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# FINANCE COMMITTEE

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**FAO Accountability Policy**

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### EXECUTIVE SUMMARY

- FAO's Accountability Policy was promulgated end-December 2014 and is provided for the information of the Committee.
- The aim of FAO's Accountability Policy is to document how accountability is applied in FAO. The Policy sets out the intended benefits, principles, main levels of responsibility and the mechanisms that establish performance standards, targets and reporting. It provides the concepts for managers to apply in designing new policies and procedures, and sets the basic parameters and objectives for internal control.
- To support implementation of the Policy, the Secretariat is mapping delegations across the Organization and will complete the first corporate risk log. The development of the Internal Control Framework will also support implementation of the Accountability Policy.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is provided for information FAO's Accountability Policy that was put in place end-2014 and measures for its implementation.

#### Draft Advice

- **The Finance Committee took note of the FAO Accountability Policy and the measures being taken for its implementation during 2015.**

### *Background*

1. At its 156th session in November 2014, the Finance Committee considered the progress made on accountability and internal control.<sup>1</sup> The Committee attached significant importance to FAO having a strong and effective accountability and internal control framework. It looked forward to the promulgation of an Accountability Policy by December 2014, and requested a progress report on the implementation of the Policy at its Spring 2015 session, and on the Internal Control Framework at its Spring 2016 session.<sup>2</sup>
2. FAO's Accountability Policy was reviewed and endorsed by the Corporate Programmes Monitoring Board at its December 2014 meeting and promulgated thereafter. This paper provides the Policy for information (see *Annex*) and outlines measures being taken for its implementation.

### **FAO's Accountability Policy**

3. The aim of FAO's Accountability Policy is to document how accountability is applied in FAO. The Policy sets out the intended benefits, principles, main levels of responsibility and the mechanisms that establish performance standards, targets and reporting. It provides the concepts for managers to apply in designing new policies and procedures, and sets the basic parameters and objectives for internal control.

### ***Policy, principles and benefits***

4. The Policy rests on five pillars:
  - a) All employees are bound by the Policy, regardless of grade, location or type of contract;
  - b) Accountability works in the same way for all employees: it involves setting expectations, reporting on performance, discussing performance, reaching a judgment and deciding whether to apply consequences;
  - c) All employees are accountable for the same critical areas of performance – value-for-money (economy, efficiency and effectiveness), accurate reporting, observing obligations and regulations, and protection against fraud, loss, waste, harm and damage
  - d) Effective accountability is built on a results focus, clear roles and responsibilities, transparency, shared ethical values, attention to the needs and views of stakeholders and a culture of consequences; and
  - e) A thread of accountability joins all levels of the Organization in a coherent and tiered set of authorities and responsibilities for the delivery of results, which enables every employee to see the contribution of their work to meeting the goals and objectives of the Organization.

### ***Accountability Framework***

5. The accountability framework contains three main layers, starting with the accountability of the Director-General to the Governing Bodies. The Director-General is supported by the Deputy Directors-General and by internal governance, comprising the Senior Management Meeting (SMM), the Corporate Programmes Monitoring Board (CPMB), and the Executive Management Monitoring Team (EMMT). Each of these elements has specific responsibilities covering guidance on policy and procedures (SMM), strategic direction and monitoring of programme performance (CPMB), and the follow-up and resolution of problems of corporate significance (EMMT).
6. The second layer comprises the Senior Managers (Regional Representatives, Heads of departments and offices in headquarters, and the Strategic Objective Coordinators). These Senior Managers are accountable to the Director-General, through the Deputy Directors-General as

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<sup>1</sup> FC 156/15

<sup>2</sup> CL 150/4 paragraph 32

appropriate, for meeting performance targets for assigned programmes of work, completing them on time, within budget and according to FAO standards and regulations.

7. Managers of Delivery Mechanisms and Budget Holders are accountable to Senior Managers for implementing assigned elements of work plans. Employees of the Organization are accountable to Delivery Managers and Budget Holders, as appropriate, for completing tasks assigned to them, on time, within budget and according to FAO standards and regulations.

8. The oversight bodies (the External Auditor, the Office of Evaluation, and the Office of the Inspector-General), together with the Audit Committee, support and provide advice and assurance to the Director-General and the Governing Bodies on the implementation of these arrangements.

### *Accountability mechanisms*

9. Three sets of mechanisms are in place to support the implementation of FAO's Accountability Framework; these are laid out in the Appendix to the Policy. Firstly, there are twelve mechanisms for internal accountability of employees through Management to the Director-General. This accountability is established on an individual and team basis. Individual accountability derives from terms of reference and job descriptions; the arrangements for staff performance assessment created by the Performance Evaluation and Monitoring System; and corporate standards on ethical conduct, fiduciary duty and integrity. Team accountability is established through work-plans and periodic reports on financial and programmatic performance, supported by reports from the Offices of Evaluation and of the Inspector-General.

10. Secondly, effective accountability also requires FAO and its employees to be answerable to its partners. Five main mechanisms support this aspect of accountability through performance standards and targets and their subsequent review, inspection and reporting procedures established in extra-budgetary project documents and funding agreements, and other contractual documents.

11. Ultimately, the Director-General is accountable to the Governing Bodies through 13 mechanisms as set out in the Basic Texts and other statutory requirements. These mechanisms comprise:

- a) corporate strategy and planning documents (the Strategic Framework, Medium Term Plan and Programme of Work and Budget);
- b) reports on implementation (Mid Term Review, the External Auditor's Long Form report, the Annual Report of the Inspector-General and of the Audit Committee, the Programme Evaluation Report, and individual evaluation reports and internal audit reports); and;
- c) reports on financial and programmatic results and achievements (Programme Implementation Report, the audited financial statements and the Annual Report on Budgetary Performance).

12. The existing accountability mechanisms are appended to the Policy and will be updated as the Policy is applied.

### **Next steps**

13. To support implementation of the Accountability Policy, the Secretariat is mapping delegations across the Organization and will complete the first corporate risk log.

14. At the same time, the development of the Internal Control Framework will support implementation of the Accountability Policy. The Framework will serve two purposes: at a strategic level, it will provide assurance that FAO has the appropriate range of policies and procedures in place, and that they are covered sufficiently by the accountability mechanisms; and secondly, it will provide managers with the advice necessary to help them meet their responsibilities under the Accountability Policy, especially for the critical areas of performance. The Secretariat is developing the Internal Control Framework during the first half of 2015, and will report to the Finance Committee on its implementation at its Spring meeting in 2016 as requested.

### *Annex: FAO Accountability Policy<sup>3</sup>*

1. This document sets out FAO corporate policy on accountability for delivery of FAO's programme of work, including benefits, principles, framework and mechanisms.

#### ***Policy***

2. Accountability is an agreed process for being held to account for actions taken or the failure to take action; a systematic approach to put that process into operation; and a focus on explicit results and consequences. The process involves setting performance expectations; reporting, discussing and assessing results against those expectations; and deciding on consequences. It applies to every employee and contributes to the continuous review and improvement of how FAO works.

3. Accountability is integrated into all aspects of the way that FAO works. Accountability is incorporated into the definition of results in the Strategic Framework and Medium Term Plan, and how FAO plans, implements, monitors and reports on its programme of work. It sets the foundation for internal management, direction, control and reporting, including policies, processes and procedures, and guides the internal relationships between individual employees and their supervisors. It guides external relationships with governing bodies, resource and other partners, member governments and beneficiaries.

#### ***Benefits***

4. Accountability helps to improve organizational performance by:

- a) Improving the quality of decision-making, thereby building FAO's credibility and legitimacy, as it leads to improved understanding and representation of the needs of stakeholders, and to a sharper focus on the relevance of information generated for stakeholders and management;
- b) setting clear goals and performance standards that are challenging yet achievable, making employees responsible for achievement of agreed results, and delegating the necessary authority, thereby improving commitment, engagement, motivation and trust;
- c) strengthening the application of the rules and regulations of the Organization;
- d) increasing trust of external partners and stakeholders towards the Organization thus attracting additional resources and creating a more enabling environment for the achievement of its Strategic Objectives;
- e) learning from experience, by seeking and responding to feedback and complaints, and reflecting on achievements.

5. FAO delivers these benefits by directing accountability towards five critical areas of performance:

- a) achieving results agreed with stakeholders (effectiveness);
- b) using funds wisely to source, maintain, and deploy personnel and other resources and assets (economy and efficiency);
- c) observing instructions from the governing bodies and other externally set regulations and rules (compliance);
- d) producing accessible, timely reports that present fair, reliable and relevant financial and non-financial information (reporting); and
- e) safeguarding resources against fraud, damage and harm, theft and loss (protection).

#### ***Principles***

6. FAO is committed to designing and operating its approach to accountability, based on FAO's core values of commitment, respect for all, integrity and transparency, and according to the following principles:

- a) Focus on FAO's ***purpose and outcomes*** for beneficiaries and partners. Employees are

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<sup>3</sup> 31 December 2014 as endorsed by CPMB

- accountable for the results of their actions, which must contribute to meeting the expectations of stakeholders and beneficiaries in the achievement of agreed results through the efficient provision of high quality services. Define clear **roles and responsibilities**. Managers and other employees must set and observe agreed expectations as to results and the measures to achieve those results; clarify the internal and external partnerships required, and how the voice of stakeholders and beneficiaries will be heard; set and observe monitoring and reporting lines and mechanisms; delegate and define authority by clarifying issues and risks that need higher approval and by making available resources, tools and skills; and assume the relevant responsibilities and act within the limits of delegated authority;
- b) Take **informed and transparent decisions and communicate clearly**, providing the basis for acting with a focus on outcomes and within clearly defined roles. Such decisions require relevant, accurate, up-to-date, timely, reliable, accessible and objective information; the assessment of options for action based on a documented, rigorous analysis of background information and risk; and constructively seeking challenge from others to explain and improve decisions;
  - c) Put **FAO's values** into practice through consistent application of a shared ethos and culture in the development of policy and the behaviour of employees. All employees must act in line with FAO's values, including as regards selflessness, honesty, objectivity, openness, and handling promptly ethical issues such as abuses of authority, and actual, potential or perceived conflicts of interest;
  - d) Engage with **stakeholders** to make accountability real, by understanding and responding to their views, in the formulation and implementation of strategies and plans; and
  - e) Establish a culture of **consequences** - to be meaningful, accountability must be felt. Applying timely, consistent and predictable performance-based rewards and sanctions discourages unethical behaviour, and creates incentives to improve practices, policies and procedures.

### **Accountability framework**

7. As a Specialized Agency of the United Nations, FAO is bound by a legal framework created by its Basic Texts, the Standards of Conduct for the International Civil Service, agreements with the UN community, the privileges and immunities of the United Nations and other treaties and its internal regulations and rules and policies.

8. The **Conference** is FAO's sovereign governing body. It comprises all Member Nations and Associate Members. The Conference sets FAO's policy, approves its budget and reviews corporate performance. It also makes recommendations to Member Nations and Associate Members on questions relating to food and agriculture. The Conference elects a Council to act as its executive organ between sessions. The Council elects Members to form Committees covering elements of its mandate relating to financial, programme, legal and constitutional, technical and regional matters. These Committees monitor developments in FAO within their sphere of competence and advise Council and the Director-General.

9. The **Director-General** is accountable for delivering the policy of the governing bodies as approved through their reports and laid out in such documents as the Strategic Framework, the Medium Term Plan and the Programme of Work and Budget. In this, the Director-General is supported by Deputy and Assistant Directors-General, internal governance mechanisms, senior managers and other employees.

10. **Internal governance** operates through the Senior Management Meeting (SMM), the Corporate Programmes Monitoring Board (CPMB), and the Executive Management Monitoring Team (EMMT), each chaired by the Director-General.

11. The SMM provides guidance on policy, rules and procedures and reviews compliance, performance and effectiveness.

12. The CPMB provides strategic direction, coordination, oversight and continuous review of programme delivery, with a particular emphasis on Strategic Objective action plans and results frameworks. It acts as the forum for dialogue and problem resolution among managers of Strategic Objectives, Functional Objectives, Regional Offices and Technical Units.

13. The EMMT undertakes follow-up to, and monitoring of implementation of important corporate decisions, initiatives and activities. It instructs managers on necessary adjustments and resolution of problems, and complements and supports the work of other internal governance mechanisms such as the CPMB and the SMM.

14. **Senior managers** of programmes (Strategic Objective Coordinators), of decentralized offices (Regional Representatives), of headquarters departments (Assistant Directors-General), and of headquarters independent offices (Directors) are accountable to the Director-General, through Deputy Directors-General as appropriate, for providing direction, agreeing work-plans, allocating resources, monitoring implementation and making adjustments, escalating issues and risks for higher attention and for the observance of FAO's standards, policies and procedures throughout their span of control. The management of employees is a core part of these responsibilities, especially as regards building technical skills, competencies and compliance with standards of ethics, integrity and internal control.

15. **Managers of Delivery Mechanisms** (e.g. country programming frameworks, regional initiatives, main areas of work, corporate technical activities, projects), together with Budget Holders, are accountable for the performance of the main units of work of the Organization. They oversee budgetary and operational performance, receive and analyse performance information and escalate issues and risks for attention. They are accountable to Regional Representatives for country programming frameworks and Regional Initiatives, Strategic Objective Coordinators for main areas of work, heads of technical units for corporate technical activities.

16. **Managers** in FAO Offices (FAO Representations, regional and subregional offices, and units at headquarters) prepare, implement and report on operational work plans, to execute the delivery mechanisms and manage employees of these offices.

17. The **Office of the Inspector-General**, the **Audit Committee**, the **Office of Evaluation** and the **External Auditor** support the implementation of these accountabilities in their reporting to the Director-General and assurance to the governing bodies on FAO's programmatic and operational performance.

- a) the Office of the Inspector-General reports to the Director-General on FAO's internal controls, risk management, financial management and use of assets, and allegations of misconduct, including fraud;
- b) the Audit Committee advises the Director-General on the work of the Office of the Inspector-General and on strategic matters related to FAO's system of internal control, risk management and governance. They submit annual reports to the Director-General, who shares these with his/her comments to the Finance Committee;
- c) the Office of Evaluation assesses the extent of achievements of projects, programmes, strategies, and policies by comparing actual and expected accomplishments, and assessing the results chain, processes, contextual factors and causality. It submits its reports to the Director-General and to the Council through the Programme Committee; and
- d) the External Auditor reports through the Finance Committee to the FAO Council and Conference on FAO's Financial Statements, and on its financial procedures and controls or its administration and management.

#### ***Accountability mechanisms***

18. The main accountability mechanisms are set out in the Appendix. They comprise mechanisms to establish performance expectations, for example through agreements and policy, and to monitor, assess and report on performance against those expectations. The Appendix will be updated as FAO's approach to accountability develops as this policy is applied.

19. Questions on the application of this policy should be addressed to the Office of Strategy, Planning and Resources Management.



## Appendix: Main accountability mechanisms in FAO

### A) Accountability within the FAO Secretariat to the Director-General

<b>Accountability mechanism</b>	<b>Purpose</b>
Performance Evaluation and Management System	Agreement between managers and their direct reports, on the work plan to be achieved over the year. Appraisal of work done and of competencies from managers to their direct reports, identifying strengths for enhancement and areas for improvement.
Terms of Reference	Establish roles, responsibilities, functions, authority and reporting lines of staff members and other employees.
Work plans	Agreements between a team and their supervisor on the activities, products, services, and associated budget and timeframes, needed to deliver results and other commitments in the Programme of Work and Budget.
Corporate risk register and corporate risk reports	Report to the CPMB on the most severe risks to the delivery of the Programme of Work and Budget, and the progress in mitigating these risks.
Monthly report on country performance (quarterly for Liaison Offices)	Report to the Director-General from FAO Representatives and Directors, Liaison Offices on progress on selected policy and operational issues, consolidated by ODG.
Quarterly reports on resource mobilization and budgetary performance	Summary report to the Director-General and CPMB, based on reports by SOCs, heads of offices and delivery managers as reviewed and consolidated by OSP, on resource mobilization and budgetary performance by SO/FO, Region, and Department/Office, including main issues and action arising.
Bi-annual reports on delivery of products and services	Summary report to the Director-General and CPMB, based on reports by SOCs, heads of offices and delivery managers as reviewed and consolidated by OSP, on delivery of products and services against plan, including main issues and action arising.
Annual report on Output indicator performance	Report to the Director-General and the CPMB on performance against output targets as reported at country, regional and global levels, as reviewed and consolidated by OSP.
Reports of the Office of the Inspector-General	Reports to the Director-General on risk-based assessments of aspects of risk management, governance and internal control in FAO. Reports on results of investigations into fraud, misconduct and other breaches of FAO's policy framework on ethics, integrity and fiduciary duty.
Reports of the Ethics Officer and Ombudsman	Reports to the Director-General on the Organization's declaration of interest and financial disclosure programme, the implementation of the Ethics Programme and on issues arising from arbitrations of workplace conflicts and disputes.
Reports of Appeals	Reports to the Director-General on the resolution of grievances lodged by staff members on disciplinary matters or other administrative decisions.

<b>Accountability mechanism</b>	<b>Purpose</b>
Standards for ethical conduct, fiduciary duty and integrity	Set minimum expectations for the behaviour of managers, staff members and other employees, which are monitored and enforced by FAO's supervisors, business units and the Office of the Inspector-General. The main elements are Standards of Conduct for the International Civil Service; FAO's Policy on Fraud and Improper Use of the Organization's Resources; Whistleblower Protection Policy; Policy on the Prevention of Harassment; the Protection Against Sexual Exploitation and Sexual Abuse; the Financial Disclosure Programme; Procedures for Handling Gifts; FAO Field Security Policy and Security Management System; and policy measures on the recruitment of relatives of existing staff members and other employees.

## B) Accountability of the FAO Secretariat to partners

<b>Accountability mechanism</b>	<b>Purpose</b>
Country Programming Framework	Priorities for FAO action at country level.
Project documents and work plans; funding agreements.	Agreement between FAO, and resource partners and recipient governments, as well as other partners as required, on objectives, indicators/targets, costs, methodologies, timeframes, roles and responsibilities, and operational, financial, reporting and other requirements on extrabudgetary projects. Informs resource partners and recipient governments, and other partners, on major risks to successful completion.
Project reports	Report from FAO to resource partners and recipient governments, as well as other partners as required, on the progress on implementing the financial and programmatic commitments in the project document/agreement, at agreed frequency during the project (progress reports) and at its completion (terminal reports). Resource partners receive a financial statement on the use of funds.
Resource partner, recipient government inspections and verifications, and evaluations.	On site examination/checking/assessment/inspection by resource partners, recipient governments and other partners of progress achieved and reported on projects managed by FAO; and determination of next steps
Contracts, Letters of Agreement, Memoranda of Understanding	Agreement between FAO and vendors and other partners on mutual roles, responsibilities and accountabilities for funds, performance and reporting in the completion of specified activities.

## C) Accountability of the Director-General to the Governing Bodies (includes all constituent bodies)

<b>Accountability mechanism</b>	<b>Purpose</b>
Strategic Framework	Agreement between the Director-General and Governing Bodies on FAO's overarching strategic direction over a 10 year period; on its vision, global goals, Strategic Objectives and core functions to contribute to the objectives.
Medium Term Plan	Agreement between the Director-General and Governing Bodies on the approach to delivering the strategic objectives, with outcomes, outputs, performance indicators and targets to be achieved by FAO over a four-year period. Informs Governing Bodies on major risks to successful completion.
Programme of Work and Budget	Approval by Governing Bodies of FAO's two year plan of work, the associated Regular Programme Budget level presented by Programme Chapter, and the resource mobilization targets for Extra-Budgetary Contributions. Approval authorizes the Director-General to incur expenditure. Updates Governing Bodies on major risks to successful completion. Also records approved organizational structure and sets Regular Programme and extrabudgetary budgetary allocations by Department and Division.
Mid Term Review	Report to Governing Bodies of the progress on implementing the financial and programmatic commitments in the Programme of Work and Budget at the end of the first year of the biennium.
Programme Implementation Report	Report to Governing Bodies of the progress on implementing the financial and programmatic commitments in the Programme of Work and Budget at the completion of the biennium.
Annual Report on Budgetary Performance	Approval by the Governing Bodies of budgetary shifts between divisions and departments.
Annual Financial Statements	Report to the Governing Bodies on the application of funds by the Organization, and covered by an audit opinion from the External Auditor.
External auditor's long form report	Report to the Governing Bodies on the efficiency of financial procedures, the accounting system, internal controls and the administration and management of the Organization.
Annual Report of the Inspector-General	Report to the Governing Bodies on the activities of the Office of the Inspector General, containing major findings from audit and investigation reports, the results of the quality assurance and improvement programme, comments on the implementation status of recommendations, with management comments if deemed necessary. The report is presented simultaneously to the Director-General and the External Auditor.
Annual Report of the Audit Committee	Annual report to the Director-General is forwarded to the Finance Committee. The Committee advises the Director-General on internal control, risk management, financial reporting and internal audit, inspection and investigation functions.
Programme Evaluation Report	Report to the Governing Bodies on the activities of the Office of Evaluation, containing major findings from evaluation reports, and developments in evaluation policy and practice.
Evaluation reports	Reports on major evaluations are discussed by the Governing Bodies. All evaluation reports are publicly available on the Office's Web site.

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<b>Accountability mechanism</b>	<b>Purpose</b>
Individual internal audit reports of the Inspector-General	Internal audit reports are available to Members of the Governing Bodies through a dedicated, restricted Web site.