

## **REPORT OF THE AUDIT AND FINANCE COMMITTEE**

### **ANNUAL MEETING OF THE ASSEMBLY OF PARTIES**

**26 November 2024**

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 2024, the AFC was composed of:

- Kuwait (Chair)
- China
- Italy
- Kenya
- Türkiye
- 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 2024 on:

- 5 April 2024
- 18 April 2024
- 18 July 2024
- 3 October 2024
- 10 October 2024

Meetings on 5 April 2024 and 3 October 2024 were conducted by teleconference. All other meetings were held in hybrid form with most members attending in person.

The meetings on 18 April, 18 July and on 10 October were regular meetings. The meeting on 5 April was held specifically to review the proposed Operational Fund amount and the meeting on 3<sup>rd</sup> October was held to brief members on the 2025 proposed operating budget.

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

The AFC Chair oversaw preparation by the IDLO Secretariat of the meeting agendas, documents, and draft meeting minutes. Meeting minutes were circulated to all members of the Committee.

### **Summary of AFC activities**

## **1. Monitoring of the 2024 budget and IDLO financial performance**

The AFC assisted the Standing Committee in the monitoring of the 2024 budget. Additionally, members of 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 writing this report, IDLO revenue and expenditure corresponded with the approved 2024 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 2023 and endorsed the proposal that no funds would be allocated to the Operational Fund this year.

## **3. Review and endorsement of the 2023 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 2023. Members endorsed the financial statements to the Standing Committee, noting the positive, unqualified audit report and the continuation of programme activities despite the security concerns and instability that impacted some of IDLO's countries of operation. Members also reviewed the Management Letter issued by the auditors after completing the 2023 institutional audit 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 function. The reports offered a review of the main findings from internal audits conducted in 2023 and the management response to the recommendations.

## **6. Endorsement of the 2025 Operating Budget**

At its meeting of 10 October, the AFC reviewed the proposed operating budget for 2025 and recommended to the Standing Committee that the budget be forwarded to the Assembly of Parties for approval.

An indicative budget for 2026 was also presented to give members a picture of the expected trajectory of financial transactions beyond 2025.

## **7. Other Issues**

The AFC was briefed at each of its regular meetings on developments related to a misappropriation of funds in a Country Office that had been identified by IDLO. The AFC was informed of the prompt management response to address the situation and to prevent recurrence, including the engagement of an external firm specialized in forensic audits, the adoption of a number of safeguards and financial controls, and the commissioning of an

independent risk analysis by international auditors. IDLO cooperated closely with the programme donor throughout. The AFC recognized the Organization's transparent response and its commitment to improving internal controls and further enhancing a culture of accountability.

## **Conclusion**

2024 was a year where operations continued to be impacted by conflict or instability. Programme revenue is expected to be in line with the budgeted amount. IDLO investments, which are managed in compliance with the Investment Policy, recorded a positive increase in value.

A balanced budget for 2025 has been prepared to support the implementation of the 2025-2026 Management Plan.

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