. through retirements).

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>the staff development plan that ESN submits to CSH annually.</p> <p>b) Budget for ESN Staff Development is to be optimally utilized.</p> <p><i>(Paragraph 164)</i></p>			For general service staff, ESN has initiated a process to identify areas of interest for professional development (building on but beyond PEMS review), which will similarly be used to identify training opportunities.
Project Management in ESN Division				
19.	<p>ESN to design projects with larger budgets and longer durations to achieve sustained nutrition impact and strategically position its technical expertise with long-term donors.</p> <p><i>(Paragraph 169)</i></p>	2024	ESN	Please see previous responses related to resource mobilization (12), and to collaboration with others in FAO on larger projects (13).
Project Planning				
20.	<p>a) ESN to advocate with FAO for modifying the concept note template to incorporate best practices, while also implementing these practices independently.</p> <p>b) ESN to negotiate with Office of Strategy, Programme and Budget (OSP) and Resource Mobilization Division (PSR) to ensure integration of nutrition objectives into their CPFs, with the condition that they utilize</p>	2024	ESN/ OSP	ESN, in consultation with OSP, PSR and other relevant contributing units, and in coordination with Regional Offices, will put in place mechanisms to enhance nutrition-sensitive programming at country level during the CCA and UNSDCF processes. Links will be made to the ongoing CCA and UNSDCF analytical support mechanism. The timeline for these efforts should be expanded to beyond 2024-2025, as CCAs, UNSDCFs and CPFs are formulated by countries according to their programme cycle.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	ESN's expertise from the concept stage. <i>(Paragraph 174)</i>			
Implementation Plan				
21.	ESN may ensure that operational and financial closure of projects is completed in a timely manner, as per operational guidelines. <i>(Paragraph 178)</i>	2024	ESN	In 2023, ESN assigned one staff to undertake a series of training courses on LoA management, and to set up a regular review process. This has been fully implemented. ESN has now filled vacant posts (due to retirement and transfer) of key staff providing support and oversight of operational aspects including divisional level oversight and budget management, and operational and financial closure. Improved processes are fully implemented, and ESN fully anticipates improved and timely project closure moving forward.
Contribution towards Office of Evaluation (OED) Trust Fund				
22.	Contributions to the Office of Evaluation (OED) Trust Fund as per approved rates should be transferred at the beginning of the projects by Budget Holders and a quarterly report shared with OED. <i>(Paragraph 182)</i>	2024	ESN	This recommendation has been fully implemented and will continue as new projects emerge.
Performance Audit of Procurement				
Planning process and timeliness of planning				
23.	FAO to ensure compliance with the Manual. The Procurement Service (CSLP) should consider issuing instructions on timely submission of Procurement Plans, implement validation checks in SharePoint, and instruct Budget Holders to	2024	CSL	Instructions for the submission of 2024 procurement plans were sent to all offices and units in mid-December 2023, followed by a reminder at the end of January 2024. The submission status was closely monitored, and additional reminders were sent to Regional IPOs to follow up with COs that missed the 31 January 2024 deadline. To improve data accuracy, a mandatory quantity field was added to the procurement plan template, and a system-embedded validation was also introduced to highlight item lines that are missing essential information which require user actions. As such, Management considers this item fully implemented.

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	develop realistic annual procurement plans to promote better financial management. <i>(Paragraph 194)</i>			
Planning for Letters of Agreement				
24.	We recommend that CSLP establish a well-defined policy framework for planning Letter of Agreement (LoA) procurements and designate clear responsibility for its oversight. <i>(Paragraph 199)</i>	2024	CSL	A guidance document for LoA planning will be developed and shared with Budget Holders to facilitate planning for 2025.
Long-Term Agreements				
25.	CSLP to encourage more LTAs for goods and services with sustained demand to optimize procurement, while adhering to regulations. CSLP to focus on FAO offices that were making only limited use of LTAs. <i>(Paragraph 204)</i>	2024	CSL	Through its quarterly bulletins, CSLP has been constantly advocating the use of LTAs and emphasizing the importance of the creation of and PO linkage with CPAs. As such, Management considers this item as fully implemented.
Procurement timelines				
26.	CSLP to review and identify solutions to address the root causes of significant delays or inaccurate reporting of delayed deliveries of goods and services to Functional Units/Projects. <i>(Paragraph 209)</i>	2024	CSL	Through its quarterly bulletins, CSLP has consistently emphasized the importance of maintaining accurate PO delivery dates and ensuring timely receipt entries. CSLP also sent PO delivery reports (with list of POs soon to be due and overdue POs) to Regional IPOs during the year-end for their follow-up with respective buyers/Contract Managers. Additionally, two Business Change Requests (BCRs) have been submitted requesting the following system enhancements:

Recommendation		Suggested Timeline	Responsible Unit	Management Response
				<ul style="list-style-type: none"> - modify GRMS alerts for PO Promised Dates to also send advance notifications in addition to overdue notifications, allowing buyers/Contract Managers to take necessary actions before the PO due dates; and - add a KPI for Overdue PO to the Regional Procurement Dashboard to facilitate regional oversight. <p>With the above, Management considers this item fully implemented.</p>
Sustainable procurement				
27.	<p>CSLP to: a) take steps to implement Sustainability practices progressively; b) strengthen engagement with Buyers and Requisitioners to enhance sustainability integration in procurement planning, with a particular focus on Headquarters; and c) establish separate lots for local small and medium sized suppliers, demonstrating a tangible commitment to translating policy into meaningful action and take concrete steps and initiatives to assist all suppliers in transitioning to Sustainable Procurement.</p> <p><i>(Paragraph 216)</i></p>	2024	CSL	<p>CSLP is advancing its efforts in sustainable procurement. The “Sustainability Consideration” field in the Procurement Plan is now mandatory, and the percentage of plans incorporating sustainability element is reported in the DO Procurement Plan Dashboard. Furthermore, CSLP is exploring the feasibility of Requisitioners elaborating on the nature of sustainability considerations when submitting a PR. Additionally, Manual Section 502 is being revised to clarify the reference to creation of separate lots for small and medium-sized enterprises (SME)s.</p>
Issues in selection process				
29.	<p>a) CSLP to improve oversight and monitoring mechanisms to ensure that Procurement Authorities</p>	2024	CSL	<p>a) The HQPC Online Platform has been developed and is set to officially launch in Q4 2024. The tool features integrated workflows, enhancing oversight and monitoring capabilities.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>adhere to the Manual provisions and that a fair and transparent process is followed.</p> <p>b) CSLP to actively engage with the Requesters/Budget Holders so that they plan and initiate procurements with sufficient lead time before a contract's expiration, to reduce the necessity of granting avoidable extensions.</p> <p><i>(Paragraph 243)</i></p>			<p>b) Management has already activated the following mechanisms to engage with BHs; planning tools, regular meetings, reminders, and system alerts. Management therefore considers this recommendation as already implemented.</p>
Internal Controls in Procurement				
30.	<p>a) CSLP to conduct periodic reviews to ensure compliance with the procurement manual. Additionally, CSLP to establish a systemic validation mechanism to prevent conflicts of interest.</p> <p>b) CSLP to collaborate with Division of Digitalization and Informatics (CSI) during the ERP system update, to implement a robust audit trail with strong validation controls and selective access rights. Effective processes should be introduced to ensure timely fulfilment of obligations and</p>	2024	SSC/ CSI	<p>a) Addressed through the ongoing Segregation of Duties (SOD) project, which is actively engaged in the process of redefining system roles using a business process methodology, with the objective of subsequently segregating conflicting ones in accordance with the principles of SOD. This project is ongoing.</p> <p>b) CSI will work with CSLP to define the audit trail required and provide inputs on technology modifications/enhancements required to meet the requirements. Implementation will depend on the outcome of this work and what can be achieved within the current setup versus requirements that will need to be addressed through the implementation of new ERP technologies.</p> <p>A GRMS enhancement with cross validation for preventing the undue selection of a) low value award basis for LoAs and b) the non-attachment of NFF and signed LoA is expected to be ready for deployment by the end of September 2024.</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>payments, with system alerts for delays.</p> <p>c) CSLP to also enhance quality assurance processes, train personnel to accurately input data into the ERP system, review and improve contract management procedures with a focus on linking Liquidated Damages to delivery performance, and conduct periodic market surveys to diversify the vendor pool.</p> <p><i>(Paragraph 262)</i></p>			<p>c) CSLP has been consistently emphasizing in its quarterly bulletins the importance of applying liquidated damages for procurement with significant delays. Additionally, a BCR for modifying GRMS notifications to trigger alerts to Procurement Staff/Contract Managers in 30 days, 90 days and 180 days after PO Promised Date has been submitted and is expected to be implemented in Q4 2024.</p> <p>Management notes that all FAO formal tenders are by default public, and thus serve as market survey, and exceptional awards are the result of competitive bidding. For strategic categories such as fertilizers, CSLP will conduct market surveys aiming to diversify the supplier base.</p>
COMPLIANCE AUDIT FINDINGS				
Investment & Treasury Management				
Appointment of Investment managers				
31.	<p>FAO Management to strengthen monitoring to improve on the time taken for on-boarding of new fund managers.</p> <p><i>(Paragraph 266)</i></p>	2024	CSF	<p>The hiring of a Finance Officer with a legal background in the Treasury unit to aid the review of legal documents and reduce the timeline needed to negotiate FAO-specific wording with regard to privileges and immunities is under consideration.</p>
Cash & cash equivalent and FX derivatives				
32.	<p>a) FAO to review its long-term investment policy to clearly define a balanced Strategic Asset Allocation (SAA), incorporating all relevant asset classes to facilitate comprehensive performance comparison.</p>	2024	CSF	<p>The Asset and Liability Management (ALM) Study, which has now started and will yield its first results in Q1 2025, will guide CSFT Treasury and the Investment Committee in the definition of a revised long-term investment policy. This policy will include all asset classes FAO needs to invest in, benchmarks and risk tolerance and performance indicators at long-term portfolio level.</p> <p>Indications of allowed cash balances and derivatives positions at the mandate level are already specified at a portfolio level in each manager’s investment guidelines, as</p>

Recommendation		Suggested Timeline	Responsible Unit	Management Response
	<p>b) FAO to establish specific weightings for cash and cash equivalents, as well as Foreign Exchange (FX) derivatives, within each portfolio to provide clearer guidance and improve the monitoring of fund managers' performance.</p> <p><i>(Paragraph 274)</i></p>			are risk and return budgets to allow for appropriate evaluation of management performance.
Internal Control				
Implementation of Control Points in Internal Control Questionnaire				
33.	<p>Management to monitor the control points in their ICQs with special attention to those that have consistently remained partially implemented.</p> <p><i>(Paragraph 278)</i></p>	2024	FRKEN/ FRCHD	Country Office management is monitoring the control points that are Partially Implemented to ensure there is progress towards full implementation and will follow up to ensure this is achieved.
MERITS ATTENTION				
Performance Audit of Procurement				
Fairness and transparency in procurement process				
28.	<p>Management to consider issuing guidance modifying the relevant FAO Manual Section to increase procurement through competitive selection.</p> <p><i>(Paragraph 223)</i></p>	2024	CSL	Policy change request form to remove "DP: all other reasons" from the justifications for direct selection of LoA service providers to reduce subjectivity has been submitted to Senior Management for endorsement.

Recommendation	Suggested Timeline	Responsible Unit	Management Response
COMPLIANCE AUDIT FINDINGS			
Internal Control			
Long pending VAT dues			
34.	FAO to suitably pursue the matter of speeding up recovery of pending Value-Added Tax (VAT) refunds due with the respective revenue authorities. <i>(Paragraph 282)</i>	2024	CSF
CSF has worked and will continue to work with Country Offices on the recovery and reconciliation of VAT where it is allowed. The timing and recovery process, however, varies by country. FAO cooperates with other UN agencies in-country through the UN Country Team (UNCT) to work to resolve long pending VAT amounts due. This is an ongoing effort that will continue beyond 2024 as VAT continues to be charged in many countries with the consequent requirement to submit requests for reimbursement.			