


March 2013

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

COUNCIL

Hundred and Forty-sixth Session

Rome, 22 - 26 April 2013

Report of the 148th Session of the Finance Committee (18- 22 March 2013)

Executive Summary

At its first regular session in 2013, the Committee examined the Financial Position of the Organization and other matters under its mandate. In this report of its 148th Session, the Committee:

- Makes specific recommendations to the Council (i) urging Members to make timely and full payment of assessed contributions (para 8); (ii) on the proposed scale of contributions for the biennium 2014-15 (para 14); (iii) on the Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15 (paras 24-25); (iv) on the appointment of the External Auditor (para 36); (v) on the appointment and extension of Audit Committee members (para 48); and (vi) on the appointment of an external member of the Ethics Committee (para 58);
- Informs Council of its decisions (i) to maintain the Incentive Scheme for Prompt Payment of Contributions (para 10); (ii) authorising the forecasted budgetary chapter transfers arising from implementation of the 2012-13 Programme of Work (para 21); (iii) concurring with the proposed update of the Terms of Reference of the FAO Audit Committee (para 46); (iv) concurring with the proposed criteria for increased delegations of authority to Article XIV Statutory Bodies (para 50); and (v) of its request to the CCLM to examine legal aspects of procedures related to the restoration of voting rights (para 10);
- Brings to the attention of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, administrative and information systems framework and oversight matters; and
- Highlights to Council initiatives to improve its own work.

Suggested action by the Council

- The Council is requested to endorse the recommendations of the Committee on timely payment of assessed contributions, the proposed scale of contributions, the Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15, the appointment of the External Auditor, the appointment and extension of Audit Committee members, and the appointment of an external member of the Ethics Committee;
- The Council is requested to take note of the decisions of the Committee on the Incentive Scheme, forecasted budgetary chapter transfers, the Terms of Reference of the FAO Audit Committee, and Article XIV Statutory Bodies; and
- The Council is requested to endorse the Committee's guidance provided to the Secretariat on all other matters within its mandate, as well as initiatives to improve its own methods of work.

Queries on this document may be addressed to:

David McSherry
Secretary, Finance Committee
Tel: +39 06570 53719

Table of Contents

	Pages
Introduction	5
Election of Vice-Chairperson for 2013	6
Monitoring Financial Position	6
Financial Position of the Organization	6
The Incentive Scheme and other Measures to Encourage Prompt Payment of Contributions ..	6
2012 Actuarial Valuation of Staff Related Liabilities	7
Scale of Contributions 2014-15.....	7
Report on Investments 2012	7
Budgetary Matters	8
Final Management Report on IPA Implementation and the FAO Reform	8
Mid-Term Review Synthesis Report - 2012	8
Annual Report on Budgetary Performance and Programme and Budgetary Transfers for the 2012-13 Biennium	8
Reviewed Strategic Framework, Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15	9
Human Resources	10
Progress Report on Implementation of the Human Resources Strategic Framework and Action Plan 2012-13	10
Administrative and Information Systems Framework	10
Progress Report on the Global Resource Management System	10
Oversight	11
Selection and Appointment of the External Auditor	11
Annual Report of the Ethics Committee	11
2012 Annual Activity Report of the Inspector General	12
FAO Audit Committee - 2012 Annual Report to the Director General	12
Disclosure of Internal Audit Reports	13
Terms of Reference of the FAO Audit Committee	13
Membership of the FAO Audit Committee	13
Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO	14
Progress Report on Implementation of the External Auditor's Recommendations	14
Improved Methods of Work and Efficiency of the Finance Committee	15
The Multi-Year Programme of Work of the Finance Committee 2010-13	15
Status of Outstanding Recommendations of the Finance Committee	15
Working Methods of the Finance Committee	15

Other Matters	15
Date and Place of the Hundred and Forty-ninth Session	15
Any Other Matters - Replacement of an external member of the Ethics Committee	15
Annex I - Proposed Scale of Contributions 2014-2015	16
Annex II - Documents for information	22

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Forty-eighth Session.
2. In addition to the Chairperson, Mr MOUNGUI MÉDI, the following representatives of Members were present:
 - Mr Matthew Worrell (Australia)
 - Mr Olyntho Vieira (Brazil)
 - Mr Laurent D. Couliati (Burkina Faso)
 - Mr Shobhana K. Pattanayak (India)
 - Mr Hideya Yamada (Japan)
 - Ms Manar Sabah Mohammad Al-Sabah (Kuwait)
 - Ms Emma María José Rodríguez Sifuentes (Mexico)
 - Mr Mohamed Lemghari (Morocco)
 - Mr Ronald Elkhuisen (Netherlands)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Mr Mohamed Eltayeb Elfaki Elnor (Sudan)
 - Ms Karen E. Johnson (USA)
3. The Chairperson informed the Committee that:
 - Mr Luiz Maria Pio Correa (Brazil) had been designated to replace Mr Olyntho Vieira for part of this session;
 - Mr Salahuddin Al Bazzaz (Kuwait) had been designated to replace Ms Manar Sabah Mohammad Al-Sabah for part of this session;
 - Mr Alan Romero Zavala (Mexico) had been designated to replace Ms Emma María José Rodríguez Sifuentes for part of this session;
 - Mr Mohamed Lemghari (Morocco) had been designated to replace Mr Faouzi Lekjaa at this session; and
 - Ms Mary Blanca Rios (USA) had been designated to replace Ms Johnson for part of this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. In addition, silent observers from the following Member Nations attended the 148th Session of the Committee:
 - Algeria
 - Argentina
 - European Union
 - France
 - Germany
 - Guinea
 - Hungary
 - Iceland
 - Iran
 - Italy
 - Liberia
 - Nigeria
 - Pakistan
 - San Marino
 - Vietnam

Election of Vice-Chairperson for 2013

6. Mr Hideya Yamada (Japan) was unanimously elected Vice-Chairperson for the remainder of the Committee's current term of office.

Monitoring Financial Position

Financial Position of the Organization

7. The Committee considered the financial position of the Organization as at 31 December 2012 and cash flow forecast for 2013, including the liquidity of the Organization, the status of outstanding assessed contributions, short and long term investments, staff related liabilities, the level of Technical Cooperation Programme (TCP) expenditure and the General Fund deficit.

8. **The Committee:**

- a) **welcomed the improvement in the estimated cash position of the Organization and that no recourse to external borrowing was foreseen to be required during 2013. Mindful of cash shortages in recent years due to non-payment of contributions, urged all Member Nations to continue to make timely and full payment of assessed contributions to ensure that FAO continues to meet the operating cash requirements for the Programme of Work;**
- b) **noted that the Organization had changed its accounting treatment for the recording of staff related liabilities in 2012 and that all actuarial gains and losses were now immediately recognized as opposed to amortizing them over time under the previous "corridor method";**
- c) **emphasized that the International Public Sector Accounting Standards (IPSAS) requirements with regard to After Service Medical Coverage (ASMC) were related to the recording of the liability and not its funding, and further noted that the annual actuarial valuations were subject to significant uncertainty and unpredictability; and**
- d) **noted that the significant increase in the General Fund deficit to USD 945.5 million at 31 December 2012 from USD 641.3 million as at 31 December 2011 was due to the full recognition of the staff related liabilities.**

The Incentive Scheme and other Measures to Encourage Prompt Payment of Contributions

9. The Committee reviewed document FC 148/4 - *Incentive Scheme for Prompt Payment of Contributions*, which included an analysis of the impact of the Scheme on collection rates and the costs of administering the Scheme.

10. **The Committee:**

- a) **following a discussion on the effectiveness and costs of the Incentive Scheme, and considering the importance of sending a strong signal to Members regarding the importance of making timely payment of contributions, agreed to maintain the Incentive Scheme;**
- b) **supported the recommendation of the Conference at its 33rd Session, adjusted for the new calendar of sessions of the Governing Bodies, that requests for restoration of voting rights be referred to the Director-General for submission to the Spring Session of the Finance Committee in Conference years; and requested the CCLM to examine the legal aspects of this matter, including whether this would require any changes to the Basic Texts of the Organization.**
- c) **reviewed and supported all measures currently in place to encourage timely payment by Members and stressed the importance of ensuring that these were rigorously applied, including to requests for Instalment Plans to be submitted to the upcoming Conference.**

2012 Actuarial Valuation of Staff Related Liabilities

11. The Committee reviewed document FC 148-5 – *2012 Actuarial Valuation of Staff Related Liabilities* on the results of the actuarial valuation by external actuaries and the current financial situation, accounting and funding of the Organization's liability for staff-related plans as at 31 December 2012.

12. **The Committee:**

- a) **noted that total staff related liabilities as at 31 December 2012 amounted to USD 1,252 million, representing an increase of USD 100 million from the valuation at 31 December 2011 and which was mainly due to the decrease in the discount rate assumption used in the valuation;**
- b) **observed that whilst the After Service Medical Coverage (ASMC) liability remained seriously underfunded, noted that this was a long term problem and did not present the risk of an immediate financial crisis to the Organization;**
- c) **requested that the Secretariat present alternative options to address the funding gap of the ASMC liability, including proposals which would lead to reductions in the liability, and also provide additional data related to the issue, including in particular the composition of plan members and plan benefits for consideration by the Committee at its next regular session; and**
- d) **stressed the importance of adopting a common approach to the settlement of ASMC liabilities by the Organizations of the United Nations Common System and urged the Director-General to bring this matter to the attention of the Chief Executives Board.**

Scale of Contributions 2014-15

13. The Committee reviewed and endorsed the proposed Scale of Contributions for the biennium 2014-2015 (see Annex 1) set out in document FC 148/6.

14. The Committee transmitted to Council the following draft resolution for adoption of the FAO Scale of Contributions for 2014-15 by the Conference, with the recognition that new membership would require adjustment of the scale:

Resolution .../2013

SCALE OF CONTRIBUTIONS 2014-2015

THE CONFERENCE,

Having noted the recommendations of the Hundred and Forty-sixth Session of the Council;

Confirming that as in the past, FAO should follow the United Nations Scale of Assessments subject to adaptation for the different membership of FAO;

Decides that the FAO Scale of Contributions for 2014-15 should be derived directly from the United Nations Scale of Assessments in force during 2013, 2014 and 2015;

Adopts for use in 2014 and 2015 the Scale as set out in the Annex of this report.

Report on Investments 2012

15. The Committee reviewed the document FC 148/7 Rev.1 – *Report on Investments 2012*, took note and congratulated the secretariat for the very positive performance of its long-term investments during 2012 and noted that both short and long-term investments had exceeded their respective benchmarks. The Committee appreciated the solid governance structure for investments. It further requested the Secretariat to consider the feasibility of increasing its investment risk level in light of the improved investment climate.

Budgetary Matters

Final Management Report on IPA Implementation and the FAO Reform

16. The Committee reviewed the financial aspects of Immediate Plan of Action (IPA) implementation reported in document C2013/26 - *Final Management Report on IPA Implementation and the FAO Reform Process*.

17. **The Committee:**

- a) **welcomed the Final Management Report on Immediate Plan of Action Implementation and the FAO Reform Process;**
- b) **appreciated the financial information provided in the report for the period up to 2013;**
- c) **noted the assurances from the Secretariat that the outstanding IPA actions, under the responsibility of the Secretariat, would be fully implemented in 2013;**
- d) **noted the clarification from the Secretariat that the planned budget for 2013 will be fully expended on IPA activities in 2013 with no carry over foreseen;**
- e) **acknowledged the process for mainstreaming future reporting to the FAO Governing Bodies as indicated in the report; and**
- f) **requested that a report on 2013 IPA expenditure be presented to the autumn session of the Finance Committee.**

Mid-Term Review Synthesis Report - 2012

18. The Committee welcomed the Mid-Term Review Synthesis Report for 2012, and appreciated the approach used to track progress against Organizational Results.

19. **The Committee:**

- a) **looked forward to future reports which should include improved information on measuring financial performance in the delivery of Organizational Results as the results-based budgeting model is further elaborated; and**
- b) **requested that reporting on performance in the Asia and the Pacific Regional Office clearly delineate performance in the South West Pacific Subregional Office.**

Annual Report on Budgetary Performance and Programme and Budgetary Transfers for the 2012-13 Biennium

20. The Committee reviewed the Annual Report on Budgetary Performance and Programme and Budgetary Transfers for the 2012-13 Biennium and focused its discussion on the variances in the budgetary Chapters.

21. **The Committee:**

- a) **took note of the forecasted biennial budgetary performance noting that full utilization of the appropriation is currently foreseen in the Strategic and Functional Objectives;**
- b) **authorized the budgetary Chapter transfers in favour of Chapters 7 and 13 from the other budgetary Chapters in 1 through 12, noting that the transfer into Chapter 13 (Functional Objective Y – Administration) was related to transitional implementation of savings approved in 2012;**
- c) **noted that, in line with current practice, any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) will be transferred to the 2014-15 biennium; and**
- d) **requested that future reports include an indication of actual expenditure to date by budgetary chapter.**

22. The Committee looked forward to receiving a comprehensive update at its October 2013 session.

Reviewed Strategic Framework, Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15

23. The Committee considered the Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15, focusing on a technical review of the proposals within its mandate. It discussed in particular FAO's results-based framework, the budgetary chapter structure, implementation arrangements, the transformational changes, and key financial and budgetary dimensions. The Committee also considered the Information Note provided by the Secretariat during the Session on cost increase assumptions and estimates, which provided an update and additional detail on the cost increase information presented in the document.

24. In its technical review of the proposals, **the Committee:**

- a) **noted that the document benefitted from the Strategic Thinking and the Transformational Change processes launched in 2012;**
- b) **reviewed in detail the anticipated cost increases and welcomed the additional information provided by the Secretariat, which it requested be made available to all Members;**
- c) **urged the Secretariat to continue to improve the results-based budget format and presentation, including the relationship between input mix and outputs;**
- d) **endorsed the revised chapter structure which moved from 17 to 14 budgetary Chapters;**
- e) **reviewed and took note of the proposed Organizational structure which would be subject to further consideration and discussions of Members;**
- f) **reviewed the implementation arrangements and stressed the importance of a clear delineation of roles, responsibilities and accountability; and**
- g) **requested the Secretariat to provide further information, including costings, prior to Council on the proposed reallocation of resources to higher priority areas identified by the Director-General.**

25. In discussing the resource requirements for the proposed Programme of Work, **the Committee:**

- a) **recalled that the 2012-13 net appropriation budget of USD 1,005.6 million included USD 8.6 million for one-time IPA investment costs;**
- b) **underlined the Organization's vision of a world free from hunger and malnutrition and thus the importance of supporting the Programme of Work and Budget of the Organization;;**
- c) **expressed concern about the potential impact of the current budgetary proposals on Members assessments within the prevailing global, economic and financial climate;**
- d) **did not reach consensus on the level of the budget proposed by the Director-General and requested the Secretariat to propose further efficiency gains and other savings, in the areas and along the lines indicated by the Finance Committee during its deliberations at this session, and report to the 146th Session of the FAO Council on the results; and**
- e) **requested continued close and careful monitoring and reporting of cost increase assumptions and update of the estimates prior to the 146th Session of the Council and the 38th Session of the Conference.**

26. The Committee reviewed the proposals to improve FAO's financial health, liquidity and reserves. It **requested** that a comprehensive review take place at its October 2013 Session concerning:

- the replenishment of the Working Capital Fund and the Special Reserve Account; and
- options to address the funding gap of the ASMC and TPF liabilities.

Human Resources

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

27. The Committee took note of document FC 148/12 - *Progress Report on Implementation of the Human Resources Strategic Framework and Action Plan 2012-13*, and of information provided about the five initiatives on which status reports were requested at the 147th Session. The Committee also welcomed the additional information provided during the presentation of the item, and during the subsequent question and answer session.

28. **The Committee:**

- a) **requested a synthesis of the speaking notes used during the presentation to be made available to Members;**
- b) **requested that continued efforts be made with priority ongoing HR initiatives, including (i) reduction of recruitment timeframes, (ii) improvements in geographic and gender representation; (iii) the Junior Professionals Programme; (iv) corporate mobility policy, and (v) revised delegations of authority to support decentralization efforts;**
- c) **took note of additional priority areas of HR focus in 2013, and requested that these be implemented as soon as possible;**
- d) **welcomed the provision of a comprehensive, up-to-date HR Data Pack at future Sessions, together with clear explanation about current total staffing numbers in relation to budgeted PWB posts;**
- e) **requested prompt information and greater transparency with regard to vacancy announcements and appointments;**
- f) **requested circulation to all Members of the HR Gender Action Plan published in May 2012, noting that the publication date was erroneously stated as October 2010 in the progress report. The Committee also requested that the future complementary Gender Policy be examined by the Finance Committee as soon as it is finalized;**
- g) **took note of the high vacancy rates (around 16% in Headquarters) and requested that historical data on vacancy rates be presented to the 146th Session of Council in April 2013;**
- h) **requested further information on plans to establish a strategic workforce planning capability in FAO; and**
- i) **requested further information and analysis on the appropriate GS:P ratio.**

Administrative and Information Systems Framework

Progress Report on the Global Resource Management System

29. The Finance Committee reviewed document FC148/13 which provided an update on progress made on the Global Resource Management System Programme for the period November 2012 to January 2013, and plans for the period February to June 2013.

30. The Committee noted the progress on the Programme and that plans are on track to complete the deployment in May 2013 and to produce IPSAS-compliant Financial Statements from 2014 onwards.

31. The Committee also noted the plans for deployment to the remaining decentralized offices and the risks related to office capacity constraints as reported by the Office of the Inspector General.

32. Based on its review of the information presented, **the Committee:**

- a) **requested the Secretariat to continue to monitor the capacity gaps and the risks identified by the Office of the Inspector General;**

- b) **requested** the Secretariat to provide further information on the planned costs for 2013 prior to the 146th Session of Council; and
- c) **requested** the Secretariat to also provide further details of the post implementation arrangements and costs, including in the Capital Expenditure chapter presented in the proposed Programme of Work and Budget 2014-15.

Oversight

Selection and Appointment of the External Auditor

33. The Committee noted that as agreed at its 143rd session in May 2012, a Working Group of Finance Committee Members had met to review the proposals received for the provision of external audit services to the Organization and had drawn up a shortlist of three candidates (Germany; the Philippines; and the United Kingdom) who had been invited to make oral presentations to the 148th Session of the Finance Committee.
34. The Committee considered the oral presentations of the three shortlisted candidates and various aspects of the proposals, including experience, audit approach and strategy, and costs.
35. Following consideration of the presentations and proposals of the short-listed candidates, the Committee, after review of the presentations and a subsequent secret ballot, agreed to recommend to Council for its consideration the proposal submitted by the Commission on Audit of the Republic of the Philippines.
36. The Committee **recommended** the following resolution to the Council for the appointment of the External Auditor for the six year period 2014-19.

Resolution .../146

APPOINTMENT OF THE EXTERNAL AUDITOR

THE COUNCIL,

Noting that the Finance Committee recommends the appointment of the Commission on Audit of the Republic of the Philippines as External Auditor of the Organization;

Recognizing the need and importance of the function of the External Auditor to review and certify the accounts of the Organization;

Decides to appoint the Commission on Audit of the Republic of the Philippines as External Auditor of the Organization for a period of six years commencing with the year 2014.

Annual Report of the Ethics Committee

37. The Finance Committee examined document FC148/15 - *Annual report of the Ethics Committee*.
38. **The Committee:**
 - a) **acknowledged** that the document presented the first annual report of the Ethics Committee;
 - b) **requested** that when presenting future Annual reports, the report of the Ethics Officer should also be made available to the Finance Committee and noted that the Secretariat would examine this request in light of the practice of other Organizations of the United Nations System;
 - c) **noted** the observations made by the Ethics Committee on the overlapping of functions, such as ethics, ombudsman, mediation and staff relations, and the Secretariat's confirmation that corrective action had been taken to address these

overlaps by examining relevant job descriptions and the classification of positions;
and

- d) **requested** that the next annual report of the Ethics Committee include information on the experience gained during the first year of implementation of the Financial Disclosure Programme.

2012 Annual Activity Report of the Inspector General

39. The Committee welcomed document FC 148/16 - *2012 Annual Activity Report of the Office of the Inspector General*, that presented a summary of the results of audit and investigative work of the Office of the Inspector General in 2012 as well as its internal management. The Committee also took note of the additional information provided by the Inspector General and management in response to questions of the Committee members.

40. **The Committee:**

- a) **welcomed** the quality of the report and the analysis of issues presented, noting that the work of the Office of the Inspector General presented was very relevant and a useful tool for the management and governance of the Organization;
- b) **welcomed** the conclusion of the 2012 external quality assurance review that the Office's internal audit functions generally conform to the international internal audit standards to which FAO and other United Nations Organizations adhere;
- c) **stressed** the importance, conveyed in the report, of implementing structured enterprise risk management (ERM) processes and a robust accountability and internal control framework within FAO to support the transformation changes of the Organization;
- d) **stressed** the importance of the Organization meeting its commitment to producing IPSAS compliant financial statements in 2014;
- e) **expressed concern** on the length of time taken to close outstanding recommendations, especially high risk recommendations, and encouraged management to continue in its efforts to reduce this;
- f) **requested** that for future presentations of the OIG annual report, management provide at the same time a status report on actions taken to address long outstanding high risk recommendations; and
- g) **requested** the Office of the Inspector General to continue to monitor the Organization's use of Non-Staff Human Resources.

FAO Audit Committee - 2012 Annual Report to the Director-General

41. The Committee took note of document FC 148/17 - *FAO Audit Committee - 2012 Annual Report to the Director-General* and the presentation and additional information provided by the Chairman of the Audit Committee on the Audit Committee's activities for 2012, and the Director-General's comments accompanying the annual report.

42. **The Committee:**

- a) **welcomed** the report and the positive remarks and conclusion on the operation of the Office of the Inspector General in implementing its risk-based audit programme in 2012 as well as the issues it raised, which were very pertinent and useful to the Director-General and the Committee in its deliberations;
- b) **welcomed** the Director General's comments that concurred with the issues presented in the report, especially with the need to reduce the time to close outstanding recommendations, giving priority to closing the most urgent long outstanding recommendations;
- c) **underlined** the need to accelerate the process to finalise the vendor sanctioning guidelines as soon as possible in 2013;

- d) **reaffirmed** that it would be premature to shift responsibility from OIG for the initial review of complaints of Whistleblower retaliation but that this should be kept under review; and
- e) **requested** the Secretariat to provide an update to the Committee on the status of actions on the FAO Audit Committee recommendations to its next regular session in Autumn 2013.

Disclosure of Internal Audit Reports

43. The Committee considered the document FC 148/18 – *Disclosure of Internal Audit Reports* which presented to the Committee information on the current internal audit report disclosure policies implemented by other United Nations agencies and the variations in practice at this time.

44. **The Committee:**

- a) **took note** of the information on current internal audit report disclosure policies implemented by other United Nations agencies;
- b) **welcomed** the participation of the Inspector General in the professional network of internal audit services of the United Nations including in its monitoring of developments and best practices in internal audit reporting and disclosure and requested OIG to monitor best practices in this field that could be applied within FAO;
- c) **welcomed** the implementation of the changes in modality for viewing OIG internal audit reports on-line and looked forward to the corresponding announcement note providing guidance on this, which would be disseminated through the Permanent Representatives website; and
- d) **looked forward** to receiving, in the 2013 annual report of the Office of the Inspector General, an update on the implementation of the current FAO internal audit report disclosure policy.

Terms of Reference of the FAO Audit Committee

45. The Committee considered the document FC 148/19 – *Terms of Reference of the FAO Audit Committee* in which the Director-General resubmitted the proposed update to the FAO Audit Committee's Terms of Reference and which included the changes requested by the Finance Committee at its 147th session.

46. **The Committee:**

- a) **noted** that the financial rules and regulations and policies and procedures applicable to FAO, as mentioned in paragraph 1.1 of the proposed update, were the guiding references for the Audit Committee's advice, and that taking into consideration the operating environment does not modify that principle;
- b) **recognized** that the information referred to in paragraph 1.2 of the proposed update encompassed the advice provided by the Audit Committee to the Director-General; and
- c) **with these clarifications, concurred** with the proposed update of the Terms of Reference of the FAO Audit Committee.

Membership of the FAO Audit Committee

47. The Committee considered the document FC 148/20 - *FAO Audit Committee Membership*, in which the Director-General recommended the extension of the terms of two current FAO Audit Committee members and the appointment of two new members to fill the vacancies arising from the departure from the Committee of two current members. The Committee conveyed its appreciation to the outgoing members, Ms Fatoumata Ndiaye and Mr Stephen Zimmermann, for their service on the Committee.

48. **The Committee:**

- a) **endorsed the Director-General's recommendations to extend the terms on the Committee of Mr Claus Andreasen and Mr Adnan Khan for a further one year which will bring them to a total of six years each on the Committee, and that Ms Lesedi Lesetedi and Mr Juan Manuel Portal Martinez be appointed as members of the FAO Audit Committee for an initial period of three years, renewable thereafter up to a maximum of six years in total; and**
- b) **agreed to submit to the Council its endorsement, with the extensions and appointment to be made by the Director-General to be effective from the date of approval by the Council.**

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

49. The Committee welcomed document FC 148/21 - *Review of Article XIV Statutory Bodies* with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO, including its appendixes containing a detailed matrix on the main characteristics of existing bodies established by treaty under Article XIV of the Constitution (Appendix I to FC 148/21) and an extract of the report of the Ninety-fourth Session of the CCLM of October 2012 describing facilities that could be granted to these bodies (Appendix II to FC 148/21). In general, the Committee observed that the long-standing issue of the degree of autonomy and operational facilities to be recognized to these bodies was complex in view of their differentiated nature.

50. **The Committee:**

- a) **concurred with the criteria for increased delegations of authority proposed in document FC 148/21 and reiterated the need for a differentiated approach to the matter given the specific characteristics of Article XIV bodies;**
- b) **noted that Management was in the process of implementing the recommendations contained in Appendix II to document FC 148/21, and generally reflected in paragraph 27 of that document, which were within Management's authority, and requested a report on the matter at a future session of the Committee, possibly as part of the IPA follow-up report by the Secretariat; and**
- c) **acknowledged, in view of FAO's general accountability for the operation of Article XIV bodies, the need for Management to follow a flexible but prudent approach, by recognizing the functional requirements of these bodies, while ensuring as far as appropriate observance of FAO's policies and procedures.**

Progress Report on Implementation of the External Auditor's Recommendations

51. The Committee took note of document FC 148/22 - *Progress Report on Implementation of the External Auditor's Recommendations*, which summarized the progress made by the Organization in implementing those recommendations of the External Auditor's 2008-2009 Long Form Report which had not yet been implemented and closed at the date of the previous progress report presented to the Finance Committee and also included management's response to recommendations contained in the 2010-11 Long Form Report.

52. **The Committee:**

- a) **expressed appreciation for this report, noting that, as requested by the Committee at its 147th Session, the table in the report detailing the status of the progress made on the recommendations now included information on the office responsible for implementation; and**
- b) **noting that the Progress Report had been prepared prior to the most recent scheduled visit of the External Auditor and that as a result the External Auditor's comments on the status of recommendations were unchanged from those reported to**

the Committee at its 147th Session, **looked forward** to receiving an updated Progress Report, including updated comments of the External Auditor, at its next regular session in 2013.

Improved Methods of Work and Efficiency of the Finance Committee

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

53. The Committee

- a) **welcomed** the updated version of the Multi-Year Programme of Work (MYPOW); and
- b) **looked forward** to receiving a further update at its next regular session.

Status of Outstanding Recommendations of the Finance Committee

54. The Committee:

- a) **welcomed** the updated paper on the status of its outstanding recommendations; and
- b) **looked forward** to receiving an updated version of the document at its next regular session.

Working Methods of the Finance Committee

55. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives. In this regard, **the Committee:**

- a) **requested** that the Secretariat, in future, consider the publication of additional information notes on the PWB on the same web pages as the main documents;
- b) **suggested** that the Secretariat, when preparing the draft report, consider the presentation of the items in numerical sequence to the extent possible; and
- c) **supported** the principle of informal inter-session consultation amongst Members in preparation for upcoming sessions of the Committee.

Other Matters

Date and Place of the Hundred and Forty-ninth Session

56. The Committee was informed that the 149th Session was scheduled to be held in Rome from 21 to 25 October 2013.

Any Other Matters

Replacement of an External Member of the Ethics Committee

57. The Committee noted that Ms Anne Marie Taylor (a national of Canada, France and the United States of America), had resigned as an external member of the Ethics Committee for personal reasons.

58. The Committee:

- a) **Expressed** its appreciation to Ms Anne Marie Taylor for her services on the Ethics Committee; and
- b) **Recommended** the appointment of Ms Suomi Sakai (a national of Japan, Principle Advisor, Ethics - UNICEF) as an external member of the Ethics Committee until 31 December 2013, for approval by the Council.

Annex I

Proposed Scale of Contributions 2014 - 15
(2012-2013 Scale shown for comparative purposes)

	Proposed Scale ¹	Actual Scale ²
Member Nation	2014-15	2012-13
Afghanistan	0.005	0.004
Albania	0.010	0.010
Algeria	0.138	0.129
Andorra	0.008	0.007
Angola	0.010	0.010
Antigua and Barbuda	0.002	0.002
Argentina	0.434	0.288
Armenia	0.007	0.005
Australia	2.085	1.942
Austria	0.802	0.855
Azerbaijan	0.040	0.015
Bahamas	0.017	0.018
Bahrain	0.039	0.039
Bangladesh	0.010	0.010
Barbados	0.008	0.008
Belarus	0.056	0.042
Belgium	1.004	1.080
Belize	0.001	0.001
Benin	0.003	0.003
Bhutan	0.001	0.001
Bolivia	0.009	0.007
Bosnia and Herzegovina	0.017	0.014
Botswana	0.017	0.018
Brazil	2.950	1.619
Bulgaria	0.047	0.038

¹ Derived directly from the UN Scale of Assessments for 2013-2015 as adopted by General Assembly Resolution 67/238 of 21 December 2012

² Derived directly from the UN Scale of Assessments for 2010-2012 as adopted by General Assembly Resolution 64/248 of 24 December 2009

Burkina Faso	0.003	0.003
Burundi	0.001	0.001
Cambodia	0.004	0.003
Cameroon	0.012	0.011
Canada	3.000	3.222
Cape Verde	0.001	0.001
Central African Republic	0.001	0.001
Chad	0.002	0.002
Chile	0.336	0.237
China	5.176	3.204
Colombia	0.261	0.145
Comoros	0.001	0.001
Congo	0.005	0.003
Cook Islands	0.001	0.001
Costa Rica	0.038	0.034
Côte d'Ivoire	0.011	0.010
Croatia	0.127	0.098
Cuba	0.069	0.071
Cyprus	0.047	0.046
Czech Republic	0.388	0.351
Democratic People's Republic of Korea	0.006	0.007
Democratic Republic of the Congo	0.003	0.003
Denmark	0.679	0.740
Djibouti	0.001	0.001
Dominica	0.001	0.001
Dominican Republic	0.045	0.042
Ecuador	0.044	0.040
Egypt	0.135	0.095
El Salvador	0.016	0.019
Equatorial Guinea	0.010	0.008
Eritrea	0.001	0.001
Estonia	0.040	0.040
Ethiopia	0.010	0.008
Fiji	0.003	0.004
Finland	0.522	0.569

France	5.623	6.152
Gabon	0.020	0.014
Gambia	0.001	0.001
Georgia	0.007	0.006
Germany	7.180	8.056
Ghana	0.014	0.006
Greece	0.642	0.694
Grenada	0.001	0.001
Guatemala	0.027	0.028
Guinea	0.001	0.002
Guinea-Bissau	0.001	0.001
Guyana	0.001	0.001
Haiti	0.003	0.003
Honduras	0.008	0.008
Hungary	0.268	0.292
Iceland	0.027	0.042
India	0.670	0.537
Indonesia	0.348	0.239
Iran (Islamic Republic of)	0.358	0.234
Iraq	0.068	0.020
Ireland	0.420	0.500
Israel	0.398	0.386
Italy	4.472	5.023
Jamaica	0.011	0.014
Japan	10.892	12.590
Jordan	0.022	0.014
Kazakhstan	0.122	0.076
Kenya	0.013	0.012
Kiribati	0.001	0.001
Kuwait	0.275	0.264
Kyrgyzstan	0.002	0.001
Lao People's Democratic Republic	0.002	0.001
Latvia	0.047	0.038
Lebanon	0.042	0.033
Lesotho	0.001	0.001

Liberia	0.001	0.001
Libya	0.143	0.130
Lithuania	0.074	0.065
Luxembourg	0.082	0.091
Madagascar	0.003	0.003
Malawi	0.002	0.001
Malaysia	0.283	0.254
Maldives	0.001	0.001
Mali	0.004	0.003
Malta	0.016	0.017
Marshall Islands	0.001	0.001
Mauritania	0.002	0.001
Mauritius	0.013	0.011
Mexico	1.852	2.367
Micronesia (Federated States of)	0.001	0.001
Monaco	0.012	0.003
Mongolia	0.003	0.002
Montenegro	0.005	0.004
Morocco	0.062	0.058
Mozambique	0.003	0.003
Myanmar	0.010	0.006
Namibia	0.010	0.008
Nauru	0.001	0.001
Nepal	0.006	0.006
Netherlands	1.663	1.864
New Zealand	0.254	0.274
Nicaragua	0.003	0.003
Niger	0.002	0.002
Nigeria	0.091	0.078
Niue	0.001	0.001
Norway	0.856	0.875
Oman	0.103	0.087
Pakistan	0.086	0.083
Palau	0.001	0.001
Panama	0.026	0.022

Papua New Guinea	0.004	0.002
Paraguay	0.010	0.007
Peru	0.118	0.091
Philippines	0.155	0.091
Poland	0.926	0.832
Portugal	0.477	0.514
Qatar	0.210	0.136
Republic of Korea	2.005	2.271
Republic of Moldova	0.003	0.002
Romania	0.227	0.178
Russian Federation	2.451	1.610
Rwanda	0.002	0.001
Saint Kitts and Nevis	0.001	0.001
Saint Lucia	0.001	0.001
Saint Vincent and the Grenadines	0.001	0.001
Samoa	0.001	0.001
San Marino	0.003	0.003
Sao Tome and Principe	0.001	0.001
Saudi Arabia	0.869	0.834
Senegal	0.006	0.006
Serbia	0.040	0.037
Seychelles	0.001	0.002
Sierra Leone	0.001	0.001
Slovakia	0.172	0.143
Slovenia	0.101	0.104
Solomon Islands	0.001	0.001
Somalia	0.001	0.001
South Africa	0.374	0.387
Spain	2.989	3.192
Sri Lanka	0.025	0.019
Sudan	0.010	0.010
Suriname	0.004	0.003
Swaziland	0.003	0.003
Sweden	0.965	1.069
Switzerland	1.053	1.135

Syrian Arab Republic	0.036	0.025
Tajikistan	0.003	0.002
Thailand	0.240	0.210
The former Yugoslav Republic of Macedonia	0.008	0.007
Timor-Leste	0.002	0.001
Togo	0.001	0.001
Tonga	0.001	0.001
Trinidad and Tobago	0.044	0.044
Tunisia	0.036	0.030
Turkey	1.335	0.620
Turkmenistan	0.019	0.026
Tuvalu	0.001	0.001
Uganda	0.006	0.006
Ukraine	0.100	0.088
United Arab Emirates	0.598	0.393
United Kingdom	5.207	6.636
United Republic of Tanzania	0.009	0.008
United States of America	22.000	22.000
Uruguay	0.052	0.027
Uzbekistan	0.015	0.010
Vanuatu	0.001	0.001
Venezuela (Bolivarian Republic of)	0.631	0.316
Viet Nam	0.042	0.033
Yemen	0.010	0.010
Zambia	0.006	0.004
Zimbabwe	0.002	0.003

Annex II

Documents for information

- Status of Current Assessments and Arrears (doc. FC 148/INF/2)
- Follow-up to the Evaluation of FAO's Regional Office for the Near East and Subregional Office for North Africa (doc FC 148/INF/3)
- Reports of the Joint Inspection Unit
 - Accountability frameworks in the United Nations system (JIU/REP/2011/5) (doc. FC 148/INF/4)
 - Business continuity in the United Nations system (JIU/REP/2011/6) (doc. FC 148/INF/5)
 - The investigations function in the United Nations system (JIU/REP/2011/7) (doc. FC 148/INF/6)
 - Information and Communication Technology (ICT) governance in the United Nations system organizations (JIU/REP/2011/9) (doc. FC 148/INF/7)
 - Management of sick leave in the United Nations system (JIU/REP/2012/2) (doc. FC 148/INF/8)