



AGENDA ITEM 16: GOVERNANCE

AGENDA ITEM 16.1: OVERSIGHT

**REPORT AND RECOMMENDATIONS OF THE THIRTY-SEVENTH MEETING
OF THE FINANCIAL ADVISORY COMMITTEE TO THE SEVENTIETH
SESSION OF THE EXECUTIVE COUNCIL**

OPENING (Agenda item 1)

1. The Financial Advisory Committee (FINAC) held its thirty-seventh meeting at the WMO headquarters on 18 and 19 June 2018.

APPROVAL OF THE AGENDA (Agenda item 2)

2. The approved agenda of the meeting and the list of participants appear in Annexes 1 and 2 of this information paper.

**BUDGETARY MATTERS (AGENDA ITEM 3)
*Draft Budget 2020-2023 (agenda item 3.1)***

3. The draft budget for the eighteenth financial period (2020-2023) is presented in document EC-70/Doc. 16.2(2) and EC-70/INF. 16.2(2) that contains the following proposals: (i) Part A: ZNG Regular Budget Proposal of CHF 266.22 million that covers core activities to be implemented in the exercise of WMO mandate; (ii) Part B: Additional Regular Budget Proposals (assessed contributions moderate growth) over and above the ZNG level that are aimed at accelerated, expanded and/or scaled up implementation in key focus areas of Strategic Objectives beyond the ZNG level; and (iii) Part C: Additional Regular Budget Proposals ("optional programmes") to support new priorities and initiatives that are to be funded by those Members that agree to do so.

4. The Committee supported a ZNG budget proposal and most members supported the approach of optional programmes. A few members advocated for a more moderate budget growth financed by assessed contributions.

5. The Committee also expressed the view that EC should further clarify the concept of optional programmes (Part C), its relationship to "core" activities as outlined under Part A and the mechanism for funding and implementation. The Committee is also of the view that more clarity should be brought to the relationship between "core" activities (ZNG activities)" and "additional initiatives" (Part B) and the justification for the specific initiatives listed in Table 5 as part of the review requested by Cg-17.

6. Some members suggested that savings and efficiency measures in the core activities be considered to reallocate part of the budget in the core activities to high priority additional initiatives listed in Table 5.

7. The Committee noted that the budget proposal offers greater budget transparency and vast improvements in terms of linkage between the strategic / operational planning and budgeting achieved on the basis of the work completed by the EC working group on strategic

and operational planning. The Committee is of the view that the budget appropriation parts should be set at the seven levels, namely: (i) five Long-Term Goals; (ii) Policy-Making Organs, Executive Management and Oversight and (iii) Language Services, in order to strike a right balance between oversight by the Executive Council and the flexibility of the Secretary-General with regard to the budget implementation.

Recommendation 1:

That the Executive Council:

- (i) Clarify the concept of optional programmes (Part C) and the relationship between the core activities (Part A);
- (ii) Adopt Recommendation 16.2(2)/1 – Maximum Expenditure for the Eighteenth Financial Period (2020-2023) broken down by seven appropriation parts as described in paragraph 7 above;
- (iii) Propose additional initiatives (Part B) that complement core ZNG activities in respective Strategic Objectives, bring additional benefits to Members and reinforce the visibility of the catalytic functions of WMO.

FINANCIAL MATTERS (AGENDA ITEM 4)

Funding liability for After-Service Health Insurance Plan (ASHI) (agenda item 4.1)

8. The Committee recalled that, in Decision 69, EC-69 requested the Secretary-General to “develop, in consultation with staff, a more comprehensive proposal to be submitted to EC-70, including measures to reduce or contain overall costs of the scheme, a timeline for the implementation of the proposed plan, as well as the extent to which the scheme would benefit from harmonization with the progress of the UN-wide scheme and other UN organizations.”

9. The Committee reviewed the Secretary-General’s report, contained in EC-70/INF. 17.2. The Committee noted that the latest report of the UN Working Group on ASHI was issued in February 2017, the contents of which were summarized in the document that was considered by EC-69, and the Working Group is currently preparing its last report, which will be presented to the UN General Assembly in the autumn of 2018. The Committee observed that the Secretary-General’s recommendation on cost-containment, i.e. that WMO not act in isolation but in harmony with other UN system organizations, should remain unchanged.

10. The Committee noted that take-home pays of professional staff members of the Geneva-based UN system organizations have been reduced by 5.4 percent during 2017, and that this has sparked demonstrations and litigation across Geneva-based organizations of the UN system. The Committee took note of the information provided by the Secretariat that staff contributions to a reserve fund under the circumstances might feel like an unreasonable additional cut of their salaries.

11. The Committee observed that, without a compelling justification, some Members were not in a position to support ASHI liabilities from assessed contributions.

12. The Committee noted that liabilities associated with ASHI increased by CHF 1.0 million in 2017.

13. The Committee recalled its position in the past that the absence of the report of the UN system Working Group on ASHI does not prevent WMO from implementing cost containment measures in the meantime. The Committee stressed the urgency with which recommendations on when and how to act should be made. The Committee also noted the potentially significant costs which may result from recommendations of the UN Working Group on ASHI.

Recommendation 2:

That the Executive Council:

- (a) keep Decision 69 (EC-69) in force;
- (b) request the Secretary-General to develop cost-containment measures related to ASHI with urgency, regardless of the timing of the final report of the UN system's Working Group on ASHI; and
- (c) Request the Secretary-General to propose recommendations to Congress which respond to the report of the UN Working Group on ASHI.

Financial statements for 2017, including the report of the External Auditor (agenda item 4.2)

14. FINAC noted the report and appreciated the work of the external auditor, the risk-based approach and resulting recommendations. FINAC has also noted that all recommendations from 2017 audit were accepted by the Secretary-General with specific timeframes for implementation. The Committee also noted that eleven (11) recommendations from 2015 and 2016 audits remain open and requested the Secretary-General to establish timeframes for implementation.

15. The Committee noted that the External Auditor raised concerns regarding the internal control system and on the continuing operating deficits and their effects on the net worth of the Organization and the potential risks to the WMO Programmes.

16. The Committee noted that the Secretary-General is taking swift action on the recommendations, including appointment of a consultant whose terms of reference include developing a comprehensive implementation plan for all open External Auditor recommendations by end of July 2018. The Committee further noted that it would be important to broaden the Terms of Reference to make appropriate recommendations for strengthening internal controls and the control culture of the Secretariat. The Committee recommended that the Terms of Reference of the consultant address this matter. The Committee noted that there would be benefits in the Internal Oversight Office (IOO) having oversight of the consultant's work and for the IOO to provide regular updates on progress to the Audit Committee and the President.

17. The Committee further noted with appreciation the report of the Audit Committee contained in EC-70/INF. 16.1(2) including its recommendations related to Financial Statements. The Committee especially recognized and appreciated the service to the Audit Committee of Dr Linda Makuleni (served as Vice-Chair and Chair during the last six years) and Dr Lamine Bah, both of whom have come to the end of their terms. The Committee noted that new members will be appointed by EC-70.

Recommendation 3:

That the Executive Council adopts draft Resolution 17.1/1 (EC-70) – Financial Statements of the World Meteorological Organization for the year 2017, expanded to include requests to the Secretary-General to:

- (a) take actions step-by-step to address the external auditor's observations and recommendations on internal control with a view to implementing all of the recommendations by Cg-18 ;
- (b) develop a separate proposal for understanding and addressing the risks due to the year-on-year operating deficits on the programmes of the Organization to include expanding the scope of budgeting beyond the General Fund;

- (c) Communicate progress on these matters with the EC; and
- (d) Adjust the consultant's Terms of Reference, expanding the scope and reporting as described in paragraph 16.

Status of Member contributions (agenda item 4.3)

18. The Committee recalled that, in accordance with Financial Regulation 8.9, the Secretary-General submits to the regular sessions of the Executive Council a report on the collection of contributions and advances to the Working Capital Fund. The Committee noted that 45% of the unpaid contributions at the beginning of 2018 remained outstanding at 12 May 2018. The Committee also noted that 77 Members had not made a payment by that date. The Committee noted that the outstanding balance of CHF 40.0 million is significant and that delayed payment may have a serious impact on the implementation of approved programmes.

19. The Committee noted that if the pattern for settling membership dues in 2018 does not improve significantly over the one for 2017, the Organization will use all of its Working Capital by end of November 2018.

Recommendation 4:

That the Executive Council urge Members with unpaid contributions to settle their dues as early as possible, as delayed settlement may expose the Secretariat to the risk of not paying its obligations to third parties when they become due.

Amendments to Financial Regulations (agenda item 4.4)

20. In accordance with Article 8 (d) of the Convention, Congress determines the Organization's Financial Regulations. The Committee noted that new structure of Budget for the Eighteenth Financial Period (2020-2023), determined by the structure of Strategic Plan 2020-2023, should be reflected in the Financial Regulations and that respective amendments of Financial Regulations Article 3 (Maximum Expenditures for the Financial Period), Article 6 (The Biennial Budget) and Article 7 (Appropriations) are proposed.

21. The Committee noted the importance of being results oriented in the development of its plans and budget which should continue to be reflected in the Organization's financial regulations.

Recommendation 5

That the Executive Council adopt Draft Recommendation 17.1(2)/1 (EC-70) – Amendments to Financial Regulations with amendments in 3.3 reflecting Recommendation 1 (ii) regarding the appropriation parts as well as in 6.3 clarifying performance management at the level of Strategic Objectives.

Date and Place of the Thirty-Eighth Meeting (agenda item 6)

22. The Committee decided that the next meeting should be held in conjunction with the eighteenth session of Congress and the seventy-first session of the Executive Council.

ANNEX 1

AGENDA OF THE THIRTY-EIGHTH MEETING OF THE FINANCIAL ADVISORY COMMITTEE

<u>Agenda item</u>	<u>Item description</u>	<u>EC Doc/INF number(s)</u>
1.	Opening of the meeting by the President	
2.	Approval of the agenda	
3.	Budgetary matters	
	3.1 Draft Budget 2020-2023	Doc. 16.2(2) Doc. 16.2(1) INF. 16.2(2) INF. 16.2(3)
4.	Financial matters	
	4.1 Funding liability for After-Service Health Insurance (ASHI)	INF. 17.2
	4.2 Financial Statements for 2017	Doc. 17.1(1) INF. 17.1(1) INF. 16.1(2) INF. 16.1(3)
	4.3 Status of Member contributions	INF. 17.1(3)
	4.4 Amendments to Financial Regulations	Doc. 17.1(2) INF. 17.1(2)
5.	Adoption of the report of the Financial Advisory Committee to EC-70	INF. 16.1(1)
6.	Date and place of the thirty-eighth meeting	

ANNEX 2**LIST OF PARTICIPANTS TO THE THIRTY-EIGHTH MEETING OF THE FINANCIAL
ADVISORY COMMITTEE**

<u>Country</u>	<u>Title</u>	<u>Name</u>	<u>Adviser</u>
Core members	WMO President	D. Grimes	
	Acting President RA I	D. Konate	
	President RA IV	J.C. Fallas Sojo	
	President RA VI	M. Staudinger	
WMO Members			
Argentina		SAULO Andrea Celeste	Delegate
Australia		BARRELL Sue	Delegate
		CHURCHILL Ben	Delegate
British Caribbean Territories		SUTHERLAND Tyrone	Delegate
Canada		ANDERSON Lorraine	Delegate
		COLLETTE Jenifer	Delegate
Côte d'Ivoire		DJE Kouakou Bernard	Delegate
China		DONG Yan	Delegate
		NA Xiaodan	Delegate
		SHEN Xiaonong	Delegate
		WANG Shien	Delegate
		XU Xianghua	Delegate
Egypt		ABDELAAL Ahmed Mohamed	Delegate
		BALIGH Abdalla Abdelrahman	Delegate
		ZAKEY Ashraf	Delegate
Ethiopia		TESHOME Fetene	Delegate
Finland		HURTOLA Maria	Delegate
France		MEGANCK Marie Pierre	Delegate

<u>Country</u>	<u>Title</u>	<u>Name</u>	<u>Adviser</u>
Germany		ADRIAN Gerhard	Delegate
		DETTBARN Ingeborg	Delegate
		THOMALLA Axel	Delegate
Guinea		BAH Mamadou Lamine	Delegate
Indonesia		SOPAHELUWAKAN Ardhasena	Delegate
Italy		DOSSELLI Umberto	Delegate
		GIALLATINI Guido	Delegate
		MICHAUD Leone	Delegate
Japan		HASEGAWA Jitsuko	Delegate
		HOKASE Yasutaka	Delegate
		KANEKO Fumihiko	Delegate
		OGAWA Satoshi	Delegate
		TAHARA Yoshihiko	Delegate
Mexico		CEBALLOS ZAPATA Paulina	Delegate
		VARGAS JUAREZ Raúl	Delegate
Nigeria		MASHI Sani Abubakar	Delegate
Qatar		AL NAIMI Moza J.	Delegate
Republic of Korea		PARK Seungkyun	Delegate
		SEO JIEUN	Delegate
		WON Jaegwang	Delegate
Russian Federation		NOVIKOV Ivan	Delegate
South Africa		KHAMBULE Gaborekwe Esther	Delegate
		LENGOASA Jerry	Delegate
Spain		GARCIA DOMINGUEZ Sergio	Delegate
		GESTAL SOUTO LUCIA	Delegate
		LUEIRO GARCIA JUAN	Delegate
		PASCUAL PEREZ	Delegate
		FRANCISCO	

<u>Country</u>	<u>Title</u>	<u>Name</u>	<u>Adviser</u>
Switzerland		KELLER Manuel	Delegate
		OSTLER Corinne	Delegate
United Kingdom		REJZL Adam	Delegate
		WARDLE Jane	Delegate
United Republic of Tanzania		KIJAZI Agnes	Delegate
United States of America		CORVINGTON Caroline	Delegate
		DRAGGON Courtney	Delegate
		MAYER Alexander	Delegate
		MULLER Daniel	Delegate

Audit Committee	Chair	L. Makuleni
External Auditor		D. Monnot
		M. Kohli
Secretariat	Secretary-General	P. Taalas
	Deputy Secretary-General	E. Manaenkova
	Assistant Secretary-General	W. Zhang
	Chief, Budget Office	T. Mizutani
	Budget Analyst	A. Rofes
	Chief, Human Resources Division	F. Brazil
	Chief, Finance Division	L. Ngwira
	Consultant	J. Muller
	Treasurer	S. Baldwin
	Finance Officer	K. Paratian
