

## **REPORT OF THE AUDIT COMMITTEE TO SIXTY-FIFTH SESSION OF EXECUTIVE COUNCIL (EC-65), 2013**

### **Introduction**

1. During the intersessional period, the Audit Committee (AC) continued to discharge its mandate given in its terms of reference (Resolution 8 (EC-LXIII))<sup>1</sup>. It held two meetings on 10-11 October 2012 and 9 April 2013 chaired by Mr John Hirst and Ms Linda Makuleni, respectively. Mr Suresh Raj Sharma joined the AC during the intersessional period following the resignation Mr Murari Aryal.
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 (IOO), follow-up to the recommendations of the Joint Inspection Unit (JIU), Enterprise Risk Management (ERM), the Monitoring and Evaluation (M&E) System, and on other financial and management matters. It provided a set of recommendations to the Secretary-General and to the Executive Council and contributed to the harmonization of management actions to respond to various oversight recommendations.

### **Significant progress**

3. The year 2012 was the first year of the sixteenth financial period and the Swiss Federal Audit Office became the External Auditor of the Organization. The AC reviewed the financial statements for the year ending 31 December 2012, among others issues, and noted continued significant improvements in the annual Financial Statements, reports of the external and internal auditors and implementation of Ethics Function, risk management and WMO Monitoring and Evaluation System.
4. The year 2012 represents the third financial year WMO is closing accounts using IPSAS. The AC noted with appreciation that the External Auditor issued an unqualified opinion on the accounts for the year 2012, which was the case in the fourteenth and fifteenth financial periods. The Audit Committee praised the Secretary-General, and through him the Secretariat staff, for all efforts in improving internal controls and overall financial management.

**Recommendation 1: The AC recommends that the EC approve the financial statements for the year 2012.**

5. The AC noted that nearly half (CHF 104.0 million) of WMO's assets of CHF 219.8 million represents the Organization's headquarters building, and that the remaining assets of CHF 115.8 million were not sufficient to cover the liabilities of CHF 129.5 million.

**Recommendation 2: The AC recommends that the Executive Council request the Secretary-General to propose a plan for funding the Organization's liabilities for employee benefits.**

6. The AC noted that the Secretariat upgraded the technical infrastructure, which included replacement and redesign of the obsolete and unsupported components of the Local Area Network (LAN) in accordance with industrial standards to provide high quality and secure network architecture. The AC also noted that the Secretariat upgraded the Oracle e-Business suite resulting in enhanced business processes and improved financial reporting capability.
7. The AC appreciates that the Investment Committee, together with the Risk Management Committee, continued to manage financial risks involving the Organization to minimize potential

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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)

adverse effects on financial performance of the Organization, particularly as relates to foreign exchange, interest rates and investment of funds.

8. The Audit Committee expressed its satisfaction with the quality of the work of the IOO. It assessed the progress reports issued by IOO as well as implementation of IOO and JIU recommendations. The AC noted that, while IOO had two vacancies resulting from recent changes in staffing and staff turnover, it had adequate non-staff resources 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%. The AC appreciated the progress in the implementation of JIU recommendations.

**Recommendation 3: The AC recommends that the EC approve the actions on JIU recommendations addressed to the legislative bodies since EC-64.**

9. The Audit Committee noted significant progress in the implementation of risk management at the Secretariat, which included developing a Risk Management Framework<sup>2</sup> to guide the implementation of the WMO Risk Management Policy (Resolution 12 (EC-LXIII)) and a Business Continuity Plan to minimize interruptions in the operations at the Secretariat. The Committee also noted that a Risk Management Committee established at the Secretariat continued to review, identify and manage the top high-risks for the Organization and reviews regularly updated departmental risk registers.

**Recommendation 4: The AC recommends that the Secretariat promotes the implementation of risk management by the NMHSs to ensure better implementation of and compliance with WMO and other relevant standards.**

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

10. Notwithstanding the progress in the implementation 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. The AC noted relatively slow progress in addressing issues related to procurement, which was attributed to insufficient staffing and looks forward to improvement.

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Recommendations 1, 2 and 3 are addressed to the Executive Council  
Recommendation 4 is addressed to the WMO Secretariat

#### **Audit Committee Effectiveness**

10. The AC conducted its first self-assessment during the period February-March 2013 in accordance with its terms of reference. The areas of assessment included roles and responsibilities; composition; committee business and effectiveness; internal audit function; external audit function; communication/interaction; and training and resources. The results indicated that the AC considered it was effective in all the areas assessed.

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<sup>2</sup> [http://library.wmo.int/pmb\\_ged/wmo\\_1111\\_en.pdf](http://library.wmo.int/pmb_ged/wmo_1111_en.pdf)