

March 2011



منظمة الأغذية
والزراعة للأمم
المتحدة

联合国
粮食及
农业组织

Food and
Agriculture
Organization
of the
United Nations

Organisation des
Nations Unies
pour
l'alimentation
et l'agriculture

Продовольствен
ная и
сельскохозяйств
енная
организация
Объединенных
Наций

Organización
de las
Naciones Unidas
para la
Agricultura y la
Alimentación

COUNCIL

Hundred and Forty-first Session

Rome, 11-15 April 2011

Report of the 92nd session of the Committee on Constitutional and Legal Matters

I. Introduction

1. The Ninety-second Session of the Committee on Constitutional and Legal Matters (CCLM) was held from 7 to 9 March 2011.
2. The Session, open to silent observers, was chaired by Mr Purnomo Ahmad Chandra (Indonesia), Chairperson of the CCLM. The following members were present:
 - Mr Gerard Limburg, Vice-Chairperson (Netherlands)
 - Ms Mónica Martínez Menduño (Ecuador)
 - Mr Yohannes Tensue (Eritrea)
 - H.E. Hassan Janabi (Iraq)
 - Mr Khalid Mehboob (Pakistan)
 - Mr Lawrence Kuna Kalinoe (Papua New Guinea)
 - Mr Christopher S. Hegadorn (United States of America)
3. The CCLM noted that Mr Christopher Hegadorn (United States of America) had replaced for the session Mr Michael Michener under Rule XXXIV, paragraph 4(a) of the General Rules of the Organization (GRO). Mr Francisco José Salgado Rivadeneira (Ecuador) replaced Ms Mónica Martínez Menduño for the last part of the session.
4. The last meeting of the CCLM, in the course of which the Committee approved the report, was chaired by Mr Gerard Limburg, Vice-Chairperson.

II. Amendments to the Financial Regulations for the Implementation of International Public Sector Accounting Standards (IPSAS)

5. The CCLM examined document CCLM/92/2 Rev. 1 entitled "Amendments to the Financial Regulations for the Implementation of International Public Sector Accounting Standards" (IPSAS), on the basis of a presentation by officials of the Finance Division. The CCLM noted that IPSAS were a

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set of accounting standards representing best practice for the presentation of accounts of Governments, public institutions and not-for-profit organizations. The implementation of IPSAS would bring considerable benefits as regards the quality, comparability and credibility of financial reporting of FAO, with improvements anticipated with respect to accountability, transparency and governance. The standards would ensure improved accuracy on the presentation of assets, receivables and liabilities and provide for a more precise overview of the Organization's accounts. The CCLM noted that the implementation of IPSAS had been approved by Resolution 60/283 of the General Assembly, following unanimous recommendation by the High Level Committee on Management (HLCM) of the Chief Executives Board for United Nations system coordination (CEB), and that IPSAS were currently being introduced by organizations of the United Nations system with various targets for implementation. As regards FAO, the Finance Committee, at its 115th Session in September 2006, had recommended the adoption of IPSAS as approved by the General Assembly of the United Nations and that FAO should proceed with an implementation project, which became subsequently project 11a under the Immediate Plan of Action (IPA) for FAO Renewal.

6. The CCLM noted that, in order to implement IPSAS, limited changes to the Financial Regulations were required, as reviewed and endorsed by the Finance Committee, at its 135th Session in October 2010.

7. The main proposed changes to the Financial Regulations related to the need to produce annual financial statements, as opposed to biennial accounts currently produced under United Nations System Accounting Standards. In this regard, the CCLM noted that IPSAS related to financial reporting and would neither change the underlying budgetary methodology, nor the funding obligations of Members. While the financial reporting would be annual, the biennial budget cycle would remain unchanged.

8. The CCLM noted that another proposed change to the Financial Regulations reflected a change from a biennial audit to an annual audit. Although not prescribed by IPSAS, an annual audit was considered to be best practice, as recognized by the CEB. The CCLM also noted that the Finance Committee had considered it desirable that the Financial Regulations should indicate the time by which the External Auditor would be required to issue the opinion on the financial statements and viewed it as desirable for the Finance Committee and the CCLM to consider additional provisions in the Financial Regulations, including the possibility of an engagement letter, following consultation with the External Auditor.

9. The CCLM examined in detail the issue of the timing and review of the final accounts by the External Auditor. The CCLM emphasized that, while under Financial Regulation 11.5 the Organization was under a legal obligation to submit any final and interim accounts to the External Auditor not later than 31 March, following the end of the period to which they related, no such deadline was set for the submission of the report by the External Auditor in Financial Regulation 12.9. The CCLM noted that, under the proposed amendments to Financial Regulation 12.9, the report of the External Auditor should be submitted in time for review by the Finance Committee during a session in the year following the period to which the financial statements related. The CCLM underlined that the timely submission of the report of the External Auditor was a critical element of the oversight system of the Organization allowing the relevant Governing Bodies to effectively and meaningfully exercise their functions. The CCLM recommended that the issue of the timing of the submission of the report of the External Auditor be kept under review.

10. The CCLM noted that the effective date of the proposed amendments to the Financial Regulations should be 1 January of the year for which IPSAS compliant financial statements would be prepared. It was expected that this would be 1 January 2013.

11. The CCLM reviewed the draft Conference Resolution entitled "*Amendments to the Financial Regulations*" set out in Appendix I to this report and agreed to forward it to the Council for subsequent transmission to the Conference for approval. The CCLM recalled that, under Financial Regulation 15.2, the resolution would have to be approved by a two-thirds majority of the votes cast (cf. Financial Regulation 15.2 and Rule XLIX of the GRO). The total number of affirmative and negative votes should be more than one half of the Member Nations of the Organization [cf. Rule XII, paragraph 3(c)].

III. Disclosure of Internal Audit Reports

12. The CCLM examined document CCLM 92/6 entitled “*Disclosure of Internal Audit Reports*” on the basis of a presentation by the Inspector-General. The CCLM noted that the matter had been under review within FAO a few years ago and a significant number of organizations of the United Nations system, including programmes and funds, had adopted similar disclosure policies. The proposed policy was based on that followed at UNDP. The CCLM noted further that the proposed policy would cover audit reports and reports of lessons learned from investigations, once issued in final format, but would not apply to investigation reports.

13. The CCLM endorsed the proposed policy, which would be reflected in an amendment to the Charter of the Office of the Inspector-General (new Section D thereof). The revised Charter of the Office of the Inspector-General, which is part of the Administrative Manual of FAO, is set out in Appendix II to this Report.

14. The CCLM noted that the proposed policy would also be reviewed by the Finance Committee, at its 138th Session in March 2011. In this connection, the CCLM noted that, under paragraph 23 of the revised Charter of the Office of the Inspector-General, it was proposed that the policy would apply from the date of approval by the Council. The CCLM noted a number of explanations in this respect provided by the secretariat and the Inspector-General and recommended that this particular issue be addressed by the Finance Committee at its forthcoming session.

IV. Whistleblower Protection Policy

15. The CCLM examined document CCLM 92/7 entitled “*Whistleblower Protection Policy*” which reproduced Administrative Circular N° 2011/05 of 9 February 2011 and was being referred to the CCLM at the request of the Committee at its 91st Session in October 2010. The CCLM noted that the document would also be examined by the Finance Committee.

16. The CCLM noted that the policy had been prepared after extensive review by concerned units of FAO, taking into due account policies implemented in other organizations of the United Nations system, including the United Nations itself, and had been approved by the Director-General. Staff representative bodies had also been consulted on the policy, in accordance with the provisions of the Staff Regulations of FAO on staff relations, as well as the Audit Committee.

17. The CCLM noted the views of the Secretariat that the document had been referred to it for information and that the policy had been issued on 9 February 2011, as an Administrative Circular, following approval by the Director-General, as the matter was within the purview of Management. While noting these views, the CCLM considered that the adoption of the policy by the Organization should have taken place after review of the proposal by the CCLM and the Finance Committee.

18. The CCLM noted that, as recommended by the Audit Committee, it was proposed to revisit the Administrative Circular at the end of 2011, following a review of experience with the first year of implementation of the policy and, on that occasion, it would be possible to make adjustments to the policy, if necessary.

19. The CCLM considered that the policy should be widely disseminated in the relevant languages of the Organization.

V. Progress Report on the Financial Disclosure Programme

20. The CCLM took note of an oral progress report by the Legal Counsel on the implementation of the Financial Disclosure Programme. The CCLM noted that a Working Group, operating with the support of the external consultant Ernst & Young, had been established to implement the Programme and in that context, the Group had reviewed similar programmes adopted by other organizations, e.g. IFAD. The Working Group had defined, at a high level, the workflow for the management of the financial disclosure and assigned responsibilities to its members, drafted a questionnaire and a guide to the questionnaire, discussed and articulated the definition of conflict of interest and reviewed and

identified risk criteria relevant to the participation in the programme of some categories of employees other than staff graded D-1 and above.

21. The CCLM was further informed that, in the near future, the Working Group would develop a common approach for the review of disclosures, develop training materials and run training events and workshops, roll out a communication plan and initiate a pilot phase to start by the end of May 2011. The Legal Counsel identified risks associated with possible delays with the implementation of the programme during the calendar year. A progress report, including a project plan, would be made available to the forthcoming 138th session of the Finance Committee.

VI. Terms of Reference and Composition of the Ethics Committee

22. The Committee considered document CCLM 92/3 Rev.1 "*Terms of Reference and Composition of the Ethics Committee*". The CCLM noted that the IPA had called for the establishment of an Ethics Committee whose terms of reference and composition had been under review by the Finance Committee and the CCLM since July 2009. The CCLM noted that, at its session of September 2009, it had endorsed a first proposal for the terms of reference and composition of the Committee. The CCLM observed that the Finance Committee had examined the proposals on a number of occasions and that at its 136th Session in October 2010 the Finance Committee had requested that a number of amendments be made to the proposal under review concerning an increase in the number of external members, clarification of the procedure for the appointment and the renewal of external members, clarification that the committee should have no operational functions and no supervisory functions over the Ethics Office and that provision should be made for the Organization to make such secretarial arrangements as required for the operation of the Committee, without the Ethics Officer being entrusted with this task.

23. The CCLM noted that some members had doubts as to whether an Ethics Committee should be established given questions on its expected functions vis-à-vis other functions of the Organization. However, at the same time, the CCLM acknowledged that the Conference had requested the establishment of the Ethics Committee, as part of the IPA, and agreed that there were also merits in creating the Committee within FAO and implementing some innovative proposals put forward in that connection.

24. Following a debate on the matter, the CCLM endorsed a proposal that the Ethics Committee be established for a period of four years beginning in January 2012. Throughout this period, the relevant Governing Bodies would review closely the work of the Committee in order to determine, at the end of the period, whether the Committee should be extended for a further period of four years, or established on a permanent basis, or to define such changes to its *modus operandi* as would be necessary in light of all pertinent considerations. The number of external members should be reduced from four to three, the number of internal members from three to two and the term of office reduced to two years. The CCLM recommended that internal members should be a Deputy Director-General and the Legal Counsel. External members would be appointed subject to approval by the Council, upon recommendation of the Finance Committee and the CCLM, at their sessions of Autumn 2011.

25. On the above understanding, the CCLM endorsed a revised proposal on the Terms of Reference and Composition of the Ethics Committee set out in Appendix III to this report. The CCLM noted that the Finance Committee would review this proposal at its forthcoming 138th Session.

VII. Revised Note on the Working Methods of the Council

26. The CCLM examined document CCLM 92/4 "*Note on the Methods of Work of the Council*". The CCLM was informed that the Note was originally adopted by the Council at its 60th Session in June 1973 on the basis of a recommendation of the CCLM, and had been updated in November 2000. The Note had been regularly made available to the sessions of the Council since 1973, but this practice was discontinued in 2008 pending revision of the note to take account of the governance reforms prescribed by the IPA which resulted eventually in the adoption by the Conference in 2009 of a comprehensive set of amendments to the Basic Texts of FAO.

27. The Note was updated by the Secretariat and referred to the “*Open-ended Working Group on measures designed to increase the efficiency of the Governing Bodies including representation*” (OEWG). At its 140th Session, in November and December 2010 the Council reviewed the revised Note, proposed amendments thereto and agreed that it should be further discussed by the OEWG and then submitted to the CCLM before final review and adoption by the Council in April 2011. The OEWG at its session of 22 February 2011 made a final review of the Note contained in document CCLM 92/4.

28. The CCLM acknowledged that the revised Note was the result of extensive discussions aimed at reflecting in its content the enhanced status of the Council as the executive arm of the Organization, in the course of which the views of the Membership were taken into account. The CCLM made limited amendments to the Note, set out in Appendix IV to its report, confirmed that it was in line with the Basic Texts and recommended that it be adopted by the Council.

VIII. Preparation of the Provisional Agenda of the Regional Conferences – Rule XXXV, paragraph 4 of the General Rules of the Organization

29. The CCLM examined document CCLM 92/5 “*Preparation of the provisional agenda of the Regional Conferences – Rule XXXV, paragraph 4 of the General Rules of the Organization*”. The CCLM noted that the Council, at its 140th Session in November and December 2010 had agreed that the CCLM, at its session of March 2011, should review proposals for the amendment of that Rule.

30. The CCLM noted that Rule XXXV of the GRO established a framework for the implementation of the action matrix of the IPA concerning the Regional Conferences. The CCLM was apprised of the views of the Secretariat that Rule XXXV, paragraph 4 of the GRO on the preparation of the provisional agenda of the Regional Conferences appeared to safeguard the interests of all parties involved, with particular reference to the members of the Regional Conferences. The Rule sought to establish a more participatory and inclusive process for the preparation of the agenda and traditional provisions and practices of FAO, common to other organizations of the United Nations system, whereby provisional agendas are prepared by the secretariat (in this case both at regional and headquarters levels) in consultation with the Chairpersons of the concerned bodies.

31. The CCLM acknowledged that, in the absence of guidance from the Membership, the secretariat could not propose, on its own, draft amendments to this Rule and, in this context, examined the options proposed in document CCLM 92/5 for the amendment of Rule XXXV, paragraph 4 of the GRO.

32. The CCLM agreed that the question of the preparation of the provisional agendas was one out of a number of interrelated matters regarding the status of the Regional Conferences still under discussion. The CCLM noted that the Council at its 140th Session had recommended that the Rules of Procedure for the Regional Conferences be further reviewed by the Regional Groups with assistance from the Legal Office and the secretariat, as necessary, taking into account all pertinent considerations, including the provisions of the Constitution and of the GRO. The CCLM recommended that proposed amendments to Rule XXXV, paragraph 4 of the GRO be formulated in the context of the forthcoming consultations with Regional Groups aimed at proposing Rules of Procedure for the Regional Conferences and at addressing other matters related to the *modus operandi* of the Conferences.

33. The CCLM recommended that consultations with the Regional Groups be held during the second part of 2011 and early 2012 with a view to agreeing on proposals to be referred to the Regional Conferences in 2012, including possible amendments to Rule XXXV, paragraph 4 of the GRO.

IX. Conditions for the Appointment of the Director-General

34. The CCLM noted that the Council, at its 140th Session in November and December 2010, had “*requested that the Secretariat prepare a paper on the terms and conditions for the appointment of the Director-General for submission to the 141st Session of the Council (April 2011) to allow Members the opportunity to consider it in a timely manner, taking into consideration financial implications as part of the budgetary process*”. The paper would be submitted through the CCLM and the Finance Committee.
35. The CCLM took note of the information provided in document CCLM 92/8 Rev. 1 “*Conditions for the appointment of the Director-General*”. The CCLM sought clarifications on a few issues and noted that the paper would be examined by the Finance Committee and the Council.
36. The CCLM further noted that background documentation, including information about practices in the United Nations system, would be prepared for the General Committee with a view to establishing the conditions for the Director-General to be elected by the Conference in June 2011.
37. The CCLM drew attention to the Report of the Joint Inspection Unit “*Selection and Conditions of Service of Executive Heads in the United Nations System Organizations*” (JIU/REP/2009/8), which was before the forthcoming 138th Session of the Finance Committee (FC 138/INF/5), and considered that it provided useful information for the establishment of the terms and conditions of appointment of the Director-General to be elected by the Conference in June 2011.

X. Official Name of FAO in Spanish

38. The CCLM noted that at the 140th Session of the Council, in November and December 2010, a proposal had been made that the official name of FAO in Spanish be changed so that the word “*food*” should precede “*agriculture*” for consistency among the designations of the Organization in other language versions. The Secretariat indicated that it would initiate the necessary action to that effect for consideration by the Conference.
39. The CCLM noted that a Circular State Letter informing all Members of the proposal had been issued on 14 January 2011 and that the proposed change of the name of FAO in Spanish would be referred to the 37th Session of the Conference, through the Council, for approval. The CCLM noted that, in view of its financial implications, the change in name would be implemented in a phased manner.

XI. Any Other Matters

Procedure for the appointment of the Deputy Directors-General

40. The CCLM enquired about the procedure for the appointment of Deputy Directors-General. Under Rule XL, paragraph 1 of the GRO “*appointments to the posts of Deputy Directors-General shall be made by the Director-General, subject to confirmation by the Council*”. Under this Rule, as confirmed by very long-standing practice, the Director-General makes a proposal for an appointment and the Council is called upon to confirm the proposed appointment.
41. The CCLM sought clarifications on the applicable Staff Regulations and Rules related to appointments of Deputy Directors-General and the legal and financial implications of such appointments. It was clarified that under the terms of applicable Staff Regulations and Rules, the Organization would be bound by the terms of the appointment of candidates to posts of Deputy Directors-General.

APPENDIX I

**RESOLUTION FOR THE CONFERENCE
AMENDMENTS TO THE FINANCIAL REGULATIONS**

THE CONFERENCE

Recalling that the Finance Committee, at its 135th Session held from 25 to 29 October 2010, proposed amendments to the Financial Regulations for transmission to the Committee on Constitutional and Legal Matters for endorsement and submission to the Council;

Considering that the Committee on Constitutional and Legal Matters, at its 92nd Session held from 7 to 9 March 2011, reviewed and endorsed the proposed amendments to the Financial Regulations;

Noting that the Council, at its 141st Session held from 1 to 15 April 2011, agreed to transmit to the Conference, for its approval, the proposed amendments to the Financial Regulations;

Decides to amend the Financial Regulations as provided for in the attached table:

AMENDMENTS TO THE FINANCIAL REGULATIONS

In the text of the Financial Regulations reproduced below, the proposed changes regarding deletions are indicated using ~~struck out text~~ and the proposed changes regarding insertions are indicated using *underlined italics*.

C. Financial Regulations	Proposed Changes
Regulation VI Funds	
<p>6.8 The Director-General may enter into agreements with governments and donors providing for technical assistance in the context of development projects to be executed/implemented by the beneficiary government or other national entity. Under these modalities, referred to below as projects under Partnership in Development Agreements, the following shall apply:</p> <p>a. Where the funds are to be held and managed by the government or other national entity under national execution or implementation arrangements, FAO's participation shall be separately reported to the Finance Committee as Funds under Partnership in Development Agreements, and such funds shall not be included in the Financial Statements of the Organization.</p> <p>b. Where the funds are to be held in trust by FAO and transferred to the government or other national entity for the implementation of agreed activities, the funds shall be reported to the Finance Committee in the Financial Statements of the Organization as Funds held in Trust on behalf of beneficiary governments under Partnership in Development Agreements and shall be subject to the internal and external auditing procedures of the Organization. Funds held in trust by FAO that are subject to national implementation shall be expended in accordance with the national regulations and rules of the implementing government and shall be subject to certification by the responsible national authorities, provided that the Director-General shall satisfy himself before entering into the agreement with the government that such regulations and rules are consistent with the Financial Regulations of the Organization and provide adequate controls over the expenditure of the funds. These projects under Partnership in Development Agreements shall be subject to audit at least once a year by an independent auditor appointed with the agreement of both the government concerned and the Organization in</p>	<p>The Director-General may enter into agreements with governments and donors providing for technical assistance in the context of development projects to be executed/implemented by the beneficiary government or other national entity. Under these modalities, referred to below as projects under Partnership in Development Agreements, the following shall apply:</p> <p>a. Where the funds are to be held and managed by the government or other national entity under national execution or implementation arrangements, FAO's participation shall be separately reported to the Finance Committee as Funds under Partnership in Development Agreements, and such funds shall not be included in the Financial Statements of the Organization.</p> <p>b. Where the funds are to be held in trust by FAO and transferred to the government or other national entity for the implementation of agreed activities, the funds shall be reported to the Finance Committee in the Financial Statements of the Organization as Funds held in Trust on behalf of beneficiary governments under Partnership in Development Agreements and shall be subject to the internal and external auditing procedures of the Organization. Funds held in trust by FAO that are subject to national implementation shall be expended in accordance with the national regulations and rules of the implementing government and shall be subject to certification by the responsible national authorities, provided that the Director-General shall satisfy himself before entering into the agreement with the government that such regulations and rules are consistent with the Financial Regulations of the Organization and provide adequate controls over the expenditure of the funds. These projects under Partnership in Development Agreements shall be subject to audit at least once a year by an independent auditor appointed with the agreement of both the government concerned and the Organization in</p>

C. Financial Regulations		Proposed Changes
	accordance with the respective agreements.	accordance with the respective agreements.
Regulation XI The Accounts		
11.1	<p>The Director-General shall maintain such accounts as are necessary and shall prepare final accounts for each financial period showing:</p> <ol style="list-style-type: none"> a. The income and expenditure of all funds; b. The status of appropriations, including: <ol style="list-style-type: none"> i. the original budget appropriations; ii. any supplementary appropriations; iii. the appropriations as modified by any transfers; iv. credits, if any, other than the appropriations voted by the Conference; and v. the amounts charged against the appropriations and against any other credits; c. Statements of assets and liabilities at the close of the financial period. He shall also give such other information as may be necessary, to indicate the current financial position of the Organization. 	<p>The Director-General shall maintain such accounts as are necessary and shall prepare final accounts for each financial period <u>calendar year showing and which will include:</u></p> <ol style="list-style-type: none"> a. The income and expenditure of all funds; b. The status of appropriations, including: <ol style="list-style-type: none"> i. the original budget appropriations; ii. any supplementary appropriations; iii. the appropriations as modified by any transfers; iv. credits, if any, other than the appropriations voted by the Conference; and v. the amounts charged against the appropriations and against any other credits; c. Statements of assets and liabilities at the close of the financial period <u>calendar year</u>. He shall also give such other information as may be necessary, to indicate the current financial position of the Organization.
11.2	Besides the final accounts for the financial period, the Director-General shall prepare, where the nature of the accounts so warrants, or in exceptional cases as decided by the Finance Committee, interim accounts at the end of each of the intervening years.	Besides the final accounts for the financial period <u>calendar year</u> , the Director-General shall prepare, where the nature of the accounts so warrants, or in exceptional cases as decided by the Finance Committee, interim accounts at the end of each of the intervening years.
11.4	The final and any interim accounts of the Organization shall be presented in United States dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.	The final and any interim accounts of the Organization shall be presented in United States dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.
11.5	The final and any interim accounts shall be submitted to the External Auditor not later than 31 March following the end of the period to which they relate.	The final and any interim accounts <u>for each calendar year</u> shall be submitted to the External Auditor not later than 31 March following the end of the period to which they relate.

C. Financial Regulations		Proposed Changes
Regulation XII External Audit		
<i>Reporting</i> 12.9	The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference.	The External Auditor shall issue a report on the audit of the financial statements <i>for each calendar year</i> and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference. <i>This report shall be submitted in time for review by the Finance Committee during a session in the year following the period to which the financial statements relate.</i>

APPENDIX II

CHARTER FOR THE OFFICE OF THE INSPECTOR GENERAL

I. Mission

1. The Office of the Inspector General provides oversight of the programmes and operations of the Organization, through internal audit and investigation.
2. The Office of the Inspector General has responsibility for monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets. The Office provides the Director-General and the functions and programmes audited with independent, objective assurance and consulting services designed to add value and improve the Organization's operations. It helps the Organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and internal governance processes.
3. The Office of the Inspector General has been vested with the authority to investigate allegations of irregularities in the programmes and operations of the Organization as defined under Paragraph 7 of this Charter. The Office informs the Director-General and Senior Management of lessons learned, and promotes policies and activities that enhance the integrity of FAO's operations.

II. Scope of the Work

4. The Office of the Inspector General and the unit dealing with evaluation, together, provide comprehensive internal oversight coverage of the Organization. The External Auditor, with whom the Office of the Inspector General cooperates, provides complementary external oversight.

A. Audit

5. The Office of the Inspector General determines whether the Organization's network of risk management, control and internal governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- risks are appropriately identified and managed;
- interaction with the various governance groups occurs as needed;
- significant financial, managerial and operational information is accurate, reliable and timely;
- employee actions comply with the legal and regulatory framework including applicable policies, standards and procedures - especially, with respect to the receipt, custody and disbursement of funds and other resources of the Organization and conformity with the appropriations or other financial provisions voted by the Conference;
- the Organization acquires its resources economically, uses them efficiently, and protects them adequately;
- programmes, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Organization's control process; and
- significant legislative or regulatory issues impacting the Organization are recognized and addressed properly.

6. Opportunities for improving management control, profitability, and the Organization's image may be identified during audits. They will be communicated to the appropriate level of management.

B. Investigation

7. The investigation unit of the Office of the Inspector General:
 - investigates allegations of violations of FAO's regulations, rules (including the Standards of Conduct for the International Civil Service) and administrative provisions related thereto, i.e., fraud and unsatisfactory conduct by staff, as well as fraudulent and corrupt activities by third

- parties involved in programmes and operations of the Organization, in a professional manner with impartiality and fairness and ensures that results are transmitted to the appropriate office;
- reviews investigative findings to identify trends related to fraud and misconduct and weaknesses in the internal control environment;
 - promotes the implementation of mechanisms, practices, regulations and policies that encourage an ethical working environment, enhance the integrity of FAO's operations and prevent the recurrence of misconduct and fraudulent activity;
 - ensures that FAO staff and other relevant parties receive training that incorporates the lessons learned from investigative findings and encourages awareness of regulations and policies that promote integrity and prevent fraud and misconduct; and
 - coordinates with other international organizations to increase cooperation in combating fraud, and developing integrity programmes and strategies.
 - Please click here for the *Guidelines for Internal Administrative Investigations by the Office of the Inspector-General* issued in AC2011/04 on 9 February 2011

III. Authority

8. The Office of the Inspector General shall have, in accordance with applicable practice standards, full, free and prompt access to all accounts, records, electronic data, property, personnel, operations and functions within the Organization and to the Audit Committee. Staff at all levels shall cooperate fully in making available any relevant material or information requested during the course of a review.
9. The Office of the Inspector General is authorized to communicate directly with all levels of staff and management in order to discharge its responsibilities. The Inspector General shall be advised of any breakdown of the Organization's financial control system.
10. The Office of the Inspector General shall allocate assigned resources, set frequencies, select subjects, determine scope of work and apply those techniques required to accomplish its objectives in accordance with a formal plan of work which has received the concurrence of the Director-General.
11. Staff of the Office of the Inspector General shall not have operational responsibilities for activities subject to audit by that Office. Specifically, they shall not:
- perform any operational duties for the Organization;
 - initiate or approve transactions external to the Office of the Inspector General; or
 - direct the activities of any staff member external to the Office of the Inspector General, except to the extent that such staff members have been appropriately assigned to auditing teams or to otherwise assist the Office of the Inspector General.
12. The Office of the Inspector General shall be available to receive complaints or information concerning the possible existence of fraud, waste, abuse of authority or other misconduct by FAO staff and non-staff personnel, as well as allegations of fraudulent activity by third parties participating in FAO activities and programmes. Complainants will be provided confidentiality and no reprisals shall be taken against staff members providing such information, unless it is determined that the information was provided with the knowledge that it was false or with the intent to misinform.

IV. Accountability and Independence

13. The Director-General shall appoint a technically and professionally qualified individual as Inspector General after consultation with the Finance Committee. Likewise, the Director-General shall consult with the Finance Committee before the termination of the incumbent of that Office.
14. To provide for the independence of the Office of the Inspector General, its staff report to the Inspector General, who reports directly to the Director-General.

15. At the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested member states.

V. Responsibility

16. The Inspector General has responsibility to:

- maintain an adequate professional audit and investigation staff with sufficient knowledge, skills and experience to meet the requirements of the Charter;
- develop a flexible biennial audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and to the Director-General for concurrence;
- implement the biennial audit plan, and, as appropriate, carry out any special tasks or projects;
- establish a quality assurance programme by which the Inspector General assures the operation of internal auditing activities;
- perform consulting services, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include process design and advisory services;
- issue periodic reports to the Audit Committee and Director-General summarizing results of audit and investigative activities;
- keep the Audit Committee informed of emerging trends and successful practices in internal auditing and investigations;
- provide a list of significant measurement goals and results to the Audit Committee;
- consider the scope of work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the Organization at a reasonable overall cost;
- maintain secure mechanisms to allow individuals to submit confidential allegations of potential fraud and misconduct in FAO's programmes and operations;
- maintain the security and confidentiality of all information and documentary and physical evidence related to investigations;
- provide confidentiality of the identity of the individuals and any information that could lead to their identification where there is a reason to believe that individuals may be at risk, unless it is determined that the information was wilfully provided with the knowledge that it was false or with intent to misinform;
- investigate alleged reprisals taken against staff members who cooperate with investigations; and
- submit investigative findings to appropriate bodies for decision and disseminate lessons learnt.

VI. Communication of results

A. Audit

17. The Office of the Inspector General shall report the results of its audit work and make recommendations to management for action with a copy to the Director-General and the External Auditor. All audit reports shall be available to the Audit Committee.

18. The Director-General shall ensure that all recommendations from the Inspector General are responded to by the responsible functional unit and implemented as deemed appropriate.

B. Investigation

19. The Office of the Inspector General shall report the results of its investigative work to the appropriate office as designated by the Director-General and make recommendations to management for action.

20. The Office of the Inspector General shall report annually to the Director General and to the Audit Committee on the status of the organizational response to the results of investigative work.

C. Annual Reporting

21. The Inspector General shall submit a summary report annually to the Director-General with a copy to the External Auditor on the activities of the Office of the Inspector General, including the orientation and scope of such activities as well as comments on the implementation status of recommendations. This report shall be simultaneously submitted to the Finance Committee together with any further comments deemed necessary and be made available to other interested member states.

D. Report Disclosure

22. The Inspector General's annual report shall be a publicly available document in all official languages of the Organization and will be posted on the Organization's website in accordance with its disclosure policies for documents of the Council and its Committees. This will include posting on the Office of the Inspector General's webpage in the Organization's website.

23. The Inspector General will make AUD's individual audit reports and reports of lessons learned from investigations, once issued in final format, and in their original language of issue, available to Permanent Representatives accredited to the Organization upon request in writing for a specific report. The reports will be made available for reading at the Office of the Inspector General, without copies being made or taken away. This policy shall apply to reports issued on or after [date at which Council approves policy], 2011.

24. Permanent Representatives shall treat any individual audit report received under this policy as confidential. Requests for access shall confirm that access will be employed for internal purposes only.

25. Where disclosure of the contents of an audit or lessons learned report would be inappropriate for reasons of confidentiality, or where it could place in jeopardy the safety and security of any individual, or run the risk of violating the due process rights of individuals, the report may be redacted or in extraordinary circumstances, the report may be withheld at the discretion of the Director-General acting on the advice of the Inspector General, who shall provide the reasons for such action to the requesting Permanent Representative.

26. Requests for access will normally be responded to, either by making the report available to the requesting Permanent Representative for viewing or advising that it must be withheld, within three weeks of receiving the written request. The requesting Permanent Representative will be advised as soon as possible by the Inspector General, but not later than three weeks of the request, if an extension of time is required to make the report available. The period will be extended where the internal audit or lessons learned report in question contains findings related to a specific State. In such cases, the Inspector General shall notify the Permanent Representative of that State within two weeks of receiving a request for the report. The Inspector General shall make available, under the same conditions in paragraph 23 and subject to any redactions made in accordance with paragraph 25, a copy of the internal audit report to the Permanent Representative of that State for viewing during a period of two weeks after the date of notification. If that Permanent Representative wishes to provide written comments to the Inspector General on the report within this two week period, those comments will be made available, along with the report and any further comments which the Inspector General has made, to the requesting Permanent Representative within a further two week period.

27. The Inspector General shall include in his/her annual report information on the implementation of the report disclosures made in accordance with paragraph 23 above including, *inter alia*: the number of requests to make reports available; the outcomes of those requests; and confirmation of requestors to adherence to the principle of confidentiality for the information disclosed in accordance with paragraph 24 above.

28. Cases of redaction or withholding of reports will be reviewed on an ex post basis by the Audit Committee at each of their meetings and their conclusions will be included in their annual report.

VII. Practice Standards

29. The Office of the Inspector General shall meet or exceed the standards for the professional practice of internal auditing (including the Code of Ethics) adopted by the Audit and Oversight Services of the United Nations and Specialized Agencies.

30. Investigations shall be conducted in accordance with the applicable FAO regulations, rules, and other administrative provisions, as well as the internationally accepted Guidelines for Investigations endorsed by the investigative offices of international organizations and multilateral financial institutions.

APPENDIX III

TERMS OF REFERENCE AND COMPOSITION OF THE ETHICS COMMITTEE

1. *The Ethics Committee shall operate as an advisory panel on all matters pertaining to ethics within the Organization, ensure general oversight over the operation of the ethics programme and provide assurance that the ethics programme is operating effectively. The Ethics Committee shall not have any formal supervisory responsibility in respect of the Ethics Office, nor engage in any operational activities in relation to its mandate.*
2. *The Ethics Committee shall be established for an initial period of four years. During this period, the Membership, through the relevant Governing Bodies, shall review the work of the Committee in order to determine, at the end of that period, whether the Committee should be extended for a further period of four years, or established on a permanent basis, or to make such adjustments to its modus operandi as may be required.*

Mandate of the Ethics Committee

3. *Subject to the principles that the Ethics Committee shall not have any formal supervisory responsibility in respect of the Ethics Office, nor engage in any operational activities, the Ethics Committee shall have the following mandate:*
 - (a) *To keep under review all matters pertaining to the formulation, development and implementation of the ethics programme of the Organization, including the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest;*
 - (b) *To keep under general review the activities of the Ethics Office on the basis of annual reports referred by the Ethics Office to the Committee and to provide guidance thereon;*
 - (c) *To advise on such matters as the Director-General may refer to it;*
 - (d) *To review and advise on the main individual components of the Ethics programme, including any relevant policies, regulations and rules, training, disclosure programmes and conflict of interest prevention and related policies;*
 - (e) *To submit an annual report on its activities to the Director-General, to the Finance Committee and the Committee on Constitutional and Legal Matters;*
 - (f) *To advise or examine any issues related to the fulfilment of its mandate.*

Composition of the Ethics Committee

4. *The Ethics Committee shall consist of the following members appointed by the Director-General:*
 - (a) *Three reputable individuals external to the Organization whose nominations are approved by the Council, upon recommendation by the Finance Committee and the Committee on Constitutional and Legal Matters;*
 - (b) *One Deputy Director-General;*
 - (c) *The Legal Counsel.*

5. *The Chairperson of the Ethics Committee shall be elected by the Committee, from among its external members, for a period of two years.*

Term of Office

6. *The individuals external to the Organization shall be appointed for a term of two years. The Director-General may renew the appointment of the individuals external to the Organization, subject to approval by the Council, upon recommendation by the Finance Committee and the Committee on Constitutional and Legal Matters. The Legal Counsel shall be an ex officio member of the Ethics Committee. The Deputy Director-General shall hold office for a term of two years, which may be extended for another term of up to two years, at the discretion of the Director-General. Should a position fall vacant, a replacement member shall be appointed for the remainder of the term, in accordance with the relevant procedure.*

Sessions

7. *The Ethics Committee shall hold at least two regular sessions each year. Additional sessions of the Ethics Committee may be convened by the Chairperson if deemed appropriate. The Director-General may request the Chairperson to convene a meeting if necessary.*

Quorum

8. *The presence of all members is expected at each meeting. At the discretion of the Chairperson, if necessary, meetings may take place with at least four members¹.*

Secretariat

9. *The Organization shall make the necessary secretarial arrangements for the functioning of the Ethics Committee.*

¹ For the time being, as discussed on a few past occasions, the proposals do not include detailed procedural rules for the operation of the Committee (e.g. on voting), given the nature of the Committee. In the future, following a possible reassessment of the workings of the Committee, this position could be reconsidered.

APPENDIX IV

NOTE ON THE METHODS OF WORK OF THE COUNCIL

1. The text of this Note, originally adopted by the Council at its Sixtieth Session in June 1973², was last updated by the Council at its Hundred and Forty-first Session in April 2011³.

FUNCTIONS OF THE COUNCIL

2. Between sessions of the Conference, the Council acts on behalf of the Conference as its executive organ and makes decisions on matters specifically entrusted to it, taking into account the advice of subsidiary bodies as appropriate. In particular, the Council should:

- I) Regarding the world food and agriculture situation and related matters –
 - a) draw up a provisional agenda for review by the Conference of the state of food and agriculture, drawing attention to specific policy issues which would require Conference consideration or could be the subject of a formal recommendation by the Conference, taking into account policy issues and instruments relating to food and agriculture being developed in other fora than FAO as appropriate;
 - b) examine and advise on issues pertaining to the world food and agriculture situation and related matters, especially any such issues of an urgent nature, which could call for action by the Conference, the Regional Conferences, the Technical Committees or the Director-General, taking into account developments in other fora of importance to FAO's mandate as appropriate.
 - c) examine and advise on any other issues pertaining to or arising out of the world food and agriculture situation and related matters which may have been referred to the Council in accordance with decisions of the Conference or any applicable arrangements, taking into account developments in other fora of importance to FAO's mandate as appropriate.

- II) Regarding the current and prospective activities of the Organization, including its Strategic Framework, Medium Term Plan and Programme of Work and Budget –
 - a) examine and make recommendations to the Conference on the Strategic Framework, the Medium-Term Plan and the Programme of Work and Budget, ensuring that a consultative process through the Regional Conferences and Technical Committees is observed in their preparation by the Secretariat, and that:
 - the Strategic Framework takes into account new global and regional challenges and gives consideration to events in other fora with implications on food and agriculture;
 - the Medium Term Plan is consistent with the Strategic Framework and provides clear guidance for the preparation of the biennial Programme of Work and Budget;
 - the Programme of Work and Budget is built on lessons learned from the Programme Implementation Reports and takes into account the findings and recommendations of strategic evaluations;

² CL 60/REP, paras 170-179 and Appendix G.

³ CL 141/REP, para __ and Appendix __.

- b) make a recommendation to the Conference regarding the level of the budget, taking into consideration both assessed contributions and voluntary contributions, drawing on the advice of the Programme Committee and Finance Committee as appropriate;
 - c) take any necessary action, within the approved Programme of Work and Budget, with respect to the technical activities of the Organization and report to the Conference on such policy aspects thereof as may require decisions by the Conference, drawing on the advice of the Programme Committee and Finance Committee as appropriate;
 - d) decide on any required adjustments to the Programme of Work and Budget, in the light of the decisions of the Conference on the budget level, ascertaining justification of changes in the Programme of Work and Budget approved by the Conference;
 - e) review the reports on programme and budget matters of the Committee on Commodity Problems, the Committee on Fisheries, the Committee on Forestry, the Committee on Agriculture and the Committee on World Food Security, ensuring that their inputs are provided in a timely manner, in accordance with the agreed schedule of Governing Body sessions;
 - f) review the reports on programme and budget matters of the Regional Conferences, ensuring that their inputs are provided in a timely manner, in accordance with the agreed schedule of Governing Body sessions.
3. The Council should focus on its functions relating to administrative matters and financial management of the Organization, as well as constitutional matters, including making recommendations to the Conference on amendments to the Basic Texts of the Organization, ensuring that the Organization operates within its legal and financial framework. The Council should do so on the basis of its review of the reports of the relevant committees.
4. The Council should elect members of the Programme Committee, Finance Committee and CCLM, and propose candidates for the offices of the Conference. The Council should also elect members of the Executive Board of the World Food Programme.
5. In reviewing the activities of its subsidiary bodies, the Council should ensure that:
- a) they give the necessary attention to the matters falling within their respective mandates;
 - b) they do not duplicate each other's work; and
 - c) their discussions are not repeated in the Council, except when this is necessary to enable a decision to be reached.
6. The Council should exercise its functions with full involvement and interaction of its Members, in the course of its sessions as well as during the inter-sessional periods, with active facilitation and coordination by the Independent Chairperson to drive forward continuous improvement in the efficiency, effectiveness and ownership of governance by the membership.

AGENDA AND DOCUMENTATION

7. The Provisional Agenda should be prepared in consultation with the Independent Chairperson of the Council, taking into account suggestions made by the Members and the Regional Groups. It should be issued together with the invitation letters 60 days before the date of commencement of the Council Session and documents for Council sessions should be issued in sufficient time for Members to examine them before the session (see paragraph 11 below), and in a form that shall facilitate the Council's consideration.
8. A Provisional Annotated Agenda should be issued prior to the Council Session providing under each proposed agenda item the following information:
- a) the documentation required for the discussion of that item;
 - b) an indication whether the item is submitted to Council for decision, discussion or information.

9. Council documents should normally follow a standard format and contain an executive summary with a clear indication of any action the Council is requested to take. As appropriate, they should be submitted with a draft decision for consideration by the Council.
10. The length of Council documents should normally not exceed 5,000 words. All documents should be issued in the languages of the Organization (Arabic, Chinese, English, French, Russian and Spanish).
11. Unless the timing of the sessions of the bodies concerned makes it impossible, all documents should be dispatched at least four weeks before the opening of the session in question.
12. Sessions of other bodies whose reports must be considered by the Council should, as far as possible, be held in sufficient time to meet the deadline indicated in the previous paragraph.
13. To facilitate decision-making by the Council, the reports of subsidiary bodies should clearly list the points requiring the Council's decision or consideration.
14. Reports of subsidiary bodies and other documents which do not contain points requiring consideration or decision by the Council should be presented for information only.

CONDUCT OF DEBATE

15. The summaries contained in Council documents should provide clear introductory material. Oral introductions should be concise and focused, and highlight any important new developments which have occurred since the documents were issued.
16. The Chairpersons of the Programme Committee, the Finance Committee and the CCLM, as well as the Chairpersons of the Regional Conferences and, when available, of the Technical Committees should be invited to introduce the reports of the Committees they chair.
17. Interventions should be brief and centred on key issues highlighted in the document. Unless extended debate is required to develop a consensus, speakers should not restate views already expressed and only indicate their agreement or disagreement with points raised by previous speakers.
18. In respect of items on which a decision is required, if preliminary debate indicates that there is likely to be difficulty in reaching agreement, the Independent Chairperson should suspend the debate and allow for informal consultations or set up a sessional working party to examine the matter and make recommendations to the Plenary.
19. Except as otherwise provided in the Basic Texts, the decisions of the Council are taken by a majority of the votes cast, bearing in mind that the Independent Chairperson of the Council shall take steps to facilitate and achieve consensus among Members. Voting arrangements at Council meetings are spelled out in Annex 1.
20. With the exception of the provisions of the previous paragraph, debate on any item should normally be completed before debate on the next item begins.
21. Information items or documents will be listed at the end of the Agenda. Any delegation wishing to refer to these items or documents may do so under the agenda item "Any other matters".
22. The Chairpersons of the Committees and the Regional Conferences and the Secretariat should have the right of reply to the essential points made in the debate.
23. At the end of the debate on each item, the Chairperson should make a summary of the conclusions, decisions and recommendations emerging from the debate as an input to form the basis of the draft Council report.

REPORTS AND RECORDS

24. Verbatim records shall be kept of Council plenary meetings and accordingly Council reports, while recording in an unambiguous manner all decisions reached by the Council, should be as concise as possible.

25. A draft report should normally be prepared by a Drafting Committee or through another suitable arrangement agreed by the Council, with Secretariat assistance.
26. The reports of the Council should be written in clear and unambiguous terms to avoid potential misunderstandings on the type of follow-up action required.
27. Reports should consist of the conclusions, decisions and recommendations on matters discussed by the Council. The action taken by the Council should be clearly specified using the formula "The Council agreed/decided/recommended/requested/urged, ..." and the verb should be underlined in the report.
28. To the extent possible, the views of "a few" or "several" should be avoided. If the views of "some" or "many" members are included in reports, the verb should not be underlined to ensure that they are not mistaken for decisions of the Council.
29. Reports should not generally record the views of individual delegations by name, since the verbatim records include all interventions made in plenary meetings.
30. The Secretary-General of the Conference and Council should provide the Council at each session with a document regarding the implementation of decisions taken at the preceding session.

ADHERENCE TO THE METHODS OF WORK

31. These methods of work should be available to delegations during the sessions of the Council and posted on the Council Web page and the Permanent Representatives Website.
32. The Chairperson should draw this Note to the attention of Members at each session of the Council.