

## REPORT OF THE AUDIT COMMITTEE TO SIXTY-FOURTH SESSION OF THE EXECUTIVE COUNCIL (EC-64), 2012

### Introduction

1. During the intersessional period, the Audit Committee (AC) continued to discharge its mandate given in its revised terms of reference (Resolution 8 (EC-LXIII))<sup>1</sup>. It held two meetings under the chairmanship of Mr John Hirst on 11-12 October 2011 and 16-17 April 2012, respectively.

2. The Audit Committee continued to focus its oversight and advisory role on the review of annual Financial Statements and on the reports of the External Auditor; on the plans and progress reports of the Internal Oversight Office, follow-up to the recommendations of the Joint Inspection Unit (JIU), Enterprise Risk Management, the Monitoring and Evaluation system, and on other financial and management matters including the Working Capital Fund. It provided a set of recommendations to the Secretary-General and contributed to the harmonization of Management actions to respond to various oversight recommendations

### Significant progress

3. The year 2011 marked the end of the fifteenth financial period and the eight years of tenure of NAO as the external auditor of WMO. The AC reviewed the financial statements for the year ending 31 December 2011, among others issues, and noted continued significant improvements in the annual Financial Statements, and reports of the external and internal auditors, including financial reporting, budgeting, procurement, information technology, cash management and risk management.

4. The Audit Committee provided advice on the hard closure of accounts of the WMO and the timing and production of the Financial Statements. The decision of the Organization to move from producing biennial to annual financial statements resulted in more timely and relevant financial reporting to the Members. The move to annual financial reporting was supported by the 'hard close' discipline, which allowed for timely publication of the Financial Statements thus allowing the Audit Committee to play its role in reviewing them before they were signed by the Secretary-General. An early hard close also makes it possible for the Committee to offer appropriate advice to the Executive Council (EC) before it approves the annual Financial Statements. The Committee noted with appreciation that the External Auditor issued an unqualified opinion on the accounts for the year 2011, which is similar to the opinion issued for the fourteenth financial period, and the years 2008, 2009 and 2010. The Audit Committee praised the Secretary-General, and through him the Secretariat staff, for all efforts in improving internal controls and overall financial management during the two financial periods. **The AC recommends that the EC approves the financial statements for the year 2011.**

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<sup>1</sup> [http://library.wmo.int/pmb\\_ged/wmo\\_1078\\_en-p1.pdf](http://library.wmo.int/pmb_ged/wmo_1078_en-p1.pdf)

5. The preparation of annual budgets within the total budget appropriation allowed on-going budget management throughout the four-years to avoid spending constraints in the fourth year of a financial period as was experienced before. The AC noted that the Secretariat had developed a procurement strategy to improve the procurement process. The AC also noted that the Secretariat receives regular assurance reports from the IT service provider (United Nations International Computing Centre (UNICC) to confirm if the Organization's systems are well maintained.

6. The AC appreciates that the Investment Committee manages the risk exposure from cash holdings in accordance with the Investment Policy and reviews where and how cash is held to reduce the Organizations exposure to investment risk.

7. The Audit Committee continued to see improvement in the quality of the work of the Internal Oversight Office (IOO). It assessed the progress reports issued by IOO as well as implementation of recommendations. It noted that IOO had adequate staff to address its responsibility. The prioritization of oversight and audit recommendations assisted the Secretariat to realize and sustain significant improvements in the implementation of oversight and audit recommendations, which continued to be well above the benchmark of ~75%.

8. The Audit Committee noted significant progress in the implementation of risk management at the Secretariat, which included developing a risk management policy for the Organization as approved by EC-LXIII (Resolution 12 (EC-LXIII) - WMO Risk Management Policy), the establishment of a Risk Management Committee in the Secretariat, identifying and mitigating top high-risks for the Organization, and regular departmental reports on actions to address the risks in departmental risk registers. The Audit Committee noted that risk management is a new concept in the WMO so it would take time and practice to identify the most appropriate use of the methodology. **The AC recommends that the EC be involved in the processes to identify the risks for the Organization.**

#### **Policy on disclosure of internal audit reports**

9. The AC noted that the Secretariat received requests from donors, not covered by the policy, for access to internal audit reports. **The AC recommends that the Executive Council amends the policy to include a provision for request for disclosure of internal audit reports from the WMO stakeholders other than Members.**

#### **Areas that need further improvements**

10. Notwithstanding the progress in the development of risk management and monitoring and evaluation, much work is still to be done to further embed these systems into the operation management processes of the Organization in the most effective, economic and simple manner. The Audit Committee sees its future role to continue advising on these issues as the systems evolve.

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