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منظمة  
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# COUNCIL

## Hundred and Seventy-first Session

Rome, 5-9 December 2022

### Report of the 194th Session of the Finance Committee (Rome, 7-11 November 2022)

#### Executive summary

In this report of its 194th Session, the Finance Committee:

- 1) **Makes specific recommendations for decision by the Council:** (i) on the Audited Accounts for 2021 (para 12); and (ii) on FAO Oversight Advisory Committee Membership (para 18).
- 2) **Brings to the attention of Council for its endorsement** its conclusions regarding: (i) the Financial Position of the Organization (para 9); (ii) Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization (para 14); (iii) on the status of recommendations presented in the JIU Report, *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and 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) (para 20).
- 3) **Informs the Council** of the Finance Committee's considerations related to the updates it received: (i) on Implementation of Recommendations of the External Auditor and the FAO Oversight Advisory Committee (para 16); and (ii) on scheduling of the FAO Management and Administration Review by the JIU (para 22).

### Suggested action by the Council

The Council is invited to:

1. **endorse** the recommendations of the Committee on:
  - a) the Audited Accounts for 2021; and
  - b) FAO Oversight Advisory Committee Membership.
2. **endorse** the conclusions of the Committee on:
  - a) the Financial Position of the Organization;
  - b) Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization; and
  - c) the Update on the status of recommendations presented in the JIU Report, *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and 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).
3. **note** the Committee's considerations on:
  - a) Progress Reports on Implementation of Recommendations of the External Auditor and the FAO Oversight Advisory Committee; and
  - b) the Update on scheduling of the 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-fourth Session.

2. In addition to the Chairperson, Ms Imelda Smolčić Nijers (Uruguay), the following representatives of Members were present:

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|---|--|
| • Ms Lynda Hayden<br>(Australia)            | • Mr Tomás Duncan Jurado<br>(Panama)               |
| • Mr Mina Rizk<br>(Egypt)                   | • Mr Vladimir V. Kuznetsov<br>(Russian Federation) |
| • Mr Kaba Urgessa Dinssa<br>(Ethiopia)      | • Mr Mansour Al Adi<br>(Saudi Arabia)              |
| • Mr Kuraya Yoshihiro<br>(Japan)            | • Ms Pernilla Ivarsson<br>(Sweden)                 |
| • Mr Miguel Jorge García Winder<br>(Mexico) | • Ms Ratchanok Sangpenchan<br>(Thailand)           |
| • Ms Tahirou Rahila Rabiou<br>(Niger)       | • Mr Rodney Hunter<br>(United States of America)   |

3. The Chairperson informed the Committee that:

- Mr Mansour Al Adi (Saudi Arabia) was designated to replace Mr Mohammed Ahmed M. Alghamdi as the representative of Saudi Arabia for this session;
- Ms Rebecka Ramstedt (Sweden) was designated to replace Ms Pernilla Ivarsson as the representative of Sweden for part of this session;
- Mr Hammad Hammad (United States of America) was 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 Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. The 194th 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 on an exceptional basis due to the COVID-19 pandemic. 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 Member Nations attended the 194th Session of the Committee:

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|----------------------|---|
| • Algeria            | • Malaysia  |
| • Angola             | • Monaco  |
| • Argentina          | • Morocco   |
| • China              | • Philippines   |
| • Czech Republic     | • Portugal  |
| • Dominican Republic | • Slovakia  |
| • Equatorial Guinea  | • Switzerland   |
| • France             | • United Kingdom of Great Britain<br>and Northern Ireland |
| • Germany            | • Venezuela (Bolivarian<br>Republic of)                   |
| • Haiti              |   |
| • Luxembourg         |   |

## Monitoring Financial Position

### Financial Position of the Organization

7. The Committee reviewed the *Financial Position of the Organization* as at 30 June 2022 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 2022.

9. **The Committee:**

- a) **welcomed** the information reported 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 2022;
- 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) noted that as reported at its previous sessions, the overall level of the deficit was primarily due to unfunded charges for long-term staff related liabilities;
- d) **encouraged** Management to continue to review options to address the underfunding of After Service Medical Coverage (ASMC) liabilities in coordination with other organizations of the United Nations Common System and **looked forward** to reviewing an update on options to address this issue at the Spring 2023 regular session;
- e) 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; and
- f) **requested** that Management present in future documents on the financial position of the Organization, a breakdown by donor of the funding received under multidonor projects and programmes, noting that this additional visibility could incentivize further contributions.

### Audited Accounts - FAO 2021 and Management Response to the Recommendations presented in the Report of the External Auditor for 2021

10. In accordance with General Rule XXVII 7(l), the Committee examined the FAO Audited Accounts for 2021, 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 2021, prepared in accordance with International Public Sector Accounting Standards (IPSAS);
- b) **expressed satisfaction** that the External Auditor had issued an unqualified audit opinion on the FAO Accounts for 2021;
- c) **commended** the External Auditor for the quality of the Long Form Report and **supported** the recommendations contained therein;

- d) **supported** the recommendations of the External Auditor, in particular on strengthening the internal control framework both at headquarters and Decentralized Offices, on the formulation of Country Programming Frameworks (CPFs) and their integration with Programme Priority Areas (PPAs) and Sustainable Development Goal (SDG) targets, on the impact of unfunded employee benefit obligations on the financial position of the Organization, and on ensuring compliance with the Organization's rules and procedures for procurement and recruitment of consultants;
- e) noted Management's agreement with, and detailed responses to, the External Auditor's recommendations, and **encouraged** Management to ensure their implementation within the time frames suggested by the External Auditor;
- f) **expressed appreciation** for the quality of the Statement of Internal Control (SIC) while encouraging Management's efforts to continuously improve its structure and content; and
- g) **requested** Management to inform Finance Committee Members of any significant changes to the financial position due to accounting corrections, in advance of the Committee's dedicated meeting and in an easily understandable manner, in order to ensure the transparency of the Organization's process and a fruitful discussion at the dedicated formal meeting.

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 2021. The Committee accordingly **agreed** to submit to the Council the draft resolution below for forwarding to the Conference:

#### **DRAFT CONFERENCE RESOLUTION**

##### **FAO Audited Accounts 2021**

#### **THE CONFERENCE,**

**Having considered** the report of the 171st Session of the Council, and

**Having examined** the 2021 FAO Audited Accounts and the External Auditor's Report,

thereon

**Adopts** the Audited Accounts.

#### **Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization**

13. The Committee discussed document CL 171/19 on *Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization*.

14. **The Committee:**

- a) **appreciated** the open and transparent consultations held by the Independent Chairperson of the Council (ICC) on this matter and the substantive outcome of these consultations; and
- b) **recommended** that the procedures, criteria and draft resolution on the *Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization* be considered by the Finance Committee and the Committee on Constitutional and Legal Matters (CCLM) at their Spring sessions in 2023 prior to its consideration by the Council.

## Oversight

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

15. The Committee reviewed document FC 194/5.1, *Progress Report on Implementation of Recommendations of the External Auditor* and document FC 194/5.2, *Progress Report on Implementation of Recommendations of the FAO Oversight Advisory Committee*.

16. **The Committee:**

- a) reviewed the status of implementation of the recommendations of both the External Auditor and the FAO Oversight Advisory Committee;
- b) welcomed the progress made in implementing recommendations of the External Auditor and the Oversight Advisory Committee;
- c) encouraged Management to implement the remaining outstanding recommendations in a timely manner, giving particular attention to those which are long outstanding issues or time-sensitive, including as regards the transfer of the responsibility for administering the Gifts Policy and carrying out the pulse survey on the Ethics function; and
- d) noted with appreciation the Office of the Inspector General's (OIG) efforts to identify and prioritize outstanding high-priority and high-risk OIG recommendations to Management as well as efforts to identify and to assist in addressing possible root causes of the delays in implementing long outstanding OIG recommendations.

### FAO Oversight Advisory Committee Membership

17. The Committee reviewed document FC 194/6, *FAO Oversight Advisory Committee Membership*.

18. **The Committee:**

- a) considered the document in which the Director-General proposed that Mr Honoré Ndoko be appointed as Member of the FAO Oversight Advisory Committee for an initial period of three years;
- b) noted that such appointment would be made by the Council effective from 12 December 2022;
- c) noted that the recruitment process had been carried out in accordance with the revised Terms of Reference of the FAO Oversight Advisory Committee (OAC) approved by the Council at its 165th Session;
- d) emphasized the importance of presenting nominations of OAC Members with sufficient advance notice to allow their due consideration by the Finance Committee; and
- e) supported the Director-General's proposal and agreed to submit the recommendation to the Council.

### Update on the status of recommendations presented in the JIU Report, *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and 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)

19. The Committee reviewed document FC 194/7, *Update on the status of recommendations presented in the JIU Report, Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and *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).

20. **The Committee:**

- a) noted that the UN System Chief Executives Board for Coordination (CEB) had not initiated its anticipated “consultative process for a harmonized implementation approach”, and that a number of Specialized Agencies had either begun or completed work on implementation of the Joint Inspection Unit (JIU) of the United Nations System recommendation, in particular to identify an investigating entity;
- b) noted that the CCLM found no legal impediment to FAO similarly developing and adopting procedures on its own initiative, taking into account the legal framework of the Organization;
- c) supported the recommendation of the CCLM inviting the Council to request FAO Management to prioritize the development of procedures and to identify the appropriate legal instruments, as well as any amendments required to existing instruments, to implement the JIU recommendation;
- d) recommended that when developing such procedures, FAO should take into account the intergovernmental nature of the Organization, its existing legal framework, governance structure and investigation capacity, and ensuring due process;
- e) encouraged continued consultation with other Specialized Agencies to ensure, to the extent possible, a coordinated and harmonized approach within the broader UN System; and
- f) requested that a further update on progress be presented to the Spring 2023 Session of the Committee, and requested Management present preliminary procedures, together with relevant views of the CCLM as appropriate, to the Finance Committee for consideration at its autumn 2023 Session.

**Update on scheduling of the FAO Management and Administration Review by the JIU**

21. The Committee welcomed the information provided as an Update on scheduling of the FAO Management and Administration Review by the Joint Inspection Unit of the United Nations System (JIU).

22. **The Committee:**

- a) was pleased to acknowledge continued collaboration between FAO and the Joint Inspection Unit (JIU) on this important topic and welcomed FAO’s confirmation that it had communicated in writing its willingness to reschedule the Management and Administrative Review (MAR) at the earliest convenience of the JIU;
- b) was informed that the JIU had indicated that it had placed the resumption of the FAO MAR on its preliminary list of topics for 2023 and that the JIU’s Programme of Work for 2023 would be finalized in January 2023; and
- c) looked forward to receiving regular updates on the progress of this matter.

**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 acknowledged the benefit of holding informal meetings and encouraged Management to consider using the informal meetings to highlight any issues that it wished to bring to the attention of the Finance Committee prior to its formal sessions.

## **Other Matters**

### **Date and Place of the Hundred and Ninety-fifth Session**

25. The Committee was informed that the next session was scheduled to be held in Rome from 13 to 17 March 2023. The arrangements for the session would be established in accordance with the evolving COVID-19 restrictions.



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**Documents for information**

- Status of Current Assessments and Arrears as at 30 June 2022 (doc. FC 194/INF/2)
- Audited Accounts - FAO Credit Union 2021 (doc. FC 194/INF/3)