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منظمة
الأغذية والزراعة
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FINANCE COMMITTEE

Hundred and Fifty-seventh Session

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FAO Audit Committee - 2014 Annual Report to the Director-General

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EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

The Director-General is pleased to provide the Finance Committee with the FAO Audit Committee's 2014 Annual Report to the Director-General, together with the Director-General's comments, as foreseen in the Audit Committee's Terms of Reference (MS 146 –App. C). The Terms of Reference also require that the Committee's Chairperson or another member, as decided by the Committee, will be invited to present the Annual Report to the Finance Committee. The report:

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

The Audit Committee has accepted two recommendations from its 2013 annual report as implemented, and the other three as action in progress. In line with the Finance Committee's request at its 156th session, an explanation of the categories used to classify the status of recommendations is included in Annex 3 of the report.

Two additional recommendations are made in 2014, concerning OIG extending its overall rating scale as used in its country audits to headquarters and corporate-wide assurance audits, and filling of professional level vacancies. In line with the Finance Committee's request at its 156th session to set implementation deadlines within 12 months, the deadlines for new recommendations, as well as open ones from the prior year, are December 2015.

Director-General's Comments

The Director-General appreciates the advice provided by the Audit Committee both in the annual report but also in the course of its meetings during the year, in the areas of its mandate. Management's status report on the Audit Committee recommendations in its 2013 report are contained in Annex 3. With respect to the particular recommendations in the 2014 Annual Report, the Director-General agrees with the recommendations and provides the following comments:

- OIG has indicated that it has begun extending an overall rating scale, similar to what has been used for its country audits, in all its reports on assurance audits. It expects this to be fully implemented for reports of all assurance audits started in 2015, and thus expects full implementation by June 2015. This will be confirmed with the FAO Audit Committee at its meeting following this deadline.
- Management and OIG will give full attention in the coming months to filling current auditor and investigator vacancies in the office, with the intention of reporting implementation of the Committee's recommendation by the third quarter of 2015.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the FAO Audit Committee's Annual Report for 2014.

Draft Advice

The Finance Committee took note of the FAO Audit Committee's Annual Report for 2014 and:

- **acknowledged the important role of the FAO Audit Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;**
- **welcomed the report, which included positive conclusions on the operation of the Office of the Inspector-General and relevant advice in relation to FAO's system of internal control, risk management and governance;**
- **expressed satisfaction with the FAO Audit Committee's advice, in the areas under its mandate;**
- **welcomed the Director-General's concurrence with the recommendations presented in the report and reaffirmed its encouragement that the Director-General and the Audit Committee to meet at least on an annual cycle to underline the importance of its role and advice provided; and**
- **looked forward to a further status report from management on the Audit Committee's recommendations at the next regular session of the Committee in Autumn 2015.**

FAO AUDIT COMMITTEE
2014 ANNUAL REPORT TO THE DIRECTOR-GENERAL

I. INTRODUCTION

1. As an independent advisory expert body, the FAO Audit Committee assists the Director-General (DG) in fulfilling his oversight and governance responsibilities. The Committee helps ensure that the Director-General receives independent and objective assurance on the effectiveness of the internal audit, inspection and investigation functions, and provides advice on the system of internal control, risk management and governance. It accomplishes this, amongst others, by considering the work of the Office of the Inspector General (OIG), the other FAO oversight functions (Evaluation and External Audit) and management action on audit recommendations and investigation reports.
2. According to the Committee's Terms of Reference (Annex 1), the Director-General is to provide a copy of the Committee's annual report to the Finance Committee, together with his/her comments thereon, if any.
3. This Twelfth Annual Report of the Committee provides an overview of the Committee's discussions and recommendations during 2014. The Committee met three times in 2014.
4. The composition of the Committee during 2014 is provided in Annex 2.

II. Functioning of the Committee

5. During the reporting period, the Committee convened in March, July and December 2014 at FAO headquarters, meeting over a two-day period each time. In addition a one-day orientation session for new members, also attended by some continuing members, was organized by the Committee's Secretariat ahead of the July 2014 meeting. Full membership of the Committee was maintained throughout the year. Two members reached their maximum terms and retired from the Committee mid-year, replaced by two new members following their approval by Council. All members were present for each meeting, with the exception of one member who was unable to attend the March 2014 session.
6. The Committee records its appreciation for the effective secretariat services provided by OIG during the year, in support of the scheduled meetings as well as between sessions.
7. The Committee is pleased to report a continuing good engagement with the External Auditor. The Committee was briefed on the external audit plans, audit progress and results, in person or via reports, at its March and December 2014 meetings.
8. To help inform its work, the Committee has received regular updates on Organizational developments and management perspectives from the Deputy Director-General (DDG) - Operations or his alternate, and other members of Senior Management, at each meeting. The Committee sought but was unable to schedule a meeting with the Director-General during the year and has requested a meeting in 2015.
9. The Committee regularly reviewed its functions and has discharged its duties in accordance with its current Terms of Reference. The results of its work during 2014 are summarized below in the four broad areas established in its Terms of Reference.

III. ACCOUNTING AND FINANCIAL REPORTING POLICIES

A. Implementation of IPSAS-compliant financial statements

10. During 2014 the Committee paid close attention to FAO's progress in the timetable of work for IPSAS implementation effective from the 2014 financial statements. The Committee received briefings at each of its meetings during the year on this from the Finance Director and IPSAS project leaders, and received information that concerns raised by OIG at the beginning of 2014 had been addressed, including completion of certain GRMS modules to support IPSAS-based accounting,

production of auditable IPSAS-compliant opening balances for the 2014 financial statements and completion of dry run tests to identify and address any unexpected difficulties in completing IPSAS-compliant financial statements for 2014. The Committee was advised in December 2014 that the IPSAS project was on track to meet revised milestones agreed with the External Auditor, which will enable FAO to meet its final project deadlines in early 2015. The External Auditor briefed the Committee on its planned coverage, adjusted for the revised timetable developed during the year. This work was still underway at the time of the Committee's last meeting for the year in December 2014.

IV. INTERNAL CONTROL AND RISK MANAGEMENT

A. OIG Internal Audit Recommendations

11. The Committee appreciated continuing efforts by the Organization to emphasize accountability for timely implementation of agreed audit recommendations on actions to better manage the Organization's risks and opportunities. While there has been some year-to-year variation in overall implementation rates, the Committee notes that in aggregate progress is being made by management to reach a 93% implementation target by the end of 2015. At the same time, some long outstanding high risk recommendations, reconfirmed as still being relevant, have not proceeded as quickly as warranted given the nature of the risks they are mitigating. The Committee encourages management to bring activities to address these to a close as soon as possible, and in general to continue efforts to reduce the time to close internal audit recommendations. Among the important areas where past recommendations are outstanding, which are further described in the OIG 2014 annual report, are the:

- implementation of an organization-wide business continuity management framework;
- enhancement of information technology security; and
- establishment of stronger monitoring practices at headquarters for operations in field offices.

12. The Audit Committee welcomed the inclusion, beginning in 2014, of management responses on high risk long outstanding recommendations to accompany OIG's annual report and six-monthly recommendation status update to the Finance Committee, to clearly inform the Governing Bodies on their status.

B. Financial Management and Administration in Country Offices

13. The Committee appreciated efforts undertaken by the Organization to improve controls over financial management and administration in country offices. The OIG annual report elaborates on these efforts and results in its audits. As indicated in the management response to Recommendation 4 in Annex 3 of the Committee's report, these efforts remain a work-in-progress but the Committee takes particular note of the positive trend in the proportion of country office audits by OIG which have overall satisfactory ratings, as indicated in the pie charts below:

Figure 1 - Financial Management and Administration Audit Results 2012-2013

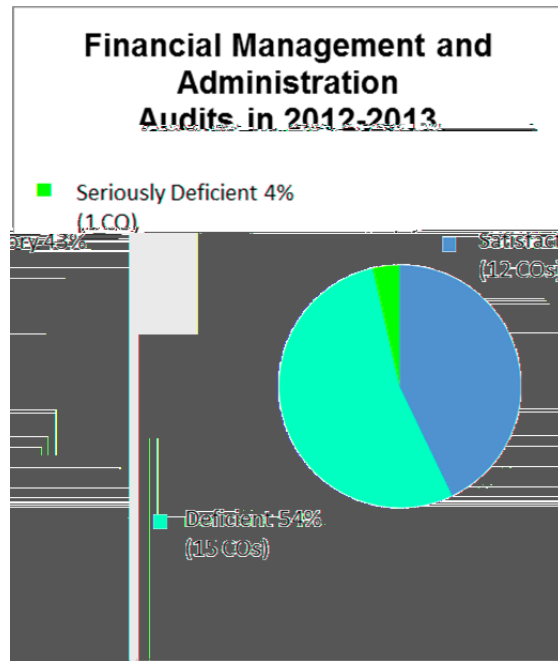
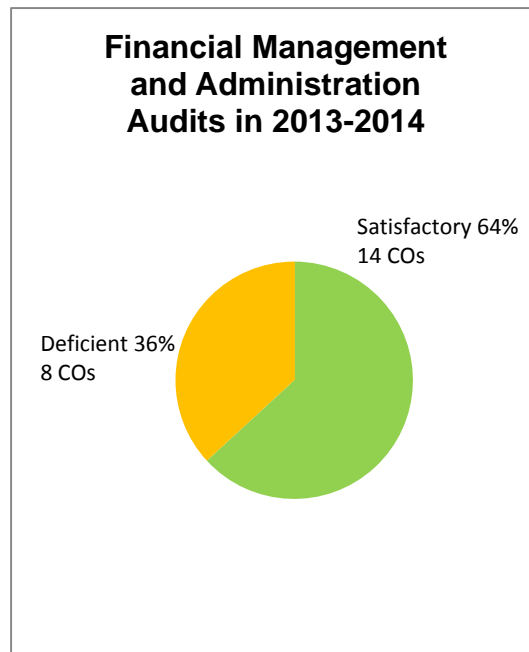


Figure 2 - Financial Management and Administration Audit Results 2013 - 2014



C. Accountability and Internal Control Policies

14. The Committee welcomed management's commitments to introduce accountability and internal control policies in the 2014-15 biennium, starting with the adoption of an accountability policy by the end of 2014 and a comprehensive policy on internal control by mid-2015. The roll-out of these policies will be considered by the Committee at its 2015 meetings.

D. Results-focus

15. Recognizing that this is a long term effort, the Committee reiterates the importance of fully institutionalizing Results-Based Management (RBM), Enterprise Risk Management (ERM) and the Performance Evaluation Management System (PEMS), so that intended benefits of a more results-focussed approach to management and accountability are obtained and maintained. It welcomed the positive findings of OIG's 2014 review of the initial implementation of the new Strategic Framework, and endorsed the areas identified for further attention. It encourages further development of ERM within the Organization, which is currently at a low maturity level, in particular the drawing together of a corporate view of risk as anticipated in the ERM policy.

E. Financial Health of the Organization

16. The Committee reviewed information on various aspects relevant to the financial health of the Organization, including the status of actions on funding the Organization's After Service Medical Coverage liabilities. The Committee noted that funding of the liability is a significant business continuity issue and the liability's full funding remains unresolved. However the Committee also notes that management is regularly engaging with the Finance Committee on this matter.

V. THE ORGANIZATION'S POLICIES AND ACTIONS TO COMBAT FRAUDULENT, CORRUPT AND COLLUSIVE PRACTICES

A. Vendor Sanctioning

17. The Committee is pleased to note that FAO's vendor sanctions guidelines were fully operationalized in 2014 with the appointment of the vendor sanctioning committee and a secretary of the committee. The sanctions guidelines have been referenced in FAO's bidding/contract templates and updated guidelines available to third parties on the internet. The first cases for review by the sanctioning committee, following completion of investigations, are expected to be presented by OIG in the first quarter of 2015.

B. Update of FAO's Fraud Policy

18. The Committee was consulted during the preparation of an update of FAO's Policy on Fraud and the Improper Use of the Organization's Resources. It endorsed proposals to bring the policy up to date with developments in the integrity framework of the Organization since it was last updated in 2004. The Committee noted that effective implementation of the policy requires the adoption of consistent definitions of fraud and other corrupt practices by personnel and third parties, using the definitions in common use across the UN System and other inter-governmental organizations.

C. Whistleblower Protection

19. The Committee is pleased to note that during 2014 the Organization's actions under its Whistleblower Protection Policy were effective. The Committee believes confidence that allegations will be treated properly and complainants protected against retaliation is essential for the policy to be meaningful. The majority of allegations of misconduct that come to OIG continue to be from FAO personnel, and in the very few instances (six) where the complainant raised concerns of retaliation the Organization responded appropriately and promptly.

D. Somalia Programme

20. The Committee was briefed by OIG on the results of its work in 2014 to support FAO's programme in Somalia. The Committee noted that OIG was fully dedicating the equivalent of one investigator to review allegations and operational indicators of possible agricultural input or cash diversion. As the Committee noted in its last two annual reports, in certain parts of Somalia there may be a limit as to how effectively the risks can be managed and accordingly to how effective investigations and audits can be in supporting management to control the risks. It reiterates its

appreciation that management is keeping under continuous review the acceptability of the risk, and continues to regularly update and brief donors on this.

VI. EFFECTIVENESS OF OIG FUNCTIONS

21. An important part of the Committee's mandate is to provide independent and objective assurance on the effectiveness of the internal audit, inspection and investigation functions. Based on the information provided by OIG, follow up of the results of past external assessments of audit and investigation functions, in particular action on pending recommendations from the 2013 investigation function external assessment, and the briefings provided by FAO management and the External Auditor, the Committee considers that OIG is delivering its services adequately and effectively, including implementing a process of continuing improvement. The Committee expresses appreciation of the methodology in reporting overall results on audits in decentralized offices, applying an evaluation scale useful both for executive summary and follow up, and **recommends** its further implementation in other audit reports on headquarters specific or corporate themes.

A. Risk-Based Audit Assurance

22. The Committee assessed that OIG continued to follow its risk-based planning methodology, as proposed under its Risk-Based Audit Plan for the 2014-2015 biennium. The risk-based approach helps ensure that OIG's assurance and advice are focussed on important areas of the Organization on a systematic basis, and the Committee finds this to be evidenced by the topics reported on by OIG during the year. The Committee noted that OIG achieved a substantial part of its planned biennial audit coverage. At the end of 2014, OIG had completed assignments that covered 31 of the 43 high risks included in the 2014-2015 audit work plan, as well as 38 medium risks, but with some final reporting carried over into early 2015. Apart from planned corporate-wide audit assignments, OIG also undertook three unplanned assignments during 2014: a review of IT framework contracts (requested by Senior Management), a review of FAO's procurement strategy (as follow up to a prior OIG recommendation as well as requested by the Finance Committee) and a review of the Rome-based agencies common procurement initiative (jointly with the internal audit services of IFAD and WFP). It substantially achieved planned coverage of high risks relating to decentralized operations, undertaking audit missions in 2014 to 16 offices, compared to a January 2014 target of 17. Planning for two further missions was well advanced. Having earlier expanded its systematic coverage in country audits of programmatic and operational areas, OIG also issued in 2014 the first of a future series of capping reports on these areas. These reports will supplement the capping reports on the results of its financial and administrative audits in the offices and are extremely useful in highlighting overall internal governance conclusions. The Committee notes with satisfaction that OIG met regularly during the year with External Audit and Evaluation to promote synergy and cost-effective assurance coverage.

B. Investigative Functions

23. The Committee noted further progress in 2014 on implementation of the recommendations made in the 2013 external assessment report. In particular it noted the update of FAO's policy on the prevention of harassment, sexual harassment and abuse which transfers responsibility for investigations under this policy to OIG effective from 2015. As such, this also closes an open recommendation for FAO from the United Nations Joint Inspection Unit on harassment investigations in its 2011 Report on the Investigation Function in the United Nations System. It welcomed OIG's coordination of an update of FAO's anti-fraud policy and the Guidelines on Internal Administrative Investigations to take account of developments in the Organization's integrity framework in recent years, and development of accountability and grievance processes in the Organization's updated suite of policies on environmental and social safeguards. The Committee also appreciates the efforts made in 2014 by the Investigation Unit to manage its caseload and respond to the need for policy inputs despite investigator vacancies.

C. OIG Report Disclosure

24. In April 2011, the FAO Council approved an OIG report disclosure policy that makes available to Permanent Representatives or their designates, for viewing in OIG's premises, internal audit reports and reports of lessons learned from investigations. The policy was extended in 2013 to provide for viewing reports via a secure internet connection, and this has been the requested method in all cases since then. The Committee welcomed OIG's smooth implementation of the policy, with all requests met as required in the policy well within stipulated periods. There were no instances of reports being withheld and only two instances where reports were redacted, in each case to omit vendor names quoted in the reports to enable internal action. The Committee was satisfied for the reasons for redaction provided by the Inspector General and was advised that the member in question was informed of the nature of the redactions and had no objection.

D. OIG staffing and budget

25. The Committee encouraged OIG, and the Office of Strategy, Planning and Resources Management to review options to ensure, despite pressures on the Regular Programme budget which primarily funds OIG's work, that OIG has sufficient resources to complete its biennial audit work programmes under the established cycle of coverage of all high risk areas of the Organization and to meet its investigation mandates. It appreciated confirmation in this regard from management, and that additional resources will be made available as needed to OIG for its extended mandate to investigate allegations under the new policy to prevent harassment, sexual harassment and abuse, and to manage the grievance process in FAO's proposed update of its policies on Environmental and Social Safeguards, presently under consideration by management.

26. At the end of 2014, OIG had three auditor vacancies (one P4, two P3) in its region-based posts and one P2 auditor vacancy at headquarters; and one P4 and one P3 Investigator post continued to be vacant. The Committee was advised that selection processes for the two P4 vacancies in 2014 had not resulted in a viable shortlist. However, further action to fill the two investigator posts was underway at the end of the year, and approval to proceed with advertising the auditor vacancies was pending.

VII. STATUS OF PRIOR YEAR RECOMMENDATIONS

27. The Committee reviewed the status of implementation of the five prior recommendations in its 2013 annual report, taking into account management's and OIG's comments as provided to the Finance Committee at its 156th session in November 2014 and further updates provided to the Committee. As indicated in Annex 3, the Committee considers two recommendations as implemented on the basis that actions are now taking place on an ongoing basis and the other three recommendations as being in progress which will continue to be monitored by the Committee during 2015.

VIII. ACKNOWLEDGEMENT

28. The Committee acknowledges the good cooperation and assistance received from management, from the Inspector General and his staff, other FAO staff and the External Auditor who provided information briefings during its 2014 meetings.

Annex 1**COMPOSITION OF THE COMMITTEE**

- 1) Following a recommendation of the former External Auditor and in accordance with FAO's commitment to the 100th Session of the Finance Committee, the Director-General established the FAO Audit Committee in April 2003. From inception until the end of 2007, the Committee had a combination of internal and external members. In January 2008, its membership became entirely external. The Committee's composition and terms of reference are set out in Manual Section 146 App. C.
- 2) In accordance with the Immediate Plan of Action (IPA) for FAO Renewal (2009-11), adopted by the Conference at its 35th (Special) Session, "the Audit Committee (a) will be appointed by the Director-General and have a membership which is fully external agreed by the Council on the recommendation of the Director-General and Finance Committee" (IPA action 2.92). The first appointment under this system was made in 2010 and the 2013 update of the Committee's terms of reference now reflect this.
- 3) The Committee's 2014 composition was as follows:

Members:

Mr C. Andreasen (Chair, completed term June 2014)

Ms C Dittmeier (Chair from July 2014)

Mr A. Khan (completed term June 2014)

Ms L. Lesetedi

Mr V. Liengsiriwat (joined July 2014)

Mr. J. M. Portal

Ms E. Quinones (joined July 2014)

Secretary (ex- officio)

Inspector-General

APPENDIX C

FAO's AUDIT COMMITTEE

TERMS OF REFERENCE

I. Purpose

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

II. Responsibilities

4. The Committee reviews and advises the Director-General on:
 - policies significantly affecting accounting and financial reporting issues and the Organization's financial control, including consideration of:
 - the Organization's financial statements, and the results of external audits of the financial statements as documented in the audit opinion and management letters of the external auditor;
 - the arrangements for the external audit of the Organization and their implementation;
 - the Organization's financial accounting and management policies; and the status of improvement projects concerning financial systems and financial reporting.
 - the Organization's internal control and risk management strategy, framework and processes, in light of the significant risks facing the organization, including consideration of:
 - the Organization's improvement projects concerning internal controls and risk management;
 - the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits.
 - the Organization's policies to combat fraudulent, corrupt and collusive practices for its employees and external parties, including improper use of the Organizations resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.
 - the effectiveness and efficiency of OIG's internal audit, inspection and investigation functions, and adherence to the Charter of the Office of the Inspector-General, the Guidelines on Internal Administrative Investigations and to applicable international internal auditing and investigation standards, including consideration of:
 - the independent role of the Inspector-General and his/her Office;
 - the sufficiency of resources available for OIG to meet the Organization's needs;
 - OIG's quality assurance mechanisms and results of internal and external quality assurance reviews;
 - the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas;
 - audit reports issued by OIG and the status of implementation by the Organization of the recommendations;

- investigation findings of presumptive or actual mismanagement, irregularities and fraud, and the status of actions by the Organization on the findings;
 - OIG's quarterly and annual reports.
5. The Committee establishes an annual plan to ensure the committee's responsibilities and stated objectives for the period are effectively addressed.
6. Submits an annual report on its activities for the Director-General who subsequently provides the FAO Finance Committee with a copy, together with any additional comments that the Director-General wishes to make on it.

III. Authority

7. The Audit Committee has the authority to:
- obtain all necessary information and consult directly with the Inspector-General and his/her staff;
 - access all reports and working papers produced by OIG;
 - seek any information from any staff member and require all staff to cooperate with any request made by the Audit Committee;
 - obtain independent professional advice and secure the attendance of outside persons with relevant experience and expertise if it is considered necessary.

IV. Membership

8. The Committee consists of five external members and a Secretary ex-officio. All members and the secretary are appointed by the Director-General.
9. The Committee membership is agreed to by the Council on the recommendation of the Director-General and Finance Committee.
10. Members are selected on the basis of their qualifications as senior audit and/or investigation professionals. Due regard is paid in their selection to gender and geographic representation in the Committee.
11. Members are independent of the FAO Secretariat and the Director-General. Former members of the FAO Secretariat are not appointed to the Audit Committee within a period of two years following the end of those responsibilities.
12. Members serve in their personal capacity and cannot be represented by alternate attendees.
13. The Committee elects its own Chairperson from within their number.
14. Members serve for a three-year period, which may be renewed for a maximum of three further years after the initial term, at the discretion of the Director-General. Members' terms of office are phased as much as possible so as to provide continuity. Renewal is subject to a positive assessment of the member's contribution during his or her first term.

V. Secretariat

15. The Secretary of the Audit Committee is the Inspector-General ex officio, who shall report directly to the Chairperson on matters relating to the work of the Audit Committee. OIG provides Secretariat staff support.

VI. Meetings

16. At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector-General or External Auditor may request the Chairperson to call additional meetings if necessary.

17. The members of the Audit Committee are normally given at least ten working days' notice of meetings.
18. The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.
19. Supporting documents are prepared by the Chairperson or by the Audit Committee Secretariat on the instruction of the Chairperson or on the Secretary's initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairperson, by Management or other committees of the Organization. The documents and informational material circulated for the consideration of the Audit Committee are used solely for that purpose and treated as confidential.
20. The presence of all five members is expected at each meeting but meetings can take place with a quorum of three members. The Secretary to the meeting has no voting rights. The Audit Committee's decisions are usually taken by consensus but if this is not the case by the majority of the members present and voting. Should the votes be equally divided, the Chairperson has the casting vote.
21. The Chairperson or other Members may participate in a meeting by telephone or video conference link, during which time they are counted, the purpose of establishing a quorum.
22. If the Chairperson is unable to attend a meeting, the other Members elect an Acting Chair for that meeting from among the members present.
23. The Chairperson may invite OIG or other FAO staff, or the external auditor, to attend meetings.
24. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee, or in private sessions with the Secretary, with management representatives or the representative of the external auditor.
25. Minutes of meetings are prepared and kept by the Secretariat. The Audit Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.
26. The deliberations of the Audit Committee and the minutes of its meetings are shared with the Director-General, the Cabinet and with OIG staff, but are otherwise confidential unless decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with other FAO senior managers, or request the Secretariat to provide summaries of decisions, for the purpose of follow up action by FAO senior managers.

VII. Conflicts of Interest

27. Prior to their appointment, new members complete a conflicts of interest declaration. Where an actual or potential conflict of interest arises, the interest is to be declared and results in the member/s being excused from the discussion or abstaining from voting on the matter. In such event, a quorum is required from the remaining members for the consideration of this matter.

VIII. Responsibilities and Liabilities of Members

28. Members act in an independent, non-executive capacity while performing their advisory role on the Audit Committee. As such, members are not to be held personally liable for decisions taken by the Audit Committee acting as a whole.
29. Audit Committee members are indemnified from actions taken against them as a result of activities performed in the course of business of the Audit Committee, so long as such activities were performed in good faith.

IX. Reporting

30. The Committee reports to the Director-General and all reports of the Committee are addressed to him or her. The Audit Committee prepares an annual report on its work for the Director-General,

which is presented to the Finance Committee each year along with any comments of the Director-General. The report includes an annual self-evaluation of the Committee's work. The Chairperson of the Audit Committee, or another member, as decided by the Committee, is invited to the Finance Committee to present the Committee's annual report.

31. The Chairperson communicates with the Director-General's designated focal point on the results of the Committee's deliberations as well as on forthcoming issues relevant to its business.

X. Remuneration and Reimbursement of Costs

32. Members are not remunerated by FAO for activities undertaken with respect to their membership of the Audit Committee. FAO reimburses Committee members for any travel and subsistence costs that are necessarily incurred in relation to participation in Committee meetings.

XI. Periodic Review of the Terms of Reference

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

Recommendation	FAO AC Report paragraph reference	Responsible Unit	Classification of Status ¹	Management/OIG Comments
1. The Organization continuously assesses the capacity of OIG commensurate with the risk level of the Organization and the DG formally take note of the extended time frame for high risk coverage proposed by OIG under the revised audit staffing complement.	15	ODG/OIG	Implemented	The DG had formally taken note of the extended cycle of OIG audit coverage from 2014 onwards in his comments submitted to the Finance Committee, along with the FAO Audit Committee 2013 annual report. OIG's staffing and budget are under regular review with OSP, taking into account also other developments in OIG's mandate on the investigation side. Management is committed to maintaining the current level of resourcing of the audit, inspection and investigation functions of OIG as established in the 2014-2015 PWB, and increase it as necessary to accommodate increases in OIG's mandate (e.g. harassment. investigation).
2. OIG, as part of its 2014 audit work programme component supporting the Organizational transformation, give attention to providing further assurance and advice in the coming year on how [key initiatives started under the Immediate Plan of Action: Results-based management,	19	OIG	Action In progress	OIG's 2014 audit work programme has given particular attention to the implementation of the new strategic framework at FAO, taking into account the status of key IPA actions relating to RBA, ERM and performance management. An overall view of the implementation steps was completed at the end of 2014

¹ For the purpose of assessing the status of its recommendations, the FAO Audit Committee endorses the categories of “implemented”, “action in progress”, “agreed but pending action” and “not agreed”.

	Enterprise Risk Management and Performance Management; and an Accountability and Internal Control Framework] are being implemented under the new Framework.				with reporting in early 2015. This will be followed by more targeted advisory and assurance reviews of particular aspects during 2015.
3.	Management to give priority to implementing the recommendations in the [OIG audit] reports, to manage identified GRMS post-deployment system risks and IPSAS project risks, and ensure FAO efficiently prepares IPSAS compliant financial statements.	20	DDO/CSD/CIO	Action In progress.	DDO/CSD/CIO have given priority to resolving pending issues relating to GRMS post-deployment risks and IPSAS implementation. IPSAS-related system reports, pending during the Finance Committee's 156th session, have been developed and a number of key milestones in IPSAS implementation have been met. Effective long-term support and governance arrangements for FAO's ERP are pending and management takes note of OIG's recommendations in relation to GRMS support in the regions arising from its 2014 audit of this topic.
4.	The Organization consider further incentives and disincentives for Regional and Country management to improve performance and internal control.	22	DDO/OSD	Action In progress.	A number of measures have been taken or are in progress in support of implementation of this recommendation. As indicated in FC157-15 FAO's Accountability Policy was approved in December 2014 and promulgated thereafter. Management has drawn attention in its status report at the Finance Committee's 156th session to measures to enhance management capacity in the decentralized office network and enhance monitoring. Further updates from management on the latter are provided in Attachment A (iv) of OIG's 2014 annual report.

<p>5.</p>	<p>OIG continues to work closely with management in ensuring sustained implementation of the Director-General's directions on accountability for timely closing of OIG recommendations.</p>	<p>24</p>	<p>OIG</p>	<p>Implemented</p>	<p>In May 2014, OIG fully launched the web-based application for tracking the audit recommendations progress, which allows FAO managers to insert information on implementation progress of recommendations and supporting evidence at any time. The OIG six monthly analysis was carried out in mid- and end-2014 under this new approach. This workflow has further defined the responsibilities for the management including its role in assuring that implementation information is correct.</p> <p>In addition OIG reinforces the above accountability through an expanded transmittal message accompanying individual audit reports.</p>
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