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# FINANCE COMMITTEE

## Hundred and Seventy-fifth Session

Rome, 18 - 22 March 2019

### Review of the Independence of the Office of the Inspector General and the Ethics and Ombudsman Functions

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

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FC 175

### EXECUTIVE SUMMARY

- The Finance Committee, at its Hundred and Seventy-third Session (12 to 16 November 2018), on the occasion of its examination of document FC 173/17 *Review of whistle-blower policies and practices in United Nations System Organizations (JIU/REP/2018/4)*, requested the Secretariat to undertake a review of the independence of the Ethics Office, the Office of the Inspector General (OIG) and the Ombudsman functions as soon as possible (cf. CL 160/4, paragraph 39 (b)). The Council, at its Hundred and Sixtieth Session (3-7 December 2018) supported this request (cf. CL 160/REP, paragraph 12 (m)).
- This document responds to the demand of the Finance Committee, made in line with a recommendation of the Joint Inspection Unit (JIU) of the United Nations (report JIU/REP/2018/4). It provides detailed information on the subject and includes proposals for further improvements. With due respect for the independence of the function of the Inspector General which office is considered in this review, the views expressed in this document are those of Management, taking however into account a number of general observations made by the Inspector General with whom it was shared at elaboration stage.
- It is considered that the institutional framework, consisting of the Charter of the Office of the Inspector General and the Terms of Reference of the Audit Committee, allows the Office of the Inspector General to operate independently and is in line with United Nations System benchmarks.
- The terms of reference for the Ombudsman/Ethics Officer reflect the independent manner in which the functions are to be discharged and the Ombudsman/Ethics Officer carries out his/her functions without any interference from Management.
- Management considers that in general the Ombudsman and Ethics functions have been discharged independently. Drawing lessons from experience, it is however proposed to enhance these functions by establishing separate arrangements with the appointment of an Ethics Officer and allocation of adequate resources at headquarters and in Regional Offices to cover the Ombudsman function. The reporting mechanisms of the Ethics Officer could also be enhanced in line with the guidance of the Council at its 160<sup>th</sup> Session.
- A set of proposals are presented with regard to the term limits for the Inspector General and senior staff of the Office of the Inspector General and the secretariat of the Audit Committee.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to review this document and make such comments and observations thereon as appropriate.

#### Draft Advice

##### **The Finance Committee:**

- **notes the information provided by the Secretariat in response to the demand made at its Hundred and Seventy-third Session to undertake a review of the independence of the Ethics and Ombudsman function.**
- **endorses the proposals made regarding the term limit for the Inspector General and the further review of best practices of other UN organizations as regards senior staff of the Office of the Inspector General and the secretariat of the Audit Committee and looks forward to receiving at its next regular session the specific proposals developed.**
- **endorses the following option as regards the secretariat of the Audit Committee:**  
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- **endorses the proposals for the development of new arrangements regarding the appointment of the Ethics Officer, and the Ombudsman function.**

## I. INTRODUCTION

1. The Finance Committee, at its Hundred and Seventy-Third Session (12-16 November 2018), requested the Secretariat to undertake a review of the independence of the Ethics Office, the Office of the Inspector General (OIG) and the Ombudsman functions as soon as possible (cf. CL 160/4, paragraph 39 (b)). The Council, at its Hundred and Sixtieth Session (3-7 December 2018) supported this request (cf. CL 160/REP, paragraph 12 (m)). This request aligned with a recommendation<sup>1</sup> made in that sense by the Joint Inspection Unit (JIU) of the United Nations System in the recently issued report on Whistleblower Policies in the UN System (JIU/REP/2018/4, which will benefit from joint comments from the UN system Chief Executive Board (CEB) for Coordination).

2. This document responds to the demand of the Finance Committee, provides detailed information on the subject and includes proposals for further improvements. It reflects consolidated views of Management and benefitted from general observations provided by the Inspector General.

## II. OFFICE OF THE INSPECTOR GENERAL

### A. Charter of the Office of the Inspector General

3. The status of the Office of the Inspector General, especially as regards its independence, flows from the Charter of the Office of the Inspector General set out in Appendix A to Section 107 of the Administrative Manual (Annex I). In particular, the provisions of the Charter on authority, accountability and independence of the Office, as well as its reporting mechanisms, establish a suitable framework for the independent operation of the Office. It is noted that provisions of the Charter have previously been reviewed by the Finance Committee and the Council upon submission by the Secretariat, while no formal obligation is currently binding upon the Secretariat to seek the agreement of the Governing Bodies.

4. The independence of the functions of the Office of the Inspector General is essential to the effective discharge of its mission, which is to provide “oversight of the programmes and operations of the Organization, through internal audit and investigation” (paragraph 1, *ibid*). This independence is established and safeguarded in the Charter in, primarily, two ways: firstly, through provisions explicitly establishing lines of accountability that assure independence; and, secondly, by safeguarding the operational independence of the Office of the Inspector General.

5. Thus, Section IV of the Charter on Accountability and Independence establishes that the Director-General is required to appoint a technically and professionally qualified individual as Inspector General after consultation with the Finance Committee. Likewise, the Director-General shall consult with the Finance Committee before the termination of the appointment of an incumbent of that Office (paragraph 16, *ibid*). To provide for the independence of the Office of the Inspector General, its staff report to the Inspector General, who reports directly to the Director-General (paragraph 17, *ibid*). At the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General’s comments thereon and may be made available to other interested member countries (paragraph 18, *ibid*). The Inspector General confirms to the Finance Committee, at least annually, the organizational independence of the internal audit activity (paragraph 19, *ibid*). This accountability and reporting framework is designed to preclude

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<sup>1</sup> Such recommendation 4 indicates that “by 2020, the legislative bodies of the United Nations system organizations should request executive heads to ensure that the independence of the head of ethics, head of oversight and ombudsman/mediator functions is clearly defined, in accordance with recommendations contained in JIU reports: JIU/REP/2006/2 on oversight lacunae, JIU/REP/2010/3 on Ethics, JIU/REP/2011/7 on the investigation function, JIU/REP/2015/6 on ombudsman services and JIU/REP/2016/8 on the internal audit function, and that these functions report periodically to the legislative body (recommendation 4).”

control or influence that would interfere with the achievement by the Office of the Inspector General of its mission.

6. Within this overarching framework, operational independence is safeguarded in a number of provisions of the Charter. Thus, the Office of the Inspector General is guaranteed full, free and prompt access to all accounts, records, electronic data, property, personnel, operations and functions within the Organization and to the Audit Committee. Staff at all levels shall cooperate fully in making available any relevant material or information requested during the course of a review (paragraph 11, *ibid*). The Office of the Inspector General is authorized to communicate directly with all levels of staff and management in order to discharge its responsibilities. The Inspector General is advised of any breakdown of the Organization's financial control system (paragraph 12, *ibid*).

7. Under the Charter, staff of the Office of the Inspector General do not have operational responsibilities for activities subject to audit by that Office. Specifically, they may not perform any operational duties for the Organization, initiate or approve transactions external to the Office of the Inspector General or direct the activities of any staff member external to the Office of the Inspector General, except to the extent that such staff members have been appropriately assigned to auditing teams or to otherwise assist the Office of the Inspector General (paragraph 14, *ibid*). As a matter of practice, spouses of officials of the Office cannot be appointed to work in units which may be the subject of oversight activities by the Office.

8. The Office of the Inspector General is available to receive complaints or information concerning the possible existence of fraud, waste, abuse of authority or other misconduct by FAO staff and non-staff personnel, as well as allegations of fraudulent activity by third parties participating in FAO activities and programmes. Complainants are provided confidentiality and no reprisals shall be taken against staff members providing information, unless it is determined that the information is provided with the knowledge that it was false or with the intent to misinform (paragraph 15, *ibid*).

9. The Inspector General submits a summary report annually to the Director-General with a copy to the External Auditor on the activities of the Office of the Inspector General, including the orientation and scope of such activities, the results of the quality assurance and improvement programme, as well as comments on the implementation status of recommendations. The report shall be simultaneously submitted to the Finance Committee together with any further comments deemed necessary and be made available to other interested member countries (paragraph 27, *ibid*).

10. In general, the Office of the Inspector General is required, in its internal audit work, to meet or exceed the standards of the International Professional Practices Framework (including the associated professional Code of Ethics) as adopted by the Audit and Oversight Services of the United Nations and Specialized Agencies (paragraph 35).

11. The mechanisms established under the Charter are consistent with those of other UN System organizations and, as noted above, incorporate the standards established in the UN System for such functions<sup>2</sup>. It is noted that the International Standards for the Professional Practice of Internal Auditing, which guide adherence with the mandatory elements of the International Professional Practices Framework, include Standard 1100 on Independence and Objectivity.<sup>3</sup> This establishes that "internal audit activity must be independent, and internal auditors must be objective in performing

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<sup>2</sup> REP/JIU/2016/8: State of Internal Audit function in the UN System, indicates that: (i) page 15, paragraph 64 and footnote 36 "according to the JIU review of the annual internal audit reports, around half of the internal audit services provide a statement on independence" and recognizes FAO as one of these organizations; and (ii) page 16, paragraph 67 and footnote 39 "In only a few organizations is the head of internal audit/oversight appointed in consultation with both the oversight committee and the governing body" and recognizes FAO as one of these organizations.

<sup>3</sup> International Standards for the Professional Practice of Internal Auditing, Revised Standards effective 1 January 2017, at <https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf>.

their work”. The interpretation of this Standard clarifies that: “Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels”.

12. It is to be noted that, as reflected above, the Charter of the Office of the Inspector General is fully consistent with Standard 1100 of the international standards for the professional practice of Internal Auditing.

## **B. Audit Committee**

13. In considering the issue of the independence of the Office of the Inspector General, it is important to take into account the role and functions of the Audit Committee. The terms of reference of the Audit Committee are appended hereto (Annex II).

14. The Audit Committee serves as an expert advisory panel to assist the Director-General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection, investigation and ethics functions of the Organization. The Audit Committee advises on these matters taking into consideration the Financial Rules and Regulations, as well as policies and procedures applicable to FAO, and its operating environment (paragraph 1.1, *ibid.*). The Audit Committee provides advice and information to the Governing Bodies in these areas, through its annual reports and, as appropriate, updates to the Finance Committee during the intervening period (paragraph 1.2, *ibid.*).

15. Through the discharge of its functions and its reporting mechanisms, the Audit Committee supports the independence of the Office of the Inspector General. The Committee reviews and advises the Director-General and the Finance Committee on the effectiveness and efficiency of the Office’s internal audit, inspection and investigation functions, and adherence to the Charter, the Guidelines on Internal Administrative Investigations and to applicable international internal auditing and investigation standards, including consideration of: (i) the independent role of the Inspector General and his/her Office (paragraph 2.1 (i), *ibid.*). Moreover, the Audit Committee reviews proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector General (paragraph 2.1 (ix), *ibid.*). In fact, JIU/REP/2016/8<sup>4</sup> recognized that FAO was one of the few organizations where the head of internal audit/oversight was appointed in consultation with both the oversight committee and the governing body.

16. The Audit Committee prepares an annual report on its work for the Director-General which is presented to the Finance Committee each year along with any comments of the Director-General (paragraph 9.1 of Annex II).

17. The capacity of the Audit Committee to support the independence of the Office of the Inspector General is reinforced by its membership, which comprises five external members (paragraph 4.1, *ibid.*) who are “independent of the FAO Secretariat and the Director-General” (paragraph 4.3, *ibid.*).

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<sup>4</sup> REP/JIU/2016/8 page 16, paragraph 67, footnote 39 “In only a few organizations is the head of internal audit/oversight appointed in consultation with both the oversight committee and the governing body” and recognizes FAO as one of these organizations.

### C. Operational Framework

18. It is considered that the above institutional framework, consisting of the Charter of the Office of the Inspector General and the Terms of Reference of the Audit Committee, allows the Office of the Inspector General to operate independently and is in line with United Nations System benchmarks. This can be considered, in more detail, from a practical and operational perspective.

19. Thus, the Office of the Inspector General, while administratively reporting to the Director-General, is an independent office and the executive head has no formal authority over the substance of the audit or investigative function.

20. The Inspector General is appointed by the Director-General and his appointment may be terminated by the Director-General but this may only be done following consultation with the Finance Committee. The Audit Committee also advises on proposals to appoint, terminate the appointment or not renew the appointment of the Inspector General.

21. The Inspector General submits an annual report on its activities to the Director-General and to the Finance Committee. He further presents to and interacts with the Finance Committee during its review of such annual reports which include a statement of independence, acknowledged by JIU/REP/2016/8 as a good practice in place in FAO<sup>5</sup>. At the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee, together with the Director-General's comments thereon and be made available to other interested Members.

22. The Inspector General also has regular, direct and unrestricted access to the Audit Committee. Indeed, under the Terms of Reference of the Committee, the Inspector General is to have at least one private session with the Audit Committee every year and the Inspector General provides an annual report on the activities of the Office to the Committee. As a matter of routine, the Audit Committee reviews all activities of the Office of the Inspector General and its quality assurance mechanisms, and it reviews the performance of the audit and investigation functions, including from the perspective of the independence of these functions. In turn, the Audit Committee reports to the Director-General on these matters and provides assurance to the Director-General and the Finance Committee.

23. There is no particular need for this framework to be reconsidered. In fact, the Organization met the four conditions identified in JIU report JIU/REP/2016/8 as necessary for internal audit independence<sup>6</sup> However, improvement could be considered at two levels.

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<sup>5</sup> The Inspector General thus has direct and unrestricted access to one of the Governing Bodies of the Organization, that is, the Finance Committee

<sup>6</sup> JIU/REP/2016/8 Paragraph. 69: *"In line with the recommendations contained in JIU/REP/2010/5 and JIU/REP/2006/2 and with IIA Standards (2012), this review reaffirms that the following conditions are necessary for internal audit independence in the United Nations system organizations: (a) Approval of the internal audit charter by the governing body; (b) Provision by the oversight committee to the governing body of its views regarding the adequacy of the internal audit budget to carry out the internal audit work plan and address the identified high-risk areas; c) ensuring that the governing body receives and has the opportunity to review the annual report of the internal audit service in the presence of the head of internal audit/oversight and that the report includes a statement by the head of internal audit/oversight regarding its organizational independence; (d) ensuring that oversight committees are involved in and governing bodies are consulted on the final decision regarding the appointment, renewal and termination of heads of internal audit/oversight."*

Paragraph 70: *"This review reiterates that executive heads of United Nations system organizations that have not yet done so, should ensure that the above-mentioned conditions that are of fundamental importance to the effectiveness of the internal audit function in the United Nations system organizations are implemented."*

Paragraph 80: *"This review affirms recommendation 10 in JIU/REP/2006/2, which, inter alia, recommends term limitation and employment restriction within the same organization for the head of internal audit/oversight, and requests the governing bodies that have not yet done so to establish a "non-renewable tenure of five to seven*

24. The first is whether it would be appropriate to consider term limits for the Inspector General and for the senior staff of the Office of the Inspector General, as well as restrictions on subsequent appointment to other positions in the Organization. Report JIU/REP/2016/8 also made a recommendation in that sense. At present the incumbent of the Ombudsman and Ethics functions is subject to such restrictions. A few other United Nations System Organizations have established time limits for these functions.

25. The second question arises in relation to the fact that the Inspector General is the Secretary of the Audit Committee and the Office of the Inspector General provides secretariat support to the Committee. This creates an inherent situation of conflict of interest. This is especially so as the secretary function is qualified “ex officio”, and the Audit Committee is required by its terms of reference to review the performance of the Office of the Inspector General and provide assurances on the discharge of its functions to the Finance Committee. The Secretary’s role in developing the agenda of the Audit Committee, and providing it with information, is significant. Seen in this light, the current situation could be considered inappropriate and, as a minimum, may give rise to a perception of potential conflict of interest and impact on the independence of the Committee. This concern was mentioned at the 170th session of the Finance Committee in May 2018. Addressing this potential conflict of interest and possible perception of impact on the independence of the Committee would be in line with best practice and emerging trends throughout the United Nations System. In this connection, it should be noted that, at the WFP, the secretariat of the Audit Committee is provided by the Executive Board Secretariat.<sup>7</sup>

26. Management proposes the following recommendations to address these matters:

1) With regard to the term limit for the Inspector General and senior staff of the Office of the Inspector General, as well as restrictions on subsequent appointment to other positions in the Organization, it is proposed to: (i) introduce a term limitation as regards the Inspector General<sup>8</sup>, establishing a maximum, non-renewable tenure; and (ii) as regards the senior staff of the Office, to review practices in other UN organizations and, to submit a proposal at the next session of the Finance Committee.

2) With regard to the Terms of Reference of the Audit Committee and more specifically its secretariat, the following options are proposed:

- First option: delete paragraph 5 of the Terms of Reference of the Committee and renumber subsequent provisions of the Terms of Reference. This could be supplemented with the amendment of paragraph 4.1 to read as follows: “*The Committee consists of five external members and a Secretary. All external members are appointed by the Council on recommendation of the Finance Committee following*

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*years”, “with no expectation of any further employment within the same United Nations organization at the end of the term”.*

<sup>7</sup> The Executive Board Secretariat is part of the Partnerships and Governance Department, is the interface between the membership (Board Members and Observers) and the WFP management. See <https://executiveboard.wfp.org/executive-board-secretariat>. Similarly, at the ILO the Treasurer and Financial Comptroller’s office will provide secretariat support to the Independent Oversight Advisory Committee which performs functions equivalent to FAO’s Audit Committee. See [https://www.ilo.org/public/english/edmas/ioac/downloads/tors\\_en.pdf](https://www.ilo.org/public/english/edmas/ioac/downloads/tors_en.pdf).

<sup>8</sup> JIU/REP/2016/8 Paragraph 80 “*This review affirms recommendation 10 in JIU/REP/2006/2, which, inter alia, recommends term limitation and employment restriction within the same organization for the head of internal audit/oversight, and requests the governing bodies that have not yet done so to establish a “non-renewable tenure of five to seven years”, “with no expectation of any further employment within the same United Nations organization at the end of the term”.*

*a selection process managed by the Director-General. The Secretary is appointed by the Director-General.”.*

- Second option: amend paragraph 5 of the Terms of Reference to read as follows: “*The Secretary of the Audit Committee is the Director of the Office of Strategy, Planning and Resources Management (OSP) ex officio, who shall report directly to the Chairperson on matters relating to the work of the Audit Committee. OSP provides Secretariat staff support.*”.

### III. OMBUDSMAN AND ETHICS FUNCTIONS

#### A. General

27. The Organization has an Office which has discharged both the Ombudsman and Ethics functions since 2014.

28. The dual functions of the Office have attracted some attention, in particular in November 2018 from the Finance Committee when considering document FC 173/17, JIU report on the Review of whistle-blower policies and practices in United Nations Systems Organizations (JIU/REP/2018/4) which considered dual functions as a challenge to independence<sup>9</sup>. This position was echoed by the Audit Committee<sup>10</sup> and questions have been raised as to whether this scheme is appropriate. Management views on the matter are as follows:

- First, the matter was raised in 2013. At that time, Management explained that it saw the Ombudsman and Ethics Officer functions as playing complementary roles and sharing common goals within the Organization. Both aim to ensure an appropriate and effective working environment, the protection of the Organization’s reputation and assets, and effective policies and procedures. Management is of the view that these goals can be achieved through a single unit without undermining the integrity of each of the functions. This is especially relevant at times when the Governing Bodies have called for zero nominal growth budgets and have consistently urged the Organization to achieve savings and efficiency gains and optimize the use of the Organization’s resources.
- Second, the ethics function in FAO is tasked with a very narrow remit of providing ethics education, advice on ethics issues and administering financial disclosure obligations. The ethics function in FAO is not entrusted with any investigatory responsibilities; not even with any prima facie review of allegations of wrongdoing which falls under the responsibility of the Office of the Inspector General.
- Third, the performance of the dual functions was kept under review over a number of years by the Ethics Committee, the Finance Committee and the CCLM. None of these bodies considered that there was a need to reconsider the existing dual format.
- Finally, when the Ombudsman/Ethics Office was established in 2014, Management explained that it did not foresee potential conflicts of interest in the functions of

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<sup>9</sup> JIU/REP/2018/4, page 37, paragraph 138 regarding dual functioning of ethics officers “*In this regard, the Inspectors are of the view that, for organizations with dual functioning ethics, oversight and/or ombudsman positions, these functions should be re-examined to focus the positions and ensure independence and integrity, and other options such as shared services should be explored.*”

<sup>10</sup> Letter dated 21 December 2018 to the Director-General from the Chairperson of the Audit Committee “*On the Ombudsman and Ethics Officer functions, the Committee reiterated its concerns that amalgamation of the two functions of Ethics Officer and Ombudsman, which have different responsibilities, require different skills and are based on different standards, present an inherent conflict of interest.*”

Ombudsman and Ethics Officer. In fact, based on the performance of the Office in past years, Management is of the view that the situation remains the same. More importantly, based on the information available to Management, no specific, concrete situations of conflict of interest appear to have arisen.

29. While observing that the above scheme has not resulted in concrete situations of conflict of interest, Management is prepared to adjust its position taking into account the prevailing practice throughout the United Nations System, as reflected in JIU/REP/2018/4, as well as the workload of the current incumbent.

### **B. The Ombudsman/Ethics Officer**

30. The present functions of the Ombudsman/Ethics Officer are described in the attached job description for the position (Annex III).

31. Key features of the functions are that the incumbent is required:

- to act as a neutral interlocutor, who provides FAO staff at large with confidential, impartial and independent advice on conflicts and disputes, including the options and avenues for their settlement;
- to review employment-related complaints, to support the development of fair solutions by informal means such as discussions involving all parties, advises on options and avenues open to parties, resolve conflicts, including by calling on other competent units in the Organization;
- to contribute to developing and strengthening a workplace and culture upholding the values of the Organization, its ethical and functional integrity, respect for the dignity, diversity and rights of staff, in compliance with the Organization's Staff Regulations, Rules and Manual provisions and the Code of Conduct for International Civil Servants;
- to coordinate and manage the Organization's financial disclosure programme in accordance with the rules and procedures established by the Organization.

32. Thus, particularly with respect to aspects of the roles that demand independence and non-interference, such as the provision of advice, the terms of reference for the Ombudsman/Ethics Officer reflect the independent manner in which those functions are to be discharged.

33. Furthermore, the capacity of the incumbent to independently discharge these functions was safeguarded by, inter alia, reporting lines to the Ethics Committee and through this Committee to Governing Bodies, as described in section D<sup>11</sup>.

34. Finally, it is recalled that the Ombudsman/Ethics Officer is to serve for a period of five years. At the end of this term of office he/she may not be assigned to any other function or unit in the Organization. This restriction supports the independent discharge of the functions by the incumbent of this post.<sup>12</sup>

### **C. Operational independence of the Ombudsman/Ethics functions**

35. The Ombudsman/Ethics Officer carries out his/her functions without any interference from Management. While the Ombudsman/Ethics Officer reports to the Deputy Director-General

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<sup>11</sup> The Ombudsman and Ethics Officer is selected in accordance with the procedures for recruitment of senior staff, with the participation of external ethics experts. The Officer is appointed by the Director-General but reports on day-to-day activities to the DDO.

<sup>12</sup> As observed by the UN Joint Inspection Unit, "*Term limits, properly applied, support the independence of the function by protecting the incumbent from undue influence while avoiding the risks inherent in long-term tenure*", Ethics in the United Nations system, JIU/REP/2010/3, paragraph 46.

(Operations) and is administratively linked to the Legal Office, the Ombudsman/Ethics Officer autonomously determines the activities of the Office, within the limits of the approved budgetary allocations. The Deputy Director-General (Operations) addresses the broader aspects of the work planning. However, he is not informed of, nor involved, in any activities related to individual cases or complaints or the provision of advice.

36. The Ombudsman and Ethics Office is located in the Legal Office for administrative purposes only. The Office is functionally autonomous, conducting its activities without interference from the Legal Office.

37. The Immediate Plan of Action (IPA) for FAO Renewal, approved by the FAO Conference in 2008, called for the establishment of an Ethics Office. Management at that time took the decision that the Ethics Unit should be administratively located in the Legal Office. This decision was taken for reasons of administrative convenience and cost efficiency, taking into account the statutory functions and responsibilities of an existing division which could provide some support to the Ethics Office, thus obviating the need for this new unit to address all its administrative needs alone. Another option considered at the time was to link the Office to the Human Resources Division, however, the link with the Legal Office was preferred.

38. The principle that the function should reside administratively in the Legal Office was subsequently approved by the Governing Bodies, including the Conference, when reviewing the Programme of Work and Budget and the institutional structure of the Organization.

39. As with any other unit of the Organization, there is a need to implement decisions within the approved budget and allotments, and to take a wide range of administrative actions, on a day-to-day basis. These include, for example, approval of travel authorizations, travel expense claims, leave, purchase of equipment and other procurement contracts, hiring of non-staff personnel, contract extensions and WIGSI, etc. The Legal Office takes those administrative actions on a routine basis upon request from the Ombudsman/Ethics Officer. The Legal Office does not interfere with the substance of the actions, insofar as operational matters are concerned. To give a few practical examples: the Legal Office Budget Holder approves travel but there is no assessment by the Legal Office of whether or not a particular travel is justified, nor is it in any way involved in planning of the activities to be undertaken during the travel; leave is approved but the Legal Office does not enquire whether it is appropriate for the head of the Office or staff of the Office to take leave at a particular time; the Legal Office will facilitate the recruitment of non-staff personnel but does not engage in the identification of candidates nor assess their suitability. This is the case because, of course, the Legal Office does not exercise any supervisory function over the Ombudsman and Ethics Office<sup>13</sup>. Engagement with the Legal Office in respect of activities and work planning is strictly confined to meeting the planning and reporting requirement under the Organization's budgetary rules. This scheme could be maintained or reconsidered; the advantages or relying on existing administrative support will be further assessed before a final decision can be taken.

40. The activities of the Office have been reviewed by the Ethics Committee, which operated between 2012 and 2016, by the Audit Committee, and by two Governing Bodies, i.e. the Finance Committee and the Committee on Constitutional and Legal Matters (CCLM). At no moment

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<sup>13</sup> In exceptional, isolated cases, where there may be doubts as to a particular activity, clarifications are requested from the Deputy Director-General (Operations). In cases of complex initiatives, such as training seminars, some tight review of expenditure may be required to ensure this is within the budgetary allocation and that processes have adhered to the relevant rules on, in particular, travel expenses. This is, however, no different from what occurs in any other unit of the Organization in the context of efficient budget management. There is no interference by the Legal Office with the substantive activities of the Ombudsman and Ethics Office.

was the current administrative set up considered as compromising the functional autonomy and independence of the Ombudsman and Ethics Office.

#### **D. Independence through reporting mechanisms for the Ombudsman/Ethics functions**

41. At its 160<sup>th</sup> Session (December 2018), the Council recalled its previous request, made at its 154<sup>th</sup> Session, for annual reporting by the Ethics Office to the Finance Committee (Cf. CL 160/REP, paragraph 12, (m)). It considered that it would be both possible and desirable that the practice of making an annual report available to the Finance Committee be resumed.

42. In this connection, it may be useful to recall that, for at least four years, the Ethics Officer used to make an annual report on the activities of the Office available to the Ethics Committee, the Finance Committee and the CCLM.

43. The Ethics Committee was established for a four-year period by the Council at its 141<sup>st</sup> Session in April 2011 on the basis of recommendations of the IPA. It consisted of external members and reported to the Finance Committee and to the CCLM. The Committee was to operate as an advisory panel on all matters pertaining to ethics within the Organization, ensure general oversight over the operation of the ethics programme and provide assurance that the ethics programme was operating effectively. At the end of that four-year period, the Finance Committee and the CCLM would consider whether the Committee should be established on a permanent basis.

44. At its 154<sup>th</sup> Session in 2016, the Council concurred with the recommendation of the CCLM and the Finance Committee that the Ethics Committee had fulfilled its mission and that there was no justification for its continued operation, nor for extending its mandate, and that matters addressed by the Ethics Committee were within the purview of the Audit Committee, which submitted an annual report to the Finance Committee. The Council also concurred with the recommendation of the CCLM and the Finance Committee that the Ethics Officer continue to report to the Governing Bodies on activities of the Ethics Office, possibly in the context of the review by the Finance Committee of the report of the Audit Committee (cf. CL 154/REP, paragraph 21 (c)). By that time the practice of making an annual report on the activities of the Ethics Office that was made available to the Finance Committee and the CCLM seems to have been suspended.

45. While, the Ombudsman and Ethics functions have been discharged independently under the above framework, Management proposes to take into account the prevailing practice within the United Nations System. The following recommendations to further improve both functions are therefore made:

- 1) Management proposes that the Ombudsman and Ethics functions should no longer be discharged under the same post;
- 2) An Ethics Officer, with specific terms of reference, will be appointed;
- 3) Dedicated regular programme resources will be allocated to strengthening the Ombudsman function, not only at headquarters, but also in the five regions to allow for a closer presence and understanding of the local cultural environment and in support of the FAO decentralized structure. Such arrangements could take the form, inter alia, of shared services with other UN entities, considered as good practice by the JIU (JIU/REP/2018/4) or outsourcing to an external entity;
- 4) As indicated above, consideration should be given to enhancing the reporting mechanisms, in line with the decision of the Council at its 160<sup>th</sup> Session, with the resumption of annual reports of the Ethics Officer to the Finance Committee.

#### **IV. SUGGESTED ACTION BY THE COMMITTEE**

46. The Finance Committee is invited to review this document and make such comments and observations thereon as appropriate.

47. The Finance Committee is, in particular, invited to approve the proposals set forth in:

- paragraph 26 regarding: (i) the term limits for the Inspector General and senior staff of the Office of the Inspector General; and (ii) the secretariat of the Audit Committee; and
- paragraph 45 regarding the separation of the Ethics and Ombudsman functions: (i) the revised function of the Ethics Officer; (ii) the proposed arrangements for the Ombudsman function at headquarters and in decentralized locations; and (iii) resumption of the reporting of the Ethics Officer to the Finance Committee.

## Annex I

### Manual Section 107 - Appendix A - Charter for the Office of the Inspector General

*Effective 1 February 2013*

#### **I. Mission**

1. The Office of the Inspector General (OIG) provides oversight of the programmes and operations of the Organization, through internal audit and investigation.
2. The Office of the Inspector General has responsibility for monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets. The Office provides the Director-General and the functions and programmes audited with independent, objective assurance and consulting services designed to add value and improve the Organization's operations. It helps the Organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and internal governance processes.
3. The Office of the Inspector General has been vested with the authority to investigate allegations of irregularities in the programmes and operations of the Organization as defined under Paragraph 10 of this Charter. The Office informs the Director-General and Senior Management of lessons learned, and promotes policies and activities that enhance the integrity of FAO's operations.

#### **II. Scope of the Work**

4. The Office of the Inspector General and the unit dealing with evaluation, together, provide comprehensive internal oversight coverage of the Organization. The External Auditor, with whom the Office of the Inspector General cooperates, provides complementary external oversight.

#### **A. AUDIT**

5. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
6. Assurance services involve an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.
7. The Office of the Inspector General determines whether the Organization's network of risk management, control and internal governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
  - risks are appropriately identified and managed;
  - interaction with the various governance groups occurs as needed;
  - significant financial, managerial and operational information is accurate, reliable and timely;
  - employee actions comply with the legal and regulatory framework including applicable policies, standards and procedures - especially, with respect to the receipt, custody and disbursement of funds and other resources of the Organization and conformity with the appropriations or other financial provisions voted by the Conference;
  - the Organization acquires its resources economically, uses them efficiently, and protects them adequately;

- programmes, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Organization's control process; and
- significant legislative or regulatory issues impacting the Organization are recognized and addressed properly.

8. Opportunities for improving management control, profitability, and the Organization's image may be identified during audits. They will be communicated to the appropriate level of management.

9. In addition to the Office of the Inspector General's assurance services, it provides the organization with advisory and related client service activities. The nature and scope of these services are agreed with the client, and are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

## **B. INVESTIGATION**

10. The investigation unit of the Office of the Inspector General:

- investigates allegations of violations of FAO's regulations, rules (including the Standards of Conduct for the International Civil Service) and administrative provisions related thereto, i.e., fraud and unsatisfactory conduct by staff, as well as fraudulent and corrupt activities by third parties involved in programmes and operations of the Organization, in a professional manner with impartiality and fairness and ensures that results are transmitted to the appropriate office;
- reviews investigative findings to identify trends related to fraud and misconduct and weaknesses in the internal control environment;
- promotes the implementation of mechanisms, practices, regulations and policies that encourage an ethical working environment, enhance the integrity of FAO's operations and prevent the recurrence of misconduct and fraudulent activity;
- ensures that FAO staff and other relevant parties receive training that incorporates the lessons learned from investigative findings and encourages awareness of regulations and policies that promote integrity and prevent fraud and misconduct; and
- coordinates with other international organizations to increase cooperation in combating fraud, and developing integrity programmes and strategies. Please click here for the Guidelines for Internal Administrative Investigations by the Office of the Inspector General issued in AC2011/04 on 9 February 2011.

## **III. Authority**

11. The Office of the Inspector General shall have, in accordance with applicable practice standards, full, free and prompt access to all accounts, records, electronic data, property, personnel, operations and functions within the Organization and to the Audit Committee. Staff at all levels shall cooperate fully in making available any relevant material or information requested during the course of a review.

12. The Office of the Inspector General is authorized to communicate directly with all levels of staff and management in order to discharge its responsibilities. The Inspector General shall be advised of any breakdown of the Organization's financial control system.

13. The Office of the Inspector General shall allocate assigned resources, set frequencies, select subjects, determine scope of work and apply those techniques required to accomplish its objectives in accordance with a formal plan of work which has received the concurrence of the Director-General.

14. Staff of the Office of the Inspector General shall not have operational responsibilities for activities subject to audit by that Office. Specifically, they shall not:

- perform any operational duties for the Organization;
- initiate or approve transactions external to the Office of the Inspector General; or
- direct the activities of any staff member external to the Office of the Inspector General, except to the extent that such staff members have been appropriately assigned to auditing teams or to otherwise assist the Office of the Inspector General.

15. The Office of the Inspector General shall be available to receive complaints or information concerning the possible existence of fraud, waste, abuse of authority or other misconduct by FAO staff and non-staff personnel, as well as allegations of fraudulent activity by third parties participating in FAO activities and programmes. Complainants will be provided confidentiality and no reprisals shall be taken against staff members providing such information, unless it is determined that the information was provided with the knowledge that it was false or with the intent to misinform.

#### **IV. Accountability and Independence**

16. The Director-General shall appoint a technically and professionally qualified individual as Inspector General after consultation with the Finance Committee. Likewise, the Director-General shall consult with the Finance Committee before the termination of the incumbent of that Office.

17. To provide for the independence of the Office of the Inspector General, its staff report to the Inspector General, who reports directly to the Director-General.

18. At the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested member states.

19. The Inspector General will confirm to the Finance Committee, at least annually, the organizational independence of the internal audit activity.

#### **V. Responsibility**

20. The Inspector General has responsibility to:

- maintain an adequate professional audit and investigation staff with sufficient knowledge, skills and
- experience to meet the requirements of the Charter;
- develop a flexible biennial audit plan, updated annually, using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan and any annual update to the Audit Committee for review and to the Director-General for concurrence;
- implement the biennial audit plan, and, as appropriate, carry out any special tasks or projects;
- issue periodic reports to Director-General and the Audit Committee on the status of implementation of the biennial audit plan, and the impact on the plan and associated risk coverage of any significant interim changes in audit resources, organization risks or priorities;
- establish a quality assurance and improvement programme by which the Inspector General assures the operation of internal auditing activities;
- communicate to the Director-General and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years;
- perform consulting and advisory services to assist management in meeting its objectives;

- issue periodic reports to the Director-General and the Audit Committee summarizing results of audit and investigative activities;
- keep the Audit Committee informed of emerging trends and successful practices in internal auditing and investigations;
- provide a list of significant measurement goals and results to the Audit Committee;
- maintain secure mechanisms to allow individuals to submit confidential allegations of potential fraud and misconduct in FAO's programmes and operations;
- maintain the security and confidentiality of all information and documentary and physical evidence related to investigations;
- provide confidentiality of the identity of the individuals and any information that could lead to their identification where there is a reason to believe that individuals may be at risk, unless it is determined that the information was wilfully provided with the knowledge that it was false or with intent to misinform;
- investigate alleged reprisals taken against staff members who cooperate with investigations; and submit investigative findings to appropriate bodies for decision and disseminate lessons learned.

## **VII. Communication of Results (Reporting and Monitoring)**

### **A. AUDIT**

21. The Office of the Inspector General shall report the results of its audit work and make recommendations to management for action with a copy to the Director-General and the External Auditor. All audit reports shall be available to the Audit Committee.

22. The Office of the Inspector General shall seek management comments on draft versions of its audit reports, information on corrective actions to address audit recommendations and a timetable for their completion, and explanation for any corrective action that will not be implemented before the final version of the report is issued. Management responses received within the standard deadlines for comment adopted by the Office, or within a further period agreed by the Inspector General, will be reflected in the final report.

23. The Director-General shall ensure that all recommendations from the Inspector General are responded to by the responsible functional unit and implemented as deemed appropriate.

24. The Office of the Inspector General shall report at least annually to the Director-General and to the Audit Committee on the status of implementation of agreed audit recommendations.

### **B. INVESTIGATION**

25. The Office of the Inspector General shall report the results of its investigative work to the appropriate office as designated by the Director-General and make recommendations to management for action.

26. The Office of the Inspector General shall report at least annually to the Director-General and to the Audit Committee on the status of the Organizational response to the results of investigative work.

### **C. ANNUAL REPORTING**

27. The Inspector General shall submit a summary report annually to the Director-General with a copy to the External Auditor on the activities of the Office of the Inspector General, including the orientation and scope of such activities, the results of the quality assurance and improvement programme, as well as comments on the implementation status of recommendations. This report shall be simultaneously submitted to the Finance Committee together with any further comments deemed necessary and be made available to other interested member states.

#### **D. REPORT DISCLOSURE**

28. The Inspector General's annual report shall be a publicly available document in all official languages of the Organization and will be posted on the Organization's website in accordance with its disclosure policies for documents of the Council and its Committees. This will include posting on the Office of the Inspector General's webpage in the Organization's website.

29. The Inspector General will make OIG's individual audit reports and reports of lessons learned from investigations, once issued in final format, and in their original language of issue, available to Permanent Representatives accredited to the Organization upon request in writing for a specific report. The reports will be made available for reading, either at the Office of the Inspector General, or if requested by the Permanent Representative, through a secure on-line method, without copies being made, printed, saved or taken away. This policy shall apply to reports issued on or after 12 April 2011.

30. Permanent Representatives shall treat any individual audit report received under this policy as confidential. Requests for access shall confirm that access will be employed for internal purposes only.

31. Where disclosure of the contents of an audit or lessons learned report would be inappropriate for reasons of confidentiality, or where it could place in jeopardy the safety and security of any individual, or run the risk of violating the due process rights of individuals, the report may be redacted or in extraordinary circumstances, the report may be withheld at the discretion of the Director-General acting on the advice of the Inspector General, who shall provide the reasons for such action to the requesting Permanent Representative.

32. Requests for access will normally be responded to, either by making the report available to the requesting Permanent Representative for viewing or advising that it must be withheld, within three weeks of receiving the written request. The requesting Permanent Representative will be advised as soon as possible by the Inspector General, but not later than three weeks of the request, if an extension of time is required to make the report available. The period will be extended where the internal audit or lessons learned report in question contains findings related to a specific State. In such cases, the Inspector General shall notify the Permanent Representative of that State within two weeks of receiving a request for the report. The Inspector General shall make available, under the same conditions in paragraph 29 and subject to any redactions made in accordance with paragraph 31, a copy of the internal audit report to the Permanent Representative of that State for viewing during a period of two weeks after the date of notification. If that Permanent Representative wishes to provide written comments to the Inspector General on the report within this two week period, those comments will be made available, along with the report and any further comments which the Inspector General has made, to the requesting Permanent Representative within a further two week period.

33. The Inspector General shall include in his/her annual report information on the implementation of the report disclosures made in accordance with paragraph 29 above including, inter alia: the number of requests to make reports available; the outcomes of those requests; and confirmation of requestors to adherence to the principle of confidentiality for the information disclosed in accordance with paragraph 30 above.

34. Cases of redaction or withholding of reports will be reviewed on an ex post basis by the Audit Committee at each of their meetings and their conclusions will be included in their annual report.

#### **VIII. Practice Standards**

35. The Office of the Inspector General shall, in its internal audit work, meet or exceed the standards of the International Professional Practices Framework (including the associated professional Code of Ethics) as adopted by the Audit and Oversight Services of the United Nations and Specialized Agencies.

36. Investigations shall be conducted in accordance with the applicable FAO regulations, rules, and other administrative provisions, as well as the internationally accepted Guidelines for Investigations endorsed by the investigative offices of international organizations and multilateral financial institutions.

## Annex II

### Manual Section 146 - Appendix C - FAO's Audit Committee

*Effective from 10 June 2018*

#### 1. Purpose

1.1 The Audit Committee serves as an expert advisory panel to assist the Director General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection, investigation and ethics functions of the Organization. The Audit Committee advises on these matters taking into consideration the Financial Rules and Regulations as well as policies and procedures applicable to FAO, and its operating environment.

1.2 The Audit Committee provides advice and information to the Governing Bodies in these areas, through its annual reports and as appropriate, updates to the Finance Committee during the intervening period.

1.3 With regard to internal audit, inspection, investigation, and ethics, the Committee operates in an advisory capacity to the Office of the Inspector General (OIG) and the Ombudsman/Ethics Office (EO) respectively. As such it assists the Inspector General and the Ombudsman/ Ethics Officer with regard to ongoing quality of performance of these functions.

#### 2. Responsibilities

2.1 The Committee reviews and advises the Director General and the Finance Committee on:

a) policies significantly affecting accounting and financial reporting issues and the Organization's financial control, including consideration of:

i) the Organization's financial statements, and the results of external audits of the financial statements as documented in the audit opinion and management letters of the external auditor;

ii) the arrangements for the external audit of the Organization and their implementation;

iii) the Organization's financial accounting and management policies; and the status of improvement projects concerning financial systems and financial reporting.

b) the Organization's internal control and risk management strategy, framework and processes, in light of the significant risks facing the Organization, including consideration of:

i) the Organization's improvement projects concerning internal control and risk management;

ii) the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits.

c) the Organization's policies to combat fraudulent, corrupt and collusive practices of its employees and external parties, including improper use of the Organization's resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.

d) the effectiveness and efficiency of OIG's internal audit, inspection and investigation functions, and adherence to the Charter of the Office of the Inspector General, the Guidelines on Internal Administrative Investigations and to applicable international internal auditing and investigation standards, including consideration of:

- i) the independent role of the Inspector General and his/her Office;
  - ii) the sufficiency of resources available for OIG to meet the Organization's needs;
  - iii) OIG's quality assurance mechanisms and results of internal and external quality assurance reviews;
  - iv) the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas in coordination with the external auditor;
  - v) audit reports issued by OIG and the status of implementation of the recommendations by the Organization;
  - vi) investigation findings of presumptive or actual mismanagement, irregularities and fraud, and the status of actions taken by the Organization on the findings;
  - vii) OIG's quarterly and annual reports;
  - viii) changes to the OIG charter and operational manuals required to maintain alignment with Organizational and professional practices;
  - ix) proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector General.
- e) All matters pertaining to the formulation, development and implementation of the Organization's ethics programme, including:
- i) the ethics activities of the Ombudsman/Ethics Officer on the basis of annual reports referred to the Committee by the Ombudsman and Ethics Office;
  - ii) the main individual components of the ethics programme, including any relevant policies, regulations and rules, and training;
  - iii) the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest;
  - iv) the adequacy of resources to effectively carry out its ethics responsibilities.

2.2 The Committee ensures that there is proper coordination of oversight activities between internal and external audit functions. While doing so the Committee does not interfere with the respective mandate and independence of the different functions.

2.3 The Committee establishes an annual plan to ensure the Committee's responsibilities and stated objectives for the period are effectively addressed.

2.4 Submits an annual report on its activities to the Finance Committee and the Director-General who may provide comments on the report as desired.

### 3. Authority

3.1 The Audit Committee has the authority to:

- obtain all necessary information and consult directly with the Inspector General and the Ombudsman/Ethics Officer and their respective staff;
- access all reports and working papers produced by OIG;
- seek any information from any staff member and require all staff to cooperate with any request made by the Audit Committee;

- obtain independent professional advice and secure the attendance of outside persons with relevant experience and expertise if it is considered necessary.

#### 4. Membership

4.1 The Committee consists of five external members and a Secretary ex-officio. All members are appointed by the Council on recommendation of the Finance Committee following a selection process managed by the Director General.

4.2 Members are selected on the basis of their qualifications and relevant experience at senior level in the areas of: oversight including audit, investigation and ethics, financial management, governance, risk and controls. Due regard is paid in their selection to gender and geographic representation in the Committee.

4.3 Members are independent of the FAO Secretariat and the Director-General. Former members of the FAO Secretariat are not appointed to the Audit Committee within a period of five years following the end of those responsibilities.

4.4 Members serve in their personal capacity and cannot be represented by alternate attendees.

4.5 The Committee elects its own Chairperson from within its members.

4.6 Members serve for a three-year period, which may be renewed for a maximum of three further years after the initial term by a decision of the Council. Members' terms of office are phased as much as possible so as to provide continuity. Renewal is subject to a positive assessment of the member's contribution during his or her first term.

#### 5. Secretariat

5.1 The Secretary of the Audit Committee is the Inspector General ex officio, who shall report directly to the Chairperson on matters relating to the work of the Audit Committee. OIG provides Secretariat staff support.

#### 6. Meetings

6.1 At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector General, Ombudsman/Ethics Officer or External Auditor may request the Chairperson to call additional meetings if necessary.

6.2 The members of the Audit Committee are normally given at least ten working days' notice of meetings.

6.3 The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.

6.4 Supporting documents are prepared by the Chairperson or by the Audit Committee Secretariat on the instruction of the Chairperson or on the Secretary's initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairperson, by Management or other committees of the Organization. The documents and informational material circulated for the consideration of the Audit Committee are used solely for that purpose and treated as confidential.

6.5 The presence of all five members is expected at each meeting but meetings can take place with a quorum of three members. The Secretary to the meeting has no voting rights. The Audit Committee's decisions are usually taken by consensus but if this is not the case by the majority of the members present and voting. Should the votes be equally divided, the Chairperson has the casting vote.

6.6 The Chairperson or other Members may participate in a meeting by telephone or video conference link, during which time they are counted, the purpose of establishing a quorum.

6.7 If the Chairperson is unable to attend a meeting, the other Members elect an Acting Chair for that meeting from among the members present.

6.8 The Chairperson may invite OIG, the Ombudsman/EO or other FAO staff to attend meetings. The Chairperson may also invite the external auditor to attend meetings.

6.9 The Audit Committee may decide to meet in closed session from time to time as determined by the Committee, or in private sessions with the Secretary, with management representatives or the representative of the external auditor. The Committee shall meet at least once a year in private sessions with the IG, and the Ombudsman/EO. The Committee shall also meet with the External Auditor in a private session at least once a year.

6.10 Minutes of meetings are prepared and kept by the Audit Committee Secretary. The Audit Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.

6.11 The deliberations of the Audit Committee and the minutes of its meetings are confidential unless decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with the Director-General, the Ombudsman/EO the OIG staff and other FAO senior managers, or request the Audit Committee Secretary to provide summaries of decisions, for the purpose of follow up action by FAO senior managers.

## 7. Conflicts of Interest

7.1 Prior to their appointment, new members complete a conflicts of interest declaration. Where an actual or potential conflict of interest arises, the interest is to be declared and results in the member/s being excused from the discussion or abstaining from voting on the matter. In such event, a quorum is required from the remaining members for the consideration of this matter.

## 8. Responsibilities and Liabilities of Members

8.1 Members act in an independent, non-executive capacity while performing their advisory role on the Audit Committee. As such, members are not to be held personally liable for decisions taken by the Audit Committee acting as a whole.

8.2 Audit Committee members are indemnified from actions taken against them as a result of activities performed in the course of business of the Audit Committee, so long as such activities were performed in good faith.

## 9. Reporting

9.1 The Committee shall submit reports to the Director General and the Finance. The Audit Committee prepares an annual report on its work containing advice, observations and recommendations, as appropriate for consideration by the Director General and the Finance Committee. The report includes an annual self-assessment of the Committee's work. The report provides the Committee's views regarding how OIG addresses identified high-risk areas through its plan and the adequacy of its budget to carry out the said plan. The report also provides the Committee's views on the annual OIG report including its statement of independence. The Chairperson of the Audit Committee, or another member, as decided by the Committee, is invited to the Finance Committee to present the Committee's annual report.

9.2 The Chairperson communicates with the Director-General's designated focal point on the results of the Committee's deliberations, if not deemed confidential, as well as on forthcoming issues relevant to its business.

10. Remuneration and Reimbursement of Costs

10.1 Members are not remunerated by FAO for activities undertaken with respect to their membership of the Audit Committee. FAO reimburses Committee members for any travel and subsistence costs that are necessarily incurred in relation to participation in Committee meetings.

11. Periodic Review of the Terms of Reference

11.1 The Committee periodically, and at least every three years, reviews the adequacy of its terms of reference, where appropriate recommending changes to the Director General and the Finance Committee for subsequent submission to the Council for decision.

## ANNEX III

### Current functions of the Ombudsman/Ethics Officer

#### Reporting Lines

The Ombudsman/Ethics Officer reports to the Deputy Director-General (Operations) within the administrative framework of the Legal and Ethics Office.

#### Key Results

Foster a harmonious and engaging work environment thus contributing to greater organizational and operational efficiency at Headquarters and in decentralized offices by providing confidential, impartial and independent advice on conflicts and problems and seeking mutually acceptable solutions through informal means.

#### Key Functions

Acts as a neutral interlocutor, who provides FAO staff at large with confidential, impartial and independent advice on conflicts and disputes, including the options and avenues for their settlement.

#### Specific Functions

- reviews employment related complaints; supports the development of fair solution by informal means, such as discussions involving all parties; advises on options and avenues open to parties, resolve conflicts , including referring to other competent units in the Organization;
- provides annual reports to the Deputy Director-General (Operations) to be made available to FAO staff at large, which shall include useful information of a general nature regarding the cases handled as well as recommendations for changes in policies, procedures and practices with a view to improving employment and workplace environment in the Organization;
- contributes to developing and strengthening a workplace and culture that uphold the values of the Organization, its ethical and functional integrity, respect for the dignity, diversity and rights of staff, in compliance with the Organization's Staff Regulations, Rules and Manual provisions and the Code of Conduct for International Civil Servants;
- coordinates and administers the Organization's financial disclosure programme in accordance with the rules and procedures established by the Organization;
- coordinates and manages the Organization's mediation programme in accordance with the Organization's policy;
- makes, when appropriate, proposals to Office of Human Resources on learning activities concerning the prevention and resolution of conflicts, skills and theory of negotiation, and on ethics and integrity-related issues;
- participates in relevant inter-agency United Nations fora and discussions and undertakes travel to any region or country as may be required for the completion of his/her duties and responsibilities;
- performs other duties as required.

(\* )The selected candidate will not be eligible for any other appointment in FAO either during or after his/her assignment as Ombudsman.