

EXCERPT FROM THE ABRIDGED FINAL REPORT WITH RESOLUTIONS OF THE SIXTY-THIRD SESSION OF THE EXECUTIVE COUNCIL (EC-LXIII)

Resolution 8 (EC-LXIII)

TERMS OF REFERENCE AND MEMBERSHIP OF THE AUDIT COMMITTEE

THE EXECUTIVE COUNCIL,

Noting Resolution 10 (EC-LVIII) – Terms of reference of the Audit Committee and Resolution 38 (Cg-XV) – Audit Committee,

Noting also Recommendations of the Audit Committee,

Noting further the Recommendations of the External Auditor,

Recognizing the introduction of International Public Sector Accounting Standards (IPSAS) as new accounting standards for WMO and their importance for strengthening the financial management of WMO,

Decides to maintain the Audit Committee, reporting to the Executive Council, with the following terms of reference, membership and mode of operation:

Authority of Committee

- (1) The Audit Committee is mandated by the Executive Council to make observations and provide recommendations to the Executive Council and the Secretary-General on all matters relating to the legality, compliance, effectiveness, efficiency and economy of the WMO Secretariat management practices, including accounting, finance, ethics, rules, regulations and procedures, in order to assist the Executive Council in carrying out its oversight activities;
- (2) The Audit Committee shall be constituted as a subsidiary body of the Executive Council in accordance with Regulations 33 and 147 of the WMO General Regulations (2011 edition).

Responsibilities and duties

- (3) The Audit Committee shall discharge its mandate through the following responsibilities and duties:
 - (a) Assess the strengths and weaknesses of, and consider improvements to, the internal and external audit functions, and observe the follow-up to audit recommendations;
 - (b) Consider the adequacy and development of risk management processes;
 - (c) Monitor the quality and effectiveness of internal control and governance mechanisms and the content of assurances that underpin any Statement on Internal Control to ensure best practices;
 - (d) Assess the suitability of accounting policies and the adequacy, reliability and accuracy of financial statements, and review the levels of error and the report of the External Auditor in respect of matters arising from the audit of financial statements;
 - (e) Review the planned activities of internal and external audit, including the adequacy of the coverage of significant risks and key controls and compliance with professional standards, taking into account the responsibilities of executive

management in these areas, and making recommendations for specific internal audit work as appropriate;

- (f) Review the internal audit charter, activities, staffing, other resources required and organizational structure;
- (g) Review and advise on performance of the audit services provided and any impediments to either operational or functional independence of the Internal and External Auditors;
- (h) Report on the adequacy of management responses to audit recommendations and the progress on implementation;
- (i) Appraise the mechanisms used by the Secretariat to recommend the appointment of an Internal Auditor;
- (j) Review and advise on the status of appointment, replacement, dismissal and fees of an External Auditor;
- (k) Review the adequacy of arrangements to prevent and detect fraud, and to ensure an appropriate anti-fraud culture;
- (l) Report on the compliance of WMO management with WMO regulations and the Organization's code of ethics;
- (m) Confirm the adequacy of assurances received from the Internal and External Auditors in their annual reports and opinions;
- (n) Review the effectiveness of the internal and external audit functions;
- (o) Perform any other duties consistent with the mandate as requested by the Executive Council;

Audit Committee powers

- (4) The Audit Committee has the power to:
 - (a) Invite specialists to supplement the Committee's experience or knowledge on a specialist matter;
 - (b) Request appropriate briefings from the Secretariat or auditors on specific or technical matters;

Audit Committee reporting

- (5) The Audit Committee shall report annually to the Executive Council and the Financial Advisory Committee (FINAC) and to Congress in a Congress year. The report should:
 - (a) Confirm that the Committee has discharged its mandate;
 - (b) Comment on the assurances underpinning the Statement on Internal Control;
 - (c) Comment on the financial statements and quality of financial reporting;
 - (d) Outline any concerns or observations the Committee deems necessary to report to the Executive Council;
 - (e) Comment on the adequacy of the Committee's terms of reference and its effectiveness;

Membership

- (6) The Audit Committee shall consist of seven members, each of whom will sit in a personal capacity;
- (7) The members shall be appointed by the Executive Council on the basis of their extensive professional expertise in financial, risk, audit, oversight and governance matters. The Executive Council shall ensure that the membership as a whole has a blend of relevant expertise, including knowledge of the operational and strategic direction of WMO. The Executive Council shall take into account the need for the Audit Committee to have an appropriate geographical and gender balance in considering the most highly qualified candidates;
- (8) The members must be independent of WMO management and may not hold any position or engage in any activity that might be liable to, or appear to, impair their impartiality in the exercise of their functions;
- (9) Former staff of WMO cannot be appointed to the Committee for at least five years following their separation from the Organization;
- (10) Members shall serve for a period of three years and may be re-appointed for a further period of three years. No individual may serve for more than six years in total;

Appointment of Members

- (11) The Audit Committee members shall be appointed by the Executive Council through a transparent process as follows:
 - (a) A vacancy announcement for Audit Committee seats should be advertised and made available to a wide population of individuals with appropriate skills, including financial, accounting, budgeting and audit professionals;
 - (b) Qualified individuals are to submit their credentials for review to the Secretary-General. The Secretariat will review the qualifications, determine whether they meet the minimum requirements needed to serve, and submit a list of candidates to the Executive Council;
 - (c) The Council will appoint members of the Audit Committee from the list of candidates compiled by the Secretariat and authorize the President to fill any positions that fall vacant during the intersessional period;

Access to Meetings

- (12) The meetings of the Audit Committee shall be closed. The Chair shall normally invite the following persons to attend sessions of the Committee:
 - (a) Senior management representatives;
 - (b) Head of the Internal Oversight Office;
 - (c) Legal counsel;
 - (d) Representatives of the External Auditor
- (13) The Committee shall, as required, hold in camera sessions with the Head of the Internal Oversight Office and/or representatives of the External Auditor and/or the Secretary-General;

Meetings

- (14) The Audit Committee shall meet twice a year. Additional sessions of the Audit Committee may be convened at the request of the Executive Council or the WMO President, or by two thirds of Audit Committee members, to consider urgent matters within its mandate;
- (15) The Plan of Work for Audit Committee meetings is outlined in the annex to this resolution. The agenda shall normally include an item on the declaration of interests of members;
- (16) The quorum of the Committee shall be a majority of its members;
- (17) Members may not appoint alternates or be accompanied by advisors to meetings of the Committee;
- (18) The Secretary-General shall ensure that the Committee has adequate Secretariat support, which shall include:
 - (a) Assistance to the Chair in preparing the agenda for each meeting;
 - (b) Preparation of documents for the meeting, which shall be circulated at least five working days before the scheduled opening of the meeting;
 - (c) Preparation of reports on summary conclusions and circulation of said reports to the Chair and members of the Committee who attended the meeting within five working days of the close of the meeting;
 - (d) Assistance to the Committee in preparing Audit Committee reports to the Executive Council and other WMO bodies as appropriate;
 - (e) Any other reasonable requests from the Committee to assist it in executing its mandate;
- (19) The Audit Committee shall appoint a Chair and a Vice-Chair;

Effectiveness of the Committee

- (20) The Committee shall annually review its effectiveness and consider the extent to which it has met its objectives. This review should consider the views of the Audit Committee members, the Secretary-General, the Internal Oversight Office and External Auditors. This review should be documented in a report to the Executive Council and should include any actions for improvement;

Administrative matters

- (21) Financial support for participation by Audit Committee members in meetings shall be provided by the Organization.
- (22) The appointment of Committee members shall be confirmed by a letter from the WMO President, which should clearly outline the basis of appointment and cover responsibilities, conflict of interest, indemnities and reimbursement of costs;
- (23) The Secretary-General shall arrange for new Committee members to receive an appropriate briefing on the work of WMO
- (24) The Secretary-General shall ensure that Audit Committee members receive ongoing briefings and other information on developments in the work of WMO to enable them to be well-informed and effectively discharge the mandate of the Committee.

Annex to Resolution 8 (EC-LXIII)

ANNUAL WORK PLAN FOR THE AUDIT COMMITTEE

First Meeting (March – May)

This meeting should be timed to coincide with the completion of the audit of the financial statements to enable the Committee to review the financial statements and Statement on Internal Control in light of both the External Auditor's findings and the annual report of Internal Oversight. The key items for the agenda include:

- **Financial statements** – these should be reviewed and considered alongside the findings and the recommended opinion from the External Auditor. The Secretary-General should be advised on signing the accounts.
- **Statement on Internal Control (SIC)** – the Audit Committee should review the content in order to confirm that the statements made are supported with sufficient and appropriate evidence and are a fair representation of the internal control environment at WMO. The Secretary-General should be advised on signing any SIC.
- **External audit findings** – these should be considered with regard to their impact on the Statement on Internal Control, the financial statements and the Internal Auditor's work for the following year.
- **Letter of representation** – the Audit Committee should consider the content, in particular any non-standard representations that the External Auditor is requesting. The Audit Committee should ensure that sufficient and appropriate assurances have been obtained and advise the Secretary-General on signing the letter.
- **Internal audit findings** – the previous year's annual report of Internal Oversight should be considered, as well as the question of whether it supports the assertions made in any SIC. In addition, the significant audit findings should be considered in their wider context and in light of their impact on the Organization.
- **Risk register** – the Audit Committee should review changes to the Secretariat's "top-10" risk register.
- **Audit Committee's annual report** – the Committee members should agree on the annual report of the Audit Committee to the Executive Council.

Second Meeting (September – November)

This meeting should focus on risk management, consider the reports produced by the Office of Internal Oversight, review the external audit strategy, and consider the action taken on the implementation of major recommendations from the previous year. The key items for the agenda include:

- **Office of Internal Oversight findings** – the Audit Committee should consider the implications of the significant findings arising from the individual reports of internal audit and the management actions proposed. The Committee should also consider internal audit's performance against its agreed plan.
- **External Audit findings** – the Audit Committee should consider management's progress in implementing the outstanding significant issues raised previously by the External Auditor. Any new issues arising from the interim work of the External Auditor should also be considered.

- **External Audit strategy** – the current year’s External Audit strategy should be considered to ensure that it addresses the major risks as perceived by the Audit Committee.
 - **Risk management** – the Committee should consider the Secretariat’s risk appetite and review the “top-10” risk register in detail. The Committee should be satisfied that the Secretariat has appropriately defined its risk appetite and has appropriate procedures in place to identify, monitor and address risk.
 - **Audit Committee effectiveness** – the Committee members should perform a self assessment in advance of the meeting and review the terms of reference in light of that assessment.
 - **Office of Internal Oversight work plan, including resources** – this should be reviewed to ensure that it will provide the Secretary-General, and the Executive Council, with an appropriate level of assurance given the Secretariat’s risk appetite and allocated resources.
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