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Food and Agriculture  
Organization of the  
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Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الغذية والزراعة  
للأمم المتحدة

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## COUNCIL

### Hundred and Fifty-third Session

30 November - 4 December 2015

### Report of the 160<sup>th</sup> Session of the Finance Committee (2-6 November 2015)

#### Executive Summary

At its second regular session in 2015, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 160<sup>th</sup> Session, the Committee:

- **Makes specific recommendations** to the Council: (i) urging Members to make timely and full payment of assessed contributions (para 6); (ii) on the Audited Accounts for 2014 (para 9); and (iii) on adjustments to the Programme of Work and Budget 2016-17 (para 17).
- **Informs** Council of its decisions: (i) approving the FAO Commissary 2014 Accounts (para 11); and (ii) authorising the forecasted budgetary chapter transfers arising from implementation of the 2014-15 Programme of Work (para 19).
- **Brings to the attention** of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, administrative and information systems framework and oversight matters.
- **Highlights** to Council initiatives to improve its own work.

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**Suggested action by Council**

The Council is requested to:

- a) **endorse** the recommendations of the Committee on timely payment of assessed contributions, on the Audited Accounts for 2014 and on adjustments to the Programme of Work and Budget 2016-17;
- b) **take note** of the decisions of the Committee on the FAO Commissary 2014 Accounts and forecasted budgetary transfers; and
- c) **endorse** the Committee's guidance provided to the Secretariat on all other matters within its mandate, as well as initiatives to improve its own methods of work.

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## Table of Contents

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	Pages
Introduction .....	4
Monitoring Financial Position.....	4
Financial Position of the Organization.....	4
Audited Accounts - FAO 2014 .....	5
Audited Accounts - FAO Commissary 2014 .....	6
Funding of After Service Medical Coverage (ASMC) Liabilities .....	6
Budgetary Matters .....	7
Adjustments to the Programme of Work and Budget 2016-17 .....	7
Programme and Budgetary Transfers in the 2014-15 Biennium.....	7
Annual Report on Support Costs Expenditure and Recoveries.....	8
Human Resources.....	8
Human Resources Management.....	8
Recommendations and Decisions of the International Civil Service Commission and UN Joint Staff Pension Board to the General Assembly (including Changes in Salary Scales and Allowances) .....	9
Oversight .....	9
Progress Report on Implementation of the External Auditor's Recommendations.....	9
Improved Methods of Work and Efficiency of the Finance Committee.....	9
Working Methods of the Finance Committee .....	9
Other Matters.....	10
Date and Place of the Hundred and Sixty-first Session .....	10
Documents for information .....	11

## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Sixtieth session.
2. In addition to the Chairperson, Mr Khalid Mehboob, the following representatives of Members were present:
  - Mr Carlos Alberto Amaral (Angola)
  - Mr Matthew Worrell (Australia)
  - Mr Antonio Otávio Sá Ricarte (Brazil)
  - Mr Niu Dun (China)
  - Mr Khaled M.S.H. Eltaweel (Egypt)
  - Mr Crisantos Obama Ondo (Equatorial Guinea)
  - Mr Heiner Thofern (Germany)
  - Mr Lupino jr. Lazaro (Philippines)
  - Mr Vladimir V. Kuznetsov (Russian Federation)
  - Ms Abla Malik Osman Malik (Sudan)
  - Ms Natalie E. Brown (USA)
3. The Chairperson informed the Committee that Mr John C.E. Sandy (Trinidad and Tobago) would not attend this session.
4. In addition, silent observers from the following Members attended the 160<sup>th</sup> Session of the Committee:
  - Austria
  - Cyprus
  - European Union
  - Finland
  - France
  - Hungary
  - Ireland
  - Netherlands
  - Republic of Korea
  - San Marino
  - Slovakia
  - Thailand
  - United Kingdom
  - United Republic of Tanzania

## Monitoring Financial Position

### Financial Position of the Organization

5. The Committee reviewed document FC 160/2, the *Financial Position of the Organization* as at 30 June 2015 and cash flow forecast for 2015, including the liquidity of the Organization, the status of outstanding assessed contributions, short and long term investments, staff related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, and the General Fund deficit. The Committee was also provided with an updated status of current assessments and arrears and liquidity situation of the Organization as at 21 October 2015.

6. **The Committee:**

- a) **welcomed** the improvement in the liquidity position of the Organization, and **recognizing** that the on-going cash flow health was dependent on the timely payment of assessed contributions, **urged** all Member Nations to make timely and full payment of assessed contributions;
- b) **noted** that the General Fund deficit was estimated to reach USD 912 million as at 31 December 2015 due principally to gaps in funding for the After Service Medical Coverage scheme and the Terminal Payments Fund;
- c) **welcomed** the intensified efforts by the Secretariat to encourage payment of contributions and the improved rate of collection of contributions reported for the period;
- d) **encouraged** the Secretariat to continue exploring measures to encourage timely payment of assessed contributions;
- e) **encouraged** the Secretariat to continue to maintain the TCP expenditure rate at a level that ensured the full implementation of the TCP appropriation as approved by the Conference;
- f) **noted** the information provided on investment performance, including the impact of the decline of the EUR against the USD, recalling that this matter would be considered in more detail by the Committee when the *Report on Investments 2015* was presented at its next regular session;
- g) **encouraged** Member States to consider, where appropriate, availing of the provisions set out in Conference Resolution 14/2007 for payment of contributions in non-freely convertible currencies under certain conditions; and
- h) **requested** the Secretariat to update, in future documents the Analysis of Voluntary Contributions Received (Table 6 in FC 160/2) and to identify contributions received for the Africa Solidarity Fund.

#### Audited Accounts - FAO 2014

7. In accordance with General Rule XXVII 7(1), the Committee examined the FAO Audited Accounts for 2014, including a presentation by the External Auditor of his Long Form Report on the audit of the financial operations of FAO, highlighting the principal recommendations and observations presented in the Report.

8. **The Committee:**

- a) **commended** the Secretariat for the presentation of the *FAO Audited Accounts 2014*, the first set of Accounts for FAO prepared in accordance with International Public Sector Accounting Standards (IPSAS);
- b) **appreciated** the engagement of the External Auditor, as well as that of the Office of the Inspector General, with the Secretariat in enabling timely preparation of the first IPSAS compliant financial statements;
- c) **welcomed** the issuance of the External Auditor's unmodified opinion and expressed appreciation for the quality of the Long Form Report;
- d) **looked forward** to receiving feedback from the Secretariat on the implementation of the recommendations presented in the Report of the External Auditor;
- e) **supported** the recommendations of the External Auditor, in particular on strengthening the internal control framework both at headquarters and decentralized offices and on the preparation of a Statement of Internal Control to be appended to the annual financial statements; and
- f) **requested** the Secretariat to consider presenting in the future the management response to recommendations contained in the Report of the External Auditor at the same session at which the Report is submitted to the Committee.

9. The Committee, noting the comments and clarifications provided by the External Auditor and the Secretariat, recommended that the Council submit to the Conference for adoption the Audited Accounts for 2014. The Committee accordingly agreed to submit to the Council the draft resolution below for forwarding to the Conference:

### **DRAFT CONFERENCE RESOLUTION**

#### **FAO Audited Accounts 2014**

**THE CONFERENCE,**

**Having considered** the report of the 153<sup>rd</sup> Session of the Council, and

**Having examined** the 2014 FAO Audited Accounts and the External Auditor's Report thereon

**Adopts** the Audited Accounts

#### **Audited Accounts - FAO Commissary 2014**

10. The Committee reviewed document FC 160/4, *Audited Accounts – FAO Commissary 2014* and the financial performance of the Commissary for the period.

11. **The Committee:**

- a) **noted** that the Commissary reported a loss of EUR 39,636 due mainly to the termination of petrol coupon sales and encouraged the Secretariat to review its portfolio and product lines with the results of the review to be reported to the Committee on its completion;
- b) **approved** the 2014 Audited Accounts of the FAO Commissary; and
- c) **noted** the information provided on the potential future impact on Commissary performance of a reduction in total tobacco sales following the decision of the World Food Programme to no longer stock this product line in the WFP Commissary from November 2015.

#### **Funding of After Service Medical Coverage (ASMC) Liabilities**

12. The Committee considered document FC 160/5 which presented an update on the latest UN system discussion on the funding gap for After Service Medical Coverage (ASMC) liabilities and on options being explored by FAO to contain the costs of the ASMC liabilities.

13. **The Committee:**

- a) **recalled** that this matter had been regularly reviewed and discussed by the Committee during its previous sessions;
- b) **noted** the update on the work in progress of the UN After Service Health Insurance (ASHI) Working Group and looked forward to the presentation of the Report of the Working Group to the General Assembly of the United Nations and to the decisions on the next steps to be taken;
- c) **noting** that the total liability across the UN system amounted to USD 16.1 billion at the end of 2014, including USD 1.2 billion for FAO, **recognized** that this was a complex and highly technical issue that concerned the entire UN system and **emphasized** the importance of adopting a common approach to this issue;
- d) **acknowledged** the financial constraints faced by Member States regarding additional funding;
- e) **recalling** its previous discussions and the guidance of the Conference at its 39th Session, **encouraged** the Secretariat to continue its participation in the UN Common

- System's search for an optimum and practicable solution to the matter of After-service Medical Coverage liabilities; and
- f) **requested** the Secretariat to continue its efforts to explore options to contain the costs of the current medical insurance plan.

## Budgetary Matters

### Adjustments to the Programme of Work and Budget 2016-17

14. The Committee welcomed the *Adjustments to the Programme of Work and Budget (PWB) 2016-17*, noting that they reflected the guidance and decisions of the 39th Session of the Conference.
15. The Committee expressed satisfaction that the required budgetary savings of USD 2.7 million would be achieved, through reductions in staff costs, and that the exact implementation of measures to achieve the savings would be reported to the Finance Committee during the biennium.
16. The Committee emphasized the importance of strengthening the TCP, and welcomed the USD 2 million mobilized so far towards the Small Islands Developing States (SIDS) trust fund, and encouraged more voluntary contributions from Members and resource partners;
17. **The Committee:**
- a) **welcomed** the updated results frameworks for the functional objectives (Annex 5 of CL 153/3);
  - b) **noted** the updated estimates of extrabudgetary resources (Table 3 of CL 153/3) and **encouraged** Members to provide voluntary contributions to facilitate achievement of the Strategic Objectives and implementation of the integrated Programme of Work;
  - c) **welcomed** the proposed rationalization and streamlining of the headquarters organizational structure, while emphasizing the importance of maintaining the integrity of the technical capacity of FAO at headquarters, and submitted it to the Council for agreement;
  - d) **recommended** the Council approve the revised distribution of the net appropriation by budgetary chapter as presented in Table 2 of document CL 153/3; and
  - e) **noted** that additional budgetary transfers could arise as a result of work planning, as well as from using the most efficient and effective modalities of implementation during the biennium. In this context, the Committee recalled that within chapter transfers and transfers from one chapter to another required to implement the PWB during the biennium would be handled in accordance with Finance Regulation 4.5.

### Programme and Budgetary Transfers in the 2014-15 Biennium

18. The Committee reviewed the report on *Programme and Budgetary Transfers in the 2014-15 Biennium*, which provided an update on the forecasted budgetary performance against the 2014-15 net Appropriation and the use of the 2012-13 unspent balance.

19. **The Committee:**

- a) **took note** of the forecasted unspent balance of USD 5 million against the 2014-15 biennial appropriation and that the final level, which would be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change as authorized by the Conference Resolution 6/2015, would be known after the closure of the 2014-15 accounts and reported in May 2016;
- b) **recalled** that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter

- 14) would be transferred to the forthcoming biennium as per the Financial Regulations;
- c) **approved** the forecasted budgetary chapter transfer in favour of Chapter 3 in addition to the previously-endorsed transfers to Chapters 2, 5, 8, and 10 arising from implementation of the Programme of Work;
- d) **took note** of the use of the 2012-13 unspent balance in 2014-15; and
- e) **looked forward** to receiving the final 2014-15 budgetary performance report at its May 2016 session.

### **Annual Report on Support Costs Expenditure and Recoveries**

20. The Committee reviewed the *Annual Report on Support Costs Expenditures and Recoveries* covering the period from 1 June 2014 to 31 May 2015.

21. **The Committee:**

- a) **noted** that all Trust Fund projects opened during the period under review had been charged at rates which fell within the approved policy on support costs currently in force, and
- b) **recalled** that the new FAO Cost Recovery policy would be implemented for projects for which formulation starts after 1 January 2016, and that the Secretariat would report on initial experience with its implementation at its spring 2016 session.

## **Human Resources**

### **Human Resources Management**

22. The Committee considered document FC 160/9, *Human Resources Management* which outlined progress on initiatives to improve human resources management in the Organization.

23. **The Committee:**

- a) **commended** the Secretariat on the progress made on human resources initiatives and **noted** that this progress had been highlighted by the External Auditor in his Long Form Report for 2014;
- b) **encouraged** the Secretariat in its ongoing efforts to bring improvements to human resources management in the Organization and, while upholding the highest possible standards of efficiency and of technical competence, **requested** that particular attention be given to the areas of:
- i) vacancy rates;
  - ii) wide geographical representation;
  - iii) gender balance;
  - iv) improved selection and appointment procedures; and
  - v) workforce planning.
- c) **encouraged** the Secretariat in its other ongoing initiatives to improve human resources management, including in the areas of:
- i) streamlining and automation of human resources processes;
  - ii) performance management and staff learning;
  - iii) the Junior Professional Programme; and
  - iv) the use of non-staff human resources.
- d) **reiterated** its request for information on delegation of authority.



## **Recommendations and Decisions of the International Civil Service Commission and UN Joint Staff Pension Board to the General Assembly (including Changes in Salary Scales and Allowances)**

24. The Committee reviewed document FC 160/10, *Recommendations and Decisions of the International Civil Service Commission and the United Nations Joint Staff Pension Board to the General Assembly (including Changes in the Salary Scales and Allowances)*.

25. **The Committee:**

- a) **took note of the contents of the report;**
- b) **recalling its previous discussions and the guidance of the Conference at its 39<sup>th</sup> Session, reiterated the importance of efforts to contain staff costs of the Organization; and**
- c) **requested that the Secretariat report to the Committee at its next regular session on resolutions adopted by the United Nations General Assembly related to conditions of service of staff covered by document FC 160/10, and their possible implications for FAO.**

## **Oversight**

### **Progress Report on Implementation of the External Auditor's Recommendations**

26. The Committee reviewed document FC 160/11, *Progress Report on Implementation of the External Auditor's Recommendations*.

27. **The Committee:**

- a) **noted with concern the slow pace of implementation of the recommendations of the External Auditor and urged the Secretariat to continue in its efforts to implement the outstanding recommendations;**
- b) **emphasized the importance of addressing recommendations related to the strengthening of internal control, in particular in decentralized offices, including through finalization of the internal control framework; and,**
- c) **looked forward to an updated Progress Report at its next regular session in 2016 and noted that it would also include the status of implementation of recommendations contained in the 2014 Long Form Report.**

## **Improved Methods of Work and Efficiency of the Finance Committee**

### **Working Methods of the Finance Committee**

28. The Committee noted the importance of continually reviewing its methods of work in order to achieve its statutory goals and objectives.

29. **In this regard, the Committee:**

- a) **recalled the importance of ensuring that all documents be received by Members, in all official languages of FAO and with uniformity of quality, at least two weeks prior to each session to allow due consideration and preparation by Members;**
- b) **indicated that it was inclined to defer consideration of matters in future when relevant documents were not provided in accordance with this deadline;**
- c) **supported the practice of holding informal meetings of the Committee prior to its main sessions.**

- d) **reiterated** its recommendation to organize informal induction sessions for newly elected members of the Committee;
- e) **highlighted** the challenges presented to Members of the Committee by the close scheduling of meetings of the Rome-based Agencies and **requested** the Secretariat to consider measures which might alleviate this; and
- f) **recommended** that the Chairpersons of the Finance Committee and the Programme Committee meet to harmonise the agenda of their respective Committees as well as the Joint Session with regard to documents which are presented for consideration.

### **Other Matters**

#### **Date and Place of the Hundred and Sixty-first Session**

30. The Committee was informed that the 161<sup>st</sup> Session was scheduled to be held in Rome from 16 to 20 May 2016.

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### **Documents for information**

- Status of Current Assessments and Arrears (doc. FC 160/INF/2)
- Audited Accounts - FAO Credit Union 2014 (doc. FC 160/INF/3)
- European Commission for the Control of Foot-and-Mouth Disease - Budget for 2016-17 (doc. FC 160/INF/4)
- Animal Production and Health Commission for Asia and the Pacific (APHCA) - Statement of Accounts and Budget for 2015 (doc. FC 160/INF/5)
- Budgets of the Desert Locust Commissions for 2016-17 (doc. FC 160/INF/6)