



COUNCIL

Hundred and Seventy-fourth Session

Rome, 4-8 December 2023

Report of the 198th Session of the Finance Committee (Rome, 6-10 November 2023)

Executive summary

In this report of its 198th Session, the Finance Committee:

- 1) **Makes specific recommendations for decision by the Council on:** (i) the Audited Accounts for 2022 (paragraph 12); and (ii) FAO Oversight Advisory Committee Membership (paragraph 20).
- 2) **Brings to the attention of the Council for its endorsement its conclusions regarding:** (i) the Financial Position of the Organization (paragraph 9); (ii) Adjustments to the Programme of Work and Budget 2024-25 (paragraph 14); and (iii) Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function* (paragraph 22).
- 3) **Informs the Council of the Finance Committee's considerations related to the updates it received on:** (i) Programme and Budgetary Transfers in the 2022-23 Biennium (paragraph 16); (ii) Implementation of Recommendations of the External Auditor and the FAO Oversight Advisory Committee (paragraph 18); and (iii) the ongoing FAO Management and Administration Review by the JIU (paragraph 27).

Suggested action by the Council

The Council is invited to:

1. **endorse** the recommendations of the Committee on:
 - a) the Audited Accounts for 2022; and
 - b) FAO Oversight Advisory Committee Membership.

2. **endorse** the conclusions of the Committee on:
 - a) the Financial Position of the Organization;
 - b) Adjustments to the Programme of Work and Budget 2024-25; and
 - c) Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function*.

3. **note** the Committee's considerations on:
 - a) Programme and Budgetary Transfers in the 2022-23 Biennium;
 - b) Implementation of Recommendations of the External Auditor and the FAO Oversight Advisory Committee; and
 - c) the ongoing FAO Management and Administration Review by the JIU.

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

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Introduction

1. The Committee submitted to the Council the following report of its Hundred and Ninety-eighth Session.
2. In addition to the Chairperson, Mr Mina Rizk (Egypt), the following representatives of Members were present:
 - Ms Emma Hatcher (Australia)
 - Mr LI Bo (China)
 - Mr Bienvenu Ntsouanva (Congo)
 - Ms Berioska Morrison González (Dominican Republic)
 - Mr Jujjavarapu Balaji (India)
 - Mr Sultan Alotaibi (Kuwait)
 - Mr Miguel Jorge García Winder (Mexico)
 - Mr Abdellah Larhmaid (Morocco)
 - Ms Fadia Aljamal (Oman)
 - Ms Pernilla Ivarsson (Sweden)
 - Mr Christopher Mace (United Kingdom of Great Britain and Northern Ireland)
 - Mr Rodney Hunter (United States of America)
3. The Chairperson informed the Committee that:
 - Mr GUO Su and Ms XI Li (China) had been designated to replace Mr LI Bo as the representatives of China for part of this session;
 - Mr Massimo Ziad Ammar (Kuwait) had been designated to replace Mr Sultan Alotaibi as the representative of Kuwait for part of this session;
 - Mr José Luis Delgado Crespo (Mexico) had been designated to replace Mr Miguel Jorge García Winder as the representative of Mexico for part of this session;
 - Ms Rebecka Ramstedt (Sweden) had been designated to replace Ms Pernilla Ivarsson as the representative of Sweden for part of this session;
 - Ms Danielle Maniscalco (United States of America) had been designated to replace Mr Rodney Hunter as the representative of the United States of America for part of this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body website at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. The 198th Session of the Finance Committee was convened in a hybrid setting, with some representatives of Members participating in person at FAO headquarters and others participating virtually. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend the rules that may be incompatible with the hybrid session.
6. In addition, silent observers from the following Members attended the 198th Session of the Committee:
 - Cameroon
 - Czechia
 - Equatorial Guinea
 - European Union
 - Finland
 - France
 - Germany
 - Greece
 - Indonesia
 - Monaco
 - Norway
 - Pakistan
 - Portugal
 - Romania
 - Russian Federation
 - Venezuela (Bolivarian Republic of)

Monitoring Financial Position

Financial Position of the Organization

7. The Committee reviewed the *Financial Position of the Organization* as at 30 June 2023 and cash flow forecast, including the liquidity of the Organization, the status of outstanding assessed contributions, short- and long-term investments, staff related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, the General Fund deficit and voluntary contributions.

8. The Committee was also provided with an updated status of current assessments and arrears of the Organization as at 31 October 2023.

9. The Committee:

- a) **noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2023;**
- b) **recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;**
- c) **requested Management, working closely with the United Nations and United Nations affiliated agencies, to continue to explore viable options, other than reinstating a special assessment, to address the underfunding of After Service Medical Coverage (ASMC) liabilities in coordination with other organizations of the United Nations common system for concrete presentation to the Committee as soon as possible;**
- d) **noted the information provided on TCP approval and expenditure rates and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference;**
- e) **appreciated the information presented on voluntary contributions and recommended that future documents include further analysis of contributions received through unilateral trust funds; and**
- f) **welcomed the increase reported in voluntary contributions received by the Organization and stressed the importance of assessing and managing the balance between voluntary and assessed contributions on a longer-term basis.**

Audited Accounts – FAO 2022 and Management Response to the Recommendations presented in the Report of the External Auditor for 2022

10. In accordance with General Rule XXVII 7(1), the Committee examined the FAO Audited Accounts for 2022, including a presentation by the External Auditor of the Long Form Report on the audit of the financial operations of FAO, highlighting the principal recommendations and observations presented in the report.

11. The Committee:

- a) **expressed appreciation to Management for the presentation of the FAO Audited Accounts for 2022, prepared in accordance with International Public Sector Accounting Standards (IPSAS);**
- b) **expressed satisfaction that the External Auditor had issued an unmodified audit opinion on the FAO Accounts for 2022;**
- c) **commended the External Auditor for the quality of the Long Form Report and endorsed the recommendations contained therein;**

- d) **supported** the recommendations of the External Auditor, in particular on: those arising from the information technology audit of the Global Resource Management System (GRMS); implementation of segregation of duties; and ensuring compliance with procurement procedures; and
- e) noted Management's agreement with, and detailed responses to the External Auditor's recommendations, and **encouraged** Management in their implementation within the time frames suggested by the External Auditor.

12. The Committee, noting the comments and clarifications provided by the External Auditor and the Management, **recommended** that the Council submit to the Conference for adoption the Audited Accounts for 2022. The Committee accordingly **agreed** to submit to the Council the draft resolution below for forwarding to the Conference:

DRAFT CONFERENCE RESOLUTION

FAO Audited Accounts 2022

THE CONFERENCE,

Having considered the report of the 174th Session of the Council, and

Having examined the 2022 FAO Audited Accounts and the External Auditor's Report,

thereon

Adopts the Audited Accounts.

Budgetary Matters

Adjustments to the Programme of Work and Budget 2024-25

13. The Committee reviewed the *Adjustments to the Programme of Work and Budget 2024-25*.
14. **The Committee:**
- a) noted that the proposed adjustments would be managed within the overall approved budget level of USD 1 021.7 million through transfers between Chapters on a cost-neutral basis;
 - b) **reviewed** the updated organizational chart (Annex 7) and noted that it reflected the structural adjustments proposed for the Council's endorsement as well as changes in the titles of divisions;
 - c) **reviewed** the proposed revised budgeted post establishment and noted that there was no net change in the budgeted post establishment by grade group and location (Annex 6) from that presented in the Programme of Work and Budget 2024-25;
 - d) **welcomed** the updated results framework 2022-25 (Annex 1) with the inclusion of a proposal for revised key performance indicators for partnerships under Functional Objective 7 focused on the quality of partnerships developed and established and the availability of relevant information;
 - e) **appreciated** the information provided on achieved and foreseen savings and efficiency measures, in line with guidance from the Conference;

- f) **recommended** that Management develop a robust business plan and roadmap detailing planned initiatives and expected efficiency gains and savings, together with clear measurement indicators, and provide an annual update on this topic including the accrued and anticipated savings and efficiencies through the established reporting mechanisms, considering examples elsewhere in the UN system;
- g) noted that the proposed revised distribution of the net appropriation by budgetary chapter as presented in Table 1 of CL 174/3 Corr.1 would be presented for consideration and approval by the Council; and
- h) **underlining** the importance of assessing and managing the balance between voluntary and assessed contributions on a longer-term basis, **encouraged** the Organization to continue to assess its funding situation and consider what changes may be required to improve its funding model to make FAO's work more sustainable and impactful, and **requested** Management to develop an in-depth analysis of different scenarios, risks and opportunities, and ways to address these, to be discussed at a future meeting of the Committee.

Programme and Budgetary Transfers in the 2022-23 Biennium

- 15. The Committee reviewed the *Programme and Budgetary Transfers in the 2022-23 Biennium*.
- 16. **The Committee:**
 - a) took note of the forecasted budgetary performance against the 2022-23 biennial appropriation and that the final performance will be known after the closure of the 2022-23 accounts and reported in May 2024;
 - b) **recalled** that any unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) would be transferred to the forthcoming biennium as per the Financial Regulations;
 - c) noted the previously approved transfers to Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10 arising from implementation of the Programme of Work and that the same transfers continue to be requested; and
 - d) **looked forward** to receiving the final 2022-23 budgetary performance report at its May 2024 session.

Oversight

Progress Reports on Implementation of Recommendations of the External Auditor and the FAO Oversight Advisory Committee

- 17. The Committee reviewed the *Progress Report on Implementation of Recommendations of the External Auditor* and the *Progress Report on Implementation of Recommendations of the FAO Oversight Advisory Committee*.
- 18. **The Committee:**
 - a) **welcomed** the progress made in implementing recommendations of the External Auditor, in particular on recommendations aimed at strengthening internal control in headquarters and Decentralized Offices;
 - b) **recommended** that the summary table on the status of outstanding External Auditor recommendations include the categorization of recommendations as “fundamental”, “significant” and “merits attention”;
 - c) **urged** timely completion of FAO's risk management policy framework and its forthcoming fraud policy, as well as timely issuance of FAO's revised guidelines for employment of the affiliate workforce;

- d) **urged** Management to implement the remaining outstanding recommendations of the External Auditor giving particular attention to long outstanding issues; and
- e) **appreciated** the progress made in closing recommendations of the Oversight Advisory Committee and **encouraged** Management to implement the remaining outstanding recommendations in a timely manner.

FAO Oversight Advisory Committee Membership

19. The Committee reviewed the *FAO Oversight Advisory Committee Membership*.

20. **The Committee:**

- a) **considered** the document in which the Director-General proposed that Mr Jorge da Silva be appointed as a member of the FAO Oversight Advisory Committee for an initial period of three years and noted that such an appointment would be made by the Council effective from 9 December 2023; and
- b) **supported** the Director-General's proposal and **agreed** to submit the recommendation to the Council.

Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function* (JIU/REP/2020/1)

21. The Committee reviewed document *Recommendation 7 of the JIU Report "Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function"* (JIU/REP/2020/1).

22. **The Committee:**

- a) **recommended** that the principles of integrity, transparency, impartiality, expertise and efficiency in the investigation process, and presumption of innocence should be emphasized in developing the processes to implement recommendation 7;
- b) **supported** the recommendations of the Committee on Constitutional and Legal Matters (CCLM) at its 119th Session that the procedures to be developed should, as far as possible, avoid the establishment of new bodies, and allegations should be referred to an external investigating entity;
- c) **recommended** the application of the policies and rules of the Organization with respect to all types of misconduct, including sexual harassment, sexual exploitation and abuse (SEA) and the definitions thereof, in development of the preliminary procedures;
- d) **recommended** that Management should continue to consult with and take into account the relevant practices and processes under development at other UN specialized agencies;
- e) **reiterated** its request at its 195th Session for delivery of procedures that include draft provisions of the investigations and disciplinary procedures necessary for handling complaints of misconduct to implement the Joint Inspection Unit's (JIU) recommendation; and
- f) **looked forward** to continued discussions on this matter, including through further briefings to the members of the CCLM and the Finance Committee and an update at their respective spring 2024 sessions, prior to the presentation of draft procedures to their autumn 2024 sessions.

Improved Methods of Work and Efficiency of the Finance Committee

Status of Outstanding Recommendations of the Finance Committee

23. The Committee **took note** of the Status of Outstanding Recommendations of the Finance Committee and **looked forward** to receiving an updated status report at its next regular session.

Working Methods of the Finance Committee

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

25. In this regard, the Committee **recommended** that when preparing the provisional agenda and timetable of the May 2024 session of the Finance Committee, consideration be given to addressing selected items on the agenda by correspondence to ensure the efficient use of available time during the session.

Other Matters

Update on the ongoing FAO Management and Administration Review by the JIU

26. The Committee welcomed the verbal update provided on the ongoing FAO Management and Administration Review by the Joint Inspection Unit of the United Nations system (JIU).

27. **The Committee:**

- a) **welcomed** the update provided on the progress of the ongoing FAO Management and Administration Review by the JIU and that the JIU report with the FAO Management response was expected to be submitted to the May 2024 session of the Finance Committee; and
- b) **looked forward** to considering the JIU report at its May 2024 session.

Date and Place of the Hundred and Ninety-ninth Session

28. The Committee was informed that the next session was scheduled to be held in Rome from 20 to 24 May 2024.

Documents for information

- Status of Current Assessments and Arrears as at 30 June 2023
- Audited Accounts – FAO Credit Union 2022
- European Commission for the Control of Foot-and-Mouth Disease Budget for 2024-25
- Animal Production and Health Commission for Asia and the Pacific (APHCA) – Statement of Accounts and Budget for 2023
- Budgets of the Desert Locust Commissions for 2023-24
- Budget of the Indian Ocean Tuna Commission for 2024 (and indicative budget for 2025)