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FINANCE COMMITTEE

Hundred and Eightieth Session

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Revised Charter of the Office of the Inspector General

Queries on the substantive document may be addressed to:

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EXECUTIVE SUMMARY

- At its 178th session, the Finance Committee requested preparation of a revised Charter of the Office of the Inspector General (OIG) to reflect latest best practices in the United Nations system, as well as FAO's strengthened oversight activities, to be submitted for approval to its 180th session in May 2020, following review by the Audit Committee. Given the urgency of the issue, the Finance Committee recommended, as a one-time procedure, that Management adopt the revised OIG Charter after Audit Committee review and informal Finance Committee consultation, until the Finance Committee could formally approve the Charter in May 2020.
- The Inspector-General ad interim is pleased to submit, for approval by the Finance Committee, the revised Charter of the Office of the Inspector General. After review by the Audit Committee at its fifty-third meeting in November 2019, informal consultation by the Finance Committee in February 2020 and subsequent endorsement by the Director-General, the Charter has taken effect, on an interim basis, on 25 March 2020. Suggestions received from the Audit Committee and amendments requested by the Finance Committee have been incorporated in the attached final version, promulgated as Section 107 Appendix A of the FAO Manual.
- The revised Charter builds upon best practices in the United Nations system and incorporates recommendations made and benchmarks established by the Joint Inspection Unit of the UN system. It establishes a state-of-the-art legal framework for OIG, which will strengthen independent internal oversight in FAO and increase transparency. The key points are:
 - Strengthening institutional safeguards for the independence of the Inspector General by:
 - introducing a non-renewable term of seven years;
 - strengthening involvement of the Audit Committee and Finance Committee in the appointment of the Inspector General;
 - clarifying functional reporting lines and accountability;
 - clarifying operational independence;
 - providing access to the Audit Committee, the Finance Committee and to the Independent Chairperson of the Council; and
 - confirming the Inspector General's managerial responsibility for the human and financial resources of OIG.
 - Establishing procedures in case of allegations of misconduct against:
 - the Inspector General; and
 - OIG personnel.
 - Enhancing disclosure of internal audit reports by:
 - publishing executive summaries of audit reports;
 - simplifying access of FAO Members to full audit reports; and
 - defining minimum requirements for the content of the OIG Annual Report.
 - Enhancing OIG resourcing by:
 - seeking Audit Committee advice on OIG's staffing and financial resources; and
 - providing for activities funded from voluntary contributions, to contribute, through the indirect support costs mechanism, to the cost of internal audit and investigations.
 - Creating an explicit legal basis for UN system-wide cooperation in conducting audit and investigation activities.
 - Providing for periodic review of the Charter.
 - Providing for approval of the Charter and any revisions thereto by the Finance Committee, after review by the Audit Committee and endorsement by the Director-General.

DIRECTOR-GENERAL'S COMMENTS:

- The Director-General welcomes the revised Charter of OIG, which reflects Management's commitment to strengthened internal oversight and aligns FAO with best practices in the United Nations system.
- The Director-General has considered the option of including in the Charter a provision concerning allegations of misconduct against the Director-General proposed by the Inspector General a.i. The Director-General believes that any such mechanism should be based on a coordinated and aligned approach across the UN system, developed with a view to coherent application to the heads of all UN system entities. In that context, it would be appropriate to develop a mechanism through a common and coordinated United Nations system wide approach. This is the general practice with respect to oversight mechanisms in the United Nations system. FAO will inform the Finance Committee of any discussions and developments in the United Nations Chief Executives Board on any such proposals.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to approve the revised Charter of the Office of the Inspector General as contained in document FC 180/12.

Draft Advice

- **The Finance Committee welcomed the revised Charter of OIG and reiterated its support for a strong and independent internal oversight function in FAO.**
- **The Finance Committee appreciated the increased level of transparency, by making Executive Summaries of internal audit reports available on FAO's website and by facilitating Member States' access to the full reports.**

CHARTER OF THE OFFICE OF THE INSPECTOR GENERAL

I. Mission

1. The mission of the Office of the Inspector General (OIG) is to provide oversight of FAO's programmes and operations through internal audit and investigation. OIG and the Office of Evaluation (OED) together provide FAO with comprehensive independent internal oversight coverage.
2. OIG is responsible for evaluating and contributing to the improvement of the Organization's governance, risk management and control processes. OIG provides the Director-General and the functions and programmes audited with independent, objective assurance and consulting services designed to add value and improve FAO operations.
3. OIG is responsible for investigating allegations of misconduct involving FAO personnel and allegations of sanctionable actions involving third parties. OIG informs the Director-General and Senior Management of lessons learned, and promotes policies and activities that enhance the integrity of FAO operations.

II. Internal Audit

4. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
5. Assurance services involve an objective examination of information for the purpose of providing an independent assessment of governance, risk management and control processes. Examples include financial, performance, compliance, system security and due diligence engagements.
6. OIG assurance activities seek to determine whether FAO's governance, risk management and control processes, as designed and represented by management, are adequate and functioning in a manner to provide reasonable assurance that:
 - a) risks to achieving programme objectives, results and outcomes are appropriately identified, analysed and managed;
 - b) controls are designed, implemented and monitored to ensure the effective and efficient use of FAO's resources and the safeguarding of its assets;
 - c) financial, managerial and operating information is accurate, reliable and timely;
 - d) actions are in compliance with legislative mandates, regulations and rules, policies and procedures, and other administrative instructions; and
 - e) adequate policies and procedures are in place to prevent, deter and detect fraud and other misconduct.
7. OIG provides consulting and related client service activities intended to add value and improve the Organization's governance, risk management and control processes, without the internal auditor assuming management responsibility. The nature and scope of these services are agreed with the client. Examples include counsel, advice, facilitation and training.
8. Such consulting and related client service activities shall not be used as a replacement for internal audit where assurance over the effectiveness and efficiency of the internal control is required.
9. In planning its audits, OIG shall interact regularly with the External Auditor to optimize audit coverage and avoid duplication of assurance work.

10. Information acquired in the course of an audit shall be kept confidential unless included in the audit report.

11. OIG shall conduct its internal audit work in accordance with the International Professional Practices Framework (IPPF), including the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors (IIA) and adopted by the Internal Audit Services of the United Nations organizations and with OIG policies, standards and guidelines.

III. Investigation

12. An investigation is a formal fact-finding inquiry to examine allegations of, or information concerning, misconduct or other wrongdoing to determine whether they have occurred and, if so, the persons or entities responsible.

13. OIG shall assess and investigate allegations of misconduct involving FAO personnel, such as: fraud and corruption; abuse of privileges and immunities; sexual exploitation and abuse; sexual harassment; workplace harassment and abuse of authority; retaliation against whistleblowers; or any other conduct not in conformity with the Standards of Conduct for the International Civil Service.

14. OIG shall assess and investigate allegations of fraud and other sanctionable actions involving FAO implementing partners, vendors and other third parties.

15. Upon referral by the Ethics Office, OIG shall investigate complaints of retaliation where the Ethics Office has determined a prima facie case of retaliation to exist.

16. OIG shall maintain reporting facilities to allow FAO personnel and others to report complaints of, or information concerning, potential misconduct involving FAO personnel, as well as allegations of fraud and other sanctionable actions involving third parties participating in FAO activities and programmes. Such reports shall be received on a confidential basis and may be made anonymously. No reprisals will be taken against individuals providing information of alleged misconduct; however, making a report or providing information that is intentionally false or misleading, or known to be so, constitutes misconduct and may result in an investigation.

17. OIG has sole responsibility for the conduct of all investigations in FAO.

18. OIG may undertake proactive integrity reviews in high-risk areas that are susceptible to fraud, corruption and other wrongdoing.

19. OIG shall maintain the security and confidentiality of all information related to investigations, including documentary and physical evidence, and keep the identity of complainants and witnesses confidential.

20. OIG shall review investigative findings to identify trends related to fraud and other misconduct and systemic weaknesses in internal controls.

21. OIG shall identify lessons learned from investigative findings to raise awareness, promote integrity and prevent fraud and misconduct.

22. Allegations of misconduct against the Inspector General shall be reported to the Director-General, who shall inform, without delay, the Chair of the Finance Committee and seek the Audit Committee's advice on how to proceed. The Audit Committee shall arrange for a preliminary review by an independent external investigative entity. Based on the results of this review, the Audit Committee shall provide a recommendation to the Director-General and the Chair of the Finance Committee on whether to close the matter or refer the matter for investigation to an independent external investigative entity other than the one that conducted the preliminary review. Based on the results of the investigation

and taking into account the advice of the Audit Committee, the Director-General, in consultation with the Finance Committee, will close the case or initiate disciplinary proceedings.

23. Allegations of misconduct against other OIG personnel shall be reported to the Inspector General who shall arrange for a preliminary review by an independent external investigative entity. If an investigation is warranted, the Inspector General, in consultation with the Audit Committee, shall refer the matter for investigation to an independent external investigative entity other than the one that conducted the preliminary review.

24. OIG shall conduct its investigations in accordance with the Uniform Principles and Guidelines for Investigations, endorsed by the investigative offices of international organizations and multilateral financial institutions, and with the FAO Guidelines for Internal Administrative Investigations, and any other applicable administrative provisions including OIG policies, standards and guidelines.

IV. Appointment of the Inspector General

25. The Inspector General's tenure will be a non-renewable term of seven years, without the possibility of employment within FAO at the end of the term.

26. The Director-General shall appoint a technically and professionally qualified individual with relevant experience in internal oversight, preferably in an international environment.

27. The appointment will be made on the advice of the Audit Committee and after consultation with the Finance Committee. The appointment of the Inspector General can only be terminated for cause after consultation with the Audit Committee and the Finance Committee.

V. Accountability and authority

28. The Inspector General functionally reports and is accountable to the Director-General without prejudice to operational independence in discharging his/her duties and responsibilities under this Charter.

29. In discharging his/her duties and responsibilities, the Inspector General takes advice from the Audit Committee.

30. The Inspector General shall develop an internal oversight strategy that is aligned to FAO's Strategic Framework and the decisions of the Governing Bodies.

31. Based on the oversight strategy, the Inspector General shall develop a risk-based biennial oversight plan, taking into account any risks or control concerns identified by management. The plan shall be updated at least annually and shall be flexible and adaptable to emerging needs and issues. The Inspector General shall submit the proposed plan and annual update to the Audit Committee for review and to the Director-General for concurrence. The requirement for concurrence does not prevent OIG from auditing any other area within the purview of its mandate that the Inspector General deems necessary.

32. The Inspector General shall report to the Director-General and the Audit Committee on OIG's performance against the approved oversight plan, including any changes thereto, and agreed key performance indicators.

33. The Inspector General shall develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit and investigation activity and includes both internal and external assessments. An external assessment of each function shall be conducted at least every five years. The Inspector General shall communicate the results of internal and external assessments and

action taken in response to any recommendations resulting therefrom to the Director-General and the Audit Committee.

34. The Inspector General may issue additional guidelines and standard operating procedures as necessary to complement this Charter and to accomplish OIG's mission.

35. OIG shall have full, free and prompt access to any and all of FAO's records, electronic data, physical property and personnel as necessary, in its opinion, for the performance of its duties. In discharging its responsibilities, OIG may communicate directly with all levels of staff and other personnel.

36. Managers and other personnel shall cooperate fully with OIG internal audits, investigations and other reviews.

VI. Independence

37. The Inspector General shall exercise operational independence in the conduct of his/her duties. S/he shall remain free from any interference, including regarding the selection, scope, procedures, frequency and timing of OIG's activities, access to records and the communication of results.

38. The Inspector General shall have free and unrestricted access to the Audit Committee, the Finance Committee, the External Auditor and the Independent Chairperson of the Council.

39. The Inspector General shall confirm the operational independence of OIG's internal audit and investigation activity to the Finance Committee on an annual basis.

40. The Inspector General and OIG personnel shall abide by the Standards of Conduct for the International Civil Service and, as applicable, the IIA Code of Ethics and shall at all times apply and uphold the principles of integrity, objectivity, confidentiality and professionalism in fulfilling the responsibilities assigned under this Charter.

41. The Inspector General and OIG personnel shall not have operational responsibilities for activities subject to review by OIG. Specifically, OIG personnel shall not:

- a) perform any operational duties for the Organization;
- b) initiate or approve transactions external to OIG; or
- c) direct the activities of any staff member external to OIG, except when such staff members have been appropriately assigned to auditing teams or to otherwise assist OIG.

42. The Inspector General and OIG personnel shall refrain from auditing specific operations for which they were responsible during a period of up to three years preceding the audit.

43. The Inspector General and OIG personnel shall avoid situations of actual, perceived or potential conflict of interest that may otherwise impair their judgment in relation to the responsibilities assigned to them. OIG personnel shall disclose any actual, perceived or potential conflict of interest to the Inspector General and/or the Ethics Officer.

44. The Inspector General shall bring any impairment to OIG's independence, objectivity and professionalism to the attention of the Audit Committee.

45. The Audit Committee provides input to the Inspector General's performance evaluation.

VII. Reporting

A. AUDIT REPORTS

46. OIG shall submit its audit reports to the Director-General with copies to the heads of the audited units, functions or programmes and to the External Auditor. All audit reports are available to the Audit Committee.
47. OIG aims to issue its final audit reports within three months of completing the audit field work.
48. OIG shall seek management comments on draft versions of its audit reports; information on corrective actions to address audit recommendations; and a timetable for the completion of agreed actions. Management responses received within the established deadlines shall be taken into account and reflected, as appropriate, in the final report.
49. The Director-General shall ensure that the functional unit responsible responds to OIG's recommendations and that agreed actions are implemented as appropriate.
50. When the Inspector General believes that Senior Management has accepted a level of residual risk that may be unacceptable to the Organization as a result of not implementing an agreed oversight recommendation, OIG may escalate the matter to the Director-General and, if not resolved, to the Audit Committee and the Finance Committee.
51. At the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon; such reports shall be made available to other FAO members upon request.

B. INVESTIGATION REPORTS

52. OIG shall submit its investigation reports to the Director-General for consideration of disciplinary or other action. Investigation reports concerning sanctionable actions by third parties shall be submitted to the Chair of the Vendor Sanctions Committee.
53. Investigation reports and related materials are strictly confidential, unless disclosure is authorized by the Inspector General or the Director-General.
54. If the investigation results in credible allegations of criminal conduct of a serious nature, OIG shall submit a recommendation to the Director-General suggesting referral to national law enforcement authorities, as appropriate.
55. If the investigation identifies systemic weaknesses in controls or processes or deficiencies in regulations, rules or policies, OIG shall submit a lessons learned report with recommendations for addressing such weaknesses.

C. ACTIVITY REPORTS

56. OIG shall submit quarterly activity reports to the Director-General and the Audit Committee on implementation of its workplan and any changes thereto; implementation of OIG recommendations; relevant developments and emerging trends; and key results of audit and investigative activities.

D. ANNUAL REPORT

57. The Inspector General shall prepare an Annual Report on OIG's activities, which is submitted to the Audit Committee and the Finance Committee with a copy to the External Auditor. The report shall include information on significant audit findings and systemic weaknesses identified by audits or investigations; the action taken by management to implement OIG recommendations; investigation cases, their status and final disposition, including a summary of findings and the disciplinary or administrative action taken; disclosure of reports; the quality assurance and improvement programme; OIG resources; and such other matters as may be requested by the Finance Committee. The Annual Report shall also include a confirmation of OIG's operational independence and the absence of any interference in the performance of the oversight functions. The Annual Report is a public document, available in all official languages of the Organization, and is posted on the FAO website.

E. REPORT DISCLOSURE

58. The executive summaries of audit reports and of lessons learned reports from investigations shall be posted on OIG's webpage in their original version and language within one month of report issuance. If required to protect security, safety or privacy the Inspector General may, at his/her discretion, redact the executive summary or, exceptionally, withhold it in its entirety.

59. Upon written request for a specific report, the full report shall be made available, within three weeks of receiving the request, to Permanent Representatives accredited to FAO. The report will be made available in its original version and language. Permanent Representatives should treat any report received under this provision as confidential and should not publicly disclose any information contained therein.

60. If required to protect security, safety or privacy the Inspector General may, at his/her discretion, redact the report or, exceptionally, withhold it in its entirety. The Inspector General shall provide the reasons thereof to the requesting Permanent Representative.

61. The Inspector General shall include information on report disclosures in OIG's Annual Report, including the number of requests made; the outcome of those requests; and confirm that requestors adhered to the principle of confidentiality for the information disclosed. Cases of redaction or withholding of reports shall be reviewed on an ex post basis by the Audit Committee at each of their meetings, the conclusions of which are included in the Audit Committee's Annual Report.

VIII. Resources

62. The Director-General shall ensure that OIG is provided with the necessary resources in terms of appropriate staffing, adequate funds and appropriate training to achieve its mission and maintain its independence. The Audit Committee advises the Director-General and the Finance Committee on OIG's staffing and financial resources.

63. In addition to the allocation from FAO's Regular Programme budget, activities funded from voluntary contributions should contribute, through the allocation of an appropriate share of indirect support costs, to the cost of internal audit and investigations.

64. The Inspector General shall have managerial responsibility and control over OIG's human and financial resources, in conformity with FAO's regulations, rules and policies.

65. The Inspector General shall select and maintain a cadre of audit and investigation personnel with sufficient knowledge, skills and experience to meet the requirements of this Charter.

IX. Cooperation

66. OIG shall liaise and cooperate with the internal oversight offices of other United Nations system organizations with a view to contribute to the adoption of best practices and cohesion of oversight.
67. OIG shall contribute to, or participate in, audits of inter-agency activities, such as Delivering as One Programmes, Multi-Partner Trust Funds or Joint Programmes, conducted jointly with the internal audit offices of other United Nations system organizations.
68. OIG shall cooperate with the investigation offices of other international organizations and of partner agencies with a view to combatting fraud and other corrupt practices.
69. OIG may entrust internal audit and investigation activities to oversight offices of other United Nations system organizations and may perform such activities on behalf of oversight offices of other United Nations system organizations.

X. Approval and revision

70. This revised version of the Charter has been endorsed by the Director-General, on the advice of the Audit Committee and after informal consultation with the Finance Committee. It shall take immediate effect on an interim basis and shall be submitted to the Finance Committee at its 180th session in May 2020 for approval.
71. The Inspector General shall review the Charter periodically, but at least every three years, and propose changes when necessary for review by the Audit Committee and endorsement by the Director-General. Any revision shall be submitted to the Finance Committee for approval.

Rome, 25 March 2020

[Signed] Dongyu Qu, Director-General