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FINANCE COMMITTEE

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FAO Audit Committee 2013 Annual Report to the Director-General

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EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

The Director-General is pleased to provide the Finance Committee with the Audit Committee's 2013 Annual Report to the Director-General, together with the Director-General's comments, as foreseen in the Audit Committee's Terms of Reference (MS 146 –App. C). The Terms of Reference also require that the Committee's Chairperson or another member, as decided by the Committee, will be invited to present the Annual Report to the Finance Committee. The report:

- concludes positively on the operation of the Office of the Inspector-General (OIG) and its coordination with other oversight functions; and
- summarizes the Committee's advice regarding internal control, risk management and governance based on its deliberations during the year.

Director-General's Comments

The Director-General appreciates the advice provided by the Audit Committee both in the annual report but also in the course of its meetings during the year, in the areas of its mandate. With respect to the particular recommendations in the 2013 Annual Report, the Director-General agrees with the recommendations and provides the following comments:

- **OIG, as part of its 2014 audit work programme component supporting the Organizational transformation, give attention to providing further assurance and advice in the coming year on how the RBM, ERM, PEMS and Accountability elements are being implemented under the new Strategic Framework and associated matrix management.** OIG's 2014-2015 audit work programme allocates substantial resources to assurance and advisory work and the Inspector General has confirmed that this aspect will be included among the tasks to be covered under this allocation.
- **Continuously assess the capacity of OIG commensurate with the risk level of the Organization and note the extended timeframe for coverage of high risks –** OIG responded, as did other Apex Offices of the Organization, to the pressing need in 2013 to adjust 2014-2015 Regular Programme budget allocations which applied to all non-technical areas of the Organization. At the same time, other measures proposed by the Inspector General, including restructuring the Audit Unit, which aim to offset the impact of the reduction in two audit posts to the overall cycle of internal audit coverage, were agreed. The extension of planned coverage of high risks from two to three biennia is noted as an outcome of this balancing effort, and bearing in mind there is no fixed standard in this regard, it will be benchmarked for reasonableness during 2014 with other UN organizations. As has been noted in the Audit Committee's annual report, OSP and OIG will further review in 2014 other options to minimize the impact of Regular Programme budget reduction on OIG's work. This will take into account the results of this benchmarking.
- **Consider further incentives and disincentives for Regional and Country management to improve performance and internal control –** this is confirmed. The Operations arm of the Organization is reviewing this aspect as part of its follow up to the most recent OIG capping report on audits of field office financial and administrative management.
- **OIG to continue to work closely with management in ensuring sustained implementation of the Director-General's directions on accountability for timely closing of OIG recommendations.** This is confirmed and results will be included by the Inspector General in OIG's quarterly reports. The Finance Committee had requested at its 146th session that for future presentations of the OIG annual report, management provide at the same time a status report on actions taken to address long outstanding high risk recommendations. A written status report from the management units concerned has been included in the relevant section of OIG's annual report for 2013 (FC154/13) and will be further elaborated in management's comments on this item.
- **Management to give priority to addressing the recommendations in the GRMS and**

IPSAS reports - this is confirmed and further information is provided to the Finance Committee in FC154/12. The status of recommendations from these audit reports will be subject to regular reporting to me as part of the status reporting on past audit recommendations and IPSAS preparedness.

The Director-General is pleased to note that the recommendation in the Audit Committee's 2012 annual report on issuing the vendor sanctions policy has been implemented. Other recommendations are in progress and are incorporated in updated and more specific form in the recommendations in its 2013 report.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the FAO Audit Committee's Annual Report for 2013.

Draft Advice

The Finance Committee took note of the FAO Audit Committee's Annual Report for 2013 and

- **welcomed** the report, which included positive conclusions on the operation of the Office of the Inspector-General and relevant advice in relation to FAO's system of internal control risk management and governance;
- **acknowledged** the important role of the FAO Audit Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;
- **welcomed** the progress in implementing the recommendations in the 2012 report, in particular the introduction of an FAO vendor sanctions policy;
- **appreciated** that other 2012 recommendations have been subsumed in more specific recommendations in the 2013 report to facilitate implementation and status reporting;
- **welcomed** the Director-General's concurrence with the recommendations presented in the report; and
- **looked forward** to a further status report from management on the Audit Committee's recommendations at the next regular session of the Committee in Autumn 2014.

FAO AUDIT COMMITTEE
2013 ANNUAL REPORT TO THE DIRECTOR-GENERAL

I. INTRODUCTION

1. As an independent advisory expert body, the FAO Audit Committee assists the Director-General (DG) in fulfilling his oversight and governance responsibilities. The Committee helps ensure that the Director-General receives independent and objective assurance on the effectiveness of the internal audit, inspection and investigation functions, and provides advice on the system of internal control, risk management and governance. It accomplishes this, amongst others, by considering the work of the Office of the Inspector-General (OIG), the other FAO oversight functions (Evaluation and External Audit) and management action on audit recommendations and investigation reports.
2. According to the Committee's Terms of Reference (Annex 1), the Director-General is to provide a copy of the Committee's annual report to the Finance Committee, together with his/her comments thereon, if any.
3. This Eleventh Annual Report of the Committee provides an overview of the Committee's discussions and recommendations during 2013. The Committee met three times in 2013.
4. The composition of the Committee during 2013 is provided in Annex 2.

II. Functioning of the Committee

5. During the reporting period, the Committee convened in April, August and November 2013 at FAO Headquarters, meeting over a two day period each time. There was one vacancy from January 2013 to June 2013 due to the resignation of one member. Except for this vacancy, all members were present for each meeting.
6. The Committee records its appreciation for the effective secretariat services provided by OIG during the year, in support of the scheduled meetings as well as between sessions, and orientation sessions organized for new members joining in 2013.
7. To help inform its work, the Committee has received regular updates on organizational developments and management perspectives from the Deputy Director-General (DDG) -Operations or his alternate, and other members of Senior Management, at each meeting. The Committee did not have the opportunity to meet with the Director-General since taking up his appointment and will seek to do so in 2014.
8. During 2013, the Finance Committee endorsed and the Director-General approved revisions to the Terms of Reference that were previously endorsed by the Audit Committee. The adopted changes:
 - updated the Terms of Reference for changes already implemented on the membership under the Immediate Plan of Action;
 - increased the emphasis in the Terms of Reference on the Committee's role beyond the current focus on monitoring the activities of the Office of the Inspector-General. Other roles, mentioned briefly in the current Terms of Reference but equally value-adding for the Organization, are to provide advice on financial reporting, internal control arrangements, and risk management processes; and
 - more fully documented, in line with a current good practices benchmark for UN and other multilateral organizations, the established operating mode of the Committee.
9. The Committee regularly reviewed its functions and considers that it has discharged its duties in accordance with its current Terms of Reference.

III. EFFECTIVENESS OF OIG FUNCTIONS

10. An important part of the Committee's mandate is to provide independent and objective assurance on the effectiveness of the internal audit, inspection and investigation functions. Based on

the information provided by OIG, the results of the external quality assessment of the investigation function in 2013, and the briefings provided by FAO management and the External Auditor, the Committee considers that OIG is delivering its services adequately and effectively, including implementing a process of continuing improvement.

11. **Risk-Based Audit Assurance:** The Committee assessed that OIG continued to follow its risk-based planning methodology, as proposed under its Risk-Based Audit Plan for the 2012-2013 biennium. The risk-based approach helps ensure that OIG's assurance and advice are focussed on important areas of the Organization on a systematic basis, and the Committee finds this to be evidenced by the topics reported on by OIG during the year. The Committee noted that OIG achieved a substantial part of its planned 2013 audit coverage. It fully achieved planned coverage of high risks relating to decentralized operations, and in 2013 undertook 27 missions to 26 offices, compared to a January 2013 target of 24. Five of 18 corporate-wide planned audit assignments (relating to information technology, non-staff human resources, corporate communications and a technical department) were deferred due to organizational restructuring or policy changes and the Committee noted that deferral was properly justified. In substitution, OIG expanded its coverage of FAO reform activities and in 2013 this included an audit of the GRMS Programme closure and two audits of IPSAS readiness. It also undertook an expanded review, with validation, of prior audit recommendations. OIG has included deferred coverage in its 2014 work plan. The Committee notes with satisfaction that OIG met regularly during the year with External Audit and Evaluation to promote synergy and cost-effective assurance coverage.

12. **Investigative Functions:** The Committee welcomed the results of the 2013 external assessment of OIG's investigation function which concluded that it was complying with relevant FAO Guidelines and international standards. The Committee will follow progress in 2014 on implementation of the recommendations made in the assessment report. It also appreciates the efforts made in 2013 by the Investigation Unit to manage its caseload despite investigator vacancies and additional mandates. It also notes the need for OIG to dedicate substantial resources to responding to allegations relating to the Somalia Programme, which also impacted the ability of the unit to meet its performance target for closing cases.

13. **OIG Report Disclosure:** In April 2011 the FAO Council approved an OIG report disclosure policy that makes available to Permanent Representatives or their designates, for viewing in OIG's premises, internal audit reports and reports of lessons learned from investigations. As all requests received in 2013 could be fulfilled by OIG without redaction or withholding of the reports, there was no requirement for review of such instances by the Audit Committee. The Committee notes that from 2013, the option for viewing reports via a secure internet connection was implemented, and was reported as functioning smoothly.

14. **OIG staffing and budget:** The Committee notes that, as a consequence of reduction in OIG's Regular Program (RP) budget as part of the FAO's Adjusted Programme of Work and Budget for 2014-2015, there was a reorganization of OIG's Audit Unit staffing in late 2013 that included a net reduction of two P4 audit posts (17% of auditor capacity) and a flattening of the supervisory structure within the Audit Unit. The reduction comes as part of a series of budget reductions across the non-technical areas of the Organization. The Audit Committee appreciates the briefings of the Inspector-General to explain the measures undertaken to minimize the impact of the reductions on OIG's work and to use the opportunity to implement greater mobility between headquarters and regional posts and new forms of team work within the Audit Unit.

15. Nonetheless, in the absence of supplemental non-RP funding, the reduction will impact the assurance strategy of OIG and specifically will result in extension of the timeframe over which OIG can audit and cover all high risk areas. OIG's 2014-2015 plan estimates that the coverage cycle will need to shift from two to three biennia. The Committee was advised that OIG and the Office of Strategy and Planning will review in 2014 further options to minimize the impact of RP budget reduction on OIG's work. The Committee is of the view that, at a time when the Organization is implementing further substantial transformation and significant decentralization of responsibilities from headquarters where oversight has an important role to play in supporting these initiatives, the

Organization should carefully consider OIG's audit and investigation capacity. The Committee also notes that while OIG is primarily funded from RP, its mandate covers all programmes and operations including those funded by non-RP budget. The Audit Committee recommends that the Organization continuously assess the capacity of OIG commensurate with the risk level of the Organization and the DG formally take note of the extended time frame for high risk coverage proposed by OIG under the revised audit staffing complement.

16. At the end of 2013, OIG had one P5 Senior Auditor vacancy, one P4 auditor vacancy, one P4 and one P3 Investigator vacancy. The Committee welcomed OIG's efforts in 2013 to fill vacancies as quickly as possible while using qualified and experienced consultants to ensure it delivered on its mandate. It notes that the two audit vacancies were filled in early 2014, one through internal promotion creating a new P4 auditor vacancy, and recommends that FAO take measures to expeditiously fill remaining professional vacancies in OIG as soon as possible

IV. ENGAGEMENT WITH EXTERNAL AUDITOR

17. The Committee is pleased to report a continuing good engagement with the External Auditor. Under its terms of reference the Committee does not evaluate the methodology or quality of the work of the external auditor but takes account of the results of the external auditor's work and feedback on coordination with OIG to support the Committee's own deliberations. The Committee was briefed by the External Audit Director on the external audit plans, audit progress and results, and coordination with internal audit, in person or via reports at each of its 2013 meetings.

V. ADVICE ON THE SYSTEM OF INTERNAL CONTROL, RISK MANAGEMENT AND GOVERNANCE

18. As part of its mandate the Committee provides advice on the system of internal control, risk management and governance. Related mandate areas are the provision of advice on policies affecting accounting and financial reporting and combatting fraudulent, corrupt and collusive practices by employees or external parties. It does so drawing on the results of internal and external audit work and management presentations. During 2013 it continued to focus its attention on progress on the implementation of the Global Resource Management System (GRMS) including IPSAS preparations; on progress with implementing a stronger set of measures to promote integrity by suppliers, partner organizations and other third parties in their work with FAO; on FAO operations in Somalia which represent a particular challenge due to the extreme security risks in parts of the country and the multiple commitments which FAO has engaged to prevent diversion of funds to proscribed entities; and the status of past high priority internal audit recommendations.

19. **FAO Transformation:** The Committee has in its recent annual reports stressed the importance of completing and/or fully institutionalizing key initiatives started under the Immediate Plan of Action such as Results-Based Management (RBM), Enterprise Risk Management (ERM) and the Performance Evaluation Management System (PEMS), and the importance of a well-articulated and communicated accountability and internal control framework. Management briefings to the Committee on these areas and OIG's conclusions on progress indicate improvements, but they remain a "work in progress" and their rapid advancement will be essential to support the implementation of the new Strategic Framework and associated matrix management. It recommends that OIG, as part of its 2014 audit work programme component supporting the Organizational transformation, give attention to providing further assurance and advice in the coming year on how these elements are being implemented under the new Framework.

20. **GRMS Programme, including IPSAS:** The Global Resource Management System (GRMS) programme aims to deliver a major improvement in FAO's financial information and management, through upgrades to the existing resource management system and its deployment beyond Headquarters and Regional Offices to its extensive network of other decentralized offices. This will also support the implementation of IPSAS compliant financial reporting. During 2013 the Committee received regular briefings from the GRMS Programme staff on progress, and from OIG and the External Auditor on their reviews. The Committee had previously noted that the Organization would

confront the greatest risks when it began system deployment to field offices starting in February 2013. The Committee notes from OIG reports and management briefings that the deployment phase was successfully completed in mid-2013 under an accelerated schedule. However the Committee also notes the findings of the most recent OIG reviews of GRMS and IPSAS readiness, in particular the need to ensure that arrangements for GRMS production support beyond mid 2014, and for the longer term governance of the system, are completely defined and implemented, taking into account major reductions in CIO staffing; that identified system control weaknesses are timely addressed, and that significant delays in reaching the IPSAS project's 2013 milestones and problems with decentralized office data quality are managed. The Committee recommends that management give priority to addressing the recommendations in the reports, to manage identified post-deployment system risks and IPSAS project risks, and ensure FAO efficiently prepares IPSAS compliant financial statements for 2014.

21. **Vendor Sanctioning:** The Committee is pleased to note that FAO finalized its first vendor sanctions guidelines for implementation effective January 2014. This should enhance the Organization's response when it is determined that vendors (suppliers, partners and others) have engaged in improper activities during tenders or in the course of contract implementation.

22. **Decentralized Operations:** Noting that OIG's audits of field offices continue to indicate challenges in ensuring consistently high performance in project efficiency, delivery and compliance with donor conditionality, and in applying prescribed financial and administrative controls (for over half the offices reviewed in 2013, OIG's overall assessments were that controls were "not fully operating as intended"). The Committee appreciates the attention being given by FAO's Operations arm to effect improvement in these indicators and recommends that the Organization consider further incentives and disincentives for Regional and Country management to improve performance and internal control.

23. **Somalia Programme:** The Committee was briefed by OIG on the results of its work in 2013 to support FAO's programme in Somalia. The Committee noted that OIG continued to fully dedicate an investigator to review allegations and operational indicators of possible funds and agricultural inputs diversion and conduct investigations and liaise with management and donors. As the Committee noted in its 2012 annual report, in certain parts of Somalia there may be a limit as to how effectively the risks can be managed and accordingly to how effective investigations and audits can be in supporting management to control the risks. Force majeure losses of agricultural inputs during the emergency response to the 2011 UN-declared famine, identified by FAO in 2013 and under investigation by OIG, underscores this. The Committee reiterates its appreciation that management is keeping under continuous review the acceptability of the risk, and welcomes that donors are now being regularly briefed on this.

24. **OIG Recommendations:** The Committee appreciated efforts by the Director-General in 2013 to emphasize accountability within the Organization for implementation of internal audit recommendations. Progress by management in implementing some long outstanding high risk recommendations, reconfirmed as still being relevant, and has not proceeded as quickly as warranted given the nature of the risks they are mitigating. The Committee encourages management to bring activities to address these to a close as soon as possible, and in general to continue efforts to reduce the time to close internal audit recommendations. It therefore recommends that OIG continue to work closely with management in ensuring sustained implementation of the Director-General's directions on accountability for timely closing of OIG recommendations.

25. The Audit Committee had previously recommended that management responses on high risk long outstanding recommendations should accompany OIG's annual report, to clearly inform the Governing Bodies on their status. The Committee is pleased to note that management has committed to do this starting with the OIG 2013 Annual Report which will be presented to the Finance Committee in spring 2014.

VI. STATUS OF PRIOR YEAR RECOMMENDATIONS

26. As indicated in the report, the Committee is pleased to note that its prior recommendation on vendor sanctioning guidelines has been implemented and that management is taking concrete action through clearer internal accountability measures to reduce the time to close outstanding internal audit recommendations. Also as indicated in the report, the Committee notes progress on further progressing and integrating RBM, ERM and PEMS and in articulating accountabilities and internal control responsibilities, and in the implementation of GRMS and IPSAS readiness. The Committee makes more specific recommendations in this year's report on next steps in these areas.

VII. ACKNOWLEDGEMENTS

27. The Committee acknowledges the good cooperation and assistance received from Management, from the Inspector-General and his staff, other FAO staff and the External Auditor who provided information briefings during its 2013 meetings.

COMPOSITION OF THE COMMITTEE

- 1) Following a recommendation of the former External Auditor and in accordance with FAO's commitment to the 100th Session of the Finance Committee, the Director-General established the FAO Audit Committee in April 2003. From inception until the end of 2007, the Committee had a combination of internal and external members. In January 2008, its membership became entirely external. The Committee's composition and terms of reference are set out in Manual Section 146 App. C.
- 2) In accordance with the Immediate Plan of Action (IPA) for FAO Renewal (2009-11), adopted by the Conference at its 35th (Special) Session, "the Audit Committee (a) will be appointed by the Director-General and have a membership which is fully external agreed by the Council on the recommendation of the Director-General and Finance Committee" (IPA action 2.92). The first appointment under this system was made in 2010 and the 2013 update of the Committee's terms of reference now reflect this.
- 3) The Committee's 2013 composition was as follows:

Members

Mr C. Andreasen (Chairman)

Ms C Dittmeier

Mr A. Khan

Ms L. Lesetedi (from June 2013)

Mr. J. M. Portal (from June 2013)

Ms F. N'diaye (resigned January 2013)

Mr S. Zimmermann (until May 2013)

Secretary (ex- officio)

Inspector-General

APPENDIX C
FAO's AUDIT COMMITTEE
TERMS OF REFERENCE

I. Purpose

1. The Audit Committee serves as an expert advisory panel to assist the Director-General on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection and investigation 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.
2. The Audit Committee provides information to the Governing Bodies in these areas, through its annual reports being made available, and the Chair or other designated member presenting on this report directly, to the Finance Committee.
3. With regard to internal audit, inspection and investigation, the Committee operates in an advisory capacity to the Office of the Inspector-General (OIG). As such it assists the Inspector-General with regard to ongoing quality of performance of the Office.

II. Responsibilities

1. The Committee reviews and advises the Director-General on:
 - policies significantly affecting accounting and financial reporting issues and the Organization's financial control, including consideration of:
 - 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;
 - the arrangements for the external audit of the Organization and their implementation;
 - the Organization's financial accounting and management policies; and the status of improvement projects concerning financial systems and financial reporting.
 - the Organization's internal control and risk management strategy, framework and processes, in light of the significant risks facing the organization, including consideration of:
 - the Organization's improvement projects concerning internal controls and risk management;
 - the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits.
 - the Organization's policies to combat fraudulent, corrupt and collusive practices for its employees and external parties, including improper use of the Organizations resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.
 - 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:

- the independent role of the Inspector-General and his/her Office;
 - the sufficiency of resources available for OIG to meet the Organization's needs;
 - OIG's quality assurance mechanisms and results of internal and external quality assurance reviews;
 - 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;
 - audit reports issued by OIG and the status of implementation by the Organization of the recommendations;
 - investigation findings of presumptive or actual mismanagement, irregularities and fraud, and the status of actions by the Organization on the findings;
 - OIG's quarterly and annual reports.
2. The Committee establishes an annual plan to ensure the committee's responsibilities and stated objectives for the period are effectively addressed.
 3. Submits an annual report on its activities for the Director-General who subsequently provides the FAO Finance Committee with a copy, together with any additional comments that the Director-General wishes to make on it.

III. Authority

1. The Audit Committee has the authority to:
 - obtain all necessary information and consult directly with the Inspector-General and his/her 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.

IV. Membership

1. The Committee consists of five external members and a Secretary ex-officio. All members and the secretary are appointed by the Director-General.
2. The Committee membership is agreed to by the Council on the recommendation of the Director-General and Finance Committee.
3. Members are selected on the basis of their qualifications as senior audit and/or investigation professionals. Due regard is paid in their selection to gender and geographic representation in the Committee.
4. 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 two years following the end of those responsibilities.
5. Members serve in their personal capacity and cannot be represented by alternate attendees.
6. The Committee elects its own Chairperson from within their number.
7. Members serve for a three-year period, which may be renewed for a maximum of three further years after the initial term, at the discretion of the Director-General. 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.

V. Secretariat

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.

VI. Meetings

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 or External Auditor may request the Chairperson to call additional meetings if necessary.
2. The members of the Audit Committee are normally given at least ten working days' notice of meetings.
3. The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.
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.
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. 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.
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.
8. The Chairperson may invite OIG or other FAO staff, or the external auditor, to attend meetings.
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.
10. Minutes of meetings are prepared and kept by the Secretariat. The Audit Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.
11. The deliberations of the Audit Committee and the minutes of its meetings are shared with the Director-General, the Cabinet and with OIG staff, but are otherwise confidential unless decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with other FAO senior managers, or request the Secretariat to provide summaries of decisions, for the purpose of follow up action by FAO senior managers.

VII. Conflicts of Interest

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.

VIII. Responsibilities and Liabilities of Members

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.
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.

IX. Reporting

1. The Committee reports to the Director-General and all reports of the Committee are addressed to him or her. 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. The report includes an annual self-evaluation of the Committee's work. 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.
2. The Chairperson communicates with the Director-General's designated focal point on the results of the Committee's deliberations as well as on forthcoming issues relevant to its business.

X. Remuneration and Reimbursement of Costs

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.

XI. Periodic Review of the Terms of Reference

1. The Committee periodically reviews the adequacy of its terms of reference, where appropriate recommending changes to the Director-General for approval.