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FINANCE COMMITTEE

Hundred and Eightieth Session

Rome, 18 - 22 May 2020

FAO Audit Committee - 2019 Annual Report

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

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Executive Summary

The Audit Committee:

- welcomes the new Director-General's support of the work of the Committee and notes his commitment to, *inter alia*:
 - setting an appropriate “tone at the top”
 - making FAO more dynamic, transparent and inclusive and to improving efficiency and effectiveness, including increased delegation of authority, particularly in human resources matters
 - effectively resolving the issue of the Inspector General
 - ensuring OIG's independence in audit and investigation functions
- notes with appreciation the candid and constructive discussion with management, OIG and others during the course of its work;
- concludes positively on the operation of OIG and its coordination with other oversight functions;
- notes that the issue of impairment to the independence of OIG operation was resolved (cf. FC 180/11.1 - *2019 Annual Report of the Inspector-General*);
- welcomes measures discussed with OSP and OIG to mitigate the potential shortfall in budgeted resources especially in the areas of investigation while continuing to monitor the issue;
- confirms its support for the revised Charter of the Office of the Inspector General, and looks forward to furthering discussion within FAO and at UN system-wide level on how to address allegations of misconduct against an Executive Head of the Organization;
- notes positive developments in areas related to ethics, in particular the separation of the ethics and ombudsman functions; improvements to FAO's corporate policies, processes and measures on the prevention of harassment, sexual harassment and authority abuse; and issuance of a revised Whistleblower Protection Policy;
- welcomes the External Auditor's issuance of an unmodified opinion on the 2018 Financial Statement;
- notes with appreciation FAO management's efforts and steady progress in addressing internal and external audits recommendations;
- will continue to monitor progress on various management initiatives and actions to follow-up on the Committee's observations.

In addition, the Audit Committee submits to the Finance Committee, for consideration and recommendation for endorsement by Council, a proposal to rename the Committee as the “**FAO Oversight Advisory Committee**”.

Guidance Sought from the Finance Committee

The Finance Committee is invited to take note of the FAO Audit Committee's Annual Report for 2019.

Draft Advice

The Finance Committee took note of FAO Audit Committee's Annual Report for 2019 and:

- a) acknowledged the important role of the Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;**
- b) 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;**
- c) expressed satisfaction with the Committee's advice in the areas under its mandate;**
- d) welcomed the Director-General's concurrence with the recommendations presented in the Report;**
- e) supported the proposal to change the Committee's denomination to “FAO Oversight Advisory Committee” and submitted it to the Council for endorsement;**
- f) agreed that a periodic independent external assessment or peer review of the Committee's performance be carried out in addition to the self-assessment; and**
- g) appreciated the progress in implementing the Committee's recommendations and looked forward to a further status report from management at the next regular session of the Finance Committee in November 2020.**

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Introduction

1. The Audit Committee is pleased to provide its 2019 annual report. This report is structured following the Committee's Terms of Reference as endorsed by the Council¹ at its 161st session in April 2019 and included in FAO Manual Section 146 *Appendix C* (MS 146-C).
2. This seventeenth Audit Committee Annual Report provides an overview of the Committee's work, observations, advice and recommendations formulated during the reporting period, for consideration by the Director-General and the Finance Committee.
3. The Committee held two-day meetings in February, July and November 2019 at FAO headquarters.
4. The Committee appreciated the regular updates it received, and the candid and constructive discussions that ensued on external developments affecting the work of the FAO, as well as on matters affecting efficiency and effectiveness of key business activities, from the Deputy Directors-General and senior managers at each meeting. It was particularly pleased with two direct engagements with the Director-General where he shared his vision for FAO, and was debriefed by the Committee on the key points arising from the November 2019 meeting.
5. The Committee acknowledges the cooperation and assistance received from senior managers, the Inspector General and the Inspector General *ad interim* and his staff, the Ethics Officer-in-Charge, the Director of the Office of Evaluation, other FAO staff and the External Auditor who provided information and briefings during its 2019 meetings.
6. Mr Verasak Liengsrirawat chaired the Committee from the July 2019 meeting. Two new Members, Ms Anjana Das and Mr Fayezul Choudhury, joined the Committee as of July 2019.² The composition of the Committee during 2019 is provided in *Annex 1*.
7. The Committee's Secretariat was transferred on recommendation of the Finance Committee at its 175th session as follows: "*The Secretary of the Audit Committee is the Director of the Office of Strategy, Planning and Resources Management (OSP) ex officio, who shall report directly to the Chairperson on matters relating to the work of the Audit Committee. OSP provides Secretariat staff support*".³ The Committee commends the former (OIG) and current Secretariat for their effective support of the scheduled meetings, as well as between meetings.

¹ [CL 161/REP](#) paragraph 19.k)

² [CL 161/REP](#) paragraph 19.h)

³ [CL 161/4](#) paragraph 38.f)

I. Key messages and summary of conclusions from the Audit Committee's work in 2019

8. Key messages and summary of conclusions from the Committee's work during 2019 are provided below, and more detailed information in later *Sections* of this Report.

9. The Committee:
- a) was pleased with the “tone set at the top” since the new Director-General took office. It noted with appreciation his commitment to making FAO more dynamic, transparent and inclusive and to improving efficiency and effectiveness, including through increased delegation of authority, reconfirming the zero-tolerance policy against fraud and corrupt practices, and ensuring OIG's independence in audit and investigation functions (which was confirmed by the Inspector General, *ad interim*);
 - b) welcomed the External Auditor's issuance of an unmodified opinion on the 2018 Financial Statements, but noted with concern a number of control observations which required corrective action, and looked forward to more rigorous practices in FAO's financial reporting processes;
 - c) commended FAO for the continued efforts and improvements in the implementation rate and monitoring of internal and external audit recommendations, and welcomed continued development of the monitoring dashboard, while reiterating the need for management to accelerate closure of long-outstanding recommendations;
 - d) drew management attention to high risks and critical observations made in some of the audit reports issued during 2019;
 - e) commended the progress made on the Internal Control Framework, the Statement of Internal Control (SIC), and the institutional risk management process. On the latter it recommended that the next step in the maturity model be to develop a risk culture where there was a consistent understanding of risk appetite across the Organization, a systematic process for escalation, and clear accountabilities;
 - f) welcomed the Director-General's delegation of authority to managers in the human resources area, and recommended management consider further delegation of authority in hiring decisions, within staff regulations and rules and HR procedures, for heads of independent oversight units such as OIG;
 - g) supported the transfer of the Office of Human Resources (OHR) reporting line to the Assistant Director-General, Corporate Services Department;
 - h) appreciated the efforts in improving FAO's corporate policies, processes and measures on the prevention of harassment, sexual harassment and authority abuse; and implemented the Committee's advice to separate the action plans for Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) to ensure accountability and clarity; and looked forward to reviewing the outcomes of the staff satisfaction survey in this area;
 - i) welcomed the strengthening of the Operational Partners Agreement (OPA) to better reflect the legal framework of the Policy on Prevention of Sexual Harassment, Sexual Exploitation and Abuse (PSEA) implementation by operational partners; and recommended FAO include this issue in the Operational Partner Assessment questionnaire;
 - j) commended FAO for the issuance of a revised FAO Whistleblower Protection Policy, and looked forward to an update on arrangements regarding the prima facie review of complaints of retaliation;
 - k) welcomed the implementation of the long-outstanding recommendation to separate the Ethics and Ombudsman functions, and appreciated the Ethics Officer and Ombudsman having direct reporting lines to the Director-General;
 - l) noted the 98 percent completion rate within the deadline in submitting the Financial Disclosure form which resulted from proactive actions by the Ethics Officer-in-Charge and a more user-oriented IT platform;

- m) recommended that the Financial Disclosure requirement be extended to cover certain NSHR, especially those involved in procurement activities;
- n) considered that the Office of the Inspector General is delivering its services adequately and effectively; and noted the issue of impairment to the independence of OIG operation occurred during 2019 has been resolved as confirmed by the Inspector General, *ad interim*;
- o) commended the initiative and action taken by OIG in promoting its effectiveness and efficiency through centralizing the internal audit function;
- p) welcomed additional resources in the Adjustments to the Programme of Work and Budget 2020-21 for OIG, but noted the increase is unlikely to be sufficient to cover the increasing workload of the Office, and appreciated mitigation measures discussed by OIG and OSP in this regard;
- q) confirmed its support for the revised Charter of the Office of the Inspector General, and looks forward to furthering discussion within FAO and at UN system-wide level on how to address allegations of misconduct against an Executive Head of the Organization;
- r) recommended its denomination be changed from FAO Audit Committee to “*FAO Oversight Advisory Committee*”;
- s) recommended the replication of field visits for Committee Members to assist in the Committee’s advice on its oversight role and to enhance their understanding of FAO’s strengths and operational challenges at the field level.

II. Functioning of the Committee

Functions and responsibilities

10. The Committee reviewed the Joint Inspection Unit report on *Review of the Audit and Oversight Committee in the UN System*,⁴ and is pleased to report that its current Terms of Reference and responsibilities are well aligned with the 13 criteria for good practice presented in the JIU report.

11. The Committee recommends its denomination be changed from *FAO Audit Committee* to “**FAO Oversight Advisory Committee**” to respond to the gist of observations in the JIU report, and to better reflect the broader and matured nature of its mandate.

2019 Work plan

12. The Committee is pleased to report that it has successfully discharged its duties in accordance with the Terms of Reference and fully achieved its work plan for 2019.

13. The Committee continued to provide independent advice to the Director-General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, investigation and ethics functions of the Organization, through comprehensive review of the work of the Office of the Inspector General (OIG), Ethics Office and Ombudsman,⁵ other FAO oversight functions (Evaluation and External Audit) and management actions on OIG recommendations and investigation reports.

14. As per best practice, the Committee held at each meeting private sessions with the Inspector General (Inspector General *ad interim*), the Ombudsman/Ethics Officer (Ethics Officer-in-Charge), and the External Auditor.

15. The Committee has presented after each meeting letters to the Director-General and Chairperson of the Finance Committee on the main outcomes of its meetings.

⁴ [JIU/REP/2019/6](#) *Review of audit and oversight committees in the United Nations system* (Section I.G Rationale for the choice of criteria for good practice).

⁵ At the time of writing this report, the recruitment process for the Ethics Officer was completed and for the Ombudsman was ongoing.

16. In line with the Terms of Reference, the self-assessment exercise for 2019 was discussed at the November 2019 meeting. The self-assessment ascertained that the Committee functions effectively, and highlighted improvements in terms of visibility, interaction with stakeholders, more focused advice to be provided in the areas of governance, high-level risks and controls.

17. The Committee recommends a periodically independent external assessment/or peer review of the Committee's performance be carried out in addition to the self-assessment.

2019 Thematic reviews

18. The Committee carried out in-depth thematic reviews and provided advice on the following issues: (i) Business Continuity Plan; (ii) procurement function; (iii) HR management and recruitment; (iv) Shared Services Centre; (v) digital transformation; (vi) cybersecurity strategy; and (vii) activities, risks and challenges for the Partnerships Division.

2019 Ad hoc guidance

19. The Committee provided guidance and advice on: the selection process for new Audit Committee Members, the revised Whistleblower Protection Policy, and the vacancy announcements for the Inspector General and Ethics Officer positions.

Office of Evaluation

20. The Committee held a session with the Office of Evaluation (OED) and discussed *inter alia* the following issues: (i) ownership and implementation of the recommendations of the report on the "Evaluation of the Evaluation Function"; challenges for decentralization of evaluation functions to decentralized offices and the adaption to a more results-oriented cultures; (ii) impact of the UN reform on evaluation; (iii) coordination between OED and OIG on their work plans with a possible of joint mission, and exchanging and sharing reports between the two functions, thus providing coordinated oversight coverages and consistency in their recommendations.

III. Accounting and financial reporting policies

21. During 2019, the Committee received briefings at each of its meetings from the Assistant Director-General for Corporate Services Department and her staff from the Finance Division on the Financial Statements and reporting, the Organization's liquidity position, its investments, continued compliance with the International Public Sector Accounting Standards (IPSAS), application of Global Resources Management System (GRMS - FAO's ERP system), and monitoring of financial controls in decentralized offices.

22. Committee meetings provided an opportunity for the Organization to systematically report on the status of actions taken on identified risks, and on agreed actions and recommendations from the oversight functions.

23. The Committee reviewed the draft 2018 Financial Statements and made minimal suggestions, welcoming their finalization with an unmodified external audit opinion, but noted with concern a number of control observations which required corrective action, and looked forward to more rigorous practices in FAO's financial reporting processes.

24. The Committee regretted that no lasting solution has been found within the UN system on the Organization's After Service Medical Coverage liabilities.

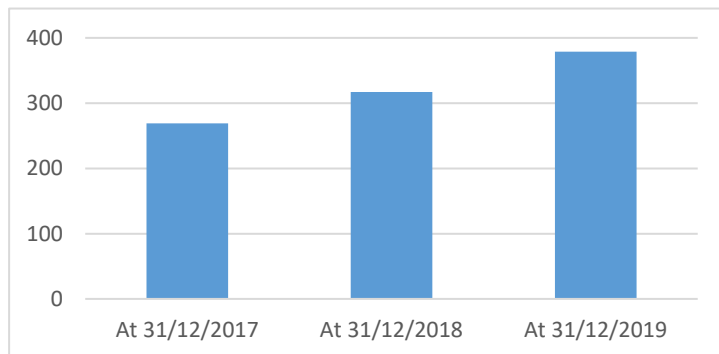
IV. Internal control and risk management

Internal audit recommendations

25. The Committee appreciated the Organization's continuing efforts to emphasize accountability for the timely implementation of agreed actions and audit recommendations to better manage the Organization's risks and enhance its operation.

26. While there continues to be some year-to-year variation in overall implementation rates of OIG internal audit recommendations. OIG continued to monitor implementation of outstanding audit recommendations/Agreed Actions. As at 31 December 2019, 379 audit recommendations were outstanding, a significant increase compared to the status as of 31 December 2018 (317).⁶ The Committee noted that this increase was mainly due to the audit reports issued in December 2019.

Figure 1: Number of internal audit outstanding recommendations⁷



27. The Committee commended the Organization for its continued development of the dashboard for monitoring oversight recommendations which have led to better follow-up of their recommendations.

28. The Committee reviewed the internal audit reports issued in 2019, and draws management's attention to high-risk findings and critical observations made in some of the reports, especially for audits of some decentralized offices; the Statistical Working System (SWS); and for the governance arrangements and controls in records and archives management.⁷

29. The Committee reviewed the report on the audit of Programme, Budget and Work Planning noting the concomitant *Evaluation of FAO's strategic results framework*,⁸ and welcomed the many positive aspects identified, and looked forward to reviewing the proposal for review of the Organization's Strategic Framework with a corporate approach based on Results-Based Management (RBM), Enterprise Risk Management (ERM) and performance management.

30. In Data Protection and Privacy policies, the Committee noted challenges resulting from (i) the increased use of entities/devices, including for consultants, and related control, and increased "work-from-anywhere"; (ii) stressed the need for a more holistic approach (headquarters/decentralized offices), both in terms of ownership of needs' assessment in identifying data and risks and for worldwide HR data, and recommended full involvement of decentralized locations.

External Audit recommendations

31. In 2019, the Committee continued to review the external audit long-form report and their management letters including the recommendations made thereof, and discussed planned transition modalities from the current to the incoming External Auditor.

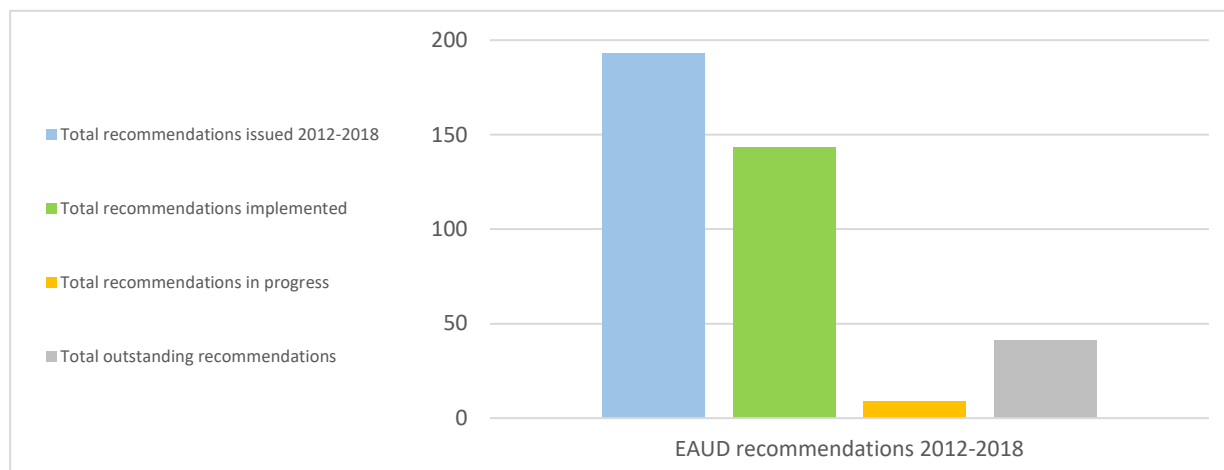
32. The Committee received from the External Auditor its report on implementation of external audit recommendations for the period 2012-2018 as follows.

⁶ OIG data at 31 January 2020.

⁷ FC 180/11 2019 Annual Report of the Inspector General, including information provided by FAO management.

⁸ [PC 127/2](#); [PC 127/2 Sup.1](#)

Figure 2: Implementation of external audit recommendations prior years⁹



Internal control policies and Risk Management

33. The Committee welcomed the improvements in producing the Statement of Internal Control (SIC), especially in the structure of the questionnaire, while noting some discrepancies in reporting at decentralized offices level. The Committee noted the importance of moving the internal control questionnaire from a capacity-building exercise to an accountability document. It recommended further training and encouraged building a process of cultural consistency where people are confronted with the risk and there is a systematic process for escalation, as a next step in the maturity model.

Human Resources (HR) management

34. The Committee welcomed the Director-General's initial steps for delegation of authority in the human resources area, particularly in the recruitment of staff and other human resources, and supported the transfer of the Office of Human Resources (OHR) reporting line to the Assistant Director-General, Corporate Services Department. It recommended that management consider further delegation of authority in hiring decisions, within staff regulations and rules and HR procedures, for heads of independent oversight units such as OIG.

35. The Committee noted the updated MS 330 on disciplinary measures was in force and a number of disciplinary actions had been undertaken using the updated process. It looked forward to full implementation of the remaining actions from the recommendations of the audit on recruitment.

FAO Policy on Prevention of Sexual Harassment, Sexual Exploitation and Abuse (PSEA)

36. The Committee welcomed good progress in the areas of training and outreach for PSEA and in implementation of FAO's policy and its two Action Plans. It looked forward to being appraised of the results of the staff satisfaction survey including questions dedicated to harassment, sexual harassment and authority abuse, and agreed to further discuss prevention of sexual harassment, sexual exploitation and abuse in the context of their review of implementing partners.

37. The Committee welcomed FAO's measures to increase the rate of uptake of mandatory trainings by all staff, especially in the areas of sexual exploitation and abuse (SEA), and made a number of recommendations for ensuring completion of training by non-staff human resources (NSHR).

⁹ External Audit data as reported to the 54th meeting of the Audit Committee (February 2020).

V. FAO's policies and actions to combat fraudulent, corrupt and collusive practices

FAO's Policy against fraud and other corrupt practices

38. The Committee was satisfied to note the progress in the implementation of FAO's Policy against fraud and other corrupt practices. It appreciated the new e-learning mandatory course for all staff and particularly welcomed FAO's "tone-at-the-top" reconfirmed by the Director-General's message to staff on the occasion of the Anti-Corruption Day on 9 December.

Whistleblower Protection Policy

39. The Committee was pleased to contribute to the finalization of the Whistleblower Protection Policy as published in August 2019¹⁰ and looked forward to an update on arrangements regarding the *prima facie* review of complaints of retaliation.

Vendor Sanctioning

40. The Committee was updated on Vendor Sanction Committee (VSC) activities in 2019 at its November meeting. The Committee noted the VSC control processes, including alerts for banned vendors in the UNGM¹¹ platform and its reflection in GRMS.¹² It noted sanctions for entities guilty of violating the debarred conditions, evaluation of vendors rating and flagging of performance, and recommended further discussion of risk areas within the HLCM¹³ network.

VI. Ethics programme

Ethics Function

41. The Committee welcomed the separation of the Ethics and Ombudsman functions and appreciated that they have direct reporting lines to the Director-General.

Financial Disclosure Programme (FDP)

42. The Committee welcomed good progress in the areas of training and outreach on ethics and advice provided.

43. It welcomed the improvements and high percentage of compliance (98% complied within the deadline) in the FDP resulted from proactive actions taken by the Ethics Officer-in-Charge including a more user-oriented IT platform, and recommended that the FDP be extended to cover certain NSHR, especially those involved in procurement activities.

44. The Committee reiterated its recommendation on issuing a policy on conflict of interest (CoI) for all FAO personnel to be aware and understand the definition of conflict of interest and to provide guidance for an appropriate management.

Adequacy of resources for the ethics function

45. The Committee noted some improvements in the resources available to the Ethics Office. However, the Committee remained concerned about the understaffing of the Office and recommended that adequate resources be made available to the Ethics Office to allow it to fulfil its mandate.

46. The Committee was pleased to be informed that training, a core mission for the Ethics Office, was effectively delivered in 2019, including: (i) training sessions by video-conference with country offices (Tanzania, Rwanda, Lebanon); (ii) four briefings of FAO Representatives; (iii) training and awareness-raising activities on sexual harassment (SH) and protection from sexual exploitation and abuse (PSEA), including sessions held in Regional Offices; (iv) presentations at three mandatory seminars on sexual harassment for senior managers; (v) information sessions for temporary conference

¹⁰ Administrative Circular 2019/06

¹¹ United Nations Global Market Place (UNGM)

¹² Global Resource Management System (GRMS)

¹³ CEB High-Level Committee on Management (HLCM)

staff; (vi) a dedicated session on ‘managing conflict in the workplace’; and (vii) other several sessions on risk management.

47. The Ethics Office also supported updating of the content of the e-learning courses on PSEA and SH, and the development of an e-learning course on the new FAO Whistleblower Protection Policy.

VII. Effectiveness of OIG functions

48. The Committee is pleased to confirm the effectiveness of the internal audit, inspection and investigation functions, and deems that OIG is delivering its services adequately and effectively.

49. This positive assessment has been validated through measuring OIG performance against the established performance indicators, reviewing risk-based audit planning, follow-up of results of external assessments of audit and investigation functions and its quality assurance improvement programme, as well as briefings and discussion with FAO management and the External Auditor. Furthermore, in 2019, the Committee thoroughly reviewed: (i) 20 Audit reports; (ii) quarterly OIG activity reports; (iii) the 2019 and 2020-21 work plans; and (iv) the draft revised Charter for the Office of the Inspector General.

Independence of OIG

50. The Committee, in its July 2019 letter to the former Director-General and the Chair, Finance Committee, expressed its opinion that it was not in the position to assure that the investigation function was being conducted in an independent manner, free from undue interference. This matter was resolved through the commitment from the current Director-General on OIG’s independence in its work and a confirmation from the Inspector General, *ad interim* that there is presently no incident of undue interference to the work of OIG.

Charter for the Office of the Inspector General

51. The Committee reviewed and provided input to the draft revised Charter for the Office of the Inspector General¹⁴ which is before the Finance Committee for endorsement. The Committee was pleased to confirm that the revised Charter follows best practice and is in conformity with the guidance it provided in its finalization stage.

52. The issue of how to address allegations of misconduct against the head of the Organization was discussed and the Committee believes that a clearly laid out process would represent a strong signal of transparency and accountability. The Committee looks forward to progress made in the area either within FAO or through coordinated guidance on this matter at the UN system-wide level.

Risk-based audit assurance

53. The Committee regularly assesses OIG’s risk-based planning methodology. The risk-based approach helps to ensure that OIG’s assurance and advice are focused on important areas of the Organization on a systematic basis. The Committee found this was evidenced by the topics and work performed out by OIG during the year. The Committee noted that by the end of 2019, OIG had achieved a substantial part of its planned biennial audit coverage.¹⁵

Investigative functions

54. The Committee welcomed the positive assessment that emerged from the external assessment of the investigations functions conducted in 2019 which concluded “*that the investigation function at FAO is in overall conformity with generally accepted standards for investigations in international organizations as reflected in the Uniform Principles and Guidelines for Investigations and in compliance with the applicable FAO regulations, rules and policies.*”. The Committee noted the recommendations made by the external assessors and the commitment of OIG to implement the recommendations either within existing resources or by seeking additional resources where necessary.

¹⁴ FC 180/12

¹⁵ FC 180/11.1 2019 Annual Report of the Inspector General

55. The Committee appreciated the efforts made by the Investigation Unit in 2019 in managing its increasing complaints and caseload within the limited available resources.

OIG staffing and budget

56. The Committee took note and supported the initiatives and actions taken by OIG in promoting its effectiveness and efficiency through centralizing the internal audit function by moving all positions to headquarters to gain flexibility in allocating staff according to work demands for high-risk audit entities.

57. The Committee appreciated the additional resources for OIG in the Adjustments to the Programme of Work and Budget 2020-21, and welcomed the resource mitigation measures discussed with OSP. It also recognized the efforts made by the investigation unit in 2019 to cope with the increased caseload, and OIG's proactive management of its budget.

VIII. Status of implementation of the Committee's past recommendations

58. The November 2019 status of implementation of Audit Committee recommendations¹⁶ is reproduced below.

FC 178/8 (November 2019) Table 1 - Status of implementation of Audit Committee recommendations

Audit Committee Annual Report	Number of recommendations	Implemented	In progress
2015 [FC 161/11]	3	3	-
2016 [FC 166/10]	4	4	-
2017 [FC 170/9 Rev.1]	4	3	1 ¹⁷
2018 [FC 175/11]	13	7	6
Total	24	17	7

59. Of the six outstanding recommendations from 2018, the Committee reviewed their implementation status and closed five in 2019 and the remaining one was closed at its 54th meeting in February 2020.

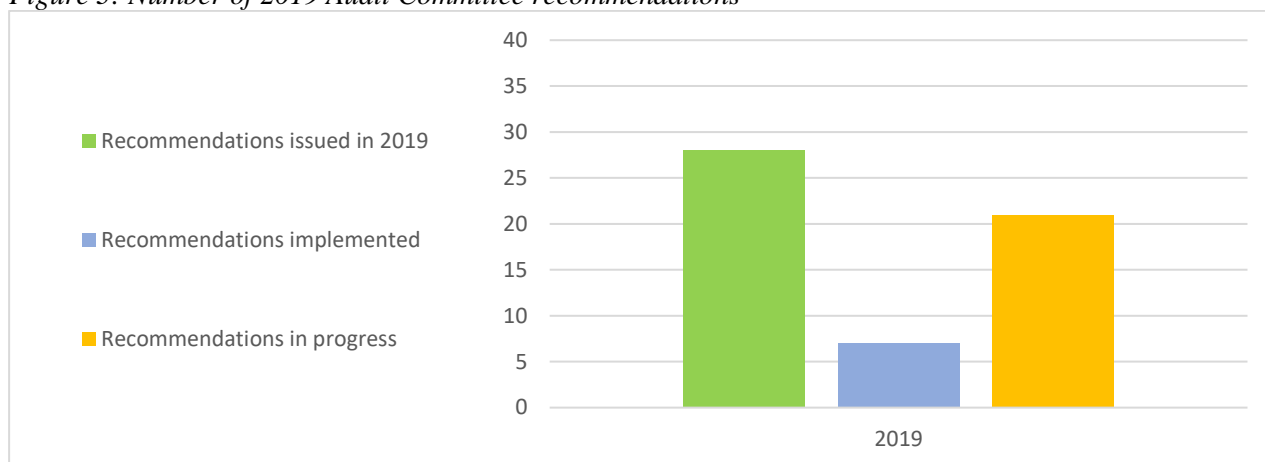
60. The following *Figure* provides the status of 2019 recommendations at the time of writing this report.¹⁸ Further details are provided in *Annex 2*.

¹⁶ FC 178/8 *Progress Report on Implementation of the Audit Committee's Recommendations*, Table 1.

¹⁷ Issue of After Service Medical Coverage continues to be brought to the attention of FAO governing bodies.

¹⁸ Recommendations formulated during the 53rd meeting of the Audit Committee (November 2019) were validated by the Committee at its 54th meeting (February 2020).

Figure 3: Number of 2019 Audit Committee recommendations¹⁹



IX. Other matters

Field Visit

61. The Committee highlighted the positive experience of the 2018 field visit for Committee Members to regional and country offices and strongly encouraged management to continue this practice. The Committee gained valuable insight and benefits from the visit which helped in the Committee's formulation of advice on its oversight role and in enhancing Members' understanding of FAO's strengths and operational challenges faced at the field level.

¹⁹ FC 178/8

Annex 1: Composition of the Committee in 2019

The Committee is composed of five members. The Committee's composition in 2019 was as follows:

Audit Committee 2019	Members
Mr Verasak Liengsriwat	Chairperson (since July 2019)
Ms Eney Quinones	Vice-Chairperson (since July 2019)
Mr Gianfranco Cariola	
Ms Anjana Das	Member from 1 July 2019
Mr Fayezul Choudhury	Member from 1 July 2019
<i>Ms Lesedi Lesetedi</i>	<i>Member and Chairperson until 30 June 2019</i>
<i>Mr Juan M. Portal Martinez</i>	<i>Member until 30 June 2019</i>
Ms. Beth Crawford Director, Office of Strategy, Planning and Resources Management Secretary (ex-officio)	

Annex 2: Status of implementation of Audit Committee recommendations²⁰

	Responsible Unit / Topic area	Action Items discussed at AC Meeting	Decisions/ Recommendations	Action Taken	Status of Implementation
AUDIT COMMITTEE OPERATIONS					
1.	Secretariat	AC 53 25-26 November 2019	Action Item 18. Deemed it opportune to consider an independent review of the Committee's self-assessment exercise.	Included in Agenda for discussion at the 54 th meeting (February 2020).	In progress
2.	Secretariat	AC 53 25-26 November 2019	Action Item 19. Agreed to propose to the Finance Committee the renaming of the Committee to "Oversight Advisory Committee" to take account of its expanded role and advisory nature.	The Secretariat included the proposal in the "draft Advice" - Annual Report of the Audit Committee for 2019.	In progress
INTERNAL CONTROL, RISK MANAGEMENT, AND OVERSIGHT MECHANISMS					
2018	DDO	AC 49 19-20 July 2018	Action Item 4. DDO to extend the recommendations dashboard to include and manage External Audit and JIU recommendations.	An upgraded and expanded Audit Recommendations Dashboard is in place which provides managers with an enhanced capacity to monitor all audit recommendations (OIG, EAUD: fully functional; JIU: being populated) by location and business process. EAUD recommendations and, progressively, JIU recommendations are now introduced and managed in TeamCentral, the tool initially used for the sole OIG recommendations. TeamCentral information in turn feeds the consolidated audit recommendations dashboard which allows managers to follow on progress in meeting agreed deadlines and outstanding recommendations requiring rapid action.	Implemented
3.	OSP	AC 52 17-18 July 2019	Action Item 8. Recommended the addition of a dedicated risk strictly related to financial integrity, i.e. bribery, fraud, legitimacy of	The Corporate Risk Log will be reviewed on an annual basis. The aspects suggested for addition by the Audit Committee will be considered as part of the next update, in the first half of 2020.	In progress

²⁰ Recommendations formulated during the 53rd meeting of the Audit Committee (November 2019) were validated by the Committee at its 54th meeting (February 2020).

	Responsible Unit / Topic area	Action Items discussed at AC Meeting	Decisions/ Recommendations	Action Taken	Status of Implementation
			purpose, independent oversight, as well as assets management in the Corporate Risk Log.		
4.	OSP	AC 53 25-26 November 2019	Action Item 13. <u>Agreed</u> on the need to identify the top organizational risks noting FAO currently has eight, and to analyse them, also drawing on conclusions of the JIU study on ERM, to feed into the corporate risk log and <u>concurred</u> the next step in the maturity model was to build on a process of cultural consistency where people are confronted with the risk and there is a systematic process for escalation.	FAO is collaborating with the JIU on their study of ERM and will read their report with interest when the review is concluded. A risk event escalation process will be drafted during the first half of 2020.	In progress
5.	DDO	AC 53 25-26 November 2019	Action Item 15. In the area of fraud prevention, <u>suggested</u> measures to increase the rate of uptake of mandatory trainings by NSHR, including <i>inter alia</i> , enforcing training within the first week of employment; contract renewals and approval of travel authorization depending on completion of mandatory training requirement.	To reinforce the uptake of mandatory trainings, in particular that of fraud, training focal points for offices at headquarters and in decentralized offices have been granted access to customized monitoring reports. For NSHR, the Quality Assessment Report (QAR) now includes compliance with mandatory training. In addition, a comprehensive mapping of training requirements (whether mandatory or recommended) was initiated encompassing all employees. It covers both specific corporate requirements (e.g. fraud prevention, SEA) and function/role-related training (e.g. budget holder). It is intended to enable FAO to assign specific training requirement by employee, and to put in place a compliance/ certification process, along with a completion timeline (e.g. as part of onboarding).	Ongoing

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INSPECTOR GENERAL					
6.	Senior Management/ ODG	AC 53 25-26 November 2019	Action Item 2. <u>Recommended</u> to consider increased delegation of authority for decision-taking in the recruitment of staff for independent oversight units, including for OIG staff, within the staff regulations and rules and HR procedures.	Under review as part of further delegation of authority to Managers.	Ongoing
7.	ODG/OIG	AC 53 25-26 November 2019	Action Item 4. In relation to discussion on the revised Charter of OIG, <u>opined</u> that inclusion of a clear policy on the handling of allegations of misconduct against a Director-General of the Organization in the Charter would represent a strong signal from the top for transparency and accountability.	FAO's position has been clarified in the Inspector General's letter to the Chairperson of the Finance Committee dated 27 Jan 2020. The Audit Committee, while confirming its support for the revised Charter of the Office of the Inspector General, will continue to further discussion within FAO and at UN system-wide level on how to address allegations of misconduct against an Executive Head of the Organization.	Implemented
8.	OIG	AC 53 25-26 November 2019	Action Item 6. <u>Emphasized</u> the need for OIG to capitalize on the use of modern audit techniques and automated tools to enhance its effectiveness and efficiency, and welcomed a pilot remote audit in Algeria to be replicated in other offices, as needed.	To be followed up after completion of the Algeria audit and lessons learned from it.	In progress
9.	OIG	AC 53 25-26 November 2019	Action Item 7. <u>Recommended</u> OIG "just-in-time" training programmes which provide practical and timely guidance to both internal auditors and staff at large on emerging issues and <u>enhance</u> its communication strategy in collaboration with OCC and CIO, including on the Intranet.	OIG follows this approach whenever feasible. Examples of just-in-time training relevant for specific audit engagements in 2019 are OPIM, Project Budget Holders, NSHR Competitive Selection Process, and various modules of the GRMS Financials training (for field audits). Revamping of OIG Intranet page is considered for the third quarter of 2020. An OIG Communications Strategy is submitted for review at the 54 th meeting (February 2020).	In progress

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ETHICS					
2016	Ethics Officer/ Ombudsman	AC 44 24-25 November 2016	Action Item 12. The Ombudsman / Ethics Officer to conduct a survey on satisfaction with the office.	Overtaken by action through the separation of the ombudsman and ethics functions. A survey on satisfaction with the Ethics Office should be considered two years after full establishment of the Office and function.	Implemented
10.	Ethics Officer	AC 51 18-19 February 2019	Action Item 3. The Ethics Officer to review the Financial Disclosure Programme (FDP) and conduct a cost benefit analysis.	Review of the FDP questionnaire is planned for 2020 to assess whether fit for purpose.	In progress
11.	Senior Management / Ethics Officer	AC 52 17-18 July 2019	Action Item 18. In relation to FAO's ethics function: (i) <u>strongly recommended</u> to develop communication for all staff on the distinct functions of Ethics Officer and Ombudsman in English, French and Spanish, and recommended this be a priority for the newly appointed Ethics Officer.	Action Item 21.i) Draft of Ethics Officer mandate/Terms of Reference will be prepared by new Ethics Officer for review and publication on Intranet.	In progress
12.	Ethics Officer	AC 53 25-26 November 2019	Action Item 17. <u>Recommended</u> that the FDP be extended to cover NSHR, to be defined with regard to their functions and authority.	Consultants (COF REG) will be covered under the FDP in 2020.	In progress
EXTERNAL AUDIT					
2016	External Auditor	AC 44 24-25 November 2016	Action Item 13. The Audit Committee requested that the External Auditor also take into consideration management's level of responsiveness in addressing internal audit recommendations and to identify the causes of shortcomings in this regard.	1. A first consolidated Audit Recommendations Dashboard was rolled out back in 2017. It provided a consolidated view of both internal and external audit recommendations status (that first view for the latter was then static and updated twice a year). Additional developments were then implemented which allowed to introduce major improvements. At present, the upgraded/expanded Audit Recommendations Dashboard is fully integrated and offers managers the same view and monitoring options for both internal and external	Implemented

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				<p>audit recommendations. Managers now have access to accurate/dynamic information on progress (or delays) in implementing recommendations, based on a consolidated internal tracking mechanism using OIG Team Central mechanism as a depository of recommendations:</p> <ul style="list-style-type: none"> (i) a comprehensive oversight view of all outstanding recommendations (OIG, EAUD) by location and by business process; (ii) a weekly update/refresh of the dashboard. <p>In addition, JIU recommendations are being progressively introduced in Team Central, which will in due time allow full monitoring through the Audit Recommendations Dashboard, thereby consolidating OIG, EAUD and JIU recommendations.</p>	
				<p>2. The unit for internal control and compliance (DDOC) attached to the DDG-O exercises regular oversight to ensure that all offices take necessary measures to address the recommendations in an adequate and timely manner. It escalates any issues encountered so that any bottleneck encountered can be tackled and an appropriate solution found that allows full implementation.</p> <p>Based on the initial (November 2016) AC 44 recommendation to EAUD and the actions taken by management to meet EAUD specific request (<i>a dashboard be developed and maintained to ensure adequate and complete monitoring of all recommendations made by the internal auditor. We also suggested that they include external audit recommendations to ensure that all audit recommendations from internal and external audits are monitored, thus ensuring</i></p>	

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				implementation), EAUD proposes that this recommendation be considered closed.	
13.	External Auditor	AC 53 25-26 November 2019	<p>Action Item 24. Noted EAUD was completing a review of risk management in FAO, and <u>looked forward</u> to receiving a briefing on the result of this review at its 54th meeting (February 2020).</p> <p><u>Recommended</u> a further breakdown of the information on prior years' audit recommendations to better reflect items implemented versus cancelled, in line with the approach used by the UN Board of Auditors.</p>	In line with the AC 53 recommendation of November 2019, the Audit Recommendations Dashboard includes a display capacity by year, as well as a capacity to access past and closed recommendations.	Implemented
HUMAN RESOURCES					
14.	OHR	AC 53 25-26 November 2019	<p>Action Item 1. <u>Suggested</u> measures to increase the rate of uptake of mandatory trainings by NSHR, including <i>inter alia</i>, enforcing training within the first week of employment; contract renewals and approval of travel authorization depending on completion of mandatory training requirement.</p>	<p>Custom monitoring reports made available to training focal points at headquarters and in decentralized offices.</p> <p>1. For NSHR, the Quality Assessment Report (QAR) was modified to include the mandatory training compliance completion criteria.</p> <p>2. A mapping of training requirements for all employees was also initiated covering both corporate and function/role-related areas. This will enable FAO to assign each employee with required functional training within an established timeframe (e.g. first week/month of employment).</p>	Implemented
15.	OHR	AC 52 17-18 July 2019	<p>Action Item 9. <u>Requested</u> submission at its next meeting of an update on remaining action from the recommendations of the audit on recruitment.</p> <p>The remaining actions from recommendations of the audit on recruitment are as follows:</p>		

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15.			Recommendation 1. OHR to take advantage of the deployment of Taleo to develop protocols to ensure sufficient and timely communication with all applicants.	Action Item 9.1) OHR is liaising with CIO to implement additional functionalities in Taleo.	In progress
16.			Recommendation 2. OHR to develop training materials concerning the established guidance on the process and criteria to follow in developing the list of candidates to be interviewed.	Action Item 9.2) OHR is reviewing the recruitment process and will prepare updated training materials based on revised processes.	Ongoing
17.			<p>Recommendation 3. OHR to widen the scope of reference checks for prospective staff members by:</p> <ul style="list-style-type: none"> a) requesting employment certificates for all past employers (or at least the ones required to meet the position minimum requirements) in order to verify the actual duration, position and supervisor of the candidate’s previous jobs. This should also include all contracts with other UN organizations; b) requesting references from at least the last two supervisors (or the two most relevant in terms of contract duration) based on the verified employment certificate(s); c) amending the reference questionnaire to request information about the candidate’s position, duties and the length of employment in the related organization; and d) coordinating with the One HR initiative to develop guidelines for the performance of disciplinary/criminal reference checks that include: (i) checking disciplinary records with other UN organizations in all cases, and (ii) checking the UNGM database and 	Action Item 9.3) OHR defined procedures to ensure that pre-employment checks are conducted in a thorough, systematic and timely manner and include a combination of different types of checks (educational checks, employment records checks, qualitative verification, security checks). In addition, OHR is introducing, in liaison with CIO, an automated reference check tool that will enable FAO to streamline the reference check procedures for all employee categories and create a comprehensive database of reference checks undertaken, avoiding duplication of work and maintaining reliable records.	Ongoing

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18.			other public databases for blacklisted vendors.		
19.			Recommendation 4. OHR to specify in the VAs the job families that could be filled with candidates endorsed in the specific selection process.	Action Item 9.4) Vacancy announcements for Professional posts have been updated since the use of rosters has been discontinued.	Implemented
			Recommendation 5. OHR, in collaboration with hiring units, to develop professional roster pools of PSSC candidates per job family and develop guidance on how they will be used to fill vacant positions to ensure alignment between candidate profiles and the positions they are appointed to.	Action Item 9.5) OHR is reviewing the recruitment process. The full implementation of the set of recommendations will be ensured by the new OHR Director, as part of actions on the overall review of the HR policies and procedures, so as to guarantee consistency and harmonization.	Ongoing
20.	OHR	AC 52 17-18 July 2019	Action Item 11. Welcomed FAO's approach for the recruitment of persons with disabilities and <u>suggested</u> this be better communicated in HR management documents.	OHR has reviewed the UN system-wide accountability framework on disability inclusion together with the UN system-wide policy on inclusion of persons with disabilities and their human rights, well-being and perspectives. OHR nominated focal points and will participate in the Interdepartmental Working Group meeting. Ongoing process in line with recommendations from JIU report JIU/REP/2018/6. A policy on accessibility for persons with disabilities to conferences and meetings is being formulated and relevant Manual Sections are being reviewed and will be updated. An assessment of headquarters premises' conformity has been carried out for conformity with applicable Italian legislation in the field of safety and accessibility by disabled persons. A proposal with timelines is under development.	In progress

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CORPORATE SERVICES AND PREVENTION OF SEXUAL HARASSMENT, SEXUAL EXPLOITATION AND ABUSE					
21.	Senior Management/ CSD/SSC	AC 52 17-18 July 2019	Action Item 16. <u>Encouraged</u> management to take a holistic view of the extent to which the Organization could benefit from expanding the role of the FAO Shared Services Centre (SSC) to other areas.	CS management is actively considering a number of options to expand the role of the SSC: <ol style="list-style-type: none"> 1. Transfer of Accounts Payable and Bank reconciliation functions (from CSF - to be completed in 2020) 2. Transfer of procurement support/back office functions (from CSDA) 3. Some ERP third-line functional support to capture opportunities for process improvement The planned functional ERP Upgrade in 2020-21 will allow CS units, including the SSC, to identify opportunities for further streamlining and possible additional transfer of functions to the SSC.	Implemented
22.	CSD	AC 53 25-26 November 2019	Action Item 8. <u>Expressed concerns</u> on the “unsatisfactory rating” and the findings of the audit report on Records and Archives (R&A) Management for a knowledge and information-based organization such as FAO, and <u>looked forward</u> to a progress report on actions agreed.	The issue of data management (encompassing the related issues of Data Protection and Privacy, as well as Records and Archives) has been placed under the oversight of the corporate Enterprise Resource Planning (ERP) Board which: <ol style="list-style-type: none"> 1. assigned overall leadership of the Records and Archives Management to the Corporate Services Department (CS) 2. agreed on a phased approach covering the development of (i) relevant policy elements/ revised Manual Section; (ii) a proposed setup of an R&A management function in FAO, across all areas and locations and encompassing both compliance requirements, as well as knowledge products/management. 	In progress

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23.	CSD	AC 53 25-26 November 2019	Action Item 9. <u>Agreed</u> on the further decentralization of procurement through the delegation of authority for procurement to offices away from headquarters in the amount of up to USD 1 million for regional offices, and USD 500,000 for subregional and decentralized offices, but <u>expressed concern</u> over the capacity in these offices to manage such threshold of delegation.	The delegation of authority to regional offices is conditional on the presence of an outposted IPO who reports directly to CSDA and is accompanied by the following actions: 1. capacity building of staff involved in the procurement process: e-learning programme; face-to-face training, segregation of duties in place; 2. risk assessment process which includes: (i) access to or presence of an IPO; (ii) capacity of staff in relevant office; (iii) level of qualification of staff (certification); (iv) segregation of duties in place; (v) nature of procurement portfolio; (vi) country-specific conditions	Implemented
24.	CSD	AC 53 25-26 November 2019	Action Item 10. <u>Recommended</u> , following identification and assessment of risk and gaps, to invest in capacity building, including CSDA's capacity to build capacity, to achieve a meaningful decentralization of procurement.	A capacity building programme has been developed: (a) E-learning (as at February 2020, 317 staff have completed the e-learning training (b) Face-to-Face training: as of February 2020, 188 employees have participated to the face to face training; number will reach 277 by March 2020 (c) 10 CSDA officers trained to become trainers in a position to deliver Face-to-Face training (d) Accreditation programme has been contracted with the Chartered Institute of Procurement and Supply (CIPS) (level 2 – e-learning) and UNDP (level 3 and 4 – face to face)	Implemented

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25.	CSD	AC 53 25-26 November 2019	Action Item 11. It appreciated the simplification and standardization which will be introduced through the “catalogue” concept and <u>looked forward</u> to receive an update on the progress on this concept, as well as other measures.	Catalogues: Project coordinated with DDN and PSE and work progressing well: (a) Analysis of most purchased goods completed (global/regional/countries) (b) 70% of USD value of goods is procured repeatedly (seeds, tools, fertilizers, etc.) (c) Technical clearances will follow the principle of subsidiarity (d) Technical support mapped (identification of technical units/officers with authority to provide technical support for each commodity) (e) Technical clearance process workflow simplified to streamline the process and reduce timeline	In progress
26.	PSD	AC 53 25-26 November 2019	Action Item 22. <u>Recommended</u> that the subject of the Prevention of Sexual Harassment, Sexual Exploitation, and Abuse, be included in the “Operational Partner Assessment” questionnaire.	Since HACT ²¹ agencies have decided not to include PSEA performance in the Operational Partner or Micro Assessment questionnaire, FAO will consider how to bring on board this recommendation in the most appropriate manner following a review of the type of partners and FAO contractual instruments to which PSEA assessments should be applied.	In progress

²¹ Harmonized Approach to Cash Transfers (HACT)

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DIGITAL INNOVATION AND CYBERSECURITY					
27.	Enterprise Resource Planning (ERP) Board	AC 52 17-18 July 2019	Action Item 13. Reviewed progress in the area of data protection and privacy policies, and <u>stressed</u> the need for a more holistic approach (headquarters/ decentralized offices), both in terms of ownership of needs' assessment in identifying data and risks and for worldwide HR data, and <u>recommended</u> full involvement of decentralized locations.	The issue of data management (encompassing the related issues of Data Protection and Privacy – DPP, as well as Record & Archives) has been placed under the oversight of the corporate Enterprise Resource Planning (ERP) Board. The ERP Board (building on the extensive work undertaken by CIO) requested the Legal Office to lead the finalization - in collaboration with all stakeholders across locations - of both a DPP Policy and Framework (drawing on best practices in other UN Organizations) and to recommend appropriate institutional arrangements. The target implementation date is mid-2020.	In progress
28.	Secretariat	AC 53 25-26 November 2019	Action Item 26. Requested the Secretariat to confirm availability of funds to recruit an external independent expert in the area of cybersecurity.	The Secretariat notes that the JIU's 2020 Programme of Work includes a review of "Cybersecurity in the United Nations system organizations: a review of policies and practices" and therefore suggests postponing further action until the JIU has completed its review.	In progress