



REPORT OF THE AUDIT COMMITTEE

Introduction

1. During the intersessional period, the Audit Committee (AC) continued to discharge its mandate as approved by the Executive Council Resolution 8 (EC-LXIII) – Terms of reference and membership of the Audit Committee. It held two meetings on 26 October 2015 and 2-3 May 2016 chaired by Ms Linda Makuleni and Mr Graham Miller, respectively.
2. The AC continued to focus its oversight and advisory role on the review of annual Financial Statements and on the reports of the External Auditor, the work plans and reports of the Internal Oversight Office, follow-up of the recommendations of the Joint Inspection Unit (JIU), effectiveness of the Enterprise Risk Management, and on other financial and management matters. It provided recommendations to the Secretary-General and the Executive Council as appropriate, and assessed Management actions to various oversight recommendations.

Financial Statements

3. The AC reviewed the Financial Statements for 2015 and noted the financial results for the year as reflected in the Secretary-General's foreword (introductory Statement) and the External Auditor's Report.
4. The AC noted that the net assets of the Organization reduced by 28.7% (CHF 25.7 million) in 2015, and that the decrease followed a previous reduction of 22.6% (CHF 26.2 million) from 2013 to 2014. The AC noted that, while most of the decrease was caused by unrealized expenditure like depreciation and discounting of long-term assets, a significant portion was due to reduction in voluntary funding. Noting WMO's strategic objective to increase voluntary funding, the AC considered the decline in voluntary contributions was a potentially worrying sign.
5. The AC noted that 40% of assessed contributions were outstanding at the end of the year and considered this would have a potential impact on the Organization if not addressed. The Secretariat considered that the status of outstanding contributions does not pose an immediate risk to the Organization.
6. **The AC recommends that the delays in payment of assessed contribution be brought to the attention of the Executive Council.**
7. **The AC commends both the financial statements for 2015 and the External Auditor's Report thereon to the Executive Council for its consideration.**

Report of the External Auditor

8. The AC noted with appreciation that the External Auditor (Swiss Federal Audit Office) issued an unqualified opinion on the accounts for 2015. The External Auditor's Report for 2015 draws attention to an increasing financial deficit, and the need for improvements in internal control, project management and travel management. The Report presents eight recommendations, all of which have been accepted by the Secretariat. The AC noted continued

improvements in the areas of concern highlighted in the reports of the External Auditor and in the response by management to External Audit recommendations generally.

9. **The AC recommended that all External Audit reports, including performance audit reports, should be shared with the AC, and eventually with the EC, when appropriate.**

Internal Control

10. The AC reviewed the Secretary-General's Statement on Internal Control, presented with the Financial Statements, and offered appropriate advice to the Secretary-General. The Statement on Internal Control for 2015 includes project management, procurement controls and internal control in IT as areas that require improvement, coinciding with observations in the reports of the External Auditor and IOO.

11. In its subsequent meetings, the AC will monitor developments in how these areas are addressed and report as appropriate to the EC.

12. The AC expressed general appreciation for continued improvements in internal control in WMO and indicated that the Statement for 2015 was consistent with the AC's understanding of WMO's circumstances and with the reports of the External Auditor and IOO.

Internal Oversight

13. The AC expressed satisfaction with the work of the Internal Oversight Office (IOO) during the intersessional period. It reviewed the subject and progress reports issued by IOO, as well as management implementation of IOO recommendations.

14. The AC noted that the IOO Annual Accountability Report submitted to the Executive Council indicated issues of concern in several areas, including the functioning of controls in procurement; "material weaknesses and deficiencies" in procurement identified by a European Commission pillar assessment exercise; and weaknesses in the measurement of programme/project results.

15. The AC advised the IOO on its annual workplans, the need to establish time limits for recommendations remaining open, and the need to include ratings for all its reports, including financial audits carried out.

Enterprise Risk Management

16. The AC noted significant progress in the implementation of risk management at the Secretariat, which has matured over the years. It was kept informed of the status of the high-risks for the Organization, which were rigorously monitored.

17. The AC advised the Secretariat on further improvements in the implementation of risk management, particularly with regard to developing a rule of cascading to provide clarity on specific meaning of risks at various levels of operations; the need for Departments and staff to indicate the risks that may impact efforts to achieve their respective objectives as a process of embedding risk management into operational processes; and the need for the Secretariat to use its experience in risk management to assist Members, as appropriate, to implement risk management in their National Meteorological and Hydrological Services.

JIU Reports and Recommendations

18. The AC monitors the various reports and recommendations from the JIU which have relevance for WMO as a Specialized Agency of the United Nations. The AC appreciated the

efforts made by the WMO Secretariat to implement JIU recommendations where appropriate to the WMO's circumstances. It reviewed the responses and advised management as appropriate.

19. The AC noted that some recommendations addressed to the Executive Heads of UN entities, such as recommendation number 3 of 2015/5-JIU Report on "activities and resources dedicated to climate change" may be of interest to the legislative bodies of WMO, but were not submitted to the EC under current practice.

20. **The AC recommended that the Secretariat should bring such recommendations to the attention of the EC.**

AC Effectiveness

21. The AC has started reviewing the format and process for assessing its effectiveness, with the view of improving the tools used so as to make the results representative of a collective opinion of the Committee, and for the process to reflect good practice in governance. The AC will take forward a self-assessment during its autumn meeting and report to the EC in 2017.
