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FINANCE COMMITTEE

Hundred and Seventieth Session

Rome, 21 - 25 May 2018

Terms of Reference of the FAO Audit Committee

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FC170

EXECUTIVE SUMMARY

- At its 169th Session in November 2017, the Finance Committee reviewed proposed amendments to the Terms of Reference of the FAO Audit Committee.
- Following its review of the proposed update, the Finance Committee requested that the revised draft Terms of Reference of the Audit Committee discussed at the 169th Session of the Finance Committee be presented as an agenda item for decision at its next regular Session in May 2018. The Finance Committee also requested that its consideration of this matter be facilitated through informal consultation with Members prior to its May 2018 Session.
- This document presents revised versions of the proposed update of the Terms of Reference of the FAO Audit Committee, including the further revisions proposed by the Finance Committee at its informal meeting held in March 2018, as well as an updated text as proposed by FAO management, together with supporting comments regarding proposed amendments.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the revised update of the Audit Committee's Terms of Reference as proposed during an informal session of its members prior to its May 2018 session , and the management comments thereon.

Draft Advice

- **The Committee notes that amendments to the Terms of Reference of the audit Committee as proposed would result in a change of its purpose, roles and responsibilities transforming it from an advisory body to the Director general into a subsidiary body of FAO Council.**
- **The committee recommends that in view of the magnitude, intricacies and potential major impact of the proposed changes, which would eventually require amendments of FAO basic texts, the matter be re-examined at a future session of the finance committee after issuance of the report of the "review of audit/oversight committees in the united Nations System" currently being undertaken by the UN Joint Inspection Unit (JIU).**

Introduction

1. At its 169th session in November 2017, the Finance Committee:
 - a) reviewed proposed amendments to the Terms of Reference of the FAO Audit Committee, including with regard to the reporting line to the Governing Bodies and the process for appointment of members of the FAO Audit Committee;
 - b) requested that, prior to decision by the Finance Committee at its May 2018 session, the Secretariat implement a road map for the review of the proposed amendments, through informal consultations with members of the Finance Committee; and
 - c) requested that the revised draft Terms of Reference of the Audit Committee proposed and discussed at the 169th Session of the Finance Committee be presented as an agenda item for decision at its next regular Session in May 2018.
2. An informal meeting of the Finance Committee was held on 14 March 2018 to discuss the revised draft Terms of Reference of the Audit Committee. At this informal meeting, the Committee reviewed the proposed revisions in detail and agreed on further updates to the draft Terms of Reference.
3. The full text changes proposed to the Terms of Reference, including the further changes discussed at the informal meeting, are presented in Annex I to this document.
4. Management, in general, wishes to draw the attention of the Members of the Finance Committee to the impact of some proposed amendments to the Terms of Reference and to the status of the Audit Committee. Essentially, proposed amendments to the Terms of Reference of the Audit Committee would result in a change of its purpose, role and responsibilities, transforming it from an advisory body to the Director-General into a subsidiary body of the FAO Council. Two overarching observations are of particular importance, prior to addressing some specific issues.

General considerations

5. The first observation is related to the important role of the audit function. Traditionally, the audit function, which is an element of the general oversight system of the Organization, is a critical management tool, a support to Management. In parallel, there is an external audit function, entirely independent from Management, relying on an external auditor, appointed by the Council, reporting to the Finance Committee, the Council and the Conference.
6. Also, over past years, the nature and status of the Audit Committee has evolved. Its current format was stabilised following the implementation of the Immediate Plan of Action for FAO Renewal. The Audit Committee advises Management and, in particular, the Director-General. At the same time, the Audit Committee provides annual reports to the Finance Committee. It has is therefore a double reporting line both to Management and to the Finance Committee. In Management's view, this double reporting line achieved a suitable compromise between an independent function vis-à-vis the Membership and an effective advisory tool to the Director-General. Management has consistently and fully respected the operational autonomy of the Audit Committee. Reports of the Committee to the Finance Committee have never been modified upon the initiative of Management which has never placed any hindrances upon the operation of the Audit Committee, or upon the presentation of the report to the Finance Committee by the Chairperson.
7. Having set the context, and while noting that some of the amendments proposed reflect current practice in other agencies, they would seem to create more issues than improvements to the audit function within FAO specific management and governance set up. In fact, with the proposed amendments Management could possibly be unable in the future to rely on the advisory function of the Audit Committee which would tend to be perceived as a governance body, subsidiary to the Council and extraneous to internal Management. The level of engagement of Management with the audit function would likely diminish, which would have a negative impact upon the operations of the

Organization. The direct link to the Council would de facto result in, or imply a reconfiguration of the role and functions of the Finance Committee which is dealing with issues related to risk management, internal control, audit and oversight. It may be of interest to mention, in this connection, that in its early days, the Finance Committee was called the Committee on Financial Control.

8. Under this logic, the internal audit function would operate under the guidance of an Audit Committee with the nature of a governance body, reporting to the Council, and with the status of a subsidiary body of the Council. The internal audit function, seen together with the operation of a "governance" Audit Committee, would become essentially an external audit function, overlapping with the existing External Audit function.

Specific observations

9. In a constructive spirit of improvement of the Terms of Reference of the Audit Committee, Management is proposing a number of amendments with the aim of making more explicit the Committee's reporting relationship and advisory function to the Finance Committee as the appropriate Governing Body for oversight of the audit function. In doing so, account is taken of the particular governance structure of FAO, the desirability of safeguarding the integrity of the Finance Committee's role, as well as the current model of the Audit Committee which proves to play a valuable role.

10. Management's alternative text to the Terms of Reference and related comments are included (see underlined text) in the matrix (in Annex 1) presenting the draft amendments and comments as proposed by Finance Committee members during their informal meeting prior to the regular May 2018 session.

11. Management's comments focus primarily on three inter-related aspects:

- i) the proposed new reporting line of the Committee to the Council instead of to the Finance Committee, at the expense of prime reporting line to the Director-General compromising the very purpose of the Committee on the premises of which it was established;
- ii) the proposed new respective roles of the Director-General, the Finance Committee and the Council in the selection of members of the Committee; and
- iii) the proposed expanded independent advisory role of the Committee in matters falling under the authority of the Director-General such as 'proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector-General.

12. It is Management's considered view that the initial purpose which led to the establishment of the Committee should remain:

a) 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.

b) 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. It is proposed to maintain these arrangements which have to date operated very satisfactorily.

c) 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.

13. Selection of the Members of the Committee: the current arrangement foresees that the Committee consists of five external members and a Secretary *ex-officio*. All members and the Secretary are appointed by the Director-General. The Committee membership is agreed to by the Council on the recommendation of the Director-General and Finance Committee. It is proposed to maintain these arrangements.

14. Recruitment, termination or non-renewal of the appointment of the Inspector-General: the amendment proposed following the informal meeting of the Finance Committee reads as follows: "the Committee reviews and advises the Council, through the Finance Committee, and the Director-General on:.... proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector-General." Under the Charter of the Office of the Inspector-General, the Finance Committee is already consulted on the proposed appointment and termination of the appointment of the Inspector-General. It does not appear that there would be a need for the Audit Committee to be involved in these processes, introducing an additional layer into a process of appointment which is already a complex one¹. Moreover, the involvement of such bodies in managerial issues has the potential to transform questions of conduct into delicate intergovernmental issues.

15. As part of its 2018 work plan, the UN Joint Inspection Unit (JIU) has initiated a system wide "review of audit/oversight Committees in the United Nations system. It is expected to provide a balanced picture of the situation within the UN system, a benchmarking between UN entities and recommendations for a coherent UN approach taking into account commonalities but also diversity amongst UN entities. FAO has already engaged proactively with the JIU on this important review, starting with the filling of a detailed questionnaire on the practices of the Organization in this regard. There is a sense that given the experience gained throughout the United Nations System with Audit Committees, the time has come to review the matter thoroughly, assess current practices and deal with the matter in a systemic and comprehensive manner, rather than through individual and uncoordinated initiatives.

16. Management proposes that consideration of the proposed amendments be deferred until the time of issuance of the JIU report and its review by the Chief Executives Board. Alternatively, Management invites the Finance Committee to review its proposed draft amendments.

¹ In practical terms we would have a cumbersome process of appointment involving a series of stages, including, Secretariat review, interview panel, review by the Director-General, review by the Audit Committee, review by the Finance Committee, review again by the Director-General.

Annex 1

PROPOSED CHANGES TO THE FAO AUDIT COMMITTEE TERMS OF REFERENCE, WITH FURTHER REVISIONS BASED ON GUIDANCE FROM THE 164th and 169th SESSIONS OF THE FINANCE COMMITTEE

Current Terms of Reference	Proposed changes to Terms of Reference	Commentary on proposed changes
<p><u>Purpose</u> 1.1 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.</p>	<p>Members proposed Changes from current text are in italic and bold Management proposed changes from current text and comments are underlined</p> <p><u>Purpose</u> 1.1 The Audit Committee serves as an expert advisory panel to assist <i>the Council of FAO through the Finance Committee and</i> the Director-General on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection, investigation <i>and ethics</i> 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.</p> <p><u>Management's proposed revised text:</u> 1.1 The Audit Committee serves as an expert advisory panel to assist the Council of FAO through the Finance Committee and the Director-General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection, investigation and ethics functions of the Organization. The Audit Committee advises on</p>	<p>Management comments are underlined</p> <p>The change is proposed to reflect the Committee's role vis-a-vis the ethics function, following the discontinuation of the Ethics Committee, as approved by the Governing Bodies.</p> <p>Language per "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Purpose" and "Operations" Annex 1, page 3 and 6)</p> <p>Similar language in audit committees terms of reference for WIPO, ITU, ICAO and ILO.</p> <p>In line with Institute of Internal Auditors (IIA) standard 1111: Direct Interaction with the Board and IIA Standard 2060: Reporting to Senior Management and the Board ("Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations"). Also supported by 2010 JIU Report "The Audit Function in the United Nations System," see para 194.</p>

	<p>these matters taking into consideration the Financial Rules and Regulations as well as policies and procedures applicable to FAO, and its operating environment.</p>	<p><u>Management's Comment: Changes to the text as proposed would compromise the nature of the role of the Audit Committee as primarily an advisory committee to the Director-General turning it into a subsidiary body of the Council. It would also impact roles and responsibilities of Council and Finance Committee and would require amendment to FAO's Basic Text.</u></p>
<p>1.2 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.</p>	<p>1.2 The Audit Committee provides <i>advice and</i> information to the Governing Bodies in these areas, through its annual reports <i>being-made-available and as appropriate, updates to the Finance Committee during the intervening period. and-the Chair-or-other-designated-member-presenting-on this-report-directly, to the Finance Committee.</i></p> <p><u>Management's Comment: To keep original text which is more explicit</u></p>	<p>References to Chair replaced with Chairperson for consistency.</p> <p>Language per "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Reporting" Annex 1, page 6)</p> <p>Similar language in audit committees terms of reference for WIPO and ILO.</p> <p>In line with Institute of Internal Auditors (IIA) standard 1111: Direct Interaction with the Board and IIA Standard 2060: Reporting to Senior Management and the Board ("Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations"). Also supported by 2010 JIU Report "The Audit Function in the United Nations System," see para 202.</p> <p><u>Management's Comment: To keep original text which is more explicit</u></p>
<p>1.3 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</p>	<p>1.3 With regard to internal audit, inspection, investigation, <i>and ethics</i>, the Committee operates in an advisory capacity to the Office of the Inspector General (OIG) <i>and the Ombudsman/Ethics Office (EO) respectively</i>. As such it assists the Inspector</p>	<p>The change is proposed to reflect the Audit Committee's new role in relation to ethics.</p>

<p>General with regard to ongoing quality of performance of the Office.</p>	<p>General and the <i>Ombudsman/Ethics Officer</i> with regard to ongoing quality of performance <i>of these functions</i>.</p>	
<p>2. Responsibilities</p> <p>2.1 The Committee reviews and advises the Director-General on:</p> <p>a) policies significantly affecting accounting and financial reporting issues and the Organization's financial control, including consideration of:</p> <p>i) 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;</p> <p>ii) the arrangements for the external audit of the Organization and their implementation;</p> <p>iii) the Organization's financial accounting and management policies; and the status of improvement projects concerning financial systems and financial reporting.</p> <p>b) the Organization's internal control and risk management strategy, framework and processes, in light of the significant risks facing the organization, including consideration of:</p>	<p>2. Responsibilities</p> <p>2.1 The Committee reviews and advises the Director-General on:</p> <p><u>Management's Comment:</u></p> <p><u>The Committee reviews and advises the Director-General and Finance Committee on:</u></p> <p>e) policies significantly affecting accounting and financial reporting issues and the Organization's financial control, including consideration of:</p> <p>i) 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;</p> <p>ii) the arrangements for the external audit of the Organization and their implementation;</p> <p>iii) the Organization's financial accounting and management policies; and the status of improvement projects</p>	<p>The new items proposed under 2.1.1. reflect the Audit Committee's new role in relation to ethics and were taken from the Ethics Committee ToRs.</p> <p>The additions proposed under 2.1.1. are to emphasize the Audit Committee's role vis-a-vis the external auditor, its coordination function with the Evaluation function and the role the Committee should assume in i) the Charter revision and ii) the appointment, dismissal and non-renewal of the IG. This would align the Audit Committee's terms of reference with best practices described in the Joint Inspection Unit's (JIU) report on the internal audit function in the UN system – JIU/REP/2010/5 and JIU/REP/2016/8.</p> <p>Language per "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Purpose of Position Statement" para 2 and "Purpose" Annex 1, page 3)</p> <p>Similar language in audit committees terms of reference for WMO, WIPO, ITU, ICAO and ILO.</p>

<p>i) the Organization’s improvement projects concerning internal controls and risk management;</p> <p>ii) the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits.</p> <p>c) the Organization’s policies to combat fraudulent, corrupt and collusive practices for its employees and external parties, including improper use of the Organization’s resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.</p> <p>d) 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 auditing and investigation standards, including consideration of:</p> <p>i) the independent role of the Inspector General and his/her Office;</p> <p>ii) the sufficiency of resources available for OIG to meet the Organization’s needs;</p> <p>iii)) OIG’s quality assurance mechanisms and results of internal and external quality assurance reviews;</p>	<p>concerning financial systems and financial reporting.</p> <p>f) the Organization’s internal control and risk management strategy, framework and processes, in light of the significant risks facing the Organization, including consideration of:</p> <p>i) the Organization’s improvement projects concerning internal controls and risk management;</p> <p>ii) the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits.</p> <p>g) the Organization’s policies to combat fraudulent, corrupt and collusive practices of its employees and external parties, including improper use of the Organization’s resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.</p> <p>h) 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 auditing and investigation standards, including consideration of:</p> <p>i) the independent role of the Inspector General and his/her Office;</p>	<p>In line with related Institute of Internal Auditors (IIA) standard 1111: Direct Interaction with the Board, IIA Standard 2060: Reporting to Senior Management and the Board, and “Purpose of the Audit Committee” (“Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations”).</p> <p><u>Management’s Comment:</u></p> <p>1) <u>Modified introductory paragraph see earlier comments on purpose and role of Committee.</u></p> <p>2) <u>The recruitment, termination and renewal of the Inspector-General is a matter under the responsibility of the Director-General and the proposal goes beyond the expected role of the Audit Committee.</u></p>
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<p>iv) the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas;</p> <p>v) audit reports issued by OIG and the status of implementation by the Organization of the recommendations;</p> <p>vi) investigation findings of presumptive or actual mismanagement, irregularities and fraud, and the status of actions by the Organization on the findings;</p> <p>vii) OIG's quarterly and annual reports.</p>	<p>ii) the sufficiency of resources available for OIG to meet the Organization's needs;</p> <p>iii) OIG's quality assurance mechanisms and results of internal and external quality assurance reviews;</p> <p>iv) the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas <i>in coordination with the external auditor</i>;</p> <p>v) audit reports issued by OIG and the status of implementation of the recommendations by the Organization;</p> <p>vi) investigation findings of presumptive or actual mismanagement, irregularities and fraud, and the status of actions taken by the Organization on the findings;</p> <p>vii) OIG's quarterly and annual reports;</p> <p>viii) changes to the OIG charter and operational manuals required to maintain alignment with Organizational and professional practices;</p> <p>ix) proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector General.</p> <p><u>Management's Comment: to delete para ix)</u></p> <p>i) All matters pertaining to the formulation, development and implementation of the Organization's ethics programme, including:</p>	
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	<p>i) <i>the ethics activities of the Ombudsman/Ethics Officer on the basis of annual reports referred to the Committee by the Ombudsman and Ethics Office;</i></p> <p>ii) <i>the main individual components of the ethics programme, including any relevant policies, regulations and rules, and training;</i></p> <p>iii) <i>the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest;</i></p> <p>iv) <i>the adequacy of resources to effectively carry out its ethics responsibilities.</i></p> <p><u>Management's Comments:</u></p> <p>1) <u>To adjust introductory paragraph as follows:</u></p> <p><u>The Committee reviews and advises the Director-General and Finance Committee on:</u></p> <p>2) <u>To delete proposed point 2.1.ix Related to recruitment, termination or non-renewal of appointment of Inspector-General</u></p>	
	<p>2.2 The Committee ensures that there is proper coordination of oversight activities between</p>	<p>The Joint inspection Unit recommends that “governing bodies should ensure that external</p>

	<p><i>internal and external audit, and, the evaluation function with respect to identifying and working the on common areas of focus, specifically during the work planning process. While doing so the Committee does not interfere with the respective mandate and independence of the different functions.</i></p> <p><u>Management's Comment:</u> To delete this paragraph</p>	<p>auditors understand the role of the oversight committees in ensuring the coordination of work plans of internal and external audit. These roles should be explicitly included in oversight committee charters". It is also a good practice recommended in the IIA's Model Audit Committee Charter ("The AC shall review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.").</p> <p><u>Management's Comment:</u></p> <p><u>Comment on paragraph 2.2. of the terms of reference whereby the Audit Committee would "ensure that there is proper coordination among audit functions and evaluation functions". The evaluation function is an independent parallel function reporting to the Programme Committee and the Council and it is not under the purview of the Audit Committee. This provision does not correspond to the commentary that reproduces a recommendation of the JIU. This is institutionally inappropriate and Audit Committee has no means to ensure its implementation.</u></p>
2.2 The Committee establishes an annual plan to ensure the Committee's responsibilities and stated objectives for the period are effectively addressed.		
2.3 Submits an annual report on its activities for the Director-General who subsequently provides the	2.3 Submits an annual report on its activities for the Director-General who subsequently provides	This para is deleted since it is covered by para 1.2

<p>FAO Finance Committee with a copy, together with any additional comments that the Director-General wishes to make on it.</p>	<p><i>the FAO Finance Committee with a copy, together with any additional comments that the Director-General wishes to make on it.</i> <u>Management's Comment: To keep original text.</u></p>	<p><u>Management proposes NOT to delete this paragraph which is very explicit on the way the Committee should function</u></p>
<p>3. Authority</p> <p>3.1 The Audit Committee has the authority to:</p> <ul style="list-style-type: none"> • 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. 	<p>3. Authority</p> <p>3.1 The Audit Committee has the authority to:</p> <ul style="list-style-type: none"> • obtain all necessary information and consult directly with the Inspector General <i>and the Ombudsman/Ethics Officer and their respective staff;</i> • 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. 	<p>The change is proposed to reflect the Audit Committee's new role in relation to ethics.</p>
<p>4. Membership</p> <p>4.1 The Committee consists of five external members and a Secretary ex-officio. All members and the Secretary are appointed by the Director-General.</p>	<p>4.1 The Committee consists of five external members and a Secretary ex-officio. All members and the Secretary are appointed by the Director-General Council and the Secretary ex-officio is appointed by the Director-General.</p>	<p>Per 2010 JIU Report "The Audit Function in the United Nations System," recommendation 17: "The legislative/governing bodies should elect/appoint the audit/oversight committee members, the number of whom should vary between five and seven members with due regard to professional competency, geographical distribution and gender balance so as to represent</p>

	<p><u>Management's Comment: To keep original paragraph 4.1</u></p>	<p>the governing bodies' collective interests. The candidates should be screened by a committee, unless the audit/oversight committee is a subcommittee of the legislative/governing bodies, to ensure compliance with the said requirements, including independence before their appointment" and para 199.</p> <p>In line with "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Composition" Annex 1, page 3).</p> <p>Governing bodies of WIPO, UN, ILO, ITU, ICAO, WMO, WHO appoint audit committee members.</p>
<p>4.2 The Committee membership is agreed to by the Council on the recommendation of the Director-General and Finance Committee.</p>	<p>4.2 The Committee membership is agreed to approved by the Council on the recommendation of the Finance Committee.</p> <p><u>Management's Comment: No change to existing paragraph 4.2 which is in line with purpose of the Committee</u></p>	<p>Per 2010 JIU Report "The Audit Function in the United Nations System," recommendation 17: "The legislative/governing bodies should elect/appoint the audit/oversight committee members, the number of whom should vary between five and seven members with due regard to professional competency, geographical distribution and gender balance so as to represent the governing bodies' collective interests. The candidates should be screened by a committee, unless the audit/oversight committee is a subcommittee of the legislative/governing bodies, to ensure compliance with the said requirements, including independence before their appointment" and paras 192 and 199.</p> <p>In line with IIA Model Public Sector Audit Committee Charter and similar language in the audit committee terms of reference for WIPO and WHO ("Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations, Appendix 1").</p>

		<p>At ITU, WIPO and ILO a selection panel of member states will recommend audit committee candidates to the governing body for approval.</p> <p>The Secretariat at WHO and WMO complies a short-list of candidates and the governing body, or committee to governing body, then decides, which candidates to appoint.</p>
<p>4.3 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.</p>	<p>4.3 Members are selected by the Finance Committee on the basis of their qualifications and relevant experience at senior level in the areas of: oversight including audit, investigation and ethics, financial management, governance, risk and controls. Due regard is paid in their selection to gender and geographic representation in the Committee.</p> <p><u>Management's Comment: No change to existing paragraph</u></p>	<p>The clarification is proposed to specify the profile of Audit Committee members and to reflect the responsibility and requirement of having members with this experience.</p>
<p>4.4 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.</p>	<p>4.4 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 five years following the end of those responsibilities.</p>	
<p>4.5 Members serve in their personal capacity and cannot be represented by alternate attendees.</p>		
<p>4.6 The Committee elects its own Chairperson from within their number.</p>	<p>4.6 The Committee elects its own Chairperson from within their number its members.</p>	<p>The change is proposed to correct a typographical error.</p>
<p>4.7 Members serve for a three-year period, which may be renewed for a maximum of three further</p>	<p>Members serve for a three-year period, which may be renewed for a maximum of three further years</p>	<p>Assuming the governing body appoints audit committee members and the committee reports to</p>

<p>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.</p>	<p>after the initial term at the discretion of the Director-General by a decision of the Council as recommended by the Finance Committee. 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.</p> <p><u>Management's Comment: To keep original paragraph 4.7</u></p>	<p>the governing body, then renewal of a member's three-year term should also be determined by the governing body. (Per resources cited above)</p>
<p>5. Secretariat</p> <p>5.1 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.</p>		
<p>6. Meetings</p> <p>6.1 At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector General or External Auditor may request the Chairperson to call additional meetings if necessary.</p>	<p>6. Meetings</p> <p>6.1 At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector General, <i>Ombudsman/Ethics Officer</i> or External Auditor may request the Chairperson to call additional meetings if necessary.</p>	<p>The change is proposed to reflect the Audit Committee's new role in relation to ethics.</p>
<p>6.2 The members of the Audit Committee are normally given at least ten working days' notice of meetings.</p>		

<p>6.3 The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.</p>		
<p>6.4 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.</p>		
<p>6.5 The presence of all five members is expected at each meeting but meetings can take place with a quorum of three members. The 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.</p>		
<p>6.6 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.</p>		
<p>6.7 If the Chairperson is unable to attend a meeting, the other Members elect an Acting Chair for that meeting from among the members present.</p>		

<p>6.8 The Chairperson may invite OIG or other FAO staff, or the external auditor, to attend meetings.</p>	<p>6.8 The Chairperson may invite OIG, the Ombudsman/EO or other FAO staff; to attend meetings. The Chairperson may also invite the external auditor to attend meetings.</p>	<p>The change is proposed to reflect the Audit Committee's new role in relation to ethics.</p>
<p>6.9 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.</p>	<p>6.9 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. <i>The Committee shall meet at least once a year in private sessions with the OIG, and the Ombudsman/EO. The Committee shall also meet with the External Auditor in a private session at least once a year.</i></p> <p><u>Management's Comment:</u> To delete "The Committee shall meet at least once a year in private sessions with the OIG, and the Ombudsman/EO. The Committee shall also meet with the External Auditor in a private session at least once a year."</p>	<p>Per language from IIA's Model Public Sector Audit Committee Charter. ("Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations, Appendix 1").</p> <p>In line with "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Operations" Annex 1, page 7).</p> <p>Similar language in the audit committee terms of reference for WPO, ILO, and WMO.</p>
<p>6.10 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.</p>	<p>6.10 Minutes of meetings are prepared and kept by the Secretariat <i>Audit Committee Secretary</i>. The Audit Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.</p>	<p>Since the Secretary most likely takes the meeting minutes the Secretary should be responsible for them. Otherwise, may be hard to maintain the confidentiality of the meeting discussion.</p>
<p>6.11 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</p>	<p>6.11 The deliberations of the Audit Committee and the minutes of its meetings are shared with the Director-General, the Cabinet, the EO 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</p>	<p>The change is proposed to reflect the Audit Committee's new role in relation to ethics.</p> <p>To protect the independence of the audit committee, the deliberations of the audit</p>

<p>provide summaries of decisions, for the purpose of follow up action by FAO senior managers.</p>	<p>Secretariat <i>Audit Committee Secretary</i> to provide summaries of decisions, for the purpose of follow up action by FAO senior managers.</p> <p>Management's Comment: <u>To keep language as originally written under paragraph 6.1.1.</u></p>	<p>committee should remain confidential from the Secretariat.</p> <p>This reflects language in the audit committee terms of reference for ILO and WMO.</p>
<p>7. Conflicts of Interest</p> <p>7.1 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.</p> <p>8. Responsibilities and Liabilities of Members</p> <p>8.1 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.</p> <p>8.2 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.</p>		

<p>9. Reporting</p> <p>9.1 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.</p>	<p>9. Reporting</p> <p>9.1 The Committee shall submit reports to the Council, through the Finance Committee and 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 containing advice, observations and recommendations, as appropriate for the Director-General, which is presented to consideration by the Finance Committee each year along with any comments of the Director-General. The report includes an annual self-assessment evaluation of the Committee's work. The report provides the committee's views regarding how OIG addresses identified high-risk areas through its plan and the adequacy of its budget to carry out the said plan. The report also provides the Committee's views on the annual OIG report including its statement of independence. 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.</p> <p><u>Management Proposed Text:</u></p> <p>9.1 <u>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-</u></p>	<p>Replacing evaluation by assessment is in line with common practice. In addition, evaluation has a very specific meaning in oversight and should be used in its right sense, which was not the case here.</p> <p>The addition of a provision to indicate that the Audit Committee's annual report contains an assessment of OIG's budget and independence is a best practice identified by the JIU in its reports JIU/REP/2010/5 on the audit function in the UN system, JIU REP/2006/2 on Oversight lacunae in the UN system, JIU/REP/2011/7 on the investigations function in the UN system, JIU/REP//2016/4 on Fraud prevention, detection and response in UN system organizations and JIU/REP/2016/8 on State of Internal Audit in the UN system.</p> <p>Language per "Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions" ("Purpose of Position Statement" para 2, "Purpose" Annex 1, page 3 and "Operations" page 6).</p> <p>The audit committees at WMO, WIPO, ITU, ICAO, ILO, UN, WHO report to their respective governing bodies.</p>
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	<p><u>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.</u></p> <p><u>The report includes an annual self- assessment evaluation of the Committee’s work. The report provides the committee’s views regarding how OIG addresses identified high-risk areas through its plan and the adequacy of its budget to carry out the said plan. The report also provides the Committee’s views on the annual OIG report including its statement of independence. 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.</u></p>	<p>In line with related Institute of Internal Auditors (IIA) standard 1111: Direct Interaction with the Board, IIA Standard 2060: Reporting to Senior Management and the Board, and “Purpose of the Audit Committee” (“Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations”). Also supported by 2010 JIU Report “The Audit Function in the United Nations System,” see para 194.</p>
<p>9.2 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.</p>	<p>9.2 The Chairperson communicates with the Director-General’s designated focal point on the results of the Committee’s deliberations, <i>if not deemed confidential</i>, as well as on forthcoming issues relevant to its business.</p> <p><u>Management’s Comment: See below alternative text:</u></p> <p><u>9.2 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.</u></p>	<p>To maintain consistency with proposed change in 6.11</p> <p><u>Management’s Comment to adjust text: Director-General’s designated focal point is a Senior Executive entrusted by the Director-General to represent him. He/she has access to all Committees’ deliberations results.</u></p>

<p>10. Remuneration and Reimbursement of Costs</p> <p>10.1 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.</p>		
<p>11. Periodic Review of the Terms of Reference</p> <p>11.1 The Committee periodically reviews the adequacy of its terms of reference, where appropriate recommending changes to the Director-General for approval.</p>	<p>11. Periodic Review of the Terms of Reference</p> <p>11.1 The Committee periodically, and at least every three years, reviews the adequacy of its terms of reference, where appropriate recommending changes to the Director-General Council through the Finance Committee for approval.</p> <p>Management's Comment: <u>To keep paragraph as originally written.</u></p>	<p>Periodical review of terms of reference for the Audit Committee is a recommended best practice (JIU report on the internal audit function in the UN system – A 408).</p> <p>In line with 2010 JIU Report “The Audit Function in the United Nations System,” recommendation 16: The legislative bodies should require that the charter of the audit/oversight committees be reviewed regularly, at least every three years, and any change be submitted for the approval of the legislative bodies.”</p> <p>Language per “Position Statement from Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions” (“Operations” page 6).</p> <p>The governing bodies at WMO, WIPO, ITU, ICAO, ILO, UN, and WHO approve changes</p>

			to their respective audit committees' terms of reference.
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