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## **REPORT OF THE AUDIT AND FINANCE COMMITTEE ANNUAL MEETING OF THE ASSEMBLY OF PARTIES 30 November 2022**

The Audit and Finance Committee (AFC) is established pursuant to Article 33 of the Rules of Procedure of the Assembly of Parties to assist the Assembly of Parties through the Standing Committee in its oversight responsibilities with particular attention to audit and compliance, the review of the proposed annual budget, financial reporting, and an effective and efficient financial performance.

### **Composition of the AFC**

In accordance with Article 2 of the Rules of Procedure of the Audit and Finance Committee of the Assembly of Parties, the AFC shall be comprised of five to seven Member Parties elected for a renewable two-year term; the Chair shall be appointed by the Assembly.

In 2022, the AFC was composed of:

- Italy (Chair)
- Kenya (Vice-Chair)
- China
- Kuwait
- Turkey
- United States

### **Meetings of the AFC**

In accordance with Article 4 of the Rules of Procedure of the Audit and Finance Committee of the Assembly of Parties, the AFC held meetings in 2022 on:

- 30 March 2022
- 14 April 2022
- 21 July 2022
- 15 September 2022
- 22 September 2022
- 20 October 2022

All meetings were conducted by teleconference, with the Chair in attendance at Headquarters, apart from the special meeting conducted on 20 October.

The meetings in April, July and on 22 September were regular meetings. The meeting in March was held specifically to review the proposed Operational Fund amount and the meeting on 15 September was held to brief members on the 2022 proposed operating budget. The special meeting held on 20 October was held to discuss the revised proposed budget for 2023.

## **Preparing and reporting on AFC meetings**

The AFC Chair oversaw preparation by the IDLO Secretariat of the meeting agendas and documents. Draft meeting minutes were prepared by the Secretariat. All meeting minutes were circulated to all members of the Committee.

## **Summary of AFC activities**

### **1. Monitoring of the 2022 budget and IDLO financial performance**

The AFC assisted the Standing Committee in the monitoring of the 2022 budget. Additionally, members from the AFC including its Chair participated in Standing Committee meetings. At its meetings the AFC reviewed financial reports and budgets prepared by the Secretariat. At the time of the writing of this report, IDLO revenue and expenditures corresponded with the approved 2022 budget.

### **2. Operational Fund**

In view of Resolution 2/2019 adopted by the Assembly of Parties in its meeting on 13 November 2019, the AFC reviewed the financial statements of IDLO for 2021 and endorsed the proposed amount to be allocated to the Operational Fund.

### **3. Review and endorsement of the 2021 audited financial statements**

Pursuant to Article 1.2 (b) of the Rules of Procedure of the AFC, members reviewed the audited financial statements for IDLO for the year ended 31 December 2021. Members endorsed the financial statements to the Standing Committee noting the positive, unqualified audit report and the continuation of programme activities despite the lingering impact of the pandemic as well as the security and other crises that impacted some of our countries of operation. Members also reviewed the Management Letter issued by the auditors in respect of 2021 in which no material issues were raised.

### **4. IDLO's Risk Register**

Members of the AFC reviewed the annual risk register noting the mitigation measures taken to address the risks highlighted.

### **5. Internal Audit and Compliance**

The AFC reviewed reports prepared by the IDLO Internal Audit and Compliance Officer. The reports offered a review of the main findings from internal audits conducted in 2021 and the management response to the recommendations.

### **6. Approval of the 2023 Operating Budget**

At its meeting of 22 September, the AFC reviewed the proposed operating budget for 2023 and recommended to the Standing Committee that it be forwarded to the Assembly of Parties for its approval. Subsequently, following information that additional funding was expected for 2023, a revised budget was prepared and endorsed by the AFC at a special meeting.

An indicative budget for 2024 was also presented to give members a picture of the expected trajectory of financial transactions beyond 2023.

## **Conclusion**

2022 was a year where operations continued to be impacted by the Covid pandemic, and in some cases by conflict or instability. Despite this, operations matched the budget and programme activities were very close to what was budgeted. On the investment front, turmoil in the international financial markets and the raising of interest rates caused investments in bonds to decline significantly in value. In accordance with its investment policy, IDLO holds its investments in ethical sustainable funds that are dominated by highly rated secure bonds. IDLO expects to hold its investments for the long term, which means its bonds would mature according to their face value and generate interest in accordance with their fixed interest rate.

A balanced budget for 2023 was prepared that reflects implementation of the 2023-2024 management plan developed in the light of the Strategic Plan 2021-2024.

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