

November 2012

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольственная и сельскохозяйственная организация Объединенных Наций	Organización de las Naciones Unidas para la Alimentación y la Agricultura
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## COUNCIL

### Hundred and Forty-fifth Session

Rome, 3-7 December 2012

### Report of the 147<sup>th</sup> Session of the Finance Committee (5-9 November 2012)

#### Executive Summary

At its second regular session in 2012, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 147<sup>th</sup> Session, the Committee:

- Makes specific recommendations to the Council (i) urging Members to make timely and full payment of assessed contributions (para 7); (ii) on the Audited Accounts for the 2010-11 biennium (para 10); (iii) on recommendations made by the International Civil Service Commission (ICSC), including the revised salary scale for the General Service category (para 31); and (iv) on proposed amendments to the General Rules of the Organization (para 54).
- Informs Council of its decisions (i) concurring with the suggested rates for use in determining discounts for Member Nations associated with the incentive scheme for prompt payment of contributions (para 12); (ii) approving the FAO Commissary 2011 Accounts (para 13); (iii) endorsing the establishment of a new window for level 3 emergencies under the revolving fund component of the Special Fund for Emergency and Rehabilitation Activities (SFERA) (para 21); (iv) endorsing the Director-General's proposals to modify the Internal Audit Disclosure Policy (para 40); and (v) endorsing the proposed update to the Charter of the Office of the Inspector General (para 48).
- Brings to the attention of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, administrative and information systems framework and oversight matters.
- Highlights to Council initiatives to improve its own work.

**Suggested action by the Council**

- The Council is requested to endorse the recommendations of the Committee on timely payment of assessed contributions, the Audited Accounts for the 2010-11 biennium, ICSC recommendations, and proposed amendments to the General Rules of the Organization.
- The Council is requested to take note of the decisions of the Committee on incentive scheme discount rates, the FAO Commissary 2011 Accounts, the Special Fund for Emergency and Rehabilitation Activities, the Internal Audit Report disclosure policy and the Charter of the Office of the Inspector General.
- The Council is requested to endorse the Committee's guidance provided to the Secretariat on all other matters within its mandate, as well as initiatives to improve its own methods of work.

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## Table of Contents

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	Pages
Introduction .....	5
Monitoring Financial Position.....	6
Financial Position of the Organization.....	6
Audited Accounts - FAO 2010-2011 .....	6
Incentive Scheme for Prompt Payment of Contributions .....	7
Audited Accounts - FAO Commissary 2011 .....	7
Budgetary Matters .....	8
Transformational Changes in the 2012-13 biennium.....	8
Progress Report on the Immediate Plan of Action Implementation.....	8
Annual Report on the Special Fund for Emergency and Rehabilitation Activities.....	8
Annual Report on Support Costs Expenditure and Recoveries.....	9
Reviewed Strategic Framework and Outline of the Medium Term Plan 2014-17.....	10
Human Resources.....	10
Progress Report on Implementation of the Human Resources Strategic Framework and Action Plan 2012-13 .....	10
Recommendations and decisions of the International Civil Service Commission and UN Joint Staff Pension Board to the General Assembly (including Charges in Salary Scales and Allowances)....	11
Administrative and Information Systems Framework .....	11
Progress Report on Implementation of the Global Resource Management System .....	11
Oversight .....	11
Progress Report on Implementation of the External Auditor's Recommendations.....	11
Disclosure of Internal Audit Reports .....	12
Whistleblower Protection Policy .....	12
Frequency of Reporting of FAO Audit Committee .....	13
Terms of Reference of FAO Audit Committee.....	13
The Charter of the Office of the Inspector General .....	14
Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO.....	14
Progress on the Financial Disclosure Programme .....	15
Proposed amendments to Rules XXXVII and XL of the General Rules of the Organization .....	15
Improved Methods of Work and Efficiency of the Finance Committee.....	15
The Multi -Year Programme of Work of the Finance Committee 2010-13.....	15
Status of Outstanding Recommendations of the Finance Committee.....	15
Working Methods of the Finance Committee .....	15
Other Matters.....	16

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Date and Place of the Hundred and Forty-eighth Session.....	16
Status of Selection and Appointment of the External Auditor.....	16
ANNEX I - Documents for Information .....	17

## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Forty-seventh Session.
2. In addition to the Chairperson, Mr MOUNGUI MÉDI, the following representatives of Members were present:
  - Mr Matthew Worrell (Australia)
  - Mr Olyntho Vieira (Brazil)
  - Mr Laurent D. Couliadiati (Burkina Faso)
  - Mr Shobhana K. Pattanayak (India)
  - Mr Hideya Yamada (Japan)
  - Ms Manar Sabah Mohammad Al-Sabah (Kuwait)
  - Ms Emma María José Rodríguez Sifuentes (Mexico)
  - Mr Mohamed Lemghari (Morocco)
  - Mr Ronald Elkhuisen (Netherlands)
  - Mr Vladimir V. Kuznetsov (Russian Federation)
  - Mr Mohamed Eltayeb Elfaki Elnor (Sudan)
  - Ms Karen E. Johnson (USA)
3. The Chairperson informed the Committee that:
  - Mr Alan Romero Zavala (Mexico) had been designated to replace Ms Emma María José Rodríguez Sifuentes for part of this session;
  - Mr Mohamed Lemghari (Morocco) had been designated to replace Mr Faouzi Lekjaa at this session; and
  - Mr Jorge E. Solares (USA) had been designated to replace Ms Johnson 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. In addition, silent observers from the following Member Nations attended the 147<sup>th</sup> Session of the Committee:
  - Canada
  - China
  - European Union
  - France
  - Germany
  - Ireland
  - Islamic Republic of Iran
  - Pakistan
  - Philippines
  - Poland
  - San Marino
  - Slovak Republic
  - Switzerland
  - Thailand
  - Turkey

## Monitoring Financial Position

### Financial Position of the Organization

6. The Committee considered the financial position of the Organization as at 30 June 2012 and cash flow forecast for 2012 including the liquidity of the Organization, the status of outstanding assessed contributions, long term investments, staff related liabilities, the general fund deficit of the Organization and the level of Technical Cooperation Programme (TCP) expenditure. The Committee was also provided an updated status of current assessments and arrears and liquidity situation of the Organization as at the end of October 2012.

7. **The Committee:**

- a) **noting that the cash position at the end of October 2012 was sufficient to meet planned expenditures only until the end of November and recognising that the Organization remained vulnerable to the timing of payments, urged all Member Nations to make timely and full payment of assessed contributions to ensure that FAO is able to meet the operating cash requirements for the Programme of Work without recourse to external borrowing;**
- b) **recognising that the underfunding of the Staff Related Liabilities is a recurrent issue, requested that prior to consideration of this matter at the next regular session of the Committee, it be reviewed at an informal meeting of Permanent Representatives and members of the Finance Committee in the first quarter of 2013, and further requested that the consultation document to be prepared by the Secretariat including a range of options to address this matter should be made available at least 30 days prior to that informal meeting; and**
- c) **emphasised the importance of the Technical Cooperation Programme and that the pace of implementation should be accelerated.**

### Audited Accounts - FAO 2010-2011

8. The Committee was informed that the External Auditor had issued an unqualified audit opinion on the Financial Statements of the Organization for the 2010-11 biennium. In presenting her conclusions, the External Auditor noted that the Long Form Report which accompanied the audit opinion included a number of recommendations and comments in several areas including staff related schemes and their funding, the status of payment of assessed contributions and liquidity of the Organization, the implementation of International Public Sector Accounting Standards (IPSAS), Results Based Management (RBM), the Technical Cooperation Programme (TCP), Management of Emergency and Rehabilitation Activities, Human Resources Management, Project Evaluation and decentralised offices. The Committee noted with some concern the number of fundamental and significant recommendations pertaining to the administrative functioning of the Organization contained therein.

9. **The Committee:**

- a) **welcomed the issuance of the External Auditor's unqualified opinion and expressed its appreciation for the quality of the Long Form Report;**
- b) **noted with appreciation that the Secretariat and the External Auditor had worked in close collaboration;**
- c) **looked forward to receiving feedback from the Secretariat on the implementation of the recommendations, in particular those with respect to internal procedures;**
- d) **requested that the Secretariat prepare a report on the status of the Organization's considerations regarding an accountability and internal control framework for its next regular session; and**
- e) **proposed that the status of implementation of the recommendations arising from the 2010-11 Long Form Report, including the management response to these**

recommendations, be reviewed at an informal meeting of the Committee in early 2013, prior to its next regular session.

10. The Committee, noting the comments and clarifications provided by the External Auditor and the Secretariat, **recommended** that the Council submit to the Conference for adoption, the Audited Accounts for the 2010-11 biennium. The Committee accordingly agreed to submit to the Council the draft resolution below for forwarding to the Conference.

## DRAFT CONFERENCE RESOLUTION

### FAO Audited Accounts 2010-11

THE CONFERENCE,

**Having considered** the report of the 145<sup>th</sup> Session of the Council, and

**Having examined** the 2010-11 FAO Audited Accounts and the External Auditor's Report thereon

**Adopts** the Audited Accounts

(Adopted on ... 2013)

### Incentive Scheme for Prompt Payment of Contributions

11. The Committee took note of document FC 147/4 *Incentive Scheme for Prompt Payment of Contributions* and discussed the effectiveness of the incentive scheme.

12. **The Committee:**

- a) **requested** that the Secretariat undertake an analysis of the effectiveness and costs of administering the incentive scheme and present the results of this analysis to the Spring session of the Committee in 2013, considering a range of options to encourage prompt payment of contributions;
- b) **concurred** with the rates of 0.01 per cent for USD and 0.15 percent for Euro assessments suggested by the Director-General for use in determining the amount of discount for each Member Nation that had paid its contributions in full before 31 March 2012. The discount earned would be credited against 2013 contributions, provided that the amount of such credits do not exceed the total amount of interest income earned on the Regular Programme for 2012; and
- c) **requested** the Secretariat in future reports on the item to provide information on measures undertaken by the Management to draw attention of member states on their obligation to pay on time and in full.

### Audited Accounts - FAO Commissary 2011

13. The Committee reviewed document FC 147/5 *Audited Accounts – FAO Commissary 2011* and took note of the audited accounts and the financial position of the Commissary for the period. The Committee noted with appreciation the improved efficiency of the Commissary's operations. In light of the External Auditor's unqualified opinion, the Finance Committee welcomed the report and approved the Audited Accounts.

## Budgetary Matters

### Transformational Changes in the 2012-13 biennium

14. The Committee welcomed the document on transformational changes in the 2012-13 biennium and noted the progress on measures previously approved by the Council, as well as further initiatives for institutional strengthening.

15. The Committee considered in particular progress in implementing decentralization measures, the human resources management function, and the establishment of the Office for Communication, Partnerships and Advocacy. The Committee also considered the further transformation measures and the related changes impacting posts and reporting lines.

16. **The Committee:**

- a) **noted that the guidance and decisions of the Council had been followed in implementing and pursuing transformational changes in 2012-13; and**
- b) **supported the revised post establishment, and the revised distribution of the net appropriation by budgetary chapter as reflected in Table 2 of document CL 145/3.**

### Progress Report on the Immediate Plan of Action Implementation

17. The Committee reviewed the financial aspects of IPA implementation reported in section V (paragraphs 58 – 61) of document CL 145/10 *Progress Report on the Immediate Plan of Action Implementation* and noted the expenditure situation as at end August 2012 across the different IPA projects.

18. **The Committee:**

- a) **welcomed the CL 145/10 interim report on progress on implementation of the Immediate Plan of Action during 2012;**
- b) **reviewed the progress on IPA 2012 budget and expenditure presented in Section V, paragraphs 58 – 61 of the IPA progress report;**
- c) **noted that there was an under-expenditure on a number of IPA items which was expected to result in a carry forward of funds at the end of 2012 of approximately USD 3.5 million. Noted that no further carryovers after 2013 were foreseen;**
- d) **noted that a full report on the financial performance during 2012 would be provided in the 2012 annual report on the IPA which would be presented to its March 2013 session, including the budget for 2013;**
- e) **requested that in the interim, a paper outlining progress on PEMS, mobility policy and the cultural change vision and implementation programme should be provided to Finance Committee members;**
- f) **noted that a report on post IPA implementation arrangements would be presented in 2013.**

### Annual Report on the Special Fund for Emergency and Rehabilitation Activities

19. The Committee took note of document FC 147/8 and commended the Secretariat for the management of the Special Fund for Emergency and Rehabilitation Activities (SFERA). It acknowledged the importance of the fund to deal with emergencies and recognized the progress achieved in the implementation of the recommendations which had been made by the External Auditor on the management and governance of the Fund.

20. The Committee discussed the establishment of a new window under the revolving component of the fund in order to support level 3 emergencies, including close collaboration with other UN agencies in this area, in particular WFP.

21. **The Committee:**

- a) **noted the performance of SFERA over the period 1 July 2011-30 June 2012 and appreciated the key role of the Fund in enabling FAO to respond rapidly in the critical early stages of an emergency;**
- b) **acknowledged the progress achieved on the implementation of all the External Auditor's recommendations; and**
- c) **endorsed the establishment of a new window under the SFERA revolving fund component to provide the Organization with the means to prepare for and respond to level 3 emergencies.**

**Annual Report on Support Costs Expenditure and Recoveries**

22. The Committee reviewed the *Annual Report on Support Costs Expenditure and Recoveries* and took note of the implementation of the policy on support costs during the period from 1 June 2011 through 31 May 2012. Of the 799 Trust Fund projects FAO had opened during this period, all had been charged at rates which fell within the presently approved policy and 89.8 percent had been approved at their ceiling rates. The Committee also noted that some projects were charged below the ceiling rate. The Committee requested that future annual reports further break down the statistics on projects approved at their ceiling rates to show the type, number and volume of such projects approved at a non-standard PSC rate.

23. The Committee considered the progress on the implementation of the improved cost recovery mechanism approved by the Council in December 2011 for implementation in 2012. It noted that the Secretariat expected to recover about USD 8.1 million in the current biennium, meeting the target of USD 6 million in savings through improved cost recovery as set in the Adjustments to the PWB 2012-13. The Committee noted that insufficient information was given on the nature and the application of the two decisions taken by Council. It also noted the retroactive application of the uplift to ongoing projects. It noted the assertion by the Secretariat that this would be reviewed and applied flexibly and that possible double charges would be avoided.

24. The Committee recalled that the mechanism was to be applied in two circumstances:

- a) for recovery of indirect variable costs of services provided in connection with recruiting and managing project personnel, for projects where the PSC rates are below the ceiling rates;
- b) for recovery of costs related to information technology support services, security services, and office occupancy-related charges for extra-budgetary financed personnel; and
- c) noted that variable costs were treated differently and that the sum total of the application of the two measures could take the support costs level over the agreed 13% ceiling.

25. The Committee noted that for the first category, the measure had not yet been implemented pending development of a system solution to ensure that the overall recovery rate for such projects remained within the ceiling rate. The second category was currently being implemented for headquarters-based extra-budgetary personnel to recover costs which were not included in the established PSC ceiling rates.

26. **The Committee:**

- a) **stressed the importance of providing clear and timely information and communication on the implementation of the mechanism to resource partners;**
- b) **agreed with the draft outline of the comprehensive report on support costs to be presented to the Finance Committee in 2013, and requested that it include information on harmonizing approaches to cost recovery within the UN system; and**
- c) **requested that the retroactive application of the uplift be applied flexibly to ongoing projects and ensure that no double charges arise.**

### **Reviewed Strategic Framework and Outline of the Medium Term Plan 2014-17**

27. The Committee welcomed the document on the *Reviewed Strategic Framework and Outline of the Medium Term Plan 2014-17*. While appreciating the comprehensive information provided in the document, the Committee recognized that the MTP and the action plans being developed for the five strategic objectives were a work-in-progress and looked forward to its next reiteration. The Committee discussed the further development of the Reviewed Strategic Framework and mentioned that due attention should be given to trade and trade reform, sustainable management of natural resources for the conservation of biodiversity, enhancement of ecosystem services and increased production in agriculture, fisheries and forestry, in particular in Strategic Objective 2.

28. **The Committee:**

- a) **noted that the Strategic Thinking Process launched by the Director-General was progressing well and provided a sound basis for establishing the future work of the Organization;**
- b) **welcomed the descriptions of the five Strategic Objectives, recognizing that these reflected the main areas of work in which the Organization will focus its efforts towards achieving the three main goals;**
- c) **looked forward to the further elaboration in the MTP and the Programme of Work and Budget 2014-15 of the objective on Technical Quality, Knowledge and Services, including the development of performance indicators, as well as on the approaches to budgeting and matrix-style management.**

### **Human Resources**

#### **Progress Report on Implementation of the Human Resources Strategic Framework and Action Plan 2012-13**

29. The Committee took note of the updated *Progress Report on Implementation of the Human Resources Strategic Framework and Action Plan 2012-13*. While acknowledging the progress made in delivering the principal initiatives and the change being realised in the transformation of the HR function, the Committee recognized that such transformation remained a work in progress.

30. **The Committee:**

- a) **welcomed the improvement in the presentation of the report;**
- b) **noted that the decisions of the Council at its 144<sup>th</sup> Session in June 2012 regarding the structure and priorities of the HR function had been implemented and were being pursued;**
- c) **requested further information to be presented at its next regular Session regarding (i) tangible steps to reduce recruitment timeframes; (ii) the geographical distribution of Junior Professionals; (iii) progress on further development of the corporate mobility policy; and (iv) progress towards achieving gender and geographic representation targets; and**
- d) **requested a status update on HR policies regarding (i) Delegations of Authority and (ii) Hiring of Retirees, within the context of pursuing a rejuvenated workforce, as well as revised selection procedures for staff, in particular of senior level staff.**

**Recommendations and decisions of the International Civil Service Commission and  
UN Joint Staff Pension Board to the General Assembly  
(including Charges in Salary Scales and Allowances)**

31. **The Committee:**

- a) **noted the recommendation of the International Civil Service Commission following the 2012 Rome Salary Survey for the General Service Category to introduce a revised salary scale that is 9.2 per cent lower than the current scale in effect since November 2010;**
- b) **noted that this measure would imply that two salary scales would be in effect for staff of the General Service category based in Rome during a transition period; and**
- c) **agreed to transmit the ICSC's recommendations in this regard to the upcoming 145<sup>th</sup> session of the Council for approval of the revised salary scale.**

**Administrative and Information Systems Framework**

**Progress Report on Implementation of the Global Resource Management System**

32. The Committee reviewed document FC147/13 which provided an update on progress of implementation of the Global Resource Management System (GRMS).
33. The Committee was informed that the GRMS had “gone live” as planned on 6 November 2012, with the new system being used for financial and human resource transaction processing at headquarters and all Regional Offices. It took note of the planned activities to replace the Field Accounting System with GRMS in more than 100 offices worldwide by May 2013 and prepare IPSAS-compliant financial statements from 2014 onwards.
34. The Committee noted the areas of concern identified by the OIG in his recent report and the actions being taken by the Secretariat to address these issues. The Committee was informed that the travel module was still an area of concern which should be monitored closely.
35. Following two assessments of the Programme, the Inspector General reiterated the commitment of his Office to continue to support the GRMS programme and the Programme Executive Board in the identification and timely mitigation of risks.
36. **Based on its review of the information presented, the Committee:**
- a) **congratulated the Secretariat on the successful go-live milestone achieved;**
  - b) **emphasized the importance of meeting the further programme target dates, in particular with respect to the IPSAS implementation deadlines;**
  - c) **welcomed the reinforced governance arrangements, particularly the inclusion of all five Regional Representatives on the programme board;**
  - d) **urged the Secretariat to address the risks identified by the Office of the Inspector General and ensure that the system was fully stabilised during the subsequent months; and**
  - e) **requested that the Secretariat provide additional information on post implementation arrangements and costs at its next session, particularly regarding the full implementation of IPSAS in 2014 and the plans to assess and monitor the realization of the GRMS benefits.**

**Oversight**

**Progress Report on Implementation of the External Auditor's Recommendations**

37. The Committee took note of document FC 147/14 *Progress Report on Implementation of the External Auditor's Recommendations* which summarized the progress made by the Organization in implementing the External Auditor's recommendations, in particular those arising from the 2008-09

biennium Long Form Audit Report and including the status of implementation of recommendations from the External Auditor's Review and Assessment of the Special Fund for Emergency and Rehabilitation Activities (SFERA) and an update on the actions being taken following the review of Host Country Agreements (HCAs).

38. **The Committee:**

- a) **expressed appreciation for this report which included a table detailing the status of the progress made on the recommendations;**
- b) **expressed concern over the slow pace of implementation;**
- c) **looked forward to receiving an updated report at its next regular session, including the status of implementation of recommendations included in the Long Form Report on the 2010-11 financial statements; and**
- d) **requested that in future reports information on the office responsible for implementation be included.**

### **Disclosure of Internal Audit Reports**

39. The Committee examined document FC 147/15 in which Management confirmed its agreement to periodically update during the year, through the Permanent Representatives' website, a list of reports covered by the disclosure policy and highlighted the advantages of retaining the current audit disclosure policy of "view only". The Committee was also informed of a new system solution whereby reports could be viewed by permanent representatives or their nominees remotely from their own locations using a secure on-line system as an alternative to viewing the reports in the offices of the Inspector General. The Committee noted the new disclosure policy recently adopted by WFP.

40. **The Committee:**

- a) **endorsed the Director-General's proposal to modify the current OIG report disclosure policy to provide information on the OIG reports covered under the policy by periodically updating the Permanent Representatives' website;**
- b) **endorsed the Director-General's proposal to implement a secure internet-based solution that would allow implementation of the current "view only" policy by which permanent representatives or their nominees could view the reports on line, from their own locations, without download, forwarding, print or copy, as an alternative to viewing them in the OIG premises;**
- c) **noted that, in respect of any future proposals for further modification of the OIG report disclosure policy disclosure, a clear distinction needed to be made and maintained between Internal Audit and External Audit to avoid blurring their respective functions;**
- d) **requested the Secretariat to gather information on the audit report disclosure policies implemented by other United Nations agencies and to perform an analysis of the data and present the results to the Committee at its next regular session.**

### **Whistleblower Protection Policy**

41. The Committee took note of document FC 147/16, which highlighted the progress the Organization had made in implementing the FAO Whistleblower Protection Policy. The Committee also considered whether, in the light of experience, it remained appropriate for the Office of the Inspector General (OIG) to conduct the initial assessment of retaliation complaints as well as investigating them, which differed from the practice in some other UN organizations.

42. **The Committee:**

- a) **noting that the Whistleblower Protection Policy (WPP) was recent, and OIG's experience in its implementation still limited, agreed that any transfer of OIG's responsibility for preliminary review of complaints under the WPP would be premature and that this matter should be kept under review; and**
- b) **supported OIG's proposals to pursue awareness raising of the Policy within the Organization, at Headquarters as well as in field locations.**

### **Frequency of Reporting of FAO Audit Committee**

43. The Committee examined document FC 147/17 and discussed whether any changes in the timing or frequency of reporting to the Committee on the conclusions and recommendations of the FAO Audit Committee and on the status of actions on the recommendations would be appropriate.

44. **The Committee:**

- a) **reconfirmed its desire that both the Annual Report of the Inspector General and that of the FAO Audit Committee be presented on a yearly basis at the Spring session of the Finance Committee to enable the Committee to discuss both oversight reports together;**
- b) **supported the existing practice, that when providing a copy of the FAO Audit Committee's report to the Finance Committee, of accompanying it with written comments of the Director-General in which a status of actions on matters communicated in the current and, where relevant, prior Audit Committee reports could be conveyed; and**
- c) **agreed that the Finance Committee could decide on a case-by-case basis, depending on the nature of the matters communicated in the FAO Audit Committee's reports, whether to request that the Secretariat provide further updates of actions taken at a session prior to the following year's annual report.**

### **Terms of Reference of FAO Audit Committee**

45. The Committee reviewed and discussed document FC 147/18 which presented proposed updates to the current Terms of Reference of the FAO Audit Committee. The Committee was informed that OIG had provided professional input into the preparation of the proposed update and that the proposals were endorsed by the Inspector General.

46. **The Committee:**

- a) **noted that the proposed changes to the current Terms of Reference were endorsed by the Inspector General and FAO Audit Committee, and agreed by the Director-General;**
- b) **noted the proposed update of the Terms of Reference subject to them being further revised to (i) amend the eligibility requirements of the members, such that they are selected on the basis of their experience and qualifications as senior audit and/or investigation professionals, (ii) apply the two year limitation on retirees only to those from the FAO Secretariat, deleting the reference to former members of Permanent Representations, and (iii) delete the reference to arrangements for the Director-General to designate a focal point for communicating the results of the Committee's deliberations;**
- c) **requested the Secretariat to explore alternatives to having the Inspector General serve as the Secretary to the Audit Committee and to applying the Financial Disclosure Policy to members of the Audit Committee, and requested making stronger reference to the Audit Committee's reporting to the Governing Bodies;**

- d) **requested the Secretariat to provide a revised version of the Audit Committee Terms of Reference which reflects the Committee's recommendations at its next regular session in 2013 for endorsement; and**
- e) **encouraged the continued involvement of the Inspector General in working with the Audit Committee to update the Terms of Reference in line with best practices and international standards.**

### **The Charter of the Office of the Inspector General**

47. The Committee examined document FC 147/19, and discussed management's proposed update of the current Charter of the Office of the Inspector General (OIG), noting that it had been updated primarily to add information required in internal audit charters under recent updates of the International Standards for the Professional Practice of Internal Auditing. The additional information related to the definition of internal audit and related assurance and consulting services, annual confirmation of independence within the Organization, reporting on the status of past internal audit recommendations and reporting on independent quality assurance of the audit function. This information reflected current definitions and practice already adopted by OIG.

#### 48. **The Committee:**

- a) **noted that the Inspector General, Audit Committee and Director-General had already endorsed the proposed changes;**
- b) **noted that the updated Charter would become effective January 1st, 2013;**
- c) **recommended that in paragraph 21 of the Charter the sequence of mentioning the Director-General and Audit Committee as recipients of reports should be changed;**
- d) **recommended that paragraph 30 of the Charter should be amended to reflect that secure on-line means for remote viewing-only of audit reports and reports of lessons learned from investigations would be offered as an alternative to viewing the reports in OIG's premises;**
- e) **endorsed, subject to the above changes being made, the proposed update of the Charter; and**
- f) **requested the Inspector General to constantly monitor developments of relevant global standards and best practices and to propose updates of the Charter accordingly.**

### **Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO**

49. The Committee considered in general terms document FC 147/20 *Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO*, which had also been submitted to the CCLM and the Programme Committee. The Committee noted the deliberations of the CCLM set out in document FC 147/20 Add.1. The Committee acknowledged that the matter had been under consideration since 2009, as a follow up to the IPA, and was of a complex nature given the differentiated nature of bodies under Article XIV of the Constitution, as well as different views of the Membership as to the degree of autonomy to be recognized to them.

#### 50. **The Committee:**

- a) **noted that Management would report on the implementation of the deliberations of the CCLM to the Finance Committee at its Spring session in 2013;**
- b) **noted that some Members had submitted written observations on document FC 147/20 which Management would examine;**
- c) **requested Management to provide further information on the main statutory, administrative and financial characteristics of existing bodies under Article XIV so that it could examine the proposals made in relation to specific bodies; and**
- d) **decided to re-examine the matter in detail at its session of Spring 2013.**

### **Progress on the Financial Disclosure Programme**

51. The Committee examined document FC 147/21 *Progress on the Financial Disclosure Programme*, and noted that the FAO Financial Disclosure Programme was based on the standard Programme as implemented by the United Nations Secretariat and other Programmes and Funds, and that the consultancy company hired to review questionnaires was consistent with the selection of other Rome-based agencies.

52. **The Committee:**

- a) **expressed satisfaction at the progress made in the introduction of the programme;**
- b) **requested that progress reports on the implementation of the Financial Disclosure Programme be presented at future sessions of the Committee.**

### **Proposed amendments to Rules XXXVII and XL of the General Rules of the Organization**

53. The Committee examined document FC 147/22 *Proposed Amendments to Rules XXXVII and XL of the General Rules of the Organization* which had been under review by the CCLM and the Council. The Committee noted that, at its 143<sup>rd</sup> Session in May 2012, as part of its duty to analyze the financial implications of the proposals, it had requested the Secretariat to provide comprehensive financial information on the facilities to be provided to a Director-General Elect from the date of the election until the assumption of duties.

54. **The Committee:**

- a) **decided that the matter could be addressed in the context of the preparation of the Programme of Work and Budget, also in consideration that in future the period from an election until the assumption of duties may not exceed six weeks; and**
- b) **endorsed the proposed amendments to the General Rules of the Organization and referred them to the Council, for subsequent transmission to the Conference.**

### **Improved Methods of Work and Efficiency of the Finance Committee**

#### **The Multi -Year Programme of Work of the Finance Committee 2010-13**

55. **The Committee:**

- a) **welcomed the updated version of the Multi-Year Programme of Work (MYPOW) and expressed its appreciation for the quality of the document presented;**
- b) **requested that an updated version of the MYPOW be prepared for its next regular session and which should reflect the further editorial corrections suggested by the Committee during their review of the document.**

#### **Status of Outstanding Recommendations of the Finance Committee**

56. **The Committee:**

- a) **welcomed the updated paper on the status of its outstanding recommendations;**
- b) **requested that the document include the specific planned dates for those actions which would be presented to future sessions of the Committee.**

### **Working Methods of the Finance Committee**

57. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives. It discussed a number of ideas in this regard, including the use of information technology tools to facilitate the review of documentation, informal inter-session consultation amongst members and with the Secretariat, the modalities for field visits by

Members of the Committee, and its approach to the review of agenda items which are considered also by the Joint Meeting of the Programme and Finance Committees.

58. **The Committee:**

- a) **supported exploring the possibility of organizing thematic field visits for Members of the Committee at both decentralized offices and headquarters units which are relevant to its mandate and which would enhance and inform the Committee in the performance of its work;**
- b) **requested the Secretariat to consider the introduction of information technology tools which would support the review of documentation by members;**
- c) **supported the principle of informal inter-session consultation amongst Members and with the Secretariat in preparation for upcoming sessions of the Committee; and**
- d) **requested that the Secretariat, when drafting papers for consideration by both the Finance Committee and the Joint Session of the Programme and Finance Committees, give explicit guidance on the aspects to be considered by the respective Committees.**

## **Other Matters**

### **Date and Place of the Hundred and Forty-eighth Session**

59. The Committee was informed that the 148<sup>th</sup> session was scheduled to be held in Rome from 18 to 22 March 2013.

### **Status of Selection and Appointment of the External Auditor**

60. The Committee took note of the arrangements for the review of proposals by a working group of Finance Committee Members during November 2012 and which would determine how many proposals would be included in a shortlist of bidders to be invited to deliver an oral presentation to the Finance Committee at its 148<sup>th</sup> Session in March 2013.

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## **ANNEX I - Documents for Information**

- Status of Current Assessments and Arrears (doc. FC 147/INF/2)
- Audited Accounts - FAO Credit Union 2011 (doc. FC 147/INF/3)
- Reports of the Joint Inspection Unit:
  - Preparedness of United Nations System Organizations for the International Public Sector Accounting Standards (IPSAS) (JIU/REP/2010/6) (doc. FC 147/INF/5)
  - Review of Enterprise Risk Management (ERM) in the United Nations system (JIU/REP/2010/4) (doc. FC 147/INF/6)
  - Review of the Medical Service in United Nations system organizations (JIU/REP/2011/1) (doc. FC 147/INF/7)
  - Multilingualism in the United Nations System organizations: Status of Implementation (JIU/REP/2011/4) (doc. FC 147/INF/8)