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FINANCE COMMITTEE

Hundred and Eighty-third Session

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Updated Terms of Reference of the FAO Oversight Advisory Committee

Queries on the substantive document may be addressed to:

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EXECUTIVE SUMMARY

- The FAO Council at its 161st Session in April 2019, endorsed the current Terms of Reference of the FAO Audit Committee.
- The Audit Committee submitted to the 180th Session of the Finance Committee, for consideration and recommendation for endorsement by Council, a proposal to be renamed as “FAO Oversight Advisory Committee”. The proposal was endorsed by the FAO Council at its 164th Session.
- In line with the Committee’s own Terms of Reference, and following benchmarks and recommendations included in the Joint Inspection Unit (JIU) Report on the *Review of Audit and Oversight Committees in the United Nations System*, this document presents an update of the Committee’s Terms of Reference.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the updated Terms of Reference of the FAO Oversight Advisory Committee.

Draft Advice

The Finance Committee:

- a) **welcomed guidance provided at its 180th Session had been reflected in the updated Terms of Reference;**
- b) **appreciated the comprehensive and detailed analysis by the Oversight Advisory Committee in updating its Terms of Reference;**
- c) **concurred with the proposed updated Terms of Reference and submitted them to Council for endorsement.**

Background

1. The latest version of the Terms of Reference of the FAO Audit Committee¹ were endorsed by the FAO Council at its 161st Session in April 2019.²
2. The Audit Committee submitted to the 180th Session of the Finance Committee (18-17 June 2020),³ for consideration and recommendation for endorsement by Council, a proposal to be renamed as “FAO Oversight Advisory Committee”. The proposal was supported by the Finance Committee⁴ and endorsed by the FAO Council at its 164th Session (6-7 July 2020).⁵
3. The Finance Committee at its 180th Session “*requested that the recruitment process for Audit Committee Members set out in document FC 180/10 be reflected as an update to the Terms of Reference of the Audit Committee and presented for approval to the November 2020 session of the Finance Committee.*”⁶ This request is reflected in the revised Terms of Reference, Article 4.2.
4. In line with the above guidance, as well as the Committee’s Terms of Reference, Article 11 which provides for “*Periodic Review of the Terms of Reference,*” the Oversight Advisory Committee undertook a thorough exercise to update its Terms of Reference with discussion initiated at its 55th (27-29 July 2020) virtual meeting, ensued by a comprehensive review and analysis, including for benchmarking and recommendations provided in the Joint Inspection Unit (JIU) Report on [Review of Audit and Oversight Committees in the United Nations System](#).⁷
5. In line with Article 11, the Oversight Advisory Committee presents its proposed updated Terms of Reference for consideration and recommendation, and for endorsement by Council.

¹ FC 170/9 Rev.1 *FAO Audit Committee - 2017 Annual Report to the Director-General, Annex 2*

² CL 161/REP paragraph 19.k)

³ FC 180/9 Executive Summary; paragraphs 9.r) and 11

⁴ CL 164/7 paragraph 30.e)

⁵ CL 164/REP paragraph 19.k)

⁶ CL 164/7 paragraph 32.c)

⁷ JIU/REP/2019/6

Oversight Advisory Committee

Terms of Reference

Effective from December 2020

1. PURPOSE

- 1.1 The Oversight Advisory Committee [the Committee] serves as an independent 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, investigation and ethics functions of the Organization, and such other matters as may be referred to it by the Director-General or the Finance Committee in respect of which the Committee is considered to have relevant expertise. The 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 Committee provides independent advice and information to the Finance Committee in these areas, through its annual reports and as appropriate, through updates during the intervening period.
- 1.3 With regard to internal audit, investigation and ethics, the Committee operates in an advisory capacity to the Office of the Inspector General (OIG), the Ethics Office (ETH), and the Ombudsman respectively. As such it advises the Inspector General and the Ethics Officer and the Ombudsman 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 and processes affecting accounting and financial reporting issues and the Organization's financial control
 - b) Financial statements and reports prior to their submission to the Council, based on discussions with Management and the External Auditor, over the course of the related preparation cycle, to include considerations of:
 - i. significant changes in accounting policies, presentation and disclosures
 - ii. audit scope, required communications by the External Auditor and other matters related to the conduct of the external audit
 - iii. external audit reports and relevant management letters, including status of implementation by management of external audit recommendations
 - c) The Organization's internal control and risk management strategy, framework, policies and processes, giving due consideration to emerging and significant risks facing the Organization, including consideration of:
 - i. 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
 - iii. the maturity of the risk management processes
 - d) 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.

- e) The effectiveness and efficiency of OIG's internal audit 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. OIG investigations into allegations of misconduct involving FAO personnel and allegations of sanctionable actions involving third parties; investigations on complaints of retaliation where the Ethics Office has determined a prima facie case of retaliation to exist; and the status of actions taken by the Organization on the findings of investigations
 - vii. OIG's activity 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
- f) All matters pertaining to the formulation, development and implementation of the Organization's ethics programme, including:
 - i. the ethics activities of the Ethics Officer on the basis of annual reports referred to the Committee by the Ethics Office
 - ii. the main 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
 - v. the development and any changes to the Terms of Reference of the Ethics Office
 - vi. the provision of input to the performance appraisal of the Ethics Officer
- g) Matters pertaining to the activities of the Organization's Ombudsman programme, in total respect of the confidentiality of the work of the Office which cannot be disclosed without the permission of the parties to a dispute, including:
 - i. an overview of activities of the Ombudsman Office
 - ii. the adequacy of resources to effectively carry out its responsibilities
 - iii. the development and any changes to the Terms of Reference of the Ombudsman Office

2.2 The Committee reviews and advises the Director-General and the Finance Committee in ensuring 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** The Committee submits an annual report on its activities to the Finance Committee and the Director-General. The Director-General may provide comments on the report which would be incorporated in the final report submitted by the Chairperson of the Committee to the Finance Committee.
- 2.5** The Committee will provide an annual input to the performance appraisals of the Inspector General and Ethics Officer prior to its submission to the Director-General.

3. AUTHORITY

- 3.1** The Committee has the authority to:
- a) Obtain all necessary information from Management, the Inspector General and the Ethics Officer and consult directly with them and their respective staff.
 - a) Access all reports and working papers produced by OIG.
 - b) Seek any information from any staff member and require all staff to cooperate with any request made by the Committee.
 - c) Obtain independent professional advice and secure the attendance of outside persons with relevant experience and expertise, if it is considered necessary.

4. COMPOSITION OF THE COMMITTEE

- 4.1** The Committee consists of five external Members. All Members are appointed by the FAO Council on recommendation of the Finance Committee following a selection process managed by the Director-General. The composition of the Committee is provided as an Annex to its annual report to the Director-General and the Finance Committee.
- 4.2** The selection process of Members includes the following steps:
- a) The Committee reviews and endorses the *Advertisement for the appointment of Members* and advises Management of desirable profiles for new Members to maintain or strengthen the overall complementarity of skills and experience within the Committee as a whole.
 - b) Applications are submitted to the Human Resources Division (CSH), as well as to the Secretariat of the Committee.
 - c) Applications are reviewed by the two units independently to ensure the requirements indicated by the Committee itself are taken into consideration.
 - d) A list of candidates to be interviewed and the composition of the interview panel is drawn up by CHS in consultation with Senior Management for approval by the Director-General.
 - e) The interview panel will comprise a Deputy Director-General as Chairperson, the Legal Counsel, the Director OSP, the Director CSH, the Deputy Directeur de Cabinet, and an external expert with demonstrated experience in the areas of oversight and investigation.
 - f) In formulating its recommendations, the interview panel criteria for selecting the candidates follow best practice in the UN system, and adherence to rule 4.3 below.
 - g) The Director-General makes a recommendation to the Finance Committee for the appointment of Members for its review and submission to the FAO Council for endorsement.
- 4.3** 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.

- 4.4 Members are independent of the Food and Agriculture Organization of the United Nations, and of the Director-General. Former FAO staff members and former staff members who have become FAO consultant following departure from the Organization are not appointed to the Committee within a period of five years following the end of those responsibilities.
- 4.5 Former Members of the Oversight Committee are not appointed to FAO staff and/or non-staff human resources positions within a period of five years following the end of their mandates as Members.
- 4.6 Members serve in their personal capacity and cannot be represented by alternate attendees.
- 4.7 The Committee elects its own Chairperson from within its Members.
- 4.8 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 FAO 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, and considerations of maintaining a mix of skills and experience within the Committee as a whole, appropriate to the circumstances at the time.

5. SECRETARIAT

- 5.1 The Secretary of the 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 Committee. The Secretary has no voting rights in the deliberations of the 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, Ethics Officer, Ombudsman or External Auditor may request the Chairperson to call additional meetings if necessary.
- 6.2 Members of the 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 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 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 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, for the purpose of establishing a quorum.
- 6.7 If the Chairperson is unable to attend a meeting, the Vice-Chairperson chairs the meeting. Should the Vice-Chairperson also be unable to attend the meeting, the other Members elect an Acting Chairperson for that meeting from among the Members present.

- 6.8** The Chairperson may invite Management, the Inspector General, the Ethics Officer, the Ombudsman, or other FAO staff to attend meetings. The Chairperson may also invite the External Auditor to attend meetings.
- 6.9** The Committee may decide to meet in closed session from time to time as determined by the Committee, or in private sessions with the Secretary. The Committee may also meet in private sessions with Management representatives, the representative of the External Auditor, the Inspector General, the Legal Counsel, the Ethics Officer and the Ombudsman, as required. 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 Committee Secretary. The Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.
- 6.11** The deliberations of the Committee and the minutes of its meetings are confidential unless otherwise decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with the Director-General, the Ethics Officer, the Ombudsman, the Inspector General and other FAO Senior Managers, or request the Secretary to provide summaries of decisions for the purpose of follow-up action.

7. CONFLICTS OF INTEREST

- 7.1** Prior to their appointment, new Members complete a conflicts of interest declaration. Thereafter, all Members will complete an annual statement of confidentiality and disclosure of conflicts of interest and Members formally notify any changes occurring between yearly declarations. 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 Committee. As such, Members are not to be held personally liable for decisions taken by the Committee acting as a whole or on behalf of the Committee.
- 8.2** Committee Members are indemnified from actions taken against them as a result of activities performed in the course of business of the 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 Committee.
- 9.2** The 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:
- a)** includes an annual self-assessment of the Committee's work
 - b)** 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
 - c)** also provides the Committee's views on the annual OIG report including its statement of independence
- 9.3** The Chairperson of the Committee or Vice-Chairperson, or another Member, should neither the Chairperson nor the Vice-Chairperson be available, is invited to the Finance Committee to

present the Committee's annual report. The Committee may also meet with the Finance Committee once a year to exchange important concerns at a time that is determined by both parties.

- 9.4 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.
- 9.5 The Secretary of the Committee also prepares a mid-year progress report on implementation of the Committee's recommendations for approval by the Chairperson of the Committee prior to its submission to the Autumn session of the Finance Committee.

10. REMUNERATION AND REIMBURSEMENT OF COSTS

- 10.1 Members are not remunerated by FAO for activities undertaken with respect to their membership of the Committee. FAO reimburses Committee Members for any travel and subsistence costs in accordance with FAO policies 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 annually, 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.