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Alimentación y la Agricultura

منظمة  
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# FINANCE COMMITTEE

**Hundred and Ninety-first Session**

**Rome, 16-20 May 2022**

**FAO Oversight Advisory Committee - 2021 Annual Report**

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

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### EXECUTIVE SUMMARY

The Oversight Advisory Committee (OAC):

- welcomes the Director-General's support of the work of the Committee and appreciates his continued cooperation with Members and his availability at all meetings in 2021;
- welcomes the Director-General's continued commitment to effectively communicating "tone at the top" and zero tolerance toward unethical practices, and welcomes the establishment of a Committee on Workplace Conduct and Protection from Sexual Exploitation;
- is pleased to confirm assurance of full independence of the Office of Inspector General (OIG) in audit and investigation functions, and appreciates the increase in resources to the Office;
- concludes positively on the operations of OIG and its coordination with other oversight functions, and supports the OIG Strategy for the period July 2021-June 2025;
- welcomes good progress in achieving the Office of Evaluation (OED) plan of work for 2021, in implementing of the HR Action Plan and in areas of internal control and risk management;
- welcomes good collaboration and continued progress in the ethics and ombudsman functions;
- notes with appreciation FAO management's efforts and progress in addressing oversight recommendations.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

The Finance Committee is invited to take note of the FAO Oversight Advisory Committee's Annual Report for 2021.

#### Draft Advice

**The Finance Committee took note of FAO Oversight Advisory Committee's Annual Report for 2021 and:**

- a) **acknowledged the important role of the Committee in providing independent assurance and advice in the areas mandated under its Terms of Reference;**
- b) **welcomed the Report, which included positive conclusions on the Organization's oversight; appreciation for the operation of the Office of the Inspector General and the work carried out under the ethics and ombudsman functions; as well as 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) **agreed with the editorial changes provided in the updated Terms of Reference presented in Annex 2 for submission to the Council;**
- e) **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 2022.**

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### ***Introduction***

1. The Oversight Advisory Committee (OAC) is pleased to provide its 2021 annual report. This report is structured following the Committee's Terms of Reference as endorsed by the Council at its 165th Session in November-December 2020.<sup>1</sup>
2. This nineteenth Oversight Advisory 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. In view of the continued pandemic, the Committee held three virtual meetings in 2021 respectively in February, July and October, each for the duration of three half-days.
4. The Committee appreciated the regular updates and information received, and the candid and constructive discussions that ensued on developments affecting the work of the Organization, as well as on matters affecting efficiency and effectiveness of key business activities. It particularly appreciated direct engagements with the Director-General and the Core Leadership team at each of its meetings.
5. The Committee acknowledges with thanks the cooperation and assistance received from the Director-General and Core Leadership, the Inspector General, the Ethics Officer and Ombudsperson, the Directors of Evaluation, Human Resources, Finance, IT Services and Statistics, Strategy, Programme and Budget, other FAO staff, and the External Auditor during its meetings in 2021. The Committee also commends the OAC Secretariat for its effective support of the scheduled meetings, and throughout 2021.
6. The composition of the Committee during 2021 is provided in *Annex 1*.

## **I. Work of the Oversight Advisory Committee in 2021**

### ***Functioning and responsibilities***

7. In October 2021, the Committee reviewed its Terms of Reference, in line with Article 11 which provides for "*Periodic Review of the Terms of Reference*" and, at its 59th meeting in October 2021, agreed on minor editorial changes, as well as the change of denomination of the Office of Strategy, Programme and Budget (OSP) as reflected in *Annex 2*.
8. In relation to its methods of work, the OAC discussed, *inter alia*:
  - a) arrangements for continued meetings in virtual mode in 2021, including intersessional meetings for in-depth review of dedicated topics
  - b) agreed the focus of future in-depth reviews would include FAO's investments; briefings with regional and subregional offices; mainstreaming enterprise risk management; ERP systems developments; results framework and formulation of key performance indicators; and data analytics in auditing practices
  - c) possible resumption of field visits to FAO country offices
9. As per best practice, the Committee held at each meeting private sessions with the Inspector General, the External Auditor, the Ethics Officer and the Ombudsperson.
10. 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 and Ombudsman Offices, other FAO oversight functions (Evaluation and External Audit), and management actions on OIG recommendations and investigation reports.

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<sup>1</sup> CL 165/REP paragraph 26.a)

11. The Committee presented after each meeting letters to the Director-General and the Chairperson of the Finance Committee on the main outcomes of its discussions, and notes with appreciation that all FAO units concerned have provided detailed responses on action taken in relation to the OAC observations and recommendations.

### **2021 Workplan**

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 workplan for 2021. At the time of writing this report, the OAC had also approved its workplan for 2022.

### **2021 Thematic reviews and ad hoc guidance**

13. In 2021, in addition to standing items on its Agenda, the Committee provided ad hoc guidance on the following matters:

- FAO's ICT, digitalization, governance, cybersecurity, and risk management
- Review of governance and overall internal control framework in the context of the new organizational structure
- Vendor sanctioning
- Responsibility and accountability for harassment, sexual harassment, discrimination, sexual exploitation and abuse of authority
- FAO's investment policies and its Investment Committees
- FAO Credit Union
- Strategy of the Office of the Inspector General for the period 1 July 2021-30 June 2025

### **Delivery of FAO field programme**

14. In July 2021, the Committee had a dedicated session with the Regional and Subregional Offices for Latin America and the Caribbean. The Committee extends its thanks and appreciation for the quality and breadth of the briefing received. It observed some areas for further review, and agreed to draw conclusions and recommendations following a session with another regional and subregional office in 2022.

### **Committee's external and self assessments**

15. In 2021, FAO's senior management who regularly interact with the Committee completed a confidential assessment questionnaire to evaluate the Committee's performance (external assessment). The OAC also carried out its 2021 yearly self-assessment review in line with best practice for oversight advisory committees in the UN system.

16. Focus areas of the external assessment comprised: how well the OAC addressed its responsibilities in accordance with its Terms of Reference; if the advice and recommendations formulated by OAC were considered relevant; and if the OAC communicates with senior management in an effective and constructive manner. The OAC is pleased to report that senior management's average rating for the above topics was 4.6 on a scale from 1 (very little) to 5 (exceptionally well). Similarly, the average rating for the OAC's self-assessment on its mode of operations was 4.7.

17. The Committee notes that a mechanism for peer-reviewing the performance of the OAC is still under discussion among the United Nations System Oversight Committees.

## **II. Accounting and financial reporting policies**

18. During 2021, the Committee received briefings on the Financial Statements and reporting, the Organization's liquidity position and cash-related expenditures; income from Trust Funds; investment strategy and portfolio management, continued compliance with the International Public Sector Accounting Standards (IPSAS), including accounting standards changes; improvements in administrative and financial systems, monitoring of financial controls in decentralized offices; and automatic bank reconciliation.

19. The Committee was also apprised of Governing Bodies' decision on the Working Capital Fund. In relation to the large volume of voluntary contributions committed, it noted with concern the increasing level of demands placed by donors on recipient development agencies, coupled with pressure to reduce administrative and support costs and recommended that a broader dialogue to voice this concern be raised in appropriate fora.

### **III. Oversight**

#### **External Audit (EAUD)**

20. In 2021, the Committee continued to review the external audit long form report and their management letters including the recommendations made therein and was satisfied that there were no significant internal control issues.

21. It welcomed good progress in the delivery of EAUD planned activities and welcomed full cooperation from FAO management, and that implementation of external audit recommendations was progressing satisfactorily.

22. The Committee discussed the need for enhanced clarity in the Financial Regulations concerning performance audits. It suggested that EAUD share and discuss with management their risk assessment on which their selection of topics for performance audits is based, and how this risk assessment takes into consideration the risk assessments generated through the organization-wide risk assessment developed as part of the ERM process, and the OIG risk assessment on which the OIG work plan is based.

#### **Office of Evaluation (OED)**

23. The Committee held a session with OED and welcomed progress against workplan in the area of evaluation. It appreciated clarification received on OIG and OED separate mandates, functions and use of terminology. It was pleased to note the close collaboration with OSP on institutionalizing lessons learned from evaluation and with OIG on areas of mutual interest, as well as good communication with EAUD.

#### **Vendor sanctioning**

24. The Committee reviewed at a dedicated session in 2021 modalities for the application of sanctions and the role of the Vendor Sanction Committee (VSC). It noted the relatively low number of cases brought to the attention of the VSC and agreed to discuss the potential impact of fast-track procurement procedures during COVID-19 and measures taken for increased security with minimum level of compliance at a future meeting.

### **IV. Internal control and risk management**

#### **Internal control policies and risk management**

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. It noted with satisfaction the progress made on FAO's internal control and risk management function, including for the integration of ERM, fraud prevention and internal control functions and welcomed that the dedicated ERM team in the Office of Strategy, Programme and Budget (OSP) had been strengthened.

26. The Committee observed that risk management continues to mature and become more established within FAO's culture. It welcomed the Core Leadership team would functionally act as a 'risk committee' facilitating enhanced visibility and signalling senior management's support to promoting a sound risk culture, risk appetite and maturity within the Organization.

### **Human resources (HR) management**

27. The Committee welcomed the progress made in implementing the *Human Resources Strategic Action Plan*,<sup>2</sup> noting some initiatives would be carried forward or continued in 2022. The Committee supported further analysis of a model of HR business partner to provide dedicated advisory services for headquarters streams.

28. The Committee agreed on the need to rationalize categories of employment and contractual modalities to be developed and implemented in coordination with the UN Chief Executives Board (CEB) High-level Committee on Management (HLCM) and the International Civil Service Commission (ICSC) Working Group on Contractual Modalities.

## **V. Ethics and Ombudsman Offices**

29. The Committee welcomed progress in Organization-wide understanding of the distinction between the ethics and ombudsman functions and welcomed the Ethics Officer and Ombudsperson close collaboration in clarifying doubts or suggesting way forward in cases of overlap of responsibilities.

30. The Committee welcomed comprehensive presentations received by the Ethics Officer and Ombudsperson,<sup>3</sup> including on resources available, and commended the quality of the work of the Ethics and Ombuds Officers, the excellent progress achieved, and their close collaboration.

31. The Committee felt that there is a need within the Organization for a holistic, integrated approach on the subject of integrity and maintaining coordination among all units involved with the administration of justice. In addition, the Committee, while mindful of ‘assessment’ fatigue, suggested to establish a light mechanism to take the pulse on appreciation of the two functions and measure success. The Committee will continue to monitor the adequacy of resources available to the two Offices in the coming year.

32. At the time of writing this report, the Committee had not yet reviewed data for the 2021 Financial Disclosure Programme (FDP) exercise.

### **Prevention of harassment, sexual harassment, and authority abuse and prevention of sexual exploitation and abuse**

33. The Committee welcomed FAO’s efforts in the application of policies, processes and measures for the prevention of harassment, sexual harassment, and authority abuse and for the prevention of sexual exploitation and abuse.

34. It appreciates the Director-General’s total commitment to combat all forms of harassment, sexual harassment, discrimination, abuse of authority, and sexual exploitation, and welcomed the Director-General’s uptake of the OAC’s recommendation to establish a Committee on Workplace Conduct and Protection from Sexual Exploitation.<sup>4</sup>

35. It also noted FAO’s efforts to reinforce a culture of prevention and improve awareness-raising activities. The Committee reviewed the draft version of *FAO’s Code of Ethical Conduct* prior to its finalization, and commended the quality of clarity of this publication. The Committee also observed the excellent presentation from a victim-centred perspective illustrated in the publication *From Concern to Clarity FAO’s Roadmap on where to go when in need*.

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<sup>2</sup> FC 183/4

<sup>3</sup> In full respect of the confidentiality of the work of the Ombudsman Office which cannot be disclosed.

<sup>4</sup> DGB 2021/35

## VI. Effectiveness of internal audit and investigation functions

36. The OAC welcomed assurance of full independence in audit and investigation functions and freedom from any undue interference, as well as good collaboration with all senior management throughout 2021.

37. It was also pleased to note that resources for the Office of Inspector General (OIG) had been substantially increased and were deemed sufficient for 2021, and appreciates the Director-General's commitment to ensuring adequate financial support to OIG as necessary. The Committee also noted OIG had been granted additional delegated authority for recruitment, and welcomed assurance that the Office had good and varied expertise for all investigation aspects, including for special competencies such as post-traumatic auditing techniques.

38. OIG continued to monitor implementation of outstanding audit recommendations/Agreed Actions. As at 31 December 2021, there were 379 outstanding agreed actions, a 23 percent decrease compared to 31 December 2020.<sup>5</sup> The Committee recommended that management regroup outstanding recommendations and close them in clusters, and stressed the importance of critically reviewing the extent and nature of the findings (combining both internal and external audit recommendations) and envisaging long-term solutions to root causes and systemic problems.

39. In 2021, the Committee thoroughly reviewed: (i) 14 audit reports; (ii) quarterly OIG activity reports; (iii) the repurposed workplan for 2021; (iv) the Investigation Guidelines; and (v) OIG Strategy for the period July 2021-June 2025.

40. The Committee dedicated an item to discussing the *Audit Report on the Decentralized Offices' Governance Structure and Capacity*. The Committee concurred with the findings and recommendations of the report, noting with appreciation that a number of FAO's new strategies, such as the HR strategy, and new policies affecting country office transformation would facilitate the implementation of several recommendations contained in the report. The Committee observed that the current model and structure of country offices required thoughtful review to reflect the realities on the ground in consultation with FAO's membership.

41. The Committee commends the work of the Office of Inspector General and the adoption of innovative approaches, *inter alia* the notion of capping reports, thematic audits, and welcomed progress in the development of an assurance framework in collaboration with all units concerned.

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<sup>5</sup> OIG data at 31 January 2021



***Annex 1: Composition of the Committee in 2021***

The Committee is composed of five members. The Committee's composition in 2021 was as follows:

<b>Oversight Advisory Committee 2020</b>	<b>Members</b>
Mr Fayezul Choudhury	Member (since July 2019) and Chairperson (from July 2020)
Ms Anjana Das	Member (since July 2019) and Vice-Chairperson (from July 2020)
Mr Gianfranco Cariola	Member (since December 2017)
Ms Malika Aït-Mohamed Parent	Member (since July 2020)
Ms Hilary Wild	Member (since July 2020)

**Secretary ex-officio**

Ms. Beth Crawford  
Director, Office of Strategy, Programme and Budget (OSP)

*Annex 2: Updated Terms of Reference***FAO Oversight Advisory Committee****Terms of Reference***Effective from June 2022***1. PURPOSE**

- 1.1** The Oversight Advisory Committee [the Committee] serves as an independent expert advisory panel to assist 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, and such other matters as may be referred to it by the Director-General or the Finance Committee in respect of which the Committee is considered to have relevant expertise. The Committee advises on these matters taking into consideration the Financial Rules and Regulations, as well as policies and procedures applicable to FAO, and its operating environment.
- 1.2** The Committee provides independent advice and information to the Finance Committee in these areas, through its annual reports and as appropriate, through updates during the intervening period.
- 1.3** With regard to internal audit, investigation and ethics, the Committee operates in an advisory capacity to the Office of the Inspector General (OIG), the Ethics Office (ETH), and the Ombudsman respectively. As such it advises the Inspector General and the Ethics Officer and the Ombudsman with regard to ongoing quality of performance of these functions.

**2. RESPONSIBILITIES**

- 2.1** The Committee reviews and advises the Director-General and the Finance Committee in ensuring there is proper coordination of oversight activities between internal and external audit functions. While doing so the Committee does not interfere with the respective mandate and independence of the different functions.
- 2.1** The Committee reviews and advises on:
  - a)** Policies and processes affecting accounting and financial reporting issues and the Organization's financial control.
  - b)** Financial statements and reports prior to their submission to the Council, based on discussions with Management and the External Auditor, over the course of the related preparation cycle, to include considerations of:
    - i. significant changes in accounting policies, presentation and disclosures
    - ii. audit scope, required communications by the External Auditor and other matters related to the conduct of the external audit
    - iii. external audit reports and relevant management letters, including status of implementation by management of external audit recommendations
  - c)** The Organization's internal control and risk management strategy, framework, policies and processes, giving due consideration to emerging and significant risks facing the Organization, including consideration of:
    - i. improvement projects concerning internal controls and risk management

- ii. the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits
- iii. the maturity of the risk management processes
- d) The Organization's policies to combat fraudulent, corrupt and collusive practices of its employees and external parties, including improper use of the Organization's resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.
- e) The effectiveness and efficiency of OIG's internal audit and investigation functions, and adherence to the Charter of the Office of the Inspector-General, the Guidelines on Internal Administrative Investigations and to applicable international internal auditing and investigation standards, including consideration of:
  - i. the independent role of the Inspector General and his/her Office
  - ii. the sufficiency of resources available for OIG to meet the Organization's needs
  - iii. OIG's quality assurance mechanisms and results of internal and external quality assurance reviews
  - iv. the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas in coordination with the External Auditor
  - v. audit reports issued by OIG and the status of implementation of the recommendations by the Organization
  - vi. OIG investigations into allegations of misconduct involving FAO personnel and allegations of sanctionable actions involving third parties; investigations on complaints of retaliation where the Ethics Office has determined a prima facie case of retaliation to exist; and the status of actions taken by the Organization on the findings of investigations
  - vii. OIG's activity and annual reports
  - viii. changes to the OIG Charter and operational manuals required to maintain alignment with organizational and professional practices
  - ix. proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector General

**2.2** The Committee also reviews and advises on:

- f) All matters pertaining to the formulation, development and implementation of the Organization's ethics programme, including:
  - i. the ethics activities of the Ethics Officer on the basis of annual reports referred to the Committee by the Ethics Office
  - ii. the main components of the ethics programme, including any relevant policies, regulations and rules, and training
  - iii. the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest
  - iv. the adequacy of resources to effectively carry out its ethics responsibilities
  - v. the development and any changes to the Terms of Reference of the Ethics Office
  - vi. the provision of input to the performance appraisal of the Ethics Officer

- g) Matters pertaining to the activities of the Organization's Ombudsman programme, in total respect of the confidentiality of the work of the Office which cannot be disclosed without the permission of the parties to a dispute, including:
  - i. an overview of activities of the Ombudsman Office
  - ii. the adequacy of resources to effectively carry out its responsibilities
  - iii. the development and any changes to the Terms of Reference of the Ombudsman Office

**2.3** The Committee establishes an annual plan to ensure the Committee's responsibilities and stated objectives for the period are effectively addressed.

**2.4** The Committee submits an annual report on its activities to the Finance Committee and the Director-General. The Director-General may provide comments on the report which would be incorporated in the final report submitted by the Chairperson of the Committee to the Finance Committee.

**2.5** The Committee will provide an annual input to the performance appraisals of the Inspector General and Ethics Officer prior to its submission to the Director-General.

### **3. AUTHORITY**

**3.1** The Committee has the authority to:

- a) Obtain all necessary information from Management, the Inspector General and the Ethics Officer and consult directly with them and their respective staff.
- a) Access all reports and working papers produced by OIG.
- b) Seek any information from any staff member and require all staff to cooperate with any request made by the Committee.
- c) Obtain independent professional advice and secure the attendance of outside persons with relevant experience and expertise, if it is considered necessary.

### **4. COMPOSITION OF THE COMMITTEE**

**4.1** The Committee consists of five external Members. All Members are appointed by the FAO Council on recommendation of the Finance Committee following a selection process managed by the Director-General. The composition of the Committee is provided as an Annex to its annual report to the Director-General and the Finance Committee.

**4.2** The selection process of Members includes the following steps:

- a) The Committee reviews and endorses the *Advertisement for the appointment of Members* and advises Management of desirable profiles for new Members to maintain or strengthen the overall complementarity of skills and experience within the Committee as a whole.
- b) Applications are submitted to the Human Resources Division (CSH), as well as to the Secretariat of the Committee.
- c) Applications are reviewed by the two units independently to ensure the requirements indicated by the Committee itself are taken into consideration.
- d) A list of candidates to be interviewed and the composition of the interview panel is drawn up by CHS in consultation with Senior Management for approval by the Director-General.
- e) The interview panel will comprise a Deputy Director-General as Chairperson, the Legal Counsel, the Director OSP, the Director CSH, the Deputy Director of Cabinet, and an external expert with demonstrated experience in the areas of oversight and investigation.

- f) In formulating its recommendations, the interview panel criteria for selecting the candidates follow best practice in the UN system, and adherence to rule 4.3 below.
  - g) The Director-General makes a recommendation to the Finance Committee for the appointment of Members for its review and submission to the FAO Council for endorsement.
- 4.3** Members are selected on the basis of their qualifications and relevant experience at senior level in the areas of oversight including audit, investigation and ethics, financial management, governance, risk and controls. Due regard is paid in their selection to gender and geographic representation in the Committee.
- 4.4** Members are independent of the Food and Agriculture Organization of the United Nations, and of the Director-General. Former FAO staff members and former staff members who have become FAO consultant following departure from the Organization are not appointed to the Committee within a period of five years following the end of those responsibilities.
- 4.5** Former Members of the Oversight Committee are not appointed to FAO staff and/or non-staff human resources positions within a period of five years following the end of their mandates as Members.
- 4.6** Members serve in their personal capacity and cannot be represented by alternate attendees.
- 4.7** The Committee elects its own Chairperson from within its Members.
- 4.8** Members serve for a three-year period, which may be renewed for a maximum of three further years after the initial term, by a decision of the FAO Council. Members' terms of office are phased as much as possible so as to provide continuity. Renewal is subject to a positive assessment of the Member's contribution during his or her first term, and considerations of maintaining a mix of skills and experience within the Committee as a whole, appropriate to the circumstances at the time.

## **5. SECRETARIAT**

- 5.1** The Secretary of the Committee is the Director of the Office of Strategy, Programme and Budget (OSP) ex-officio, who shall report directly to the Chairperson on matters relating to the work of the Committee. The Secretary has no voting rights in the deliberations of the Committee. OSP provides Secretariat staff support.

## **6. MEETINGS**

- 6.1** At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector General, Ethics Officer, Ombudsman or External Auditor may request the Chairperson to call additional meetings if necessary.
- 6.2** Members of the Committee are normally given at least ten working days' notice of meetings.
- 6.3** The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.
- 6.4** Supporting documents are prepared by the Chairperson or by the Committee Secretariat on the instruction of the Chairperson or on the Secretary's initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairperson, by Management or other Committees of the Organization. The documents and informational material circulated for the consideration of the Committee are used solely for that purpose and treated as confidential.
- 6.5** The presence of all five Members is expected at each meeting but meetings can take place with a quorum of three Members. The Committee's decisions are usually taken by consensus but if this is not the case by the majority of the Members present and voting. Should the votes be equally divided, the Chairperson has the casting vote.

- 6.6** The Chairperson or other Members may participate in a meeting by telephone or video conference link, during which time they are counted, for the purpose of establishing a quorum.
- 6.7** If the Chairperson is unable to attend a meeting, the Vice-Chairperson chairs the meeting. Should the Vice-Chairperson also be unable to attend the meeting, the other Members elect an Acting Chairperson for that meeting from among the Members present.
- 6.8** The Chairperson may invite Management, the Inspector General, the Ethics Officer, the Ombudsman, or other FAO staff to attend meetings. The Chairperson may also invite the External Auditor to attend meetings.
- 6.9** The Committee may decide to meet in closed session from time to time as determined by the Committee, or in private sessions with the Secretary. The Committee may also meet in private sessions with Management representatives, the representative of the External Auditor, the Inspector General, the Legal Counsel, the Ethics Officer and the Ombudsman, as required. The Committee shall also meet with the External Auditor in a private session at least once a year.
- 6.10** Minutes of meetings are prepared and kept by the Committee Secretary. The Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.
- 6.11** The deliberations of the Committee and the minutes of its meetings are confidential unless otherwise decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with the Director-General, the Ethics Officer, the Ombudsman, the Inspector General and other FAO Senior Managers, or request the Secretary to provide summaries of decisions for the purpose of follow-up action.

## **7. CONFLICTS OF INTEREST**

- 7.1** Prior to their appointment, new Members complete a conflicts of interest declaration. Thereafter, all Members will complete an annual statement of confidentiality and disclosure of conflicts of interest and Members formally notify any changes occurring between yearly declarations. Where an actual or potential conflict of interest arises, the interest is to be declared and results in the Member(s) being excused from the discussion or abstaining from voting on the matter. In such event, a quorum is required from the remaining Members for the consideration of this matter.

## **8. RESPONSIBILITIES AND LIABILITIES OF MEMBERS**

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

## **9. REPORTING**

- 9.1** The Committee shall submit reports to the Director-General and the Finance Committee.
- 9.2** The Committee prepares an annual report on its work containing advice, observations and recommendations, as appropriate for consideration by the Director-General and the Finance Committee. The report:
- a)** includes an annual self-assessment of the Committee's work
  - b)** provides the Committee's views regarding how OIG addresses identified high-risk areas through its plan and the adequacy of its budget to carry out the said plan

- c) also provides the Committee's views on the annual OIG report including its statement of independence

**9.3** The Chairperson of the Committee or Vice-Chairperson, or another Member, should neither the Chairperson nor the Vice-Chairperson be available, is invited to the Finance Committee to present the Committee's annual report. The Committee may also meet with the Finance Committee once a year to exchange important concerns at a time that is determined by both parties.

**9.4** The Chairperson communicates with the Director-General's designated focal point on the results of the Committee's deliberations, if not deemed confidential, as well as on forthcoming issues relevant to its business.

**9.5** The Secretary of the Committee also prepares a mid-year progress report on implementation of the Committee's recommendations for approval by the Chairperson of the Committee prior to its submission to the Autumn session of the Finance Committee.

## **10. REMUNERATION AND REIMBURSEMENT OF COSTS**

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

## **11. PERIODIC REVIEW OF THE TERMS OF REFERENCE**

**11.1** The Committee periodically, and at least annually, reviews the adequacy of its Terms of Reference, where appropriate recommending changes to the Director-General and the Finance Committee for subsequent submission to the Council for decision.

***Annex 3: Status of implementation of Oversight Advisory Committee recommendations<sup>6</sup>***

● COMPLETED		● BEING FINALIZED		● ONGOING	
<b>INTERNAL CONTROL, RISK MANAGEMENT, PREVENTION OF FRAUD AND OTHER CORRUPT PRACTICES</b>					
1.	OAC 59 October 2021	●	<p><b>OAC:</b> In relation to the recommendations of the Audit Report on the Decentralized Offices' Governance Structure and Capacity, observed that the current model and structure of country offices required thoughtful review to reflect the realities on the ground in consultation with FAO's membership. It concluded that most findings in the audit report may be related to the adequacy of resource levels.</p> <p><b>FAO:</b> The "Country Office Transformation" (COT) analysis of the country office business model carried out in 2020-21 results are broadly aligned with the findings and recommendations of the Audit report. The COT will be fully integrated in the ongoing transformation of regional structures. The need for adequacy, predictability, flexibility, and continuity of resources is at the core of the COT. Following internal adjustments of the business model, FAO will be in a position to advance in addressing more structural audit recommendations that require detailed analysis of Country Offices' coverage and capacities, through engagement and wider consultation with the membership.</p>		
2.	OAC 58 July 2021	●	<p><b>OAC:</b> Recommended that the existing risk assessment process undertaken by management be more explicitly linked to the risk assessment processes undertaken by the internal and external auditors and the evaluation function to ensure that areas selected for independent review are based on a holistic view of risks.</p> <p><b>FAO:</b> Completed. This recommendation was discussed at the OAC 60th meeting.</p>		
3.	OAC 58 July 2021	●	<p><b>OAC:</b> Recommended that management retain a clear focus on analysing the resources and processes for assessing implementation capacity of extrabudgetary resources and providing supervision over recipient executed projects.</p> <p><b>FAO:</b> Ongoing. Implementation of this recommendation will be in parallel with recommendation #1 above.</p>		
<b>INTERNAL AUDIT AND INVESTIGATIONS</b>					
4.	OAC 58 July 2021 OAC 57 February 2021	●	<p><b>OAC:</b> Expressed concern over the volume of outstanding audit recommendations, and stressed the importance of "joining the dots" between the extent and nature of the findings (both internal and external audit recommendations) and envisaging long-term solutions to root causes and systemic problems, and suggested that FAO identify a dedicated locus for this scoping analysis.</p> <p><b>FAO:</b> Completed. OIG in addition to the recent audit of recurring and systemic issues in FAO Country Offices' Operations, made recommendations for the root causes of the recurring issues and more similar reports. DDG-Thomas office is the dedicated locus for the scoping analysis.</p>		
5.	OAC 55 July 2020	●	<p><b>OAC:</b> Recommended continued attention by FAO on developments within the UN system concerning the provisions for a process and modalities for allegations of misconduct against a Director-General.</p> <p><b>FAO:</b> Ongoing.</p>		
<b>ETHICS AND OMBUDSMAN FUNCTIONS</b>					
6.	OAC 58 July 2021	●	<p><b>OAC:</b> Noting that many units (OIG, ETH, OMB, HR) were involved in the management of the internal justice system, recommended a more cohesive, holistic view in analysing the root causes and observations of the individual units to identify the causes and potential remedies for increases in the number of cases relating to workplace integrity issues.</p> <p><b>FAO:</b> OIG, ETH, OMB, CSH, as well as LEG are part of the Integrity Network which regularly meets to discuss and harmonize the Organization's approach and activities on integrity matters. One of the ongoing activities is the collection and analysis of data by OIG, ETH, OMB and CSH ultimately aiming to streamline the data collection and analysis. Periodic briefings on the results of the data analysis have already started and will be regularly presented to Management.</p>		

<sup>6</sup> Recommendations formulated during the 58th meeting of the OAC were validated by the Committee at its 59th meeting (October 2021).



7.	OAC 55 July 2020	●	<p><b>OAC:</b> Recommended the Ethics Office assume the responsibility for management of the gifts policy.</p> <p><b>FAO:</b> The review of the gift policy is being finalized, following input received from various stakeholders.</p>
8.	OAC 59 October 2021 AC 54 February 2020	●	<p><b>OAC:</b> Suggested to establish a mechanism to take the pulse on appreciation of the functions and measure success, such as an occasional survey. [The Committee requested to conduct a survey on satisfaction with the Ethics Office two years after its full establishment (2022) AC 54].</p> <p><b>FAO:</b> The Ombudsman will work with the Ethics Office to undertake a pulse survey to assess the value of the functions and how they are perceived by FAO personnel. ETH has subscribed to Customer Thermometer on a trial basis to acquire input on the level of satisfaction with the service.</p>
<b>HUMAN RESOURCES</b>			
9.	OAC 59 October 2021	●	<p><b>OAC:</b> Recommended that the large volume of HR audit recommendations be clustered and grouped by underlying cause to promote systemic remedies.</p> <p><b>FAO:</b> Ongoing. Much progress has been made in addressing outstanding recommendations through the new policies for affiliated personnel (being finalised) and recruitment policy.</p>
10.	OAC 59 October 2021	●	<p><b>OAC:</b> Supported a suggestion to assigning HR specialists under the Organizational streams for dedicated advice.</p> <p><b>FAO:</b> Discussion ongoing.</p>
11.	OAC 59 October 2021	●	<p><b>OAC:</b> Agreed on the need to rationalize categories of employment and contractual modalities and suggested this be brought forward in coordination with other UN entities.</p> <p><b>FAO:</b> Ongoing. FAO welcomes and supports the work of the CEB Task Force on the <i>Future of the United Nations System Workforce</i>, including to develop “new sustainable contractual modalities that foster organizational agility in a financially sustainable manner, while also ensuring social protection benefits and career development for staff, and facilitating mobility and workforce planning”. FAO is closely following the discussions and proceedings of the International Civil Service Commission (ICSC) working group.</p>