

# 146 Internal Committees or Activities

## 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 controls 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 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.

## 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 1

### FAO AUDIT COMMITTEE MEMBERS

1. Mr Verasak Liengsriwat, Special Assistant to the Director General (DG) for Management, International Atomic Energy Agency (current Chairperson of the Audit Committee)
2. Ms Enery Quinones, Former Chief Compliance Officer at the European Bank for Reconstruction and Development (EBRD)
3. Mr Gianfranco Cariola, Group Chief Audit Executive of Italian State Railways
4. Ms Anjana das, Executive Secretary, United Nations Board and Panel of External Auditors
5. Mr Fayezul Choudhury, Former Chief Executive Officer, International Federation of Accountants (IFAC, New York)