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**Report of the Joint Inspection Unit of the United Nations System:
*Review of management and administration in the Food and Agriculture
Organization of the United Nations (JIU/REP/2023/5)***

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United Nations

Review of management and administration in the Food and Agriculture Organization of the United Nations

Report of the Joint Inspection Unit

**Prepared by Carolina Fernández Opazo, Pavel Chernikov
and Conrod Hunte**

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*Executive summary***Review of management and administration in the Food and Agriculture Organization of the United Nations****Introduction**

The review of management and administration in the Food and Agriculture Organization of the United Nations (FAO) is part of a series of management and administration reviews of the participating organizations of the Joint Inspection Unit (JIU) and is in line with the second thematic area of its long-term strategic framework 2020–2029 (single organization management and administration reviews). In 2002, JIU reviewed the management and administration in FAO (JIU/REP/2002/8). The present review, which was originally planned for 2021 but subsequently suspended, is part of the 2023 programme of work.

Background and review objectives

Founded in 1945 to address urgent food and agricultural issues following the Second World War, FAO is a specialized agency of the United Nations system that leads international efforts to eradicate hunger. Its goals are to: raise levels of nutrition and standards of living; secure improvements in the efficiency of the production and distribution of all food and agricultural products; better the condition of rural populations; and thus contribute towards an expanding world economy and ensure humanity's freedom from hunger.

The overall objective of the review was to assess the management and administrative framework of FAO. In the review, the Inspectors focused on the following areas: governance and leadership; organizational structure; budgetary and financial management; administration and human resources management; information and communications technology; and risk management, internal controls and oversight.

Main findings and conclusions

The following summary only contains the findings and conclusions that led to formal recommendations. Many informal recommendations that address the different subjects reviewed by the review team are also included in the report.

Governance and leadership

FAO leadership has taken action to foster an ethical and harmonious workplace. The ethics and ombudsman functions have seen some changes within FAO during the past 15 years, culminating recently in the establishment of two independent and stand-alone offices. The main concern expressed by the Inspectors is that the heads of those offices rely solely on FAO management for the continuation of their contractual relationship with the organization and the associated risk that that represents to their independence. The review team noted the absence of performance indicators that would allow the organization to accurately measure the impact of those offices.

Notwithstanding the improvements seen by separating the ethics and ombudsman functions, issues concerning their responsibilities and functional independence need to be addressed (**recommendation 1**) and key performance indicators need to be established (**recommendation 2**).

Organizational structure

While the organizational chart and the reporting lines are important elements of the organizational structure, field operations are at the heart of the FAO mandate. It was found that the functions and responsibilities of the regional, subregional and country offices are not considered within the FAO Basic Texts and are only referred to in the organization's Administrative Manual.

Even in its document "FAO decentralized offices: where knowledge becomes action" FAO only provides an overview of its offices outside headquarters and does not offer a clear indication of the relationship between regional, subregional and country offices and headquarters, nor does it refer to the relationship between liaison and partnership and liaison offices and regional representations or the seat of the organization.

With the exponential growth of extrabudgetary resources and projects seen by FAO over the past decade, the functions, responsibilities and operating procedures of regional, subregional, country, liaison, and partnership and liaison offices should be clearly defined and updated to reflect their roles and responsibilities, ensure that they are fit for purpose and respond to the expectations of the organization's members and donor and financial institutions (**recommendation 3**).

Budgetary and financial management

FAO operates based on an integrated budget introduced at the request of its members after the independent external evaluation of FAO carried out in 2008, the Immediate Plan of Action for FAO Renewal (2009–2011) and FAO Conference resolution 10/2009 on implementation of the Immediate Plan of Action on reform of the programming, budgeting and results-based monitoring system; relevant budget processes have since remained substantially unchanged. Since the introduction of the integrated budget model, the organization's planning documents have evolved to reflect members' increased focus on results, while details on specific inputs (staff and non-staff) have been deemphasized. Therefore, the FAO Programme of Work and Budget does not contain information on the distribution of the budget by categories and items of expenditure, a comparison of budgetary targets against actual performance, vacancy rates or a staffing table showing posts by grade down to the lowest organizational unit.

The Inspectors are of the view that transparency and ownership of the budget by the organization's members, as well as accuracy in budgeting, need to be enhanced and that members need to be provided with an opportunity to reflect on the means necessary to attain the respective goals, including subjects such as the use of consultants and travel. Providing information on the distribution of the budget by item of expenditure and staffing tables (**recommendation 4**), targets against actual performance (**recommendation 5**) and the use of actual vacancy rates (**recommendation 6**) might address that issue.

When analysing the financial situation of FAO, the Inspectors were provided with the financial ratios in relation to the regular and extrabudgetary contributions. The ratios were much higher for extrabudgetary resources than for regular programme resources, with the most striking difference being the ratio of total assets to total liabilities.

Such a situation may be the result of increasing levels of extrabudgetary contributions and the cost to the regular programme budget for past after-service health liabilities under After Service Medical Coverage. Some charge against extrabudgetary resources to fund such liabilities could be considered (**recommendation 7**).

Administration and human resources

During the review, the Inspectors found two interlinked issues related to the administration and human resources, namely, high vacancy rates and long recruitment times.

Some posts had remained vacant for more than two years and some resources included in the budget were used for other purposes, such as flexible contractual arrangements, mainly for the affiliated workforce. Furthermore, the vacancy rate at the time of the review was more than 20 per cent, while the average recruitment time, from vacancy announcement to selection decision, had increased to 178 days.

While that increase in the recruitment timeline is partially explained by discontinuing rosters and batch recruitment and by matching a single vacancy announcement and single recruitment panel with each position to be filled, action should be taken to reduce both vacancy rates and recruitment times (**recommendation 8**).

Risk management, internal control and oversight

The Inspectors note that, while there are many improvements in the areas of risk management and internal controls, there are still significant weaknesses in risk management and monitoring activities, including in programme monitoring and evaluation. Addressing those gaps could further improve the effectiveness of the organization (**recommendation 9**).

With regard to independent oversight, the Inspectors acknowledge the improvements in the overall oversight culture of the organization and believe that the independence and the direct relationship of the Office of the Inspector General and the Office of Evaluation with the governing bodies should be strengthened further to support improved transparency and accountability and that changes should be consistent across both Offices (**recommendation 10**).

Recommendations

The present review contains 10 recommendations, of which six are addressed to the FAO Council and four to the Director-General for action. There are also 34 informal recommendations aimed at improving the overall effectiveness and efficiency of FAO.

Recommendation 1

The Director-General should ensure, by no later than the end of 2024, that the contractual arrangements for the heads of the Ethics Office and Ombudsman Office are aligned with best practices, in order to enhance their independence.

Recommendation 2

The Director-General should ensure that the Ethics Office and Ombudsman Office establish key performance indicators that better quantify outcomes in the context of submitting the next draft Medium-term Plan and Programme of Work and Budget in 2025.

Recommendation 3

The Council should present the Conference, at its forty-fourth session, with a proposal on the necessary changes to the relevant parts of the Basic Texts regarding the functions and responsibilities of the decentralized offices.

Recommendation 4

The Council should request the Director-General to provide, in the submission of a draft Programme of Work and Budget for 2026–2027, information on the distribution of the budget by category and item of expenditure (at least in the form of one table) and a staffing table showing the distribution of posts by grade, down to the lowest organizational unit.

Recommendation 5

The Council should request the Director-General, when submitting the draft Programme of Work and Budget for 2026–2027, to include in the budget tables, as well as in the annexed tables on key performance indicators (namely, annex I on the updated results framework), an additional column showing the actual performance over the previous biennium or year for which this information is available.

Recommendation 6

The Director-General should, in the context of submitting the draft Programme of Work and Budget for 2026–2027, propose, on a pilot basis, an option of full or partial budgeting of vacancy rates based, as far as possible, on actual rates.

Recommendation 7

The Council should request the Director-General to present a proposal to introduce, by the end of 2024, a uniform symbolic charge on extrabudgetary contributions (e.g. 0.1 to 0.5 per cent of their total value) to supplement the funding of past after-service health liabilities under After Service Medical Coverage that has already been accumulated through assessed contributions and the interest on them.

Recommendation 8

The Council should request the Director-General to implement specific measures to reduce vacancy rates and expedite recruitment processes without compromising on the quality of the candidates and to report, by no later than 2025, on the impact of these measures.

Recommendation 9

The Director-General should strengthen the design and effectiveness of the organization's enterprise risk management processes and its monitoring activities, such as programme monitoring and evaluation, starting with an action plan to be submitted, by the end of 2025, to the Council, through a joint session of the Finance Committee and the Programme Committee, clearly indicating the roles and responsibilities in the design, implementation and monitoring of these processes.

Recommendation 10

The Council should review, by the end of 2026, the Charters of the Office of the Inspector General and the Office of Evaluation so as to strengthen their organizational independence, their relationships with the governing bodies (e.g. reporting lines to the Council, delegations of authority and the role of the Council in approving budgets) and the management committees (e.g. the Internal Evaluation Committee) and their link to the Oversight Advisory Committee, which advises both management and the governing bodies.

The formal recommendations are complemented by 34 informal recommendations, indicated in bold text in the present report and included in the list below, as additional suggestions aimed at enhancing the efficiency and effectiveness of the organization:

- The Inspectors, while recognizing the right of member nations to choose their own candidates, urge the Council to encourage them to provide details of the qualifications of the candidates to the Council Committees and to make every effort to put forward candidates with relevant experience, in accordance with the Basic Texts (see para. 29).
- The Inspectors strongly advise the Director-General to carry out a review of the Administrative Manual to reflect the changes implemented by the organization (see para. 32).
- The Inspectors encourage the Council to consider the possibility of expanding the scope of the 2025 review of the Strategic Framework to include an assessment of the new ways of working (see para. 33).
- The Inspectors encourage the Director-General to give clear titles to posts, particularly in respect of the Core Leadership, and reflect them in the organizational chart (see para. 57).
- The Inspectors urge the Director-General to reflect on the adequacy of resources allocated to the appropriate offices in order to properly carry out the action plan agreed upon in response to the “Audit of decentralized offices’ governance structure and capacity” and encourage the Council to follow up annually on the implementation of the plan (see para. 63).
- The Inspectors propose that further consideration be given to increasing the delegation of authority to regional offices once assurances are provided that the functions can be performed in a timely manner, at minimal risk, with full accountability and with proper internal controls (see para. 65).
- The Inspectors consider that the Director-General should continue to take all the necessary measures to ensure, in relations with donors, both full respect for the Single Audit Principle and full recovery of support costs on all projects funded by voluntary contributions (see para. 96).
- The Inspectors encourage the Director-General to consider adding, in the context of submitting the draft Programme of Work and Budget for 2026–2027, a second key performance indicator for outcome 10.2 to provide a more comprehensive and nuanced assessment of the management of financial resources (see para. 98).
- The Inspectors encourage the Council to keep the split assessment system under review and, in the context of future Programmes of Work and Budgets, assess the feasibility of continuing to receive contributions paid in euros through a non-eurozone location (see para. 102).
- The Inspectors strongly advise the Council to consistently ensure that the member nations take ownership of all relevant improvements to human resources policies, including approval of their financial implications, and, when applicable, assurances regarding adherence to the standards of the United Nations common system (i.e. with respect to job classification) should be sought from the International Civil Service Commission (see para. 113).
- The Inspectors, noting the progress achieved in recent years in improving staff-management relations through interaction with staff unions and trusting that such an approach will continue, encourage the Director-General to accelerate consideration of the requests of both recognized staff unions to allow them to represent more categories and/or groups of personnel and to report thereon, by no later than 2025, to the Council in the context of the human resources annual report (see para. 114).

- The Inspectors would urge the Director-General to explore the feasibility of resuming the use of rosters of prequalified candidates to accelerate the recruitment process (see para. 123).
- The Inspectors encourage the Director-General to use rankings of the recommended candidates presented by the relevant panels, in order to speed up the recruitment decision-making process (see para. 124).
- The Inspectors also encourage the Director-General to consider enhancing the transparency of the work of the recruitment panels by having independent members nominated – to the extent possible – by the staff unions recognized by the organization (see para. 125).
- The Inspectors propose that the Director-General, when developing a new mobility policy, also consider exploring an option for the enhancement of voluntary mobility (see para. 129).
- The Inspectors noted that the representatives of the staff unions recognized by the organization confirmed the value of personal plans attached to the appraisal forms and encouraged their continued use (see para. 133).
- The Inspectors noted a suggestion, made during interviews, regarding ways and means to move to a more objective performance appraisal and encourage the Director-General to pilot setting limits on the number of performance appraisals receiving the rating “exceeding expectations” (e.g. 20 per cent of each organizational unit) and to report, by no later than 2025, the results to the Council in the context of the human resources annual report (see para. 134).
- The Inspectors observed, during their visit to the Shared Service Centre, a well-structured, well-managed, efficient and effective office; they encourage the Director-General to reflect on the adequacy of the resources allocated to the Centre in order to further enhance the level of excellence and customer satisfaction (see para. 136).
- The Inspectors propose that FAO develop a robust business case and a benefits realization plan, outlining the advantages that will be attained through the implementation of the enterprise resource planning system over a defined time frame, and present it to the Council as part of its decision-making process (see para. 152).
- The Inspectors are of the view that FAO should follow the experience of similar United Nations entities that have phased the implementation of their enterprise resource planning by system, business unit or location – or a combination thereof (see para. 153).
- The Inspectors commend FAO senior management for having a formal accountability framework and reiterate the importance of aligning it with good practices incorporated in the JIU updated reference accountability framework (see para. 155).
- The Inspectors encourage FAO senior management to review the overall structure and content of the statement of internal controls to include, among other elements, clearer reference to the Accountability Policy and to the audit reports issued during the year that are rated “major improvements needed” (see para. 156).
- The Inspectors suggest that the internal audit function develop additional key performance indicators that will allow the Oversight Advisory Committee and the Finance Committee to base their assessment of the adequacy of the budget of the function on objective information. Importantly, the resources should be linked to risk-based planning to identify the risks that will not be addressed based on insufficient resources (see para. 161).
- The Inspectors propose that in the annual report of the Inspector General actual expenditure be split between internal audit and investigations, as they are currently not shown separately. That would help the Conference to assess the adequacy of the budget allocated to very different activities of the Office of the Inspector General (see para. 162).

- The Inspectors encourage the Council, with the support of the Finance Committee, to reflect on the need to strengthen the independence of the Inspector General and the reporting function to the Finance Committee and the Council, as the Inspector General currently only has one reporting line, which is to the Director-General, who prepares his performance appraisal, with inputs from the Oversight Advisory Committee (see para. 164).
- The Inspectors suggest that the Office of Evaluation review the structure of its annual report and include more explicit information on mandatory versus discretionary evaluations and more transparency on their respective funding sources (see para. 167).
- The Inspectors propose that an update on the implementation status of the recommendations emanating from evaluations be included in all the documents presented to the governing bodies and that the Office of Evaluation and the Office of the Inspector General work together to prepare a consolidated view of the areas for improvement by topic, department or office or, at least, present information in a coherent manner, to facilitate dialogue with and the understanding of the governing bodies about the outstanding risks (see para. 169).
- The Inspectors propose that consideration be given to changing the name of the Office of Evaluation to distinguish its reports from those issued by other departments in FAO (see para. 172).
- The Inspectors encourage FAO to continue dealing with integrity-related policies and procedures in a multidisciplinary manner and to strengthen the involvement of staff counsellors, who may be able to contribute to the identification of systemic issues through their regular reporting and provide insight into broader trends without breaching confidentiality or eroding trust in the function (see para. 174).
- The Inspectors strongly encourage the Office of the Inspector General and the Office of Evaluation to review, together and with due consideration for appropriate standards of confidentiality, the design and effectiveness of all existing communication channels available to affected populations to provide their feedback or report any wrongdoing, and to discuss the findings in a joint meeting of the Finance Committee and the Programme Committee (see para. 175).
- The Inspectors would like to recommend that the investigation section of the annual report of the Inspector General also include information on the type of allegation by source. They would also like to suggest that additional information, by source and by type, from initial allegation to final outcome, as decided by human resources management, the Director-General and/or the tribunals or local authorities where relevant, be presented to the Council or the joint Finance Committee and Programme Committee meeting, as it would help to increase the level of understanding of the problems faced by the organization and to facilitate informed discussions with member nations (see para. 176).
- The Inspectors strongly advise the relevant body to amend the Basic Texts to institute limits on the term of office of the External Auditor (see para. 180).
- The Inspectors would like to suggest that the Council request a change in the structure of the External Auditor progress report, to include information on the level of risk of the outstanding recommendations and to cluster outstanding recommendations by process, topic or risk, to facilitate the dialogue with governing bodies and the other oversight functions (see para. 181).
- The Inspectors propose a review of all key FAO governance and accountability documents to ensure that the terms of the agreement between FAO and JIU, including the role of JIU, are properly reflected and that the process to accept, discuss and monitor the implementation of the recommendations of JIU is clear and approved by the Council and in line with the recommendations of the JIU review on the acceptance and implementation of Joint Inspection Unit recommendations, which is currently in progress (see para. 184).

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Abbreviations

FAO	Food and Agriculture Organization of the United Nations
ICT	information and communications technology
JIU	Joint Inspection Unit

I. Introduction

1. The review of management and administration in the Food and Agriculture Organization of the United Nations (FAO) is part of a series of management and administration reviews conducted by the Joint Inspection Unit (JIU) for its participating organizations. The review was included in the programme of work of JIU for 2023¹ and is the second management and administration review of FAO conducted by JIU.

2. The previous review of management and administration of FAO was completed in 2002. More than 20 years later, many things have changed: ambitious Sustainable Development Goals are at the heart of the organization's work, extrabudgetary contributions now play a major role in project implementation and the recently reappointed Director-General has introduced new ways of working.

A. Background

3. Founded in 1945 to address urgent food and agricultural issues following the Second World War, FAO is a specialized agency of the United Nations system that leads international efforts to eradicate hunger. Its goals are to: raise levels of nutrition and standards of living; secure improvements in the efficiency of the production and distribution of all food and agricultural products; better the condition of rural populations; and thus contribute towards an expanding world economy and ensure humanity's freedom from hunger.

4. FAO is one of the largest specialized agencies of the United Nations system, reaching the world's population through 5 regional, 10 subregional, 6 liaison, 8 partnership and liaison and 144 country offices, a workforce, mostly field based, of more than 14,000 (of whom more than 3,000 are considered staff) and a biennial budget for the period 2022–2023 of \$3.2 billion. The work of FAO is guided by its Strategic Framework 2022–2031, which was endorsed by the Conference at its forty-first session in 2021.

5. The Strategic Framework seeks to support the 2030 Agenda for Sustainable Development through a transformation to more efficient, inclusive, resilient and sustainable agrifood systems and promotes the “four betters” (better production, better nutrition, better environment and better life), leaving no one behind. The Strategic Framework describes how FAO intends to contribute to the achievement of the Sustainable Development Goals and, more specifically, to Goal 1 (no poverty), Goal 2 (zero hunger) and Goal 10 (reduced inequalities). Furthermore, it is at the centre of management and administrative actions and decisions.

B. Objectives, scope and intended impact

6. The overall objective of the review is to assess the management and administrative framework of FAO. In the review, the Inspectors focus on the following areas: governance and leadership; organizational structure; budgetary and financial management; administration and human resources management; information and communications technology (ICT); and risk management, internal controls and oversight.

7. The financial framework of FAO was assessed, including its resource structure, budget processes, resource mobilization and compliance with financial rules and regulations, as well as challenges related to integrated management of resources from different funding streams, notably assessed and voluntary contributions. In the area of administration and human resources management, some of the aspects that were considered were consolidation of administrative services; alternative and flexible working arrangements; workforce composition; recruitment/appointment practice; contractual arrangements; grade distribution; geographical representation and gender balance; staff performance

¹ See A/77/34.

management; mobility and rotation schemes; succession planning; staff-management relations; communication; and career development.

8. When considering ICT, strategies and systems, including the enterprise resource planning system, as well as data protection and security, were some of the areas that the Inspectors focused on in the review.

9. As part of the review, the Inspectors analysed the overall policy framework on risk management, internal controls and oversight, including but not limited to the Office of the Inspector General, the Office of Evaluation, the Ombudsman Office, the Ethics Office and the External Auditor, as well as the findings, conclusions and recommendations of internal and external oversight bodies, including JIU.

10. The intended impact of the review is to improve the efficiency and effectiveness of achieving the legislative mandates and the mission objectives established by the organization. The review team considered and evaluated many aspects of the organization, but only issues that merit recommendations or mention have been included in the present report. A review of programmatic work conducted by FAO is not included in the scope of the present review. However, it has been covered to the extent needed to understand and assess the adequacy of the management and administrative processes and procedures.

C. Methodology

11. In accordance with JIU internal standards and working procedures, the Inspectors used a range of qualitative and quantitative data collection methods from various sources to ensure the consistency, validity and reliability of their findings. The review team followed a collaborative approach with its stakeholders, seeking comments and suggestions during the review process.

1. Desk review of relevant documents

12. A desk review of the Basic Texts and analysis of the documentation of the Conference, Council and its Committees, recommendations of the oversight bodies, as well as of internal frameworks and regulations, the policies and procedures manual and other relevant internal documents and statistics, were conducted.

2. Questionnaires and requests for information and data

13. A questionnaire was issued to FAO senior management covering eight areas: governance and leadership (organizational structure); budgetary and financial management; administration and human resources management; ICT management; risk management; internal controls and oversight; and inter-agency collaboration and partnerships. Follow-up questionnaires for additional information and clarifications containing 37 questions were transmitted during the course of the review.

3. Surveys

14. Two separate online surveys were conducted: one of members of the Council and its Committees and the other of the FAO workforce.

15. In the survey of members of the Council and its Committees, the broader opinion of member nations was solicited on the management and administrative strategies pursued by FAO senior management. The response rate of member nations was very low, as only 11 out of a possible 61 members answered the survey (18 per cent of members, of which 67 per cent belong to one region).

16. The workforce survey addressed the working environment, leadership, organizational structure, administrative support, human resources, staff-management relations, knowledge-sharing, ICT, risk management, and oversight and evaluation functions. A total of 1,446 responses were received to the workforce survey, which represents approximately 10 per cent of its total workforce. The low response rate could be attributed to the low level of

participation of the affiliated workforce, which comprises 78 per cent of the total FAO workforce.

4. Interviews

17. Between July and September of 2023, the review team conducted 51 in-person interviews (including two focus groups), 18 virtual interviews and five meetings with regional groups at FAO headquarters in Rome, at two regional offices, at the Shared Service Centre and at the liaison offices in New York and Geneva.

18. The review team held interviews with FAO senior management, including the Director-General, the Core Leadership team, the heads of oversight offices (the Office of the Inspector General and the Office of Evaluation), the head of the Ethics Office, the Ombudsman, the heads of offices that report directly to the Director-General (the Legal Office, the Office of Strategy, Programme and Budget and the Office of Sustainable Development Goals), directors of different divisions and offices and other relevant officers, including staff representatives. Interviews were also held with the Independent Chairperson of the Council, the chairpersons of the Council Committees (the Finance Committee, the Programme Committee and the Committee on Constitutional and Legal Matters), regional groups, the Chairperson of the Oversight Advisory Committee and a representative of the External Auditors.

5. Onsite visits

19. The review team visited FAO headquarters in Rome in July 2023 and also carried out two field visits: one to the Regional Office for Africa in Accra and the other to the Regional Office for Europe and Central Asia in Budapest, in July and August 2023, respectively.

20. The review team chose the two regional offices on the basis of their financial and operational relevance. The geographical proximity of both offices and the resources available to JIU were also determining factors in their selection as case studies.

D. Internal process

21. In accordance with article 11 (2) of the JIU Statute, the present report was finalized after consultation among the Inspectors, so as to test its conclusions and recommendations against the collective wisdom of the Unit.

22. All of the information and views received have been dealt with in accordance with the usual respect for confidentiality shown by JIU. The report primarily reflects aggregated responses and, in cases in which quotations are given for illustrative purposes, the sources are never cited.

E. Limitations

23. While FAO has a broad field presence, due to budgetary and human resources limitations, the review team was not able to conduct visits to any subregional or country offices, except for the ones that coincided with the regional offices visited.

F. Acknowledgement

24. The Inspectors wish to express their appreciation to FAO senior management and key stakeholders for their full cooperation in the preparation of the review and, particularly, to the FAO focal point and those who provided written responses, participated in the interviews and/or surveys and willingly shared their knowledge and opinions.

II. Governance and leadership

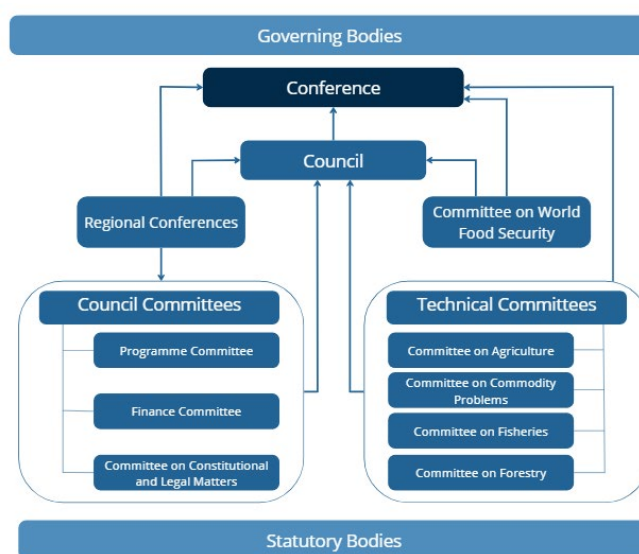
A. Governance structure

1. Legislative organs and governing bodies

25. FAO, as with any member-led organization, depends on the effective and efficient functioning of its governing bodies. The composition and functioning of the governance structure is therefore critical.

26. The governance structure of FAO is composed of seven elements: the Conference,² the Council,³ the Regional Conferences,⁴ the Council Committees,⁵ the Technical Committees,⁶ the Committee on World Food Security⁷ and the statutory bodies,⁸ which have clear reporting lines and well-defined functions, all leading to the main legislative organ, the Conference, which meets every two years and is responsible for determining policy and approving the budget, as well as making recommendations to member nations and associate members regarding questions related to food and agriculture (full overview of the governance and oversight processes related to reporting lines can be found in annex I). In the current review, the Inspectors focused on the Council and its committees and did not consider in any depth the Conference, the Regional Conferences, the Technical Committees or the statutory bodies.

Figure I
FAO governance structure



Source: FAO website.

27. The Council, which is led by the Independent Chairperson, is assisted by the three Council Committees (Programme Committee, Finance Committee and the Committee on Constitutional and Legal Matters). It has the necessary decision-making capacity to allow the organization to function correctly during the time in which the Conference does not convene.

² FAO Constitution, art. 3; and General Rules of the Organization, rules 1–21.

³ FAO Constitution, art. 5; and General Rules of the Organization, rules 22–36.

⁴ FAO Constitution, art. 4 (6).

⁵ Ibid., art. 5 (6) (a).

⁶ Ibid., art. 5 (6) (b).

⁷ Ibid., art. 3 (9).

⁸ FAO Conference resolution 12/79. The current statutory bodies deal with agriculture: animal production and health; commodities and trade; fisheries; food policy and nutrition; forestry; genetic resources for food and agriculture; land and water development; plant production and protection; and statistics.

Thus, the composition of the Council and, particularly, the Council Committees is of considerable interest in maintaining adequate supervision and oversight of the governing bodies.

28. The issue of the composition and functioning of the Council Committees was considered during interviews and online surveys and, while no particular concerns were expressed related to the capacity of the Committees to discharge their responsibilities, the issue of the qualifications of candidates was an area of concern (a full overview of governance and oversight processes related to elections and appointments can be found in annex II). In 2014, the Office of Evaluation made a recommendation⁹ on the issue and the most recent documents related to the election of Council Committee members provide evidence that not all member nations submit adequate information concerning the qualifications of their candidates as set out in the Basic Texts,¹⁰ thus exposing a weakness in the functioning of the Committees. In the case of the Finance Committee, the engagement of experts of recognized standing and experience in financial matters at the international level should be prioritized.

29. **The Inspectors, while recognizing the right of member nations to choose their own candidates, urge the Council to encourage them to provide details of the qualifications of the candidates to the Council Committees and to make every effort to put forward candidates with relevant experience, in accordance with the Basic Texts.**

2. Governance framework and supporting texts

30. The legal framework of FAO is compiled in a single document entitled “Basic Texts” (vols. I and II), which contains the Constitution, the General Rules of the organization, financial regulations, rules of procedure of the governing bodies and other relevant documents.

31. While the Basic Texts provide the framework, the Administrative Manual, which is comprised of seven chapters,¹¹ outlines the functions and responsibilities and guides the operations of the organization. It is further supplemented by the Handbook, which provides operational guidance.

32. Based on the review of the Administrative Manual, and corroborated by interviews held at the regional offices and responses to the workforce survey, the Inspectors observed that some chapters of the Manual needed to be updated. **The Inspectors strongly advise the Director-General to carry out a review of the Administrative Manual to reflect the changes implemented by the organization.**

33. Furthermore, as the review team was unable to assess the broader scope of the new ways of working introduced in recent years, the feasibility of a comprehensive cost-benefit review of the reforms to be carried out in 2025 was discussed with FAO senior management. **The Inspectors encourage the Council to consider the possibility of expanding the scope of the 2025 review of the Strategic Framework to include an assessment of the new ways of working.**

B. Leadership

1. Strategic planning

34. As set forth in the Basic Texts,¹² the work of FAO must be guided by a Strategic Framework, which can cover between 10 and 15 years, but should be reviewed every 4 years. The Strategic Framework is the result of broad consultations within the organization, as well as with relevant stakeholders and member nations, which – through the Council, the Council

⁹ FAO, “Independent review of FAO governance reforms”, CL 150/9, recommendation 9.

¹⁰ General Rules of the Organization, rules 26, 27 and 34, regarding the Programme Committee, the Finance Committee and the Committee on Constitutional and Legal Matters, respectively.

¹¹ Administrative Manual chapters: organization; finance; human resources; travel; property and services; communications and records; and operational modalities.

¹² FAO Conference resolution 10/2009, para. 1 (a).

Committees, the Technical Committees, the Regional Conferences and, ultimately, the Conference – take ownership of the course set out for the organization for the chosen period.

35. The current Strategic Framework, which covers 10 years from 2022 to 2031, incorporates the 2030 Agenda and the Sustainable Development Goals as the main focus for FAO action. It translates the relevant targets into four aspirational areas of action (better production, better nutrition, better environment and better life), leaving no one behind. Those areas of action are broken down into 20 programme priority areas that are linked to the targets and indicators of the Sustainable Development Goals, completing the cycle from strategic objectives to clear deliverables. As stated by FAO, “by putting the 2030 Agenda and the SDGs [Sustainable Development Goals] at the centre of the Strategic Framework, FAO moves away from bespoke targets and indicators and uses a common language to articulate its mandated targets and respective results across all Organizational levels.”¹³

36. The Strategic Framework is the road map of the organization; the vision of management and member nations of the way forward has to be clearly understood and easily translated into targets, activities and indicators. That can only be achieved by working towards the global goals¹⁴ and taking full advantage of the basic attributes and core functions of FAO.

37. Further definition of the role of FAO in achieving the Sustainable Development Goals can be expected during the review of the Strategic Framework in 2025 when the five key dimensions and five critical entry points contained in the Director-General’s manifesto¹⁵ will be considered, as the key dimensions relate to the four cross-cutting/cross-sectional accelerators and thus the “four betters”, and the five critical entry points directly influence the programme priority areas.

38. The Inspectors commend the Director-General on the clear vision contained in the Strategic Framework 2022–2031 and encourage the Council, in exercising its oversight role, to ensure that the organization remains on track in its actions to advance the Sustainable Development Goals.

2. Inter-agency collaboration and partnerships

39. During the 2020–2021 biennium, 48 strategic partnerships with non-State actors and United Nations agencies contributed to the strategic programmes of FAO and the Sustainable Development Goals, including the Hand-in-Hand Initiative and the coronavirus disease (COVID-19) pandemic response and recovery programme. Within the United Nations system, FAO developed nine new partnerships and facilitated, led or co-led five large advocacy initiatives to build synergies and mainstream United Nations-wide strategies and policies. In partnership with the Rome-based agencies, FAO collaborated with the Joint Sahel programme in response to the challenges of COVID-19, conflicts and climate change. FAO also partnered with 40 academic and research institutions to develop innovative tools and platforms for monitoring and early warning in relation to pests and diseases, predictive satellite modelling, capacity development on sustainable agriculture, technical support on food security and nutrition, sustainable resources management, landscape restoration and small-scale fisheries. Partnerships with civil society organizations led to enhanced conflict-sensitive programming, responsible investment in agriculture programmes, and support for climate resilience in agrifood systems.¹⁶

¹³ Strategic Framework 2022–2031, para. 54.

¹⁴ The three global goals of members are: (a) eradication of hunger, food insecurity and malnutrition, progressively ensuring a world in which people at all times have sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life; (b) elimination of poverty and driving forward of economic and social progress for all, with increased food production, enhanced rural development and sustainable livelihoods; and (c) sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations (Strategic Framework 2022–2031, para. 48).

¹⁵ FAO Director-General, “From vision to action: building a modern FAO in line with its core competencies” (2023).

¹⁶ FAO, “Programme implementation report 2020–21” (Rome, 2022), para. 146.

40. FAO has close programmatic relationships with the World Food Programme and the International Fund for Agricultural Development as their respective work is aligned with that of FAO in areas such as nutrition and food security. Collaboration plans and activities for the corporate services of the United Nations Rome-based agencies at headquarters level cover some business services, such as facilities management; copying, mail and printing; security and safety; travel, accommodation and visas; fleet (light vehicle/transport); greening activities; procurement services; health and well-being services; the Shared Service Centre; development and maintenance of applications; ICT infrastructure; ICT services; telecommunications; human resources policy and conditions of service; staffing and recruitment; personnel development; and staff social security.¹⁷

41. During the review, senior management indicated that a report¹⁸ on the recent feasibility study on the integration of administrative services among the Rome-based agencies was in the final stages of being reviewed. The Inspectors expect that the results of the study will be promptly shared with member nations.

42. Inter-agency collaboration is particularly relevant in achieving the Sustainable Development Goals. As expressed by FAO in response to the corporate questionnaire, “overall, considering the broad mandate of FAO across various sectors and the Sustainable Development Goals, there are many areas of overlap, synergy and interdependence with other United Nations agencies. To address the current unprecedented global challenges, FAO is developing a new approach to United Nations partnerships to ensure transformation towards more efficient, inclusive, resilient and sustainable agrifood systems”. FAO continues to work with the World Health Organization on the Codex Alimentarius, with the United Nations Development Programme on poverty and food security, with the United Nations Children’s Fund on child nutrition and food security and with the United Nations Population Fund on food security, nutrition of pregnant women and gender equality in agriculture, to mention just a few.

43. In its annual report for 2022 on private sector engagement, FAO indicates that private sector relations continue to be dominated by informal engagements (90 per cent of the portfolio), with the remaining 10 per cent being formal partnerships. In implementing the Strategy for Private Sector Engagement 2021–2025 the organization closed 2022 with a total of 44 active formal engagements, compared with 40 in 2021, with 28 of these engagements formalized through memorandums of understanding, 14 through letters of intent and 2 through exchanges of letters.

3. Ethics and ombudsman functions

44. The Director-General has set the tone at FAO by making staff well-being and ethical conduct a priority, highlighting the relevance of both the ethics and ombudsman function within the organization.

45. During the past 15 years, the ethics and ombudsman functions at FAO have seen changes. First, through the establishment of an Ethics Office in 2009, followed by the appointment of the Ethics Committee in 2012. In 2014, both functions were strengthened by the creation of a position, at the D-1 level, for ethics/ombudsman in the Legal Office. Lastly, in 2019, the position was separated into two independent and stand-alone positions, namely Ethics Officer and Ombudsman. Notably, both positions are at the P-5 level.

46. Notwithstanding the improvement seen in the separation of the functions, the Inspectors have some concerns regarding responsibilities, functional independence and performance indicators.

47. Regarding responsibilities, in the case of the Ethics Office, in its 2023 Corporate Risk Action Plan, FAO identifies the breach of ethical standards as a major risk and, as some of the main causes thereof: lack of awareness among FAO personnel of ethical standards and fiduciary responsibilities; inadequate policies, procedures and tools for prevention, detection,

¹⁷ FAO, “Progress report on Rome-based agencies collaboration”, CL 171/13, annex 1 (joint corporate services detail).

¹⁸ FAO, “Feasibility study on the integration of administrative services among the Rome-based agencies”, JM 2023.1/2.

management and reporting of sexual exploitation and abuse; inadequate processes and mechanisms for prevention, detection, investigation and reporting of fraudulent and corrupt behaviour, harassment, sexual harassment and abuse of authority; and inadequate support for those affected by abuse, harassment or sexual harassment to encourage reporting. However, the Action Plan does not mention the Ethics Office in any capacity. It should also be noted that, in 2022, the position of focal point for protection from sexual exploitation and abuse was transferred to the Office of Emergencies and Resilience. That raises concerns about the integration of the Ethics Office with other management functions and the recognition of its key role in tackling ethical issues, while the Office of the Ombudsman is limited to “continue to help resolve workplace conflicts and support FAO’s efforts to foster a harmonious workplace, by providing confidential and impartial guidance to anyone working within FAO who may have work-related concerns”.¹⁹

48. With regard to independence, while both offices confirmed that, currently, they acted with independence, it was noted that there were no guarantees that that was sustainable. The Inspectors observed that the duration of the contract of the heads of both offices was for two years instead of the five-year term that was standard for such positions in other organizations, which might de facto affect their independence. The issue of independence and the contractual arrangements of the ethics function were addressed by JIU in its review of the ethics function in the United Nations system.²⁰ The implementation of the following recommendation is expected to contribute to dissemination of good practices in relation to the ethics and ombudsman functions.

Recommendation 1

The Director-General should ensure, by no later than the end of 2024, that the contractual arrangements for the heads of the Ethics Office and Ombudsman Office are aligned with best practices, in order to enhance their independence.

49. Furthermore, key priorities are not translated into key performance indicators and thus there are limited possibilities to gauge how the ethics and ombudsman functions affect and contribute to the work environment of FAO. The existing indicators only refer to outputs such as training courses or the number of reviews completed within a set timeline and do not seek to measure outcomes, such as compliance with policies, procedures and practices related to the ethical standards of the Standards of Conduct for the International Civil Service and the effectiveness of the Ombudsman’s mediation and conciliation.

50. In order to better quantify the effectiveness of the actions of FAO towards a more ethical culture and harmonious workspace, the Ethics Office and Ombudsman Office might wish to consider the drivers emphasized in their annual reports²¹ to develop more outcome-oriented key performance indicators. Both offices would benefit from using satisfaction scores, based on regular standardized surveys,²² on fulfilment of their mandates.

51. As additional information, it should be noted that, according to the figures provided by the Office of the Inspector General for the period 2018–2022, there was 1 substantiated case of sexual exploitation and abuse, and the number of substantiated cases of fraud

¹⁹ FAO, *The Director-General’s Medium Term Plan (Reviewed) 2022–25 and Programme of Work and Budget 2024–25*, C 2023/3, (Rome, 2023), para. 223.

²⁰ JIU/REP/2021/5, recommendation 1.

²¹ In its 2022 annual report, the Ethics Office makes reference to gender equality and equity; psychological safety and speak-up culture; protection against retaliation; outside activities versus activities done in an official capacity; inappropriate sexual behaviour; the risks of organizational conflicts of interest; ownership of ethical decision-making; and improving the culture of FAO in relation to accountability. Some instances of indicators include, but are not limited to: gender pay gaps; contract security; access to internal justice; requests for engagement in outside activities; and cases involving a conflict of interests. In its 2022 annual report, the Ombudsman Office makes reference to neutrality, impartiality, confidentiality and informality.

²² The survey may cover topics such as speak-up culture, retaliation, harassment, inappropriate sexual behaviour, discrimination, ownership of ethical decisions, psychological safety and topics related to the mandate of the Ombudsman Office.

fluctuated between 8 and 17 a year, with an average figure of 12 to 13, and that such figures are not taken into account when assessing the efficiency and effectiveness of policies related to ethical behaviour.

52. The implementation of the following recommendation is expected to contribute to the effectiveness of the ethics and ombudsman functions.

Recommendation 2

The Director-General should ensure that the Ethics Office and Ombudsman Office establish key performance indicators that better quantify outcomes in the context of submitting the next draft Medium-term Plan and Programme of Work and Budget in 2025.

III. Organizational structure

A. Organizational chart and reporting lines

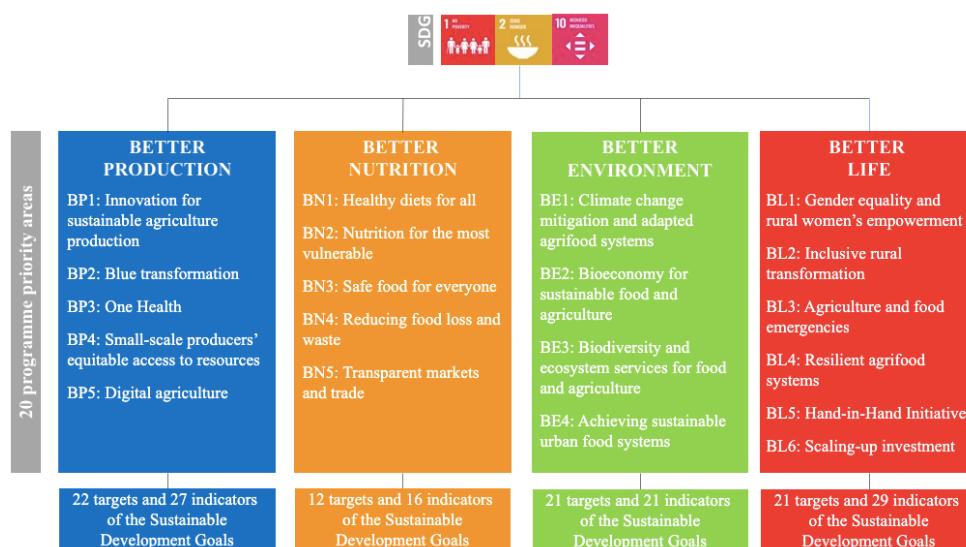
1. Organizational chart

53. FAO senior management is comprised of the Director-General, the Core Leadership (three Deputy Directors-General, the Chief Economist, the Chief Scientist and the Director of the Cabinet), the heads of the three high-level overarching offices, the six cross-cutting offices and the 20 divisions distributed over four streams and the Assistant Directors-General.

54. Since 2019, several changes have been made to the structure of the organization. The most significant are: the reduction in the number of Assistant Director-General positions (from 13 to 9) and the creation of the positions of Chief Economist and Chief Scientist, an office dedicated to the Sustainable Development Goals and an office for innovation. The changes are aligned with the priorities set out in the Strategic Framework 2022–2031 and have a clear link with the way the organization seeks to support the 2030 Agenda through the transformation of agrifood systems to achieve better production, better nutrition, better environment and better life. The changes are also designed to make the organization more modular, flexible and agile.

Figure II

Link between the Sustainable Development Goals and FAO objectives



Source: JIU, from information contained in the Medium-term Plan (Reviewed) 2022–2025.

55. The FAO organizational chart is not depicted as a traditional organizational chart in which the structure and reporting lines are clearly represented. There is no clear indication of the areas and scope of responsibilities, both direct and indirect, of the Core Leadership as determined by dual reporting lines.

56. For example, the scope of responsibilities attributed to the new position of Chief Economist is comparable to that of a Deputy Director-General (as shown in the table I). By assessing the current organizational chart this cannot be seen. However, by considering the dual reporting lines, the role of the Chief Economist in the organization becomes clearly more prominent.

57. The Inspectors consider that, in order to maintain the dual reporting system and provide a better understanding of the structure of the organization, generic titles should be avoided for positions such as Deputy Director-General and Assistant Director-General, and a clearer indication of the responsibilities be given, to attribute responsibilities to the position and not a person. Thus, **the Inspectors encourage the Director-General to give clear titles**

to posts, particularly in respect of the Core Leadership, and reflect them in the organizational chart.

2. Reporting lines

58. When considering the management structure of FAO, the fact that there are no visible reporting lines is striking. Dual reporting lines between each member of senior management and the Core Leadership, with A being the primary role and B the secondary and complementary function, ensures transparency and allows, according to FAO, for more cross-sectoral collaboration.

Table I

Number of organizational units under the responsibility of each member of the Core Leadership, by dual reporting lines

Core Leadership		Deputy Director-General A (previously operations)	Deputy Director-General B (previously programme)	Deputy Director-General C (previously development)	Chief Economist	Chief Scientist	Director of the Cabinet
Reporting line A	Offices	4	0	1	3	1	2
	Centres	0	0	2	1	0	0
	Divisions	3	5	4	6	0	0
	Total	7	5	7	10	1	2
Reporting line B	Offices	7	5	2	3	2	3
	Centres	1	0	0	0	2	0
	Divisions	2	4	1	2	6	0
	Total	10	9	3	5	10	3

Source: JIU.

59. As the review team had no previous knowledge of such an approach, a question regarding the functioning of the dual reporting lines was included in all the interviews carried out during the review. All interviewees responded positively, highlighting the advantages of introducing such a system, such as the eradication of silos, better flow of information, greater accountability, more agile responses, no disruption in the decision-making process and enhanced business continuity.

60. As indicated by FAO in the responses provided to the review team through the corporate questionnaire: “The establishment of ‘A’ and ‘B’ reporting lines enhanced the co-oversight of activities and increased the senior managers’ supervisory capacity. It is well understood by all units and recognized as providing an effective tool to strengthen internal controls and avoid control gaps. Furthermore, the reporting lines promote a collegial leadership of the organization and its divisions, centres and offices at headquarters and the decentralized offices.”²³

B. Field presence

1. Decentralization and delegation of authority

61. The issue of decentralization and delegation of authority was considered in the context of the field presence of FAO, taking into account the recommendations contained in the review of management and administration of FAO carried out by JIU in 2002,²⁴ the accepted recommendations of the audit of decentralized offices’ governance structure and capacity,²⁵ the provisions stated in the Administrative Manual and responses provided by staff during interviews and the online survey.

62. Regarding decentralization, the Inspectors recognize that, in order to implement fully the recommendations contained in the above-mentioned audit carried out by the Office of the Inspector General concerning issues such as the development of a decentralization policy, delegation of authority and allocation of human and financial resources, time and resources

²³ Response provided to question 2.4 of the corporate questionnaire, “Are reporting lines and delegation of authority clearly understood?”.

²⁴ JIU/REP/2002/8, recommendations 4 and 7.

²⁵ FAO, “2021 annual report of the Inspector General – summaries of audit reports issued in 2021”, FC 191/9.2, paras. 35–37 (AUD0721).

are necessary and a three-year plan has been agreed upon to implement those recommendations. Nevertheless, during the field visits carried out by the review team in the context of the current review, it was observed that actions that should have been implemented by 31 December 2022 had not been fully completed, delaying the effects of the intended benefits.

63. The Inspectors urge the Director-General to reflect on the adequacy of resources allocated to the appropriate offices in order to properly carry out the action plan agreed upon in response to the “Audit of decentralized offices’ governance structure and capacity” and encourage the Council to follow up annually on the implementation of the plan.

64. As regards delegation of authority, 40 per cent of the respondents to the online workforce survey indicated that they believed that the level of delegation of authority of their offices was sufficient, while 19 per cent believed it to be deficient, and the remaining 41 per cent were either neutral or had no opinion. Thus, the Inspectors took a closer look at the comments provided in the online workforce survey and found that a considerable number of comments were provided concerning the need to expand the delegation of authority related to human resources and procurement to the field offices, particularly in situations in which responsibility was divided between headquarters and the regional offices.

65. In that context, the Inspectors propose that further consideration be given to increasing the delegation of authority to regional offices once assurances are provided that the functions can be performed in a timely manner, at minimal risk, with full accountability and with proper internal controls.

2. Regional, subregional and country offices

66. The functions and responsibilities of field offices are not part of the FAO Basic Texts. They are referred to in the Administrative Manual and mentioned in the Accountability Policy. As part of the desk review, the Inspectors examined the document “FAO decentralized offices: where knowledge becomes action”.²⁶ The document does not have a formal status and only contains a high-level overview of the functions and coverage of regional and subregional offices, giving more details regarding country offices and a brief explanation of liaison and partnership and liaison offices. It does not contain clear guidance on the relationship between regional, subregional and country offices nor does it contain references to the relationship between liaison and partnership and liaison offices and headquarters and/or regional representation.

67. With the exponential growth of extrabudgetary resources and projects over the previous decade, each element of the field presence of FAO needs to be fit for purpose. Thus, the functions, responsibilities and operating procedures of regional, subregional, country, liaison and partnership and liaison offices should be clearly defined and updated, as to not only reflect their roles within the organizational structure but also to be able to respond to the demands of member nations and donor and financial institutions for efficient and effective use of resources.

68. The implementation of the following recommendation is expected to enhance the effectiveness of the FAO field presence.

Recommendation 3

The Council should present the Conference, at its forty-fourth session, with a proposal on the necessary changes to the relevant parts of the Basic Texts regarding the functions and responsibilities of the decentralized offices.

²⁶ FAO, “FAO decentralized offices: where knowledge becomes action” (Rome, 2015).

IV. Budgetary and financial management

A. Budgetary matters

1. Funding model and funding levels

69. FAO operates on the basis of an integrated budget introduced at the request of its members since the independent external evaluation of FAO carried out in 2008 and the Immediate Plan of Action for FAO Renewal (2009–2011), and Conference resolution 10/2009, since which time the relevant budget processes have remained substantially unchanged. Like a number of other United Nations specialized agencies, the organization has moved, over the years, from funding through only, or mainly, assessed contributions to one based on a predominance and growing share of extrabudgetary resources.

70. According to the information provided by FAO senior management, total voluntary contributions committed (approved) increased from \$1,136 million in 2018, \$1,306 million in 2019, \$1,281 in 2020, \$1,420 million in 2021 to \$2,137 million in 2022. Voluntary contributions committed (approved) by donors during the period 2014–2022 increased across all types of sources: by 69 per cent for development projects; by 200 per cent for emergency and rehabilitation; and by 600 per cent for climate and environment vertical funds. Contributions (cash) received also increased from \$1,181 million in 2020 to \$1,703 million in 2022.²⁷

71. On the other hand, net appropriations under the Programme of Work (or regular programme) budget remained at the same level (\$1,005,635,000) during six bienniums (2012–2023). Only for the biennium 2024–2025 did the Conference, in its resolution 4/2023, increase the net budgetary appropriations to \$1,021,696,000. As a result, the ratio between extrabudgetary (committed/approved) funding and regular programme funding was 4:1, or 80:20 per cent, in 2022.

72. In accordance with the Financial Regulations, regular programme budgets are revised to reflect the amounts that are either brought forward from the previous biennium or carried forward to the next biennium under the Technical Cooperation Programme, capital expenditure or security expenditure. According to FAO, the revised regular programme budgets totalled \$984 million for 2018–2019 and \$1,000 million for 2020–2021, of which \$980 million and \$996 million were implemented, respectively, that is at a rate of 99.6 per cent for each biennium (which also resulted in the non-return of cash surpluses).

2. Budget formulation and presentation

73. The Inspectors note that the documents that make up the FAO Programme of Work and Budget do not contain information on the distribution of the budget by category or item of expenditure; a comparison of budgetary targets against actual performance; vacancy rates; or a staffing table showing posts by grade down to the lowest organizational unit.

74. FAO senior management indicated that, during the period since the introduction of the integrated budget model, the organization's planning documents have evolved to reflect the increased focus of members on results. Details of specific inputs (staff and non-staff) were deemphasized to a certain extent, with some information currently provided in the section on cost increases.

75. While understanding such observations, the Inspectors are of the view that transparency and ownership of the budget by member nations, as well as accuracy in budgeting, may be further enhanced by comparing the proposed key performance indicators against actual performance, and ensuring that members have an opportunity to reflect on the means necessary to achieve goals, including subjects such as the use of consultants and travel. It may also help to fully implement operative paragraph 1 (c) (ii) and (iii) of Conference resolution 10/2009, regarding justification of costs for all organizational results and related commitments and the calculation of cost increases and planned efficiency gains.

²⁷ FAO, "Financial position of the organization", FC 195/2, table 8.

76. The implementation of the following recommendations is expected to enhance the transparency and accountability of the management of FAO in the context of the formulation of the budget and increase member nations' ownership of that process.

Recommendation 4

The Council should request the Director-General to provide, in the submission of a draft Programme of Work and Budget for 2026–2027, information on the distribution of the budget by category and item of expenditure (at least in the form of one table) and a staffing table showing the distribution of posts by grade, down to the lowest organizational unit.

77. An example of the budget table referred to in recommendation 4 can be found in WFP/EB.2/2022/5-A/1/Rev.1, annex II, table A.II.2.

Recommendation 5

The Council should request the Director-General, when submitting the draft Programme of Work and Budget for 2026–2027, to include in the budget tables, as well as in the annexed tables on key performance indicators (namely, annex I on the updated results framework), an additional column showing the actual performance over the previous biennium or year for which this information is available.

78. A comparison of budgeted and actual vacancy rates for every year from 2018 to 2022 was requested by the Inspectors and in response FAO indicated that it did not budget for vacancy rates but applied a lapse factor (an adjustment for staff turnover and delays).

79. The Inspectors noted downward revision of the regular programme budget as a result of the lapse factor, namely: \$10.6 million for 2018–2019, \$13.4 million for 2020–2021 and \$12.4 million for 2022–2023 or 1.05, 1.13 and 1.24 per cent of the relevant programme budget, respectively.²⁸ Furthermore, if compared with actual personnel costs (\$855.2 million in 2020–2021),²⁹ the relevant adjustment was equal to 1.33 per cent. That percentage figure is many times lower than the actual vacancy rates over recent years, which currently stand at more than 20 per cent, as described in the section on vacancies and recruitment of the present report.

80. Regarding the good practices of other organizations, the Inspectors recalled that the Advisory Committee on Administrative and Budgetary Questions had repeatedly espoused the view, endorsed by the General Assembly, that efforts should continue to be made to ensure that the proposed vacancy rates were based, as far as possible, on actual rates.³⁰

81. The implementation of the following recommendation is expected to enhance transparency and accountability of the management of FAO in the context of the formulation of the budget.

Recommendation 6

The Director-General should, in the context of submitting the draft Programme of Work and Budget for 2026–2027, propose, on a pilot basis, an option of full or partial budgeting of vacancy rates based, as far as possible, on actual rates.

²⁸ FAO, "Lapse factor methodology", FC 195/7 (information note 1), table 4.

²⁹ FAO, "Audited accounts – FAO 2021", C 2023/6A, para. 20.1.

³⁰ A/77/767, para. 27.

B. Financial management

1. Financial situation

82. The overall financial situation of FAO in recent years has remained sound:

(a) Equity, including both accumulated surplus and reserves, has been growing. Between 2020 and 2021, it grew from \$2.3 billion to \$2.7 billion;³¹

(b) The Working Capital Fund was not used during the year 2021;³²

(c) The regular programme month end cash position in 2022 was well above \$250 million and, for 2023, it is projected to be well above \$350 million;³³

(d) Four financial ratios of the International Public Sector Accounting Standards between assets and liabilities remained, at the end of 2021, within the range between 2.22 and 4.72,³⁴ which is well above the established benchmark of 1.

83. FAO provided data on the above-mentioned ratios separately for the regular programme and extrabudgetary contributions, which showed much higher figures for the latter (between 3.38 and 7.24 for 2021) in comparison with those for the former (between 0.77 and 3.07).

84. The most striking difference between the ratios is seen in the ratio of total assets to total liabilities (7.24 against 0.77), which may be explained by the high level of extrabudgetary contributions and the application to the regular programme budget of the past after-service health liabilities under After Service Medical Coverage.

2. After Service Medical Coverage

85. As indicated by FAO senior management, the requirement to fund the liabilities of active staff that accrue as a result of their current service was recognized in 1997 and, since 1 January 1998, the current service costs related to regular programme staff have been funded each biennium from the regular programme budget, based on the latest actuarial valuation. Current service costs for extrabudgetary staff members are charged to trust fund project expenses and funded through project revenues.

86. With respect to past after-service health liabilities under After Service Medical Coverage, long-term investments were originally made from the assessed contributions of member nations. The last time the Conference authorized funding towards past after-service health liabilities was for \$14.1 million in the 2016–2017 biennium. The same amount was authorized in the bienniums between 2004 and 2015.³⁵

87. Those assessments, which were made separate from and in addition to the budgetary appropriations approved to fund the Programme of Work, were invested in dedicated long-term portfolios (with the investment returns retained therein). As a result, as at 31 December 2022, funded past after-service health liabilities under After Service Medical Coverage amounted to \$479.6 million and unfunded liabilities accounted for \$394.8 million.³⁶

88. Regarding the experience of other organizations that practice the pay-as-you-go principle, it may be recalled that, since 2017, the United Nations has applied a rate against the salary costs of staff charged against extrabudgetary funds to provide for future after-service health insurance benefits. Along with the continuation of pay-as-you-go financing from extrabudgetary resources for existing retirees, a 3 per cent charge was initially applied against the salary costs of staff, with the rate set at 6 per cent, since 2019, of all staff funded

³¹ FAO, “Audited accounts – FAO 2021”, C 2023/6 A, statement I.

³² Ibid., para 17.5.

³³ FAO, “Financial position of the organization”, FC 195/2, table 10.

³⁴ FAO, “Audited accounts – FAO 2021: part B – report of the external auditor”, C 2023/6 B, table 2.

³⁵ FAO, “Report on investments 2022”, FC 195/3, para. 18.

³⁶ FAO, “Financial position of the organization”, FC 195/2, para. 10 and table 3.

from extrabudgetary resources. The extrabudgetary reserves amounted to \$134.8 million as at 31 August 2021.³⁷

89. The implementation of the following recommendation is expected to contribute to the effectiveness of the organization.

Recommendation 7

The Council should request the Director-General to present a proposal to introduce, by the end of 2024, a uniform symbolic charge on extrabudgetary contributions (e.g. 0.1 to 0.5 per cent of their total value) to supplement the funding of past after-service health liabilities under After Service Medical Coverage that has already been accumulated through assessed contributions and the interest on them.

90. In the view of the Inspectors, if the charge is established at the level suggested, it may be both affordable for donors and result in cash contributions for After Service Medical Coverage of between \$3.4 million and \$17 million a biennium, which is comparable to the funding from assessed contributions between 2004 and 2017, as referred to above.

3. Management of resources from different funding streams and reporting

91. Regarding the management of resources from different funding streams, FAO indicated that voluntary contributions were received as part of an integrated process that brought together the core priorities of members, as detailed in the Strategic Framework, of the Governments of recipient countries and beneficiaries, through the country programming framework, and the priorities of the donors themselves. The negotiation process allows FAO to scale up operational and other capacities required to manage the implementation of the contributions. In addition, FAO has a system for forecasting voluntary contributions that broadly helps the organization to know in advance which countries, regions or thematic areas will be funded and to plan its resource requirements accordingly.

92. With respect to the risks of a drastic decrease in voluntary contributions, FAO senior management confirmed that FAO did not commit such funds to project activities until the resources had been received. A decrease in that kind of contributions would therefore directly reduce the activities that would have otherwise been funded and the organization's ability to bring its technical expertise to the country level. In the case of a shortfall in voluntary contributions, FAO would also need to downsize the support structures that are funded by the cost recovery policy to support the extrabudgetary programme.

93. According to FAO, in line with the organization's cost recovery policy, all projects funded by voluntary contributions cover the full cost of implementation, including indirect costs, and are not subsidized by assessed contributions.

94. The Inspectors enquired as to whether that took into account the additional requirements of donors with respect to reporting and auditing (and what were the costs of the existing detailed requirements) and were informed that additional specific requirements not included in the existing detailed guidelines were discussed and handled on a case-by-case basis.

95. On a related matter, FAO senior management indicated that a growing number of resource partners requested that provisions for specific spot checks, audits or similar assurance procedures be included in funding agreements for projects financed through their voluntary contributions. While the language of the spot check or audit clauses in the respective funding agreements may make reference to spot checks or audits being carried out in a manner consistent with the Single Audit Principle, the actual provision of documents for spot checks or audits led by resource partners is not consistent with such a principle. In addition to violating the Single Audit Principle, the acceptance of clauses related to such spot checks and audits may, according to FAO senior management, imply an increased financial and reputational risk to the organization, as well as presenting an additional operational

³⁷ A/76/579, para. 31; and A/76/373, para. 31.

burden on the project teams. At the same time, it should be highlighted that many of the resource partners requesting spot checks and/or audits have regulatory frameworks that make the provision of such spot checks or audits mandatory, regardless of the nature of the recipient party. That holds particularly true for international financing institutions and vertical funds. Negotiations with resource partners that require spot checks or audits tend to be excessively long, complex and involve an extended number of FAO staff, including senior management. They also carry a high transaction cost and tend to lead to further requests for more intrusive checks and verifications. It would therefore be in the organization's interest to be proactive rather than reactive in identifying a solution that maintains the boundaries of the Single Audit Principle, while providing the partner with sufficient assurances on the use of funds. That would make it possible to apply a consistent approach to requests rather than relying on ad hoc negotiations.

96. The Inspectors consider that the Director-General should continue to take all the necessary measures to ensure, in relations with donors, both full respect for the Single Audit Principle and full recovery of support costs on all projects funded by voluntary contributions.

97. The quality of the financial management and reporting of FAO is confirmed by numerous unmodified opinions of the External Auditor on the financial statements of the organization. Nonetheless, issues do occur from time to time: for example, the restatement of financial statements for 2020.³⁸ The Inspectors noted that outcome 10.2 (efficient and effective management of financial resources) is currently measured by one key performance indicator, 10.2.A (FAO receives an unmodified opinion of its financial statements).³⁹

98. The Inspectors encourage the Director-General to consider adding, in the context of submitting the draft Programme of Work and Budget for 2026–2027, a second key performance indicator for outcome 10.2 to provide a more comprehensive and nuanced assessment of the management of financial resources.

4. Transfers of split assessment payments

99. FAO senior management confirmed that there were generally no significant challenges or issues with the payment of assessments split between dollars and euros as a measure of protecting the approved Programme of Work and Budget from the effects of fluctuating exchange rates.⁴⁰

100. FAO indicated that contributions payable in dollars were remitted through New York and in euros through London. Regarding the choice of London instead of, for example, Rome, the following additional information was provided. When the Citibank accounts were set up, London was the hub of most euro transactions within the banking and investments world. The United Kingdom of Great Britain and Northern Ireland was and still is part of the Single Euro Payments Area. As London was the centre of Citibank euro operations, it made sense to make that the location of FAO euro operations, receipts and payments. The fact that the headquarters of FAO are in Italy is not, in and of itself, sufficient justification for its bank accounts to be held in the country, as euro operations in London are much greater and offer considerably greater client support.

101. The decision by the United Kingdom to leave the European Union, or “Brexit”, has not changed the situation as regards the receipt of contributions. The United Kingdom is still within the Single Euro Payments Area. Additionally, changing accounts for the vast number of FAO donors is a very difficult process, often taking years before all donors comply. Hence, FAO kept its receipt of euro operations in London. However, FAO did move its payments operations to Amsterdam. That was based on the decision of Citibank to concentrate euro payments clearing through Amsterdam after Brexit due to the cost and regulatory efficiency. Hence, FAO opened an account in Amsterdam for payments. FAO is still serviced from

³⁸ FAO, “Audited accounts – FAO 2021”, C 2023/6 A, statement III and paras. 2.61–2.66.

³⁹ FAO, *The Director-General’s Medium Term Plan (Reviewed) 2022–25 and Programme of Work and Budget 2024–25* (Rome, 2023), C 2023/3, p. 122.

⁴⁰ FAO Conference resolution 11/2003.

London in relation to all client interaction within Europe. However, receipts are processed by Citibank in London and there have been no negative effects at all.

102. While understanding the explanations given by FAO senior management, the Inspectors note that the situation appears to be an anomaly and that other international organizations with split assessment systems transfer the euro portion of their budgets through their eurozone headquarters (e.g. Paris (the United Nations Educational, Scientific and Cultural Organization) and Vienna (the International Atomic Energy Agency)). **The Inspectors encourage the Council to keep the split assessment system under review and, in the context of future Programmes of Work and Budgets, assess the feasibility of continuing to receive contributions paid in euros through a non-eurozone location.**

V. Administration and human resources

A. Statistics and human resources policy

1. Selected human resources statistics

103. As at 31 December 2022, FAO had 14,506 employees, including 3,258 staff members and 11,248 consultants, contractors, national project personnel, national contractors, interns, volunteers, fellows, United Nations volunteers, national correspondents, government-provided staff, conference interpreters and casual labourers – together referred to as non-staff human resources or the affiliated workforce.⁴¹ It should be noted that the number of staff remained practically the same as at 1 April 2018 (3,166), while the size of the affiliated workforce rose by 35.5 per cent.⁴² In that regard, the Inspectors wish to point out that the use of non-staff personnel is the subject of a stand-alone report currently being prepared by JIU and therefore do not make any observations on the issue in the present report.

104. Over the same period of time, the number of staff at the D-1 level and above increased from 127 to 130, the number of staff in the Professional category increased from 1,438 to 1,580 and the number of staff in the General Service category decreased from 1,448 to 1,249.⁴³ According to FAO, during 2018–2022, 41 posts at the P-5 level or above were established (including, 2 Assistant Directors-General, 4 D-2s, 8 D-1s and 27 P-5s), 7 were abolished (5 D-2s and 2 P-5s) and 48 post titles were changed.

105. In 2022, corporate targets on geographical representation were met, with 76 per cent of countries being equitably represented in the workforce.⁴⁴ That represents 147 members, just above the target of 75 per cent that was set by the Conference.⁴⁵ At the same time, the number of equitably represented countries at the end of 2022 was lower than that at the end of each of the previous five years, when it fluctuated between 149 and 177.⁴⁶

106. According to FAO senior management, the overall robust performance of the organization with respect to the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women was continuing, with FAO having met or exceeded 15 of the 16 key performance indicators in 2021. Between 2020 and 2022, the proportion of women staff increased at the D-1 level and above from 26 to 28 per cent and within the Professional category from 44 to 46 per cent.⁴⁷

2. People-centred human resources policies

107. The workforce survey conducted by JIU in the context of the present review showed that an overwhelming proportion, nearly 80 per cent, of FAO personnel are proud to work for the organization; and that with its people-centred human resources policies, embodied, inter alia, in the Human Resources Strategic Action Plan 2020–2022,⁴⁸ FAO continues to be an attractive employer. According to the information provided by FAO senior management, during the period 2018–2022, the average annual number of applications per vacancy was between 176 and 254.

108. Regarding some of the most recent measures introduced, FAO senior management mentioned, inter alia, a number of changes and improvements to the medical insurance plans for temporary contract holders implemented on 1 January 2021 and 1 January 2023, which included maternity benefits, after-service coverage, benefits for death due to illness, dental

⁴¹ FAO, “Human resources annual report”, FC 195/10 Rev.1, para. 39.

⁴² FAO, “Human resources management”, FC 170/6 Rev.1, annex, tables 1 and 2; and FAO, “Human resources annual report”, FC 195/10 Rev.1, para. 39.

⁴³ FAO, “Human resources management”, FC 170/6 Rev.1, annex, tables 1 and 2; and FAO, “Human resources annual report”, FC 195/10 Rev.1, para. 40.

⁴⁴ FAO, “Human resources annual report”, FC 195/10 Rev.1, para. 88.

⁴⁵ FAO, Director-General’s Medium Term Plan 2014–17 (reviewed) and Programme of Work and Budget 2016–17”, C 2015/3, table after para. 280.

⁴⁶ FAO, “Human resources annual report”, FC 195/10 Rev.1, annex, table 2.

⁴⁷ Ibid., paras. 81, 85 and 86.

⁴⁸ FAO, “Human Resources Strategic Action Plan”, FC 183/4.

and optical coverage (subject to a six-month waiting period) and optional enrolment of dependants (excluding dental and optical coverage).

109. New guidelines for classifying jobs at FAO, which were developed and published in 2022, included the possibility of promoting staff members who demonstrate “job growth” by taking additional responsibilities over time; their posts are either reclassified or upgraded. They were implemented in response to the Director-General’s request to start with long-serving staff in the General Service category. Therefore, the first cases to be considered for reclassification were those who had been serving for 10 years or more at the same grade as at 1 September 2022.⁴⁹

110. In accordance with the Director-General’s guidance on recognizing the importance of internal career development, the proportion of vacancies filled by selecting internal staff increased for regular programme budget positions to 46 per cent for staff in the Professional category and to 90 per cent for staff in the General Service category in 2021.⁵⁰ According to FAO, between 2018 and 2022, the annual number of promotions in relation to regular programme budget positions increased from 81 to 113, while the relevant figure for appointments went down from 138 to 107.

111. According to data provided by FAO senior management, the number of continuous appointments fluctuated in the period 2018–2022 between 1,246 and 1,290 and their proportion of the total number of appointments varied between 39.3 and 40.7 per cent.

112. FAO senior management was requested to provide, but did not do so, data on the overlap of the take-home pay, pensionable remuneration and pensions of staff between the General Service and Professional and higher categories serving in Rome, for each year from 2018 to 2022.

113. The Inspectors strongly advise the Council to consistently ensure that the member nations take ownership of all relevant improvements to human resources policies, including approval of their financial implications, and, when applicable, assurances regarding adherence to the standards of the United Nations common system (i.e. with respect to job classification) should be sought from the International Civil Service Commission.

114. Moreover, the Inspectors, noting the progress achieved in recent years in improving staff-management relations through interaction with staff unions and trusting that such an approach will continue, encourage the Director-General to accelerate consideration of the requests of both recognized staff unions to allow them to represent more categories and/or groups of personnel and to report thereon, by no later than 2025, to the Council in the context of the human resources annual report.

3. Limited career opportunities

115. FAO senior management stated that, during the period 2018–2022, of the 643 staff members who had responded to the exit interview questionnaire, 110 had referred to the lack of career opportunities as one of the primary reasons for leaving the organization, with respondents being able to select more than one alternative. Poor working conditions, inadequate pay and benefits and workplace harassment were mentioned 35, 33 and 11 times, respectively.

116. Based on statistical and other data, as well as the views expressed by FAO senior management, staff representatives and individual personnel, the Inspectors reached the conclusion that, in addition to objective difficulties (including the highly technical character of FAO and the limitations of the number of posts and grade structure), careers were also affected by the extremely high number of vacancies (and use of the relevant budgeted “reserve” for other purposes), the relatively slow recruitment process and limited opportunities for mobility both inside and outside the organization.

⁴⁹ FAO, “Human resources annual report”, FC 195/10 Rev.1, para. 20.

⁵⁰ FAO, “Human resources annual report 2021”, FC 191/7, para. 40.

B. Vacancies and recruitment time

117. According to information provided by FAO senior management, between 31 December 2018 and 31 December 2022, the total number of vacant regular programme posts increased from 595 to 682 and, as a result, actual vacancy rates went up: for regular programme posts in the Professional category from 18 to 22 per cent and for such posts in the General Service category from 22 to 26 per cent.

118. The Inspectors were not able to ascertain the total number of consultants employed against vacant posts as FAO senior management indicated that the organization's enterprise resource planning system did not provide direct data on such numbers.

119. As regards posts that have been vacant for long periods, FAO senior management provided information that showed that, as at 26 June 2023, there were 295 posts that had been vacant for two or more years, including 197 in the General Service category and 98 among the Professional and higher categories. Recruitment was in progress for 60 posts and for 3 it had been finalized. A total of 58 posts were used to generate flexible contractual arrangements, primarily involving the affiliated workforce; 10 were kept vacant to allocate resources for staff on "temporary/fixed-duration posts"; and 164 posts (all in the General Service category, with one exception) were on hold in regional, subregional and country offices to ensure "flexibility in the transformational processes".

120. Moreover, recruitment remains a lengthy process: in 2022, it averaged 178 days from the vacancy announcement to the decision on selection.⁵¹ According to FAO senior management, that situation may be, at least partially, explained by the discontinuation of rosters and batch recruitments and by matching a single vacancy announcement and a single recruitment panel with each position to be filled.⁵²

121. Regarding the practices of other organizations, the Inspectors recall, for example, that, on a number of occasions, the General Assembly has reiterated its concern about the high number of vacancies and requested the Secretary-General to ensure that vacant posts are filled expeditiously and to review the posts that have been vacant for 24 months or longer and to propose in the next budget submission either their retention, with a clear justification, or their abolishment.⁵³

122. The implementation of the following recommendations is expected to enhance the effectiveness of human resources management.

Recommendation 8

The Council should request the Director-General to implement specific measures to reduce vacancy rates and expedite recruitment processes without compromising on the quality of the candidates and to report, by no later than 2025, on the impact of these measures.

123. In particular, the Inspectors would urge the Director-General to explore the feasibility of resuming the use of rosters of prequalified candidates to accelerate the recruitment process.

124. The Inspectors encourage the Director-General to use rankings of recommended candidates presented by the relevant panels, in order to speed up the recruitment decision-making process.

125. The Inspectors also encourage the Director-General to consider enhancing the transparency of the work of the recruitment panels by having independent members nominated – to the extent possible – by the staff unions recognized by the organization.

⁵¹ FAO, "Human resources annual report", FC 195/10 Rev.1, para. 43.

⁵² Ibid., para. 44.

⁵³ See, for example, General Assembly resolution 76/274, para. 33.

C. Staff-related issues

1. Staff mobility

126. FAO senior management provided statistics on staff mobility within and outside the organization during the period 2018–2022, which showed an average number of 133 moves, including 101 geographic reassignments and 32 inter-agency exchanges. While inter-agency mobility is trending up (from 22 cases in 2018 to 41 in 2022), geographic reassignments went down (from 130 in 2018 to 72 in 2022), primarily due to a suspension of the mandatory staff mobility programme.⁵⁴

127. FAO senior management also reported that, by the end of 2023, the Human Resources Division plans to publish an administrative circular outlining the various elements of the mobility framework, to provide a clear overview of the types of mobility that are already in place, with links to issuances governing them, which includes the following:

(a) Systematic rotation of FAO representations (see Director-General’s bulletin No. 2012/25);

(b) Call for expressions of interest for the resident coordinator talent pool (P-5 and above);

(c) Inter-agency mobility (see the Inter-Organization Agreement concerning Transfer, Secondment or Loan of Staff among the Organizations Applying the United Nations Common System of Salaries and Allowances);

(d) Surge missions (temporary assignments) for staff and national project personnel (see Director-General’s bulletin No. 2022/06).

128. It was also indicated by FAO senior management that, by mid-2025, the Human Resources Division would conduct an assessment of the effectiveness of elements of the mobility framework to determine whether there is a need for an additional managed (mandatory) mobility programme, for specific categories of staff, that is fit for purpose for a knowledge-based organization such as FAO.

129. Noting difficulties with mandatory mobility, **the Inspectors propose that the Director-General, when developing a new mobility policy, also consider exploring an option for the enhancement of voluntary mobility.**

2. Staff performance management

130. According to data provided by FAO, staff performance ratings in the period 2018–2022 showed that, of those who completed the appraisal, 94.0 to 96.1 per cent either fully met or exceeded performance expectations. FAO senior management indicated that, since 2018, FAO had been implementing the rather ambitious Employee Recognition Awards.⁵⁵

131. At the same time, only 38 per cent of respondents to the workforce survey – across all categories and subgroups of personnel – indicated that the FAO performance appraisal system was effective in recognizing good performance and discouraging poor performance, and thus it could be concluded that the system does not yield real distinction in performance.

132. FAO senior management indicated that, during the period 2018–2022, as a result of administrative actions related to unsatisfactory performance, there were six cases of separation of staff members (including, four cases of unsatisfactory probation) and two cases of salary increments being withheld.

⁵⁴ See, for example, FAO, “Report of the 178th session of the Finance Committee (4–8 November 2019)”, CL 163/5, para. 17 (j); FAO, “2020 annual report of the Inspector General”, FC 185/13.1, para. 16; and FAO, “2020 annual report of the Inspector General – summaries of audit reports issued in 2020”, FC 185/13.2, paras. 2 and 3.

⁵⁵ See www.fao.org/news/story/pt/item/1365412/icode.

133. The Inspectors noted that the representatives of the staff unions recognized by the organization confirmed the value of personal plans attached to the appraisal forms and encouraged their continued use.

134. The Inspectors noted a suggestion, made during interviews, regarding ways and means to move to a more objective performance appraisal and encourage the Director-General to pilot setting limits on the number of performance appraisals receiving the rating “exceeding expectations” (e.g. 20 per cent of each organizational unit) and to report, by no later than 2025, the results to the Council in the context of the human resources annual report.

3. Shared Service Centre and other issues

135. According to information received, the Shared Service Centre is focused on the delivery of high-quality and cost-effective administrative services for FAO globally and its mission is to continuously improve the satisfaction of its customers. In that context, the Shared Service Centre established a global target of 90 per cent compliance for its service level agreements for all its services, which is the target that units aim to achieve for the individual services that they provide. Service level agreements are periodically revisited at the request of managers or the Shared Service Centre board and adjusted upwards or downwards depending on the operational need.

136. According to data provided by FAO, monthly customer satisfaction with the Shared Service Centre fluctuated during January to November 2022 between 90.0 and 97.6 per cent; its evolution has progressively increased over the years with an overall rate of more than 92 per cent since 2018. **The Inspectors observed, during their visit to the Shared Service Centre, a well-structured, well-managed, efficient and effective office; they encourage the Director-General to reflect on the adequacy of the resources allocated to the Centre in order to further enhance the level of excellence and customer satisfaction.**

137. According to senior management, a comprehensive review of FAO procurement is ongoing with a view to streamline and modernize procurement processes and define requirements to enhance efficiency and effectiveness. During the 2018–2019 and 2020–2021 bienniums, only 43 and 44 per cent of the capital expenditure projects were delivered on time, within budget and at the correct quality,⁵⁶ which, according to FAO senior management, may be at least partially explained by the impact of COVID-19.

⁵⁶ See FAO, “Programme implementation report 2018–19”, C 2021/8; and FAO, “Programme implementation report 2020–21”, C 2023/8.

VI. Information and communications technology management

138. The review team conducted a desk review and interviews regarding the policies, strategies and instruments (tools) of FAO that were cited and employed to enhance and maintain the efficiency, efficacy and alignment of its ICT systems with the attainment of its objectives.⁵⁷

139. FAO has already identified a number of key areas of ICT in its enabling environment for modernization in order to ensure a more efficient and modern organization over the next 10 years. Among them, according to FAO, is the move towards a real United Nations enterprise, in line with the findings of external assessments.

A. Digitalization and data protection and security

1. Digitalization

140. The general direction pursued by FAO with respect to ICT management is in the area of digitization,⁵⁸ by promoting the shift towards digitalization⁵⁹ and modernization in agriculture, through an efficient use of digital tools for major improvements in the food and agriculture sector. It is expected that the digital transformation will help further reduce the level of manual work required and improve data availability and reporting mechanisms that affect decision-making processes and effective workforce planning.

141. According to FAO senior management, the organization is currently undergoing a number of modernization and enhancement processes involving capital expenditure, such as the modernization of its Statistical Working System and the establishment of its Statistics Data Warehouse, which was launched on 1 January 2022 and is due to be finalized by 31 December 2023.

142. The Inspectors noted the strong shift towards digitalization. The risk of obsolescence and waste of resources must be considered and avoided when investing in applications that precede the design and implementation of the new enterprise resource planning system and thus all digital projects, including the capital expenditure projects, should be fully compatible with such a new system.

2. Data protection and security

143. FAO continues to face a high risk as regards data security.⁶⁰ The review team was informed that the new Data Protection Policy of FAO includes a data classification table that should be used by all personnel to classify the data processed according to the level of risk and to implement the appropriate safeguards according to the level of confidentiality. The Inspectors were informed that the corporate procedures and guidance to facilitate the implementation of the Data Protection Policy were still under development (the anticipated roll-out is the fourth quarter of 2023) and were based on the advisory service provided by the World Bank Data Privacy Office. The Inspectors were also informed that the Data Protection Unit would soon launch the Data Protection Champions network by requesting all units and offices to appoint one of their staff members as focal point for the network.

⁵⁷ ICT at FAO is governed by the policy defined in section 505 of the Administrative Manual, which: “establishes the principles and rules that apply to the use of information technology (IT) resources, the management and security of digital or electronically stored information and data, the acquisition of and investments in IT resources and related initiatives and in ongoing IT activities within the Organization, in all offices, in all locations, and for all FAO personnel”. The policy covers areas such as data management, cybersecurity, digital innovation and the integration of ICT solutions.

⁵⁸ Digitization is the process of converting text, pictures or sound into digital form that can be processed by a computer.

⁵⁹ Digitalization is the adaptation of a system, process, etc., to be operated with the use of computers and the Internet.

⁶⁰ FAO, “Corporate Risk Log” (Rome, 2019), p. 14: “IT systems are not resilient to disruptions caused by external events (disasters or unauthorized intrusion into FAO systems).”

144. The Inspectors noted that, in other international organizations, cybersecurity incidents had increased due to the vulnerabilities related to remote working methods, a risk that can be easily multiplied when members of the affiliated workforce access the organization's network from their personal devices. While no major situations have arisen in FAO related to such issues yet, the Inspectors are of the view that the joint FAO-United Nations International Computing Centre team should try to reduce the use of personal devices on the FAO network.

145. The Inspectors believe that FAO should work towards a comprehensive approach to data protection and information security with clear security policies and guidelines for data handling, access control, encryption and other security measures, including training and awareness and regular audits and assessments. The Inspectors trust that the roll-out of the Data Protection Policy, including development of corporate instruments, standards, procedures and guidance (the Data Protection Compendium) and relevant templates, will be completed as soon as possible, and will address the risk identified by the Office of the Inspector General, and therefore strengthen the global ITC security and data protection framework for identity and data access protection.

B. New enterprise resource planning system

1. Enterprise resource planning

146. The FAO has identified, as a means to have a more efficient and modern organization, the importance of upgrading its enterprise resource planning system by taking advantage of technological improvements offered by cloud-based systems and ensuring an integrated management of information and resources under the key administrative workflows (e.g. budget, finance, human resources, project management, procurement, meetings and inventories).

147. The proposed new enterprise resource planning system is in its envisioning stage. The approach involves reviewing past efforts and analysing the current state of the organization's enterprise resource planning environment. Taking into account initiatives implemented between 2017 and 2021, the goal is to develop an updated enterprise resource planning road map for FAO for the years 2022–2025 that will consider the new organizational requirements, business policies, business processes and new technology capabilities (e.g. cloud-based applications or systems).

148. In general, it is positive to see FAO actively working to modernize its ICT systems and leverage new technologies, such as cloud computing and artificial intelligence. Such efforts can lead to increased efficiency, better data management, improved transparency and enhanced accountability.

149. Overall, the outlined steps and objectives reflect a well-structured approach to initiating the transformation of the organization's enterprise resource planning system. Such an initiative sets the stage for the subsequent phases of the enterprise resource planning road map, ensuring alignment with the organization's goals and optimizing the utilization of technology and resources.

150. It is important to ensure that those efforts are well coordinated, involve input from relevant stakeholders and are executed effectively to achieve the desired outcomes. The successful implementation of those ICT strategies can have a positive impact on the organization's operations and its ability to serve its respective mandates.

151. The design of functional processes should, of course, occur with the input and involvement of process owners. Selection of the systems or identification of the changes to existing systems that will support the long-term business model will help ensure a successful implementation and roll-out, reduce risk and avoid a mismatch of processes and systems with organizational requirements and among individual process areas, and minimize the potential for reworking or reimplementation.

152. Cost estimates are crucial for decision-making, resource allocation and ensuring that the enterprise resource planning initiatives are adequately funded to achieve their intended

outcomes. Proper budgeting and financial planning are essential to the success of such initiatives.⁶¹ The Inspectors took note of the views of FAO on organizational investment, which extends beyond mere economic costs. **The Inspectors propose that FAO develop a robust business case and a benefits realization plan, outlining the advantages that will be attained through the implementation of the enterprise resource planning system over a defined time frame, and present it to the Council as part of its decision-making process.**

2. Impact of change

153. The ability of an organization and its staff to absorb a wholesale change in processes, working practices and ITC systems at once is likely to be unfeasible, as stated in the road map. **The Inspectors are of the view that FAO should follow the experience of similar United Nations entities that have phased the implementation of their enterprise resource planning by system, business unit or location – or a combination thereof.** Additionally, employing a change management process will increase the chances that the reform will succeed. However, at the same time, the Inspectors recognize that a longer project may result in increased costs. Therefore, that should be balanced against the higher risks associated with accelerating the programme, and the subsequent possibility of things going wrong and needing to rework or reimplement the initiatives, which would increase the overall cost (and extend the timeline).

⁶¹ FAO, *ERP Roadmap Refresh Study: ERP Roadmap 2022–2025* (Rome, 2022).

VII. Risk management, internal controls and oversight

A. Accountability framework, internal controls and risk management

154. FAO has both a formal Internal Control Framework and an Accountability Policy, which have been recently reviewed by JIU as part of its report on the review of accountability frameworks in the United Nations system organizations.⁶² In the review, JIU found that none of the existing accountability frameworks of the 28 JIU participating organizations, including FAO, were fully aligned with the updated JIU reference accountability framework. The key areas for improvement specifically identified for FAO were as follows: (a) too many separate documents related to accountability, some of which are not even referred to in the main Accountability Policy (e.g. policies and procedures to ensure accountability in relation to affected populations); (b) a very generic framework that does not fully reflect the issues of accountability related to implementing partners and to the resident coordinator system and the wider United Nations reform; (c) limited reference to key controls related to programmatic activities; and (d) the lack of indicators to be used to assess the effectiveness and efficiency of the Accountability Policy.

155. The Inspectors commend FAO senior management for having a formal accountability framework and reiterate the importance of aligning it with good practices incorporated in the JIU updated reference accountability framework.

156. Based on the statements on internal control prepared since 2017 by the Director-General, there have never been, in any given year, any material weaknesses that compromised the overall effectiveness of the internal control system for the year. Nonetheless, in reviewing the statements on internal control, the Inspectors noted the following: (a) risk management was consistently identified as needing improvement;⁶³ (b) since 2018, the statement did not explicitly cover internal control weaknesses related to programmatic activities, which could have a significant impact on the financial statements and ultimately on the going concern of the organization, in spite of the 2023 report of the Office of Evaluation to the Conference, in which it stated that “evaluations consistently find FAO [Monitoring and Evaluation] systems unfit to measure results systematically and comprehensively, and not used for adaptive management or improved designs and programming”;⁶⁴ and (c) for each of the processes referred to in the statements, there was no clear mention of weaknesses and the impact thereof, but only descriptions of the actions taken during the year and of those that were expected to be taken in the following year. **The Inspectors encourage FAO senior management to review the overall structure and content of the statement of internal controls to include, among other elements, clearer reference to the Accountability**

⁶² JIU/REP/2023/3. A formal response regarding acceptance of the recommendations has yet to be received by JIU.

⁶³ Through its own work as part of this review, JIU has also noted the following areas for improvement: (a) an outdated risk policy; (b) a corporate risk register, summarizing key risks raised in the specific risk registers of units, referred to as the Corporate Risk Action Plan, which was updated in May 2023, that has not been regularly updated over recent years and that includes very generic risks, with no ratings attached to them; and (c) no systematic process to discuss these risks with the Finance Committee and Programme Committee. The Inspectors also note that there is no agreed-upon list of the processes, risks and controls that could be used by both management and the independent oversight functions to consolidate their information on risks and areas for improvement.

⁶⁴ FAO, *Programme Evaluation Report* (Rome, 2023), p. 11. The latest FAO risk register (referred to as the “Corporate Risk Action Plan” by FAO senior management) includes “inability to rigorously measure and effectively communicate results and impacts of FAO activities” and “inadequate oversight, support and monitoring of operations, with unclear roles and inadequate monitoring tools” as potential causes of the following risks: “FAO becomes strategically irrelevant” and “ineffective or inefficient operations”. See FAO, “Corporate Risk Action Plan” (Rome, 2023), pp. 2 and 6. Some of those areas for improvement have also been highlighted by the following internal audit reports, which were rated as “major improvements needed”: the internal audit report on recurring and systemic issues in country office operations, the audit of decentralized offices’ governance structure and capacity, an assessment of FAO risk management practices and the audit of the project cycle.

Policy and to the audit reports issued during the year that are rated “major improvements needed”.

157. Notwithstanding the organization’s implementation of the statement on internal control by the Director-General, the Inspectors consider it necessary that FAO senior management address the weaknesses identified in the risk management and monitoring and evaluation processes.

158. The implementation of the following recommendation is expected to enhance the effectiveness of the organization.

Recommendation 9

The Director-General should strengthen the design and effectiveness of the organization’s enterprise risk management processes and its monitoring activities, such as programme monitoring and evaluation, starting with an action plan to be submitted, by the end of 2025, to the Council, through a joint session of the Finance Committee and the Programme Committee, clearly indicating the roles and responsibilities in the design, implementation and monitoring of these processes.

B. Oversight

1. Internal audit and the Office of the Inspector General

159. FAO has an internal audit function, which, together with the Investigations Unit, reports to the Inspector General. The internal audit function is currently preparing for an external quality assessment, in line with the standards of the Institute of Internal Auditors. Given the external assessment, the Inspectors have focused their attention on a few selected topics, starting with the budget.

160. The expenditure of the internal audit function has significantly decreased over the years, both in absolute terms and as a percentage of total FAO revenue,⁶⁵ as the budget has continued to shrink while the overall revenue of FAO has continued to increase. Total expenditure for 2022–2023 was forecast, as at June 2023, to be \$5.3 million compared with \$7.1 million for the period 2010–2011, when the total revenue of FAO was much lower.

161. In practice, that implies a lower number of staff than would be expected, given the size of the organization, a more limited coverage of processes and locations and a longer time period between the start of an audit and the final report (12 months compared with a target of 6 months). The Inspectors note that the Inspector General currently has three P-5 staff reporting directly to him (the Head of the Investigations Unit, the Head of the Corporate Audit Unit and the Head of the Field Audit Unit) and that the importance of re-establishing the D-1 position abolished under the previous Director-General has already been raised by the Finance Committee at its 185th session in 2021.⁶⁶ **The Inspectors suggest that the internal audit function develop additional key performance indicators that will allow the Oversight Advisory Committee and the Finance Committee to base their assessment of the adequacy of the budget of the function on objective information. Importantly, the resources should be linked to risk-based planning to identify the risks that will not be addressed based on insufficient resources.**

162. **The Inspectors propose that in the annual report of the Inspector General actual expenditure be split between internal audit and investigations, as they are currently not shown separately. That would help the Conference to assess the adequacy of the budget allocated to very different activities of the Office of the Inspector General.**

⁶⁵ This information is currently not publicly available; budgets and expenditure are reported for the Office of the Inspector General overall.

⁶⁶ The Inspectors are pleased to note that since the start of this review, the Conference has approved a D-1 Deputy Inspector General post (covering both the internal audit function and the Investigations Unit), together with four additional investigator posts and two internal audit posts.

163. The Inspectors also note that the issue of budget adequacy was already being raised in 2018 by the Audit Committee and the Finance Committee, but there was no explicit comment nor decision on the topic by the Council. The issue of budget adequacy was raised again in 2019, on that occasion by the Inspector General ad interim, together with a strong statement regarding independence: “during the reporting period, [the Office of the Inspector General] encountered several instances of interference with its investigative work. ... [the Office] continued [to] be underfunded”.⁶⁷ In that year, the Council took note and “asked for further improvements to strengthen the Office of the Inspector General and its operational independence by ensuring sustainable funding within existing resources for the Office and delegating to the Inspector General appropriate managerial responsibility and control over financial and human resources of the Office”.⁶⁸ The Inspectors are pleased to note that, since then, the Charter of the Office of the Inspector General has been strengthened and now includes provisions regarding free and unrestricted access to the Independent Chairperson of the Council and provisions regarding the contract of the Inspector General, which can only be terminated “for cause after consultation with the Audit Committee and the Finance Committee”.⁶⁹ Nonetheless, the links to management – and therefore the potential threats to the independence of the function – remain: the Inspector General is appointed by the Director-General (albeit after consultation with the Finance Committee and on the advice of the Oversight Advisory Committee), to whom the incumbent reports and who is therefore responsible for his or her performance assessment, following the inputs of the Oversight Advisory Committee. The final decision on new posts and hiring decisions from P-4 upwards lies with FAO senior management. Moreover, while the strengthening of the role of the Oversight Advisory Committee in relation to the Inspector General may have some advantages given its technical expertise, it also creates the risk of diluting the direct relationship that should exist between the member nations and the heads of independent oversight functions. The Inspectors acknowledge the improvements in the independence of the Office of the Inspector General, in the type of internal audit assignments selected and in the clarity and transparency of the reports of the Inspector General.

164. The Inspectors encourage the Council, with the support of the Finance Committee, to reflect on the need to strengthen the independence of the Inspector General and the reporting function to the Finance Committee and the Council, as the Inspector General currently only has one reporting line, which is to the Director-General, who prepares his performance appraisal, with inputs from the Oversight Advisory Committee.⁷⁰

165. Lastly, the Inspectors commend the Inspector General for the improvements made in the way in which the findings and recommendations of the internal audit are being analysed and communicated. Even though, unlike most United Nations organizations, FAO internal audit reports are not public, the Inspectors note that transparency has improved, as a “summary of reports issued” and an executive summary of each internal audit report are now public. The Inspectors encourage the governing bodies to consider further improvements to transparency in the future, as the executive summaries are very high level and do not include

⁶⁷ FAO, “2019 annual report of the Inspector General”, FC 180/11.1, p. 2. In the same annual report, it is noted that interference stopped in August 2019, after the appointment of the new Director-General.

⁶⁸ FAO, “Status of implementation of decisions taken at the 164th session of the Council (6–10 July 2020)”, CL 165/LIM/4, p. 4.

⁶⁹ FAO, “Revised Charter of the Office of the Inspector General”, FC 180/12, para. 27.

⁷⁰ The interpretation of the attribute standards of the Institute of Internal Auditors on organizational independence (1110) states that it is “effectively achieved when the chief audit executive reports functionally to the board”. Examples of functional reporting to the board involve the board: approving the internal audit charter; approving the risk-based internal audit plan; approving the internal audit budget and resource plan; receiving communications from the chief audit executive on the internal audit’s performance relative to its plan and other matters; approving decisions regarding the appointment and removal of the chief audit executive; approving the remuneration of the chief audit executive; and making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations. See www.theiia.org/en/standards/what-are-the-standards/mandatory-guidance/standards/attribute-standards.

the content of all recommendations, nor details about the timeline or those responsible for their implementation.

2. Evaluation

166. The Office of Evaluation, just as the Office of the Inspector General, is currently preparing for an external assessment, in line with the requirement included in the Charter for the Office of Evaluation, which mandates such assessments at least every six years.⁷¹ As a result, the Inspectors have focused their attention on a few selected topics, starting with the evaluation plan.

167. Unlike the internal audit function, which decides on its audit plan using its own risk-based methodology, more than 90 per cent of the evaluations included in the workplan of the Office of Evaluation are not decided by the Director of Evaluation but are “mandatory independent evaluations” included as a requirement in donor agreements of specific projects – this is currently not explicitly mentioned in the annual report of the Office of Evaluation. As the Office of Evaluation is currently unable to fulfil all those obligations in a timely manner, due to resource and organizational constraints, the new Director of Evaluation appointed in 2022 is currently reviewing the way in which donor clauses are implemented, as they often require that the project be subject to an independent evaluation, but most of them do not explicitly require that the evaluation be carried out by the Office of Evaluation.⁷²

The Inspectors suggest that the Office of Evaluation review the structure of its annual report and include more explicit information on mandatory versus discretionary evaluations and more transparency on their respective funding sources. In the view of the Inspectors, mandatory evaluations should be fully funded – including for FAO staff assigned to the evaluation – by the projects to which they relate, which it is understood has not always been the case. The increased transparency on costs will also allow member nations to assess whether the current provision in the Charter, which requires that the regular programme budget for evaluation is at least 0.8 per cent of the total regular programme budget, is adequate.

168. Regarding the independence of the Office of Evaluation, the Inspectors note that, in practice, in spite of the differences in the links to the governing bodies (the Charter for the Office of Evaluation is part of the Basic Texts and the Office presents its work to the Programme Committee, the Council and the Conference), the independence of the Director of Evaluation, like that of the Inspector General, is mainly operational. The links to the Director-General (e.g. appointment, budget and delegations of authority) are much stronger than those to the governing bodies. Moreover, the current charter does not even include some of the stronger clauses introduced in the new Charter of the Office of the Inspector General regarding direct access to governing bodies, including in closed sessions, and their role in case of early contract termination. The Inspectors are also concerned about the Internal Evaluation Committee, the role of which is, as described in the Charter for the Office of Evaluation, “[to advise] the Director-General and the Office of Evaluation”.⁷³ While the Director of Evaluation should work with management in the best interests of the organization to ensure that areas for improvement have been properly identified and that the most

⁷¹ The objectives of the review are to assess adherence to the critical principles of the Office’s work (including independence, impartiality, credibility, transparency and usefulness) and to provide recommendations that will inform the development of the new evaluation policy and reforms of the evaluation function. The Office also recently underwent an internal audit, which can be considered as complementary to the upcoming external assessment. In the audit report, the Office of the Inspector General identified the need to significantly enhance budgetary controls. The implementation of the recommendations contained in the report is in progress. See also FAO Office of the Inspector General, “Audit of the Office of Evaluation (AUD0523): executive summary”.

⁷² In the past, the rule (approved by the Council) was that if the value of the project exceeded \$4 million (a figure that has not been updated for many years), then the evaluation would automatically be carried out by the Office of Evaluation. The new process will instead require all projects with a budget of more than \$4 million to be assessed by the Office of Evaluation, which, based on certain parameters, will decide whether it is in the best interests of the organization to carry out the evaluation or to outsource it to a qualified external party.

⁷³ FAO, “Charter for the FAO Office of Evaluation”, PC 103/5, para. 38.

appropriate remedial actions are agreed upon, it is important that the Office of Evaluation maintains its independence. It should be noted that less than 50 per cent of the respondents to the workforce survey believe that the Office of Evaluation has the necessary level of independence.

169. The Inspectors also reviewed the process to monitor the implementation of recommendations emanating from evaluations. The Inspectors believe that that process should be strengthened since, as presented, it is mainly based on management updates on selected evaluations and none of the reports of the Director of Evaluation include a broad overview of outstanding recommendations, by topic, department or office. The Inspectors understand that the Director of Evaluation has already commissioned a detailed review of the process. **The Inspectors propose that an update on the implementation status of the recommendations emanating from evaluations be included in all the documents presented to the governing bodies and that the Office of Evaluation and the Office of the Inspector General work together to prepare a consolidated view of the areas for improvement by topic, department or office or, at least, present information in a coherent manner, to facilitate dialogue with and the understanding of the governing bodies about the outstanding risks.**

170. While acknowledging the numerous improvements in the internal independent oversight functions of FAO, the Inspectors suggest that the independence and coherence of such functions be strengthened further.

171. The implementation of the following recommendation is expected to enhance transparency and accountability.

Recommendation 10

The Council should review, by the end of 2026, the Charters of the Office of the Inspector General and the Office of Evaluation so as to strengthen their organizational independence, their relationships with the governing bodies (e.g. reporting lines to the Council, delegations of authority and the role of the Council in approving budgets) and the management committees (e.g. the Internal Evaluation Committee) and their link to the Oversight Advisory Committee, which advises both management and the governing bodies.

172. Lastly, **the Inspectors propose that consideration be given to changing the name of the Office of Evaluation to distinguish its reports from those issued by other departments in FAO.** The Inspectors believe that the use of the word “independent” would help to clarify the respective roles and responsibilities of the different functions that may be involved in the evaluation of project activities.

3. Investigations

173. FAO has its own internal investigation function, headed by a P-5, namely the Head of the Investigations Unit, who reports to the Inspector General, who is a D-2. Unlike internal audit, the number of staff and the budget of the Unit have significantly increased over the years – from 6 posts in 2017 to 11 posts in 2022. Expenditure for 2022–2023 for the Investigations Unit is expected to be higher than that for Internal Audit (\$5.7 million compared with \$5.3 million). According to the 2022 report of the Inspector General, only 45 per cent of investigations are completed on time, with no major improvements since 2021, indicating that, while resources are increasing, the number of allegations is increasing even more rapidly. The gap was highlighted by the respondents to the JIU survey, of whom less than 30 per cent agreed or mostly agreed that the investigations function had adequate funding.

174. The Inspectors commend the Inspector General, the Ethics Office and the Ombudsman Office for working together in order to strengthen the understanding of integrity-related policies and procedures, thus, hopefully, contributing to a reduction in the number of breaches and, therefore, the number of allegations. The Inspectors also note that the type of allegations reported vary greatly, with potential fraud and other corrupt practices

representing the largest share of allegations in 2022, only to be replaced by harassment and abuse of authority in 2023. **The Inspectors encourage FAO to continue dealing with integrity-related policies and procedures in a multidisciplinary manner and to strengthen the involvement of staff counsellors, who may be able to contribute to the identification of systemic issues through their regular reporting and provide insight into broader trends without breaching confidentiality or eroding trust in the function.**⁷⁴

175. The Inspectors also noted that allegations received from FAO beneficiaries, regardless of the channel, are not explicitly reported in the annual report of the Inspector General; they are included in the category “third parties”, which in 2022 only accounted for 9 per cent of the total complaints received. The Inspectors understand that beneficiaries can currently access a centralized hotline directly linked to the Office of the Inspector General and the Ethics Office (also available to the other stakeholders) and other channels for reporting at a more local level, some specific to FAO and some also used by other United Nations agencies and non-governmental organizations. The Inspectors are concerned that some of the local reporting channels may not ensure adequate protection of those reporting the allegations and contribute to delay the appropriate response from the Office of the Inspector General. **The Inspectors strongly encourage the Office of the Inspector General and the Office of Evaluation to review, together and with due consideration for appropriate standards of confidentiality, the design and effectiveness of all existing communication channels available to affected populations to provide their feedback or report any wrongdoing, and to discuss the findings in a joint meeting of the Finance Committee and the Programme Committee.**

176. In order to help address some of the issues referred to above, while the Inspectors commend the Inspector General for improving the quality of reporting regarding investigations, **the Inspectors would like to recommend that the investigation section of the annual report of the Inspector General also include information on the type of allegation by source. They would also like to suggest that additional information, by source and by type, from initial allegation to final outcome, as decided by human resources management, the Director-General and/or the tribunals or local authorities where relevant, be presented to the Council or the joint Finance Committee and Programme Committee meeting, as it would help to increase the level of understanding of the problems faced by the organization and to facilitate informed discussions with member nations.**

4. Oversight Advisory Committee

177. The FAO Oversight Advisory Committee, (previously the “Audit Committee” until July 2020) consists of five external technical experts, appointed by the Council on the recommendation of the Finance Committee, following a selection process managed by the Director-General with assistance from the Director of the Office of Strategy, Programme and Budget, which acts as the secretariat. The Oversight Advisory Committee provides advice to several different parties: it “assist[s] 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 it “operates in an advisory capacity to the Office of the Inspector General (OIG), the Ethics Office (ETH), and the Ombudsman”.⁷⁵

178. While the Inspectors appreciate that the Director-General and members of the Finance Committee may benefit, from time to time, from external technical expertise and applauds them for requesting such expertise when needed, the Inspectors are concerned by the widening scope of the terms of reference of the Oversight Advisory Committee, the confusion regarding its role and responsibilities⁷⁶ and the fact that it provides advice to both

⁷⁴ JIU/REP/2023/4, chap. VI.

⁷⁵ Terms of reference of the Oversight Advisory Committee (2022), paras. 1.1 and 1.3. There is no mention of the Committee in the Basic Texts (2017).

⁷⁶ In the report of its 191st session (2022), the Finance Committee “acknowledged the important role of the [Oversight Advisory Committee] in providing independent assurance and advice in the mandated areas under its Terms of Reference”. The Oversight Advisory Committee is not an assurance

management and to those that have oversight responsibilities over management, thus creating a potential conflict of interest. The Inspectors are also concerned that, at present, only management is approached as part of the assessment process of the Oversight Advisory Committee.

179. The Inspectors note that, as the Council reviews the Charter of the Office of the Inspector General and that of the Office of Evaluation, the terms of reference of the Oversight Advisory Committee will also have to be reviewed, to ensure consistency.

5. External audit

180. The current External Auditor of FAO is the Comptroller and Auditor General of India, appointed by the FAO Council in 2019 for a period of six years starting in 2020.⁷⁷ Even though the Council has not implemented the recommendation, included in the 2002 JIU review of management and administration of FAO, to institute limits on the term of office of the External Auditor in the Basic Texts, the Inspectors are pleased to note that the organization has followed the recommendation in practice. **The Inspectors strongly advise the relevant body to amend the Basic Texts to institute limits on the term of office of the External Auditor.**⁷⁸

181. As part of the present review, the Inspectors also examined the way in which the recommendations of the External Auditor were presented and followed up by the governing bodies. The Inspectors commend the Finance Committee for having a specific progress report on implementation of recommendations of the External Auditor included in its agenda once a year. However, **the Inspectors would like to suggest that the Council request a change in the structure of the External Auditor progress report, to include information on the level of risk of the outstanding recommendations⁷⁹ and to cluster outstanding recommendations by process, topic or risk, to facilitate the dialogue with governing bodies and the other oversight functions.**

6. Joint Inspection Unit

182. FAO has been a member of JIU since 1977 and has taken part in most JIU system-wide evaluations. Nonetheless, while JIU is referred to as one of the sources of information taken into account by the Director-General in the preparation of the annual statement on internal controls, it is not mentioned in the FAO Accountability Policy nor in its internal control framework.

183. In the Basic Texts, it is only referred to in the context of the Office of Evaluation and the need for coordination.⁸⁰ That appears not to be in line with the provisions of the JIU Statute, approved by the General Assembly and accepted by FAO, which states that JIU is “a subsidiary organ of the legislative bodies of the organizations”, with a wide mandate to “improv[e] management and methods” and to “achiev[e] greater co-ordination between organizations”.⁸¹

provider. As another example, in the report of its 170th session, the Council, in making reference to the 115th session of the Committee on Constitutional and Legal Matters, endorsed the recommendation of the Committee “that the FAO Oversight Advisory Committee could discharge an independent oversight function with regards to data protection”. That would transform that advisory body into a proper oversight body. See FAO, “Report of the 115th session of the Committee on Constitutional and Legal Matters (21–23 March 2022)”, CL 170/13, para. 21 (c).

⁷⁷ FAO, “Report of the 175th session of the Finance Committee (18–22 March 2019)”, CL 161/4, paras. 32–36.

⁷⁸ Financial Regulations, regulation 12: “An External Auditor, who shall be the Auditor-General (or person exercising an equivalent function) of a Member Nation, shall be appointed in the manner and for the period decided by the Council.”

⁷⁹ In the reports issued by the External Auditor, recommendations are classified as fundamental, significant or merits attention. That information is not included in the progress report.

⁸⁰ Charter for the Office of Evaluation, para. 34 (f), the Office “coordinates its work programme with the rest of the UN system, taking into account the work of the Joint Inspection Unit (JIU)”.

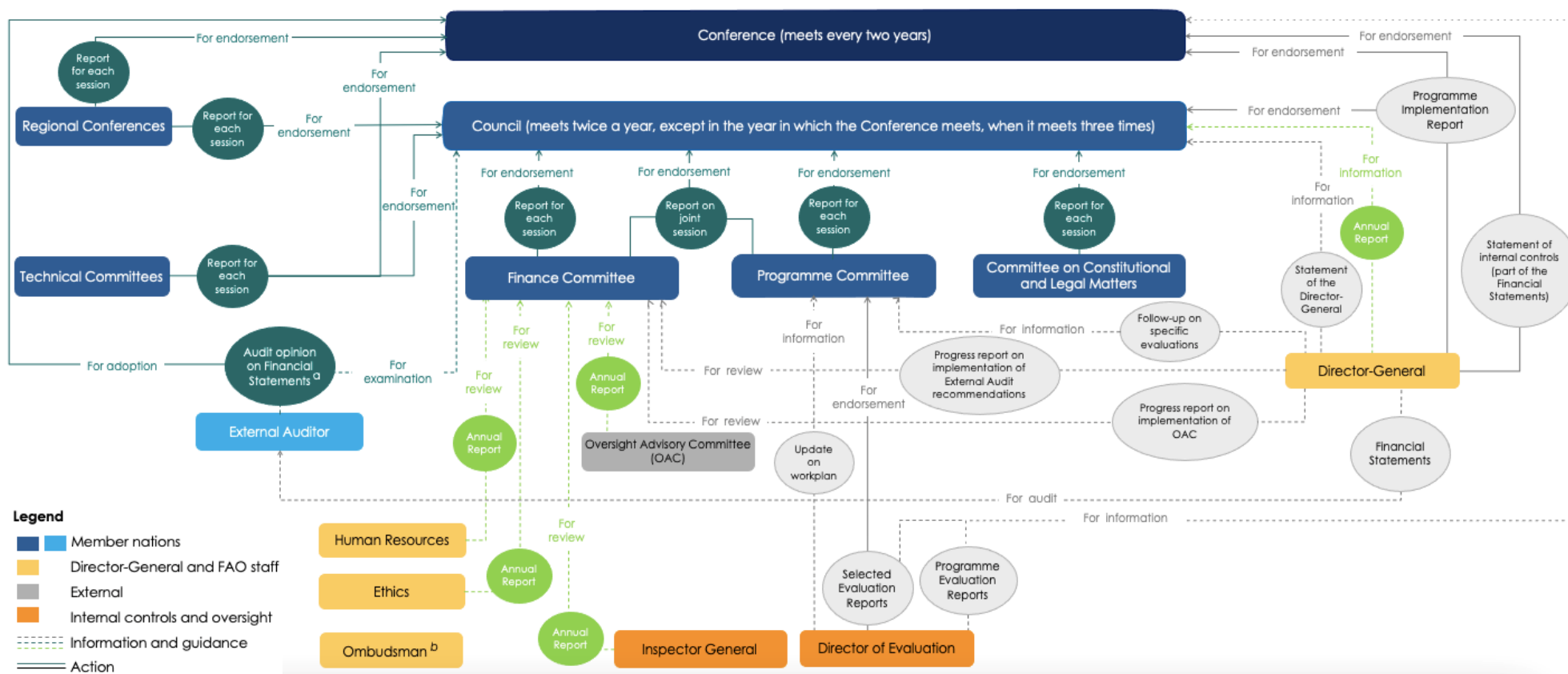
⁸¹ Arts. 1 (2) and 5 (2).

184. The Inspectors have also found no consistency in the way that reports issued by JIU are discussed by the Council and the committees, nor much clarity on the process followed by management to obtain the response from the governing bodies on the JIU recommendations addressed to them, as there is no reference to JIU in any of their terms of reference.⁸² **The Inspectors propose a review of all key FAO governance and accountability documents to ensure that the terms of the agreement between FAO and JIU, including the role of JIU, are properly reflected and that the process to accept, discuss and monitor the implementation of the recommendations of JIU is clear and approved by the Council and in line with the recommendations of the JIU review on the acceptance and implementation of Joint Inspection Unit recommendations, which is currently in progress.**

⁸² The only recent discussions related to two reports discussed at the 194th session of the Finance Committee, which were the review of whistle-blower policies and practices (JIU/REP/2018/4) and the review of the state of the investigation function (JIU/REP/2020/1). Both were discussed at “the Finance Committee’s request, endorsed by the Council at its 170th Session, for updates to the Committee on Constitutional and Legal Matters (CCLM) and the Finance Committee on the development of procedures related to the handling of allegations against the Head of the Organization”. See FAO, “Update on the status of recommendations presented in the JIU Report, *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and JIU Report, *Review of the State of the Investigation Function: Progress made in the United Nations System Organizations in Strengthening the Investigation Function* (JIU/REP/2020/1)”, p. 2.

Annex I

Overview of key governance and oversight processes: reporting lines



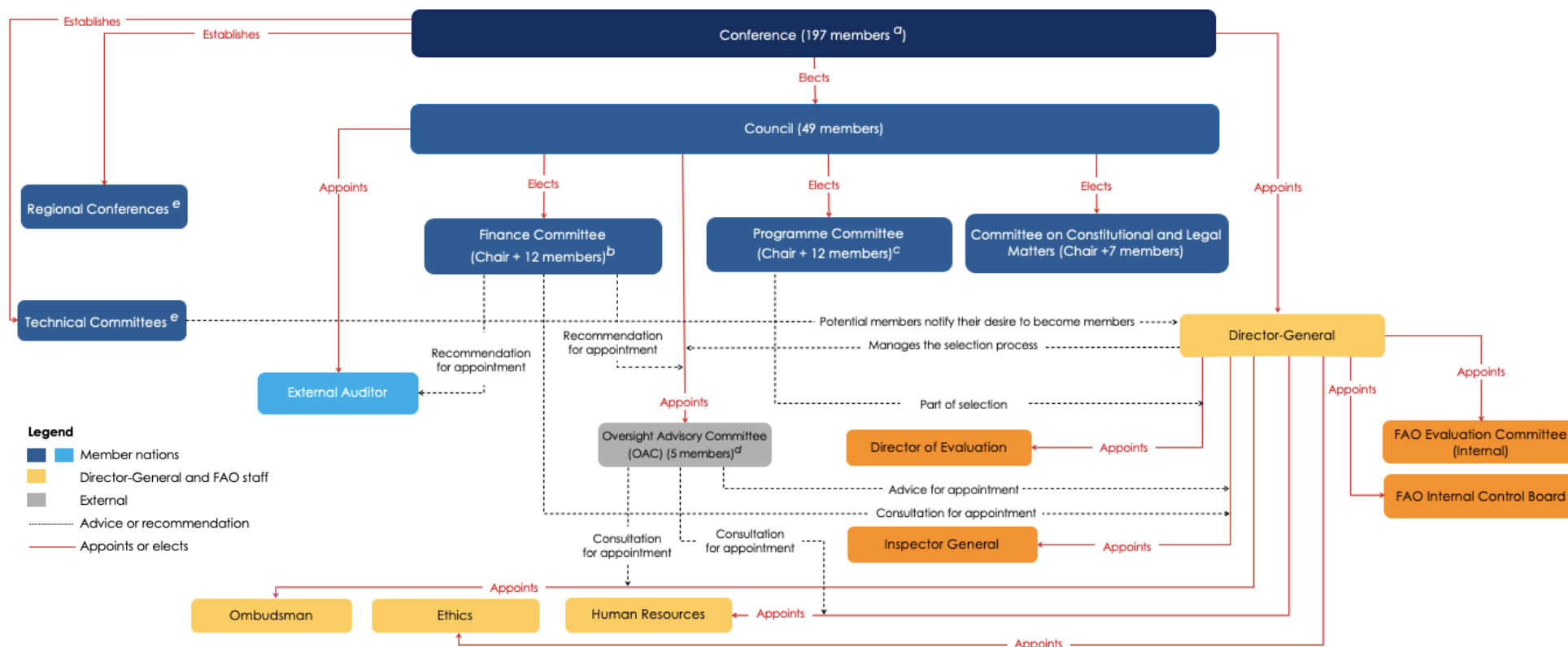
Sources

Compiled by JIU on the basis of the FAO Basic Texts, decision documents and the governing and statutory bodies web page (www.fao.org/unfao/govbodies/home/en).

^a Also includes recommendations from compliance and performance audits.

^b The Ombudsman publishes an annual report, although it is not shared directly with the governing bodies.

Overview of key governance and oversight processes: elections and appointments



Sources

Compiled by JIU on the basis of the FAO Basic Texts, charts, terms of reference and the governing and statutory bodies web page (www.fao.org/unfao/govbodies/home/en).

^a FAO has 194 member nations, one member organization, namely the European Union, and two associate members, the Faroe Islands and Tokelau.

^b The FAO Basic Texts indicate the appointment of 12 members, however, there are 13.

^c The FAO Basic Texts indicate the appointment of 12 members, however, there are 11.

^d The Oversight Advisory 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. With regard to internal audit, investigation and ethics, the Committee operates in an advisory capacity to the Office of the Inspector General, the Ethics Office and the Ombudsman, respectively.

^e Technical experts from member nations.

Annex III

Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

		Intended impact	Participating Organizations of the Joint Inspection Unit																										
			United Nations ^a	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO
Report	For action		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Recommendation 1		b															E												
Recommendation 2		f															E												
Recommendation 3		f															L												
Recommendation 4		a															L												
Recommendation 5		a															L												
Recommendation 6		a															E												
Recommendation 7		f															L												
Recommendation 8		f															L												
Recommendation 9		f															E												
Recommendation 10		a															L												

Legend:

L: Recommendation for decision by legislative organ and/or governing bodies **E:** Recommendation for action by executive head

☐ Recommendation does not require action by this organization

Intended impact:

a: enhanced transparency and accountability **b:** dissemination of good/best practices **c:** enhanced coordination and cooperation **d:** strengthened coherence and harmonization

e: enhanced control and compliance **f:** enhanced effectiveness **g:** significant financial savings **h:** enhanced efficiency **i:** other.

^a As described in ST/SGB/2015/3.