FINANCE COMMITTEE

Hundred and Ninety-ninth Session

Rome, 20-24 May 2024

FAO Oversight Advisory Committee – 2023 Annual Report

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

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NO262/e
**EXECUTIVE SUMMARY**

The Oversight Advisory Committee (OAC):

- welcomes the Director-General’s support of the work of the Committee and appreciates his continued cooperation with OAC Members and his availability at all meetings in 2023;
- welcomes the Director-General’s continued commitment to effectively communicating “tone at the top” and zero tolerance toward unethical practices;
- is pleased to confirm assurance of full independence of the Office of the Inspector General (OIG) in audit and investigation functions, and noted the significant increment in resources that had been made available to the Office;
- concludes positively on the operations of OIG and its coordination with other oversight functions;
- takes note of progress in areas of internal control and risk management and in implementing the HR Action Plan;
- is pleased to confirm assurance of full independence of the Ethics Office and welcomes good collaboration and continued progress in the ethics and ombuds functions;
- is pleased with the model of evaluation being introduced and the activities in the Office of Evaluation;
- appreciates the update from the Regional Office for the Near East and North Africa (RNE) and is pleased with the professionalism of the team;
- takes note of FAO management’s progress in addressing oversight recommendations, and appreciates the proactive efforts in reassessing realistic implementation of management action plans for all outstanding recommendations;
- welcomes ongoing efforts in modernising operations and business activities at FAO, including in decentralized locations.

**GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

The Finance Committee is invited to take note of the FAO Oversight Advisory Committee’s Annual Report for 2023.

**Draft Advice**

The Finance Committee took note of FAO Oversight Advisory Committee’s Annual Report for 2023 and:

- acknowledged the important role of the Committee in providing independent assurance and advice in the areas mandated under its Terms of Reference;
- welcomed the Report, which included positive conclusions on the Organization’s oversight; appreciation for the operation of the Office of the Inspector General and the work carried out under the ethics and ombuds functions; as well as relevant advice in relation to FAO’s system of internal control, risk management and governance;
- expressed satisfaction with the Committee’s advice in the areas under its mandate;
- appreciated the progress in implementing the Committee’s recommendations and looked forward to a further status report from management at the next regular Session of the Finance Committee in November 2024.
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Introduction

1. The Oversight Advisory Committee (OAC) is pleased to provide its 2023 annual report. This report is structured following the Committee’s Terms of Reference as approved by the FAO Council at its 170th Session in June 2022.\(^1\) It provides an overview of the Committee’s work, observations, advice and recommendations formulated during the reporting period, for consideration by the Director-General and the Finance Committee.

2. In 2023 the OAC held two in-person (February, December) and one virtual (July) meetings. The Committee appreciated the regular updates and information received, and the open and constructive discussions that ensued on developments related to the work of the Organization, as well as on matters affecting efficiency and effectiveness of key business activities. It particularly appreciated direct engagements with the Director-General and the Core Leadership team at each of its meetings.

3. The Committee acknowledges with thanks the cooperation and assistance received from the Director-General and Core Leadership team, the Assistant Director-General Regional Representative for the Near East, the Legal Counsel, the Inspector General, the Ethics Officer and Ombudsperson, the Directors of Evaluation, Human Resources, Finance, Land and Water, Logistics Services, Strategy, Programme and Budget, other FAO staff, and the External Auditor during its meetings in 2023. The Committee wishes to thank the OAC Secretariat for its support throughout 2023.

4. The composition of the Committee during 2023 is provided in Annex 1.

I. Work of the Oversight Advisory Committee in 2023

Functioning and responsibilities

5. In line with its Terms of Reference, Article 11, which provides for “Periodic Review of the Terms of Reference, ” the Committee confirmed no need to amend its Terms of Reference\(^2\) during 2023.

6. In relation to its methods of work, the OAC confirmed it would continue the series of virtual briefings with regional and subregional offices, with the briefings for the two remaining Regions of Europe and Central Asia and Asia and the Pacific taking place in 2024 and 2025.

7. As per best practice, the Committee held at each relevant meeting, private sessions with the Inspector General, the External Auditor, the Ethics Officer and the Ombudsperson.

8. The Committee continued to provide independent advice to the Director-General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, investigation and ethics functions of the Organization, through comprehensive review of the work of the Office of the Inspector General, Ethics and Ombudsman Offices, other FAO oversight functions (Evaluation and External Audit), and management actions on OIG recommendations and investigation reports.

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

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\(^1\) CL 170/REP paragraph 29.c)

\(^2\) The Terms of Reference of the Oversight Advisory Committee are available at https://www.fao.org/about/oversight-advisory-committee/en/.
2023 Workplan

10. The Committee is pleased to report that it has successfully discharged its duties in accordance with the Terms of Reference and fully achieved its workplan for 2023. At the time of writing this report, the OAC had not approved its workplan for 2024.

2023 Thematic reviews and ad hoc guidance

11. In 2023, in addition to standing items on its Agenda, the Committee provided ad hoc guidance on the following matters:
   - Modernization of operations and business improvement
   - Data Protection Policy and progress in establishing the Data Protection Unit
   - Shared Services Centre recent reforms and future plans
   - FAO’s work in science and innovation
   - FAO’s work in land and water
   - FAO’s Social Security Unit
   - Regional Office for the Near East and North Africa briefing on management of operations, oversight and internal controls measures
   - FAO’s measures for financial fraud prevention, including anti-money laundering (AML) and combating the financing of terrorism (CFT)
   - FAO’s procurement activities and plans
   - Progress on the delivery of the programme of work and budgetary performance for 2023
   - FAO’s work in IT and cybersecurity
   - Implementation of Recommendation 7 (JIU/REP/2020/1) to develop and adopt appropriate formal procedures for the investigation of complaints of misconduct by executive heads and adopt appropriate policies by the end of 2021
   - Progress on the Enterprise Resource Planning (ERP) 2022-25 Roadmap

Delivery of FAO field programme

12. In July 2021, the Committee initiated a series of dedicated briefings with the regional offices. It received a briefing from the Regional and Subregional Offices for Latin America and the Caribbean in 2021, a briefing with the Regional Office for Africa (RAF) in 2022, and a briefing from the Regional Office for the Near East and North Africa (RNE) in 2023.

13. The Committee extends its thanks and appreciation for the thoroughness and quality and breadth of the briefing received by RNE. It highlighted the professionalism of the RNE team and supported the vision for the restructuring exercise. The Committee discussed in detail the follow-up to audit recommendations and stressed the importance of using these audits as a source of valuable advice.

14. The Committee was also satisfied with the risk management and due diligence approaches in the Office and was pleased to note, in relation to the use of affiliate personnel, that no issues had been raised on perceived injustice. The Committee also supported the ‘respectful workplace facilitator’ programme instituted in RNE and the work in PSEA and human rights issues and efforts.

15. The OAC recommended strengthening the capacity in country offices and regional offices to implement and embed the risk framework in the first and second lines of defense, drawing from OIG’s recommendations for mitigating actions in their audit of this area.

Committee’s external and self assessments

16. In 2024, FAO senior management who regularly interact with the Committee completed a confidential assessment questionnaire to evaluate the Committee’s performance (external assessment) during the period 2022-23. The OAC also carried out its 2022-23 self-assessment review in line with best practice for oversight advisory committees in the UN system.

17. Focus areas of the external assessment comprised: how well the OAC addressed its responsibilities in accordance with its Terms of Reference; if the advice and recommendations
formulated by OAC were considered relevant; and if the OAC communicates with senior management in an effective and constructive manner. The OAC is pleased to report that senior management’s average rating for the above topics was 4.5 on a scale from 1 (very little) to 5 (exceptionally well). Similarly, the average rating for the OAC’s self-assessment on the efficacy of its operations was 4.7.

II. Accounting and financial reporting

Financial reporting

18. During 2023, the Committee received briefings on the Financial Statements and reporting, including the Organization’s liquidity position and cash-related expenditures; income from Trust Funds; investment strategy and portfolio management; continued compliance with the International Public Sector Accounting Standards (IPSAS), including accounting standards changes; improvements in administrative and financial systems; monitoring of financial controls in decentralized offices; and automatic bank reconciliation.

19. The Committee was pleased with the overall financial picture and positive cash situation outlook. The OAC welcomed that investments had provided above-benchmark returns, considering market conditions.

20. The OAC took note of the measures in place for fraud prevention, including anti-money laundering (AML) and combating the financing of terrorism (CFT), and was satisfied with measures in place for procurement processes, while noting challenges in the area of payment as the lists of blacklisted people and sanctioned entities were increasing.

21. The OAC noted the ongoing discussion in FAO’s Governing Bodies on the FAO financial model and the balance between Regular Programme and extrabudgetary resources, and looked forward to further discussion in this area.

III. Oversight

External Audit (EAUD)

22. In 2023, the Committee continued to review the external audit long form report and their management letters including the recommendations made therein. The Committee was satisfied that there were no significant internal control issues, while noting that some findings may be indicative of the need for increased rigour in the application of policies and procedures.

23. It noted progress in the delivery of EAUD planned activities and welcomed full cooperation from FAO management. It also took note of the good progress by Management in implementing outstanding recommendations.

Office of Evaluation (OED)

24. The Committee discussed the OED Evaluation Strategy 2023-2025, and progress in the Independent Evaluation of FAO’s Evaluation Function and OED ongoing portfolio of evaluations. It commended the Office for the very advanced model of evaluation being introduced and stressed the need to monitor the mainstreaming of evaluation findings and implementation of lessons learned across the Organization.

25. The OAC strongly supported the reintegration of decentralized evaluations at centralized level.
IV. Internal control and risk management

Internal control policies and risk management

26. The Committee took note of the progress made on FAO’s internal control and risk management function and continued to provide specialised advice in this area. The Committee congratulated FAO on the efforts made in raising awareness on risk management and creating the desired risk management culture. The Committee also recommended a clearer prioritization of risks, identification of the risk owner(s) and focus on a mitigating action plan, including monitoring and mechanisms for risk escalation.

27. It supported the proposed workplan for 2023-24, and noted the foreseen development of a ‘risk appetite/tolerance’ statement would offer good value for FAO.

Human resources (HR) management

28. The Committee reviewed progress in implementing the Human Resources Strategic Action Plan and welcomed progress on HR reforms were on-track. It welcomed the collaboration with the Ethics Office on promoting communication on conflict of interest.

29. The OAC appreciated HR increased focus and resources on diversity and talent management.

Data Protection Unit (DPU)

30. In 2022, the Committee had agreed to take on a role of oversight of implementation of the Organization’s Data Protection Policy as suggested by the Committee on Constitutional and Legal Matters. In 2023, the OAC continued discussion on activities and developments in the Data Protection Unit (DPU) established in January 2023, including staffing profiles and plans.

31. The OAC noted the high risk of accessing sensitive data with malicious intent, and stressed the need to focus on preventive action, paying special attention to securing the protection of data of beneficiaries and implementing partners. Similarly, the OAC emphasised the importance of preserving the integrity - and appropriately disposing - of data related to investigation cases, human resources and PSEA following clear guidelines.

32. The Committee was pleased that best practice and experience gained in other UN organizations was being considered in FAO and suggested an incremental implementation of the Data Protection Policy adapting it to lessons learnt.

V. Ethics and Ombudsman Offices

33. The Committee continued to monitor progress in activities carried out during 2023 under the ethics and ombuds functions. It was pleased with the continued close collaboration between the two offices and commended the quality of the work of the two units. The OAC also praised the initiative of the Inspector General, Ombuds and Ethics Officer to jointly visit field offices, noting the positive results in raising awareness.

34. The Committee also welcomed the establishment of the practice of regular joint meetings of all participants in the internal justice system (ethics, ombuds, investigation, legal, HR) to share insights and opportunities for improving the effectiveness of the overall internal justice system.

35. The Committee welcomed the new approach to the annual disclosure programme focusing on conflict of interest. It took note of the high incidence of Conflict of Interest (CoI) cases at senior management level mainly in relation to the increased disclosure activities. It also noted that most cases related to the participation on a personal level in boards or to interactions with partner entities, both of which often depended on the highly specialized nature of FAO’s technical managers. The OAC welcomed the Ethics Office, in coordination with the Legal Office, preparation of clear guidelines in this regard.

36. The Committee was concerned with the prominence of issues reported on ‘respect and civility’, suggesting they might warrant an audit on culture.
VI. Effectiveness of internal audit and investigation functions

37. The OAC welcomed assurance of full independence in audit and investigation functions and freedom from any undue interference, as well as good collaboration with all senior management throughout 2023. The Committee noted the significant increment in resources that had been made available to the Office and appreciated the Director-General’s continued commitment to providing adequate funding to the Office.

38. The OAC welcomed a number of important initiatives in the Office of the Inspector General, and supported the proposed OIG internal restructuring, including the creation of a unit dedicated to awareness raising and advisory services.

39. The Committee discussed the implications from an oversight point of view of extrabudgetary project negotiations, recognising that donors’ increasing requests for control points and oversight were generally exceeding the Office’s capacity to provide supplementary services. In this regard, the OAC welcomes the ongoing review by the Joint Inspection Unit “The single-audit principle and the impact of additional oversight requirements by donors” and looks forward to its outcomes.

40. The OAC appreciated the proactive efforts in reassessing all outstanding recommendations with action owners and strongly supported the development of realistic implementation plans, including the transformation of “actions agreed” into “management action plans”.

41. The Committee considered the increase in the number of cases reported to the investigation unit in the optics of increased trust in the justice system.
Annex 1: Composition of the Committee in 2023

The Committee is composed of five members. The Committee’s composition in 2023 was as follows:

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<th>Oversight Advisory Committee 2023</th>
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<td>Mr Fayezul Choudhury</td>
<td>Member (since July 2019) and Chairperson (from July 2020)</td>
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<td>Mr Gianfranco Cañola</td>
<td>Member (since December 2017)</td>
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<td>Ms Malika Ait-Mohamed Parent</td>
<td>Member (since July 2020)</td>
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<tr>
<td>Ms Hilary Wild</td>
<td>Member (since July 2020)</td>
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<tr>
<td>Mr Honoré Ndoko</td>
<td>Member (since December 2022)</td>
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Secretary ex-officio

Ms. Beth Crawford
Assistant Director-General
Director, Office of Strategy, Programme and Budget (OSP)
## Annex 2: Status of implementation of Oversight Advisory Committee recommendations

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<th>OVERSIGHT, INTERNAL CONTROL, RISK MANAGEMENT</th>
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| 1. | OAC 65 December 2023 | ![Completed] OAC: Strongly recommended that the legal framework for anti-fraud preventions from 2015 be updated at the earliest juncture, and recommended to include segregation of duties measures, as well as conflict of interest in the updated anti-fraud policy.  
FAO: The fraud policy has been updated and is in final stages of approval. |
| 2. | OAC 65 December 2023 | ![Completed] OAC: Recommended the need for the policy on vendor sanctions to be updated.  
FAO: The vendor sanctions policy is being updated and some changes have been made to align, wherever possible, with the draft Model Policy Framework (MPF) document developed by the High-Level Committee on Management (HLCM) Procurement Network. In addition, Standard Operating Procedures have been drafted. The FAO vendor sanctions policy will be completed only upon the finalization of the MPF which is currently undergoing final approval. |
| 3. | OAC 65 December 2023 | ![Completed] OAC: Recommended the identification of the risk owner(s) for FAO’s risk framework, and focus on a mitigating action plan, including monitoring and mechanisms for risk escalation. Suggested FAO prepare an overarching road map to achieving a mature and robust risk management framework.  
FAO: The Core Leadership team has decided the removal of risk owners for the top risks, noting instead that they are accountable for these as a team. Mitigating action plans will be further developed for priority risks. Risk escalation procedures have been defined in the new ERM policy. |
| 4. | OAC 65 December 2023 | ![Completed] OAC: Recommended strengthening the capacity in country and regional offices to implement and embed the risk framework in the first and second lines of defense, drawing from OIG’s recommendations for mitigating actions in their audit of this area.  
FAO: A training plan is under implementation, aiming to cover in particular FAO management at all levels during 2024. Core Leadership participated in a dedicated training session in early March 2024 and Regional management as well as HQ Directors will receive training in April-June 2024. FAOR training is expected to be completed in the second half of the year. |
| 5. | OAC 64 July 2023 | ![Completed] OAC: Recommended that RNE clearly identify the second line of defense in the Office and the Subregional offices, in particular, to set up a clear mapping and rationale to assign responsibility and accountability for execution of programmatic project decisions and verification of compliance.  
FAO: The second line of defense is secured by the new Strategy and Policy Unit that has been added to RNE structure (doc. NERC/24/8 Country Office Network – Current Status and Way Forward: A policy paper). |
| 6. | OAC 65 December 2023 | ![Completed] OAC: Recommended that attention be paid in the new organizational models for country offices to clearly define the first and second line of defense roles, allow adequate segregation of duties; and potential expansion of support to country offices from the Shared Services Centre.  
FAO: The 2024 Regional Conferences are deliberating on the proposed models for Country Office Network and these issues will be considered in that context. |
| 7. | OAC 59 October 2021 | ![Completed] OAC: In relation to the recommendations of the Audit Report on the Decentralized Offices’ Governance Structure and Capacity, observed that the current model and structure of country offices required thoughtful review to reflect the realities on the ground in consultation with FAO’s membership. It concluded that most findings in the audit report may be related to the adequacy of resource levels.  
FAO: The 2024 Regional Conferences are deliberating on the proposed models for Country Office Network. |
<p>| 1. | OAC 62 October 2022 | ![Completed] OAC: In relation to the management of wrongdoing and internal justice at FAO, suggested that this important work be more proactively conveyed through outreach and communication activities, including on the FAO home page and on the individual webpages of the units concerned through a uniform message promoting the work on ethical behaviour, integrity and respect for communication purposes. |</p>
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<td>2</td>
<td>OAC 65 December 2023</td>
<td>OAC: Recommended that CSI produce a yearly report to senior management on cybersecurity challenges and mitigating action. FAO: The production of a yearly report to senior management has progressed in the form of an online set of dashboard reporting on key IT Security indicators challenges and mitigating actions. Activities are expected to continue towards the release of the 2024 yearly report by the fourth quarter of 2024.</td>
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<td>OAC 65 December 2023</td>
<td>OAC: In relation to the Audit of Information Technology Service Management, recommended clearer accountability in terms of the 2nd line of defense, and stressed the need for increased coordination between OCC and CSI in managing risks related to social media, including effective coordination mechanisms. FAO: In addition to the advice to enable and use Multifactor Authentication for applicable social media accounts, a brand protection measure has been introduced. Brand Protection is composed of a Digital Risk Protection platform, with active and continuous monitoring for fraudulent use, misuse, and abuse of legitimate FAO brand, with regular notifications and coordination (and takedowns) to and with relevant involved parties, of detected potential and/or existing threats, including in Social Networks (e.g. Facebook, Instagram, LinkedIn, TikTok, Flickr, Twitter).</td>
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<td>OAC 62 October 2022</td>
<td>OAC: In relation to the Audit of the medical insurance coverage for supernumeraries plans, recommended the uptake of governance improvements, in particular the creation of knowledge on contract management through training and development. FAO: According to the OIG report, a qualitative leap and enhancement of medical insurance plan was made in the management of, and implementation of the new contract in 2021. The Organization continued to improve various internal control weaknesses in timecard management, sick leave management, and receivable reconciliation in the SSC. CSH Social Security made significant efforts to address these cross-cutting matters holistically and has steered a large-scale medical insurance plan transition in 2021 and 2022, affecting more than 10 000 individuals. CSH has also addressed a long overdue policy gap with updated FAO Manual Sections published in 2022. Sick leave management and financial reconciliation processes are established and carried out smoothly. Medical teams at the external insurance provider reviewed sick leaves of affiliate personnel for medical compliance and illness-related absences. A dedicated reserve fund for Medical Insurance Coverage for Supernumeraries has been in full operation and all the retroactive transactions were correctly posted to the newly established dedicated reserve fund.</td>
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<td>OAC 65 December 2023 OAC 55 July 2020</td>
<td>OAC: Recommended continued attention by FAO on developments within the UN system concerning the provisions for a process and modalities for allegations of misconduct against a Director-General. FAO: The Committee on Constitutional and Legal Matters (doc. CCLM 120/5) and the Finance Committee will continue discussion on this matter (docs. FC 199/10 and FC 199/10 Add.1) at their Spring 2024 Sessions and the OAC will be informed of outcomes thereafter.</td>
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<td>OAC 55 July 2020</td>
<td>OAC: Recommended the Ethics Office assume the responsibility for management of the gifts policy. FAO: The Ethics Office has collected stakeholders’ feedback for the revised draft Policy document for review by the OAC and LEG. The Ethics Office has submitted the revised draft to LEG following another round of internal consultation, and the document is currently being reviewed for approval in LEG.</td>
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### HUMAN RESOURCES

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| 7. | OAC 62 October 2022 | OAC: Reiterated its concern over the number of issues raised with the Ethics and Ombuds Offices from affiliate personnel on perceived inequality of treatment. Recommended to rebalance the workforce through undertaking of medium- and long-term analyses of needs and funding, and suggested that some workforce planning activities could be streamlined by clarifying roles and responsibilities of the business units and the HR Division. Recommended the Organization invest in supporting employees with burnout mitigation and stress management, as well as more dedicated efforts to addressing racism and racial discrimination and disability in FAO’s policies.  
FAO: Ongoing. FAO continues to follow the work at the CEB/UN level regarding the review of contractual modalities, and will contribute as appropriate to relevant discussions of the International Civil Service Commission (ICSC). In the shorter-term, FAO is conducting a first review of the non-staff/affiliate workforce guidelines and procedures, with a view to streamline procedures and improve conditions of service where possible. |
| 8. | OAC 61 June 2022  
OAC 59 October 2021 | OAC: Agreed on the need to rationalize categories of employment and contractual modalities and suggested this be brought forward in coordination with other UN entities.  
FAO: Ongoing. FAO continues to follow the work at the CEB/UN level regarding the review of contractual modalities, and will contribute as appropriate to relevant discussions of the International Civil Service Commission (ICSC). In the shorter term, FAO is conducting a first review of the non-staff/affiliate workforce guidelines and procedures, with a view to streamline procedures and improve conditions of service where possible. |

### PROGRAMME AND BUDGET

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| 9. | OAC 65 December 2023 | OAC: Agreed the need for FAO to having a sustainable financial model and balance between Regular Programme and extrabudgetary resources, as being discussed in FAO’s Governing Bodies.  
FAO: FAO has been developing a set of possible actions to further support a strong financial model under an integrated funding model. In the short term, a number of concrete actions have been embedded in the newly launched Resource Mobilization Action Plan (ReMAP), while others are being taken forward in the context of other ongoing initiatives, including the FAO transparency portal, country office strengthening and ERP transformation. |