



GROUP ON
EARTH OBSERVATIONS

GEO-XIII

9-10 November 2016

2015 Financial Statements and Audit Report
(This Document is being presented for decision)

GEO-XIII-6.1

**PRESENTATION OF THE GROUP ON EARTH OBSERVATIONS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

Financial arrangements for the administration of the Group on Earth Observations (GEO) are specified in: (1) the GEO-World Meteorological Organization (WMO) Standing Arrangement; (2) the WMO Financial Rules and Regulations; (3) delegation of responsibility from the Secretary-General of WMO to the GEO Secretariat Director; and (4) the WMO-GEO Service Level Agreement.

Under the Standing Arrangement, WMO Staff and Financial Regulations and Rules apply to the transactions of GEO. The financial statements of GEO are maintained in accordance with these requirements, are consistent with generally accepted accounting principles and comply with the International Public Sector Accounting Standards adopted by the GEO Plenary.

The following appended financial statements, comprising Statements I, II, III, and IV, and Notes to the Financial Statements were properly prepared in accordance with the requirements stated above and are hereby certified correct.

Yours sincerely,



Barbara J. Ryan
Secretariat Director

Date:.....15 May 2016.....



**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2015**

18 April 2016

EXTERNAL AUDITOR'S OPINION

The Swiss Federal Audit Office has audited the financial statements of the Group on Earth Observations (GEO) for the year ended 31 December 2015. These comprise the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts (financial statement V), as well as a summary of the main accounting methods and other explanatory notes.

GEO Secretariat's responsibility for the financial statements

The Secretariat is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations. The Secretariat is also responsible for introducing any internal controls he deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

The responsibility of SFAO is to express an opinion on GEO's financial statements based on its audit. It conducted its audit in accordance with the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB). These standards require it to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, rather than expressing an opinion on the effective functioning of the entity's internal controls. An audit also includes an appreciation of the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, as well as an appreciation of the overall presentation of the financial statements. SFAO believes that the audit evidence we have obtained is sufficient and appropriate to provide a basis for its audit opinion.

Opinion

In its opinion, the financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2015, as well as its financial performance and cash flow for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations. In accordance with the Additional Mandate for the External Auditing of the Accounts, which is attached to WMO's Financial Regulations, we have also prepared a detailed report on our audit of the financial statements, dated 3 May 2016.

Berne, 3 May 2016

SWISS FEDERAL AUDIT OFFICE¹
(External Auditor)

Eric-Serge Jeannet

Didier Monnot

¹ Mailing address: Monbijoustrasse 45, CH-3003 Berne.

Deputy Director

Mandate Officer

STATEMENT I

GROUP ON EARTH OBSERVATIONS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in thousands of Swiss Francs)

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	239	206
Other receivables	3.3	179	124
Funds held by WMO	3.4	3,275	2,965
Total assets		3,694	3,296
LIABILITIES			
Current liabilities			
Deferred income	3.5	306	-
Payables and accruals	3.6	99	75
Employee benefits	3.7	180	168
		585	243
Non-current liabilities			
Long-term employee benefits	3.7	847	609
Total liabilities		1,432	852
Net assets		2,262	2,444
NET ASSETS/EQUITY			
Fund balances	Stat III	2,381	2,387
Employee benefits reserves	3.8	(119)	57
Total net assets/equity		2,262	2,444

The accompanying notes form an integral part of these financial statements.

STATEMENT II

GROUP ON EARTH OBSERVATIONS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Swiss Francs)

	Note	2015	2014
Revenue			
Voluntary contributions	5.1	3,673	3,421
Voluntary contributions - accrued	5.2	9	206
In-kind contributions	5.3	1,296	1,375
Other revenue	5.4	(56)	61
Total Revenue		4,922	5,063
Expenses			
Salaries and employee benefits	6.1	2,330	2,416
In-kind expenditure	6.2	1,296	1,375
Travel	6.3	586	506
Other expenditure	6.4	301	411
Supplies, consumables and other running costs	6.5	208	185
Meetings	6.6	207	283
Total Expenses		4,928	5,176
(Deficit)/Surplus for the period		(6)	(113)

The accompanying notes form an integral part of these financial statements.

STATEMENT III

GROUP ON EARTH OBSERVATIONS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Swiss Francs)

	<u>Fund Balances</u>	<u>Employee Benefits Reserves</u>	<u>Total Net Assets</u>
Net assets at 31 December 2014	<u>2,387</u>	<u>57</u>	<u>2,444</u>
Movements in fund balances and reserves in 2015			
Deficit for the period (Statement II)	(6)		(6)
Gain/(Loss) arising on actuarial valuation of employee benefits		(176)	(176)
Total movements during the year	<u>(6)</u>	<u>(176)</u>	<u>(182)</u>
Total net assets at 31 December 2015	<u>2,381</u>	<u>(119)</u>	<u>2,262</u>
	<u>Fund Balances</u>	<u>Employee Benefits Reserves</u>	<u>Total Net Assets</u>
Net assets at 31 December 2013	<u>2,500</u>	<u>154</u>	<u>2,654</u>
Movements in fund balances and reserves in 2014			
Deficit for the period (Statement II)	(113)		(113)
Gain/Loss arising on actuarial valuation of employee benefits		(97)	(97)
Total movements during the year	<u>(113)</u>	<u>(97)</u>	<u>(210)</u>
Total net assets at 31 December 2014	<u>2,387</u>	<u>57</u>	<u>2,444</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT IV

GROUP ON EARTH OBSERVATIONS
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Swiss Francs)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Loss) for the period	(6)	(113)
(Increase) decrease in contributions receivables	(33)	(206)
(Increase) decrease in other current assets	(55)	19
(Increase) decrease in funds held by WMO	(310)	158
Increase (decrease) in payables and accruals	24	47
Increase (decrease) in Deferred Income	306	-
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	250	192
Increase (decrease) in employee benefits reserves	(176)	(97)
Net cash flows from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	1	1
CASH AND CASH EQUIVALENT AT 31 DECEMBER 2015	1	1

The accompanying notes form an integral part of these financial statements.

STATEMENT V

GROUP ON EARTH OBSERVATIONS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Swiss Francs)

	Budget	Actual*	Budget Under/(Over) Spent (Secretariat)
A. Salaries and employee benefits			
1 Staff costs	1,540	1,382	158
2 Employee Benefits	540	443	97
3 Junior Professional Officer	200	-	200
4 Special Services Agreements and other Staff Costs	300	505	(205)
5 Total Salaries and employee benefits	<u>2,580</u>	<u>2,330</u>	<u>250</u>
B. Travel			
1 Staff travel (fixed term and contractors)	450	448	2
2 Other (individual developing country participants to GEO meetings)	180	138	42
3 Total Travel	<u>630</u>	<u>586</u>	<u>44</u>
C. Meetings - Support to GEO events and meetings (LoAs)	300	207	93
D. Supplies, consumables and other running costs			
1 Internet, intranet, etc	120	49	71
2 Data processing services	-	95	(95)
3 Services/equipment rental for special events	55	52	3
4 Supplies and other running costs	30	12	18
5 IT Software and equipment	50	-	50
6 Total Supplies, consumables and other running costs	<u>255</u>	<u>208</u>	<u>47</u>
E. Other expenditure			
1 Support costs	411	232	179
2 Booklets, publications, other printing	60	3	57
3 External audit	5	5	-
4 Public information	-	1	(1)
5 Write offs	-	3	(3)
6 Staff training	10	4	6
7 Bank charges	3	5	2
8 Hospitality	-	11	(11)
9 Incidentals (Others)	5	37	(32)
10 Total other expenditure	<u>494</u>	<u>301</u>	<u>197</u>
F. In-kind expenditures			
1 Seconded staff	1,922	1,211	711
2 Rental of office space	98	85	13
3 Total In-kind expenditures	<u>2,020</u>	<u>1,296</u>	<u>724</u>
E. TOTAL ALL EXPENDITURES	<u>6,279</u>	<u>4,928</u>	<u>1,355</u>

* excluding obligations amounting to CHF 34,000 at 31 December 2015

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements as at 31 December 2015

NOTE 1: PURPOSES OF THE ORGANIZATION

a) To lead a worldwide effort to build a Global Earth Observation System of Systems (GEOSS) over the period 2016-2025.

b) To carry out the GEO Strategic Plan 2016-2025

A central part of GEO's Mission is to build the Global Earth Observation System of Systems (GEOSS). GEOSS is a set of coordinated, independent Earth observation, information and processing systems that interact and provide access to diverse information for a broad range of users in both public and private sectors. GEOSS links these systems to strengthen the monitoring of the state of the Earth. It facilitates the sharing of environmental data and information collected from the large array of observing systems contributed by countries and organizations within GEO. Further, GEOSS ensures that these data are accessible, of identified quality and provenance, and interoperable to support the development of tools and the delivery of information services. Thus, GEOSS increases our understanding of the Earth processes and enhances predictive capabilities that underpin sound decision-making.

c) GEO is established on a voluntary and legally non-binding basis, with voluntary contributions to support activities.

d) GEO consists of a Plenary and Executive Committee, a Secretariat and committees and working groups. GEO meets in plenary at least annually at senior-official level, and periodically at the Ministerial level. GEO takes decisions by consensus of its Members.

e) The GEO Secretariat was established in Geneva in May 2005. The Secretariat serves as the centre of the international coordination for the worldwide GEOSS effort.

NOTE 2: ACCOUNTING POLICIES

Basis of Preparation

1. Financial arrangements for the administration of GEO are specified in the following:

- a) GEO-World Meteorological Organization (WMO) Standing Agreement;
- b) WMO Staff and Financial Rules and Regulations;
- c) Delegation of responsibility from the Secretary-General of WMO to the GEO Secretariat Director;

- d) WMO-GEO Service Level Agreement, with a revision on calculation of Support Costs effective 1 January 2015; and
- e) GEO Rules of Procedure, updated on 12 November 2015.

Under the Standing Agreement, WMO Staff and Financial Regulations and Rules apply to the transactions of GEO. The accounts of GEO are maintained in accordance with these requirements. Management have considered that it is appropriate to prepare these Financial Statements on a going concern basis as there is no reason to believe that voluntary contributions sufficient to support its activities will not continue at current levels.

2. The financial statements of the Group on Earth Observations (GEO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention.

Revenue

3. In accordance with IPSAS requirements, and reflecting the nature of GEO's business, revenue from contributions as well as pledges of contributions confirmed in writing are recognized at their estimated realizable value as non-exchange transactions as per IPSAS 23 – Revenue from Non-Exchange Transactions.

4. GEO considers that there are restrictions on the use of all contributions and that some of these restrictions do not meet the definition of a condition as described under IPSAS.

5. Interest revenue is recognized as it accrues.

Expenditure

6. In accordance with the accrual basis of accounting expenditure recognition occurs at the time of delivery of goods or services by the supplier or service provider and are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

7. The Cash Flow Statement is prepared using the indirect method.

8. The functional and reporting currency of GEO is the Swiss Franc (CHF). Transactions in currencies other than CHF are translated into CHF at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities in currencies other than CHF are translated into CHF at the prevailing UNORE year end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Financial Instruments

9. Financial instruments are recognized when GEO becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and GEO has transferred substantially all the risks and rewards of ownership.

10. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables comprise

contributions receivable in cash or other receivables. Receivables are stated at amortized cost.

11. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Contributions and receivables

12. Pledged voluntary contributions are recognized when confirmed in writing by donors at their estimated realizable value. Other voluntary contributions are recognized at the point in time when they are received. When projects are coming to an end and in the event that some contributions will not be fully expended on the project for which they were given, then at that point in time, and in accordance with the donor agreement, the amount which will not be expended is recognized as amounts to be refunded to donors and included in the Statement of Financial Position as Contributions refundable to donors.

13. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts and discounted if cash flows are not expected within twelve months from the reporting date.

14. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized and valued at fair value. These contributions include use of premises and salary costs. They are treated as both revenue and expense in the Financial Statements.

Funds held by WMO

15. GEO does not maintain its own bank accounts. Its funds are administered by WMO.

Property, Plant and Equipment

16. Property, Plant and Equipment (PPE) are capitalized if their cost is greater or equal to the threshold limit set at CHF 5,000 and are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is to be provided for PPE over their estimated useful lives using the straight line method. GEO does not have any Property, Plant and Equipment (PPE) recorded at 31 December 2015.

Intangible Assets

17. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. GEO does not have Intangible Assets at 31 December 2015.

Employee Benefits

18. GEO recognizes the following employee benefits:

- a) short-term employee benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service

- b) post-employment benefits;
- c) other long-term employee benefits; and
- d) termination benefits.

19. Employee benefits are recognized as expenses on an accrual basis. Similarly terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

20. Retirement, death, disability and related benefits of GEO staff are covered under the United Nations Joint Staff Pension Fund (UNJSPF), by virtue of GEO's affiliation with WMO.

21. Unrealized actuarial gains/losses are taken directly to reserves in the period in which they occur.

Provisions and Contingent Liabilities

22. Provisions are made for future liabilities and charges where GEO has a present legal or constructive obligation as a result of past events and it is probable that GEO will be required to settle the obligation.

23. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of GEO.

Note 3. ASSETS and LIABILITES

Note 3.1: Cash

24. GEO maintains Petty Cash for immediate miscellaneous disbursements.

Note 3.2: Contributions receivable

25. Contributions receivable in the amount of CHF 239,000 represents voluntary contributions – pledged revalued at 31 December 2015, (CHF 206,000 at 31 December 2014).

Note 3.3: Other receivables

	2015	2014
	<i>Swiss Francs</i>	
Home country taxation	172,000	119,000
Advances for the organization of meetings	5,000	5,000
Prepaid expenses	2,000	-
Total other assets	179,000	124,000

26. Home country taxation represents advances made for staff to pay income taxes required by their home country governments, as well as refunds due from governments.

27. Advances for the organization of meetings represent advances given to institutions for the organization of GEO meetings held outside of Geneva, based on a Letter of Agreement in which the recipient organization commits, inter alia, to providing an expenditure report for the advance within three months of the conclusion of the meeting. Advances are recognized as expenditure when the meeting is held.

28. Prepaid expenses represent payment in advance for goods and services receivable in future years.

Note 3.4: Funds held by WMO

29. GEO does not maintain its own bank accounts and its funds are administered by WMO. Funds held by WMO represent the amount of GEO funds that are in WMO bank accounts.

Note 3.5: Deferred Income

30. GEO has recognized deferred income of CHF 306,000 comprising of CHF 74,000 relating to a cash voluntary contribution and CHF 232,000 relating to a pledge. Both amounts are covered by agreements with conditions. Revenue will only be recognized when such conditions are met.

31. There are **Contingent Assets** as at 31 December 2015 in the amount of CHF 143,000. This represents agreements which have been entered into with donors for contributions for future years but where that future year funding is still subject to some parliamentary budget approval.

Note 3.6: Payables and Accruals

	2015	2014
	<i>Swiss Francs</i>	
Vendor payables	45,000	(7,000)
Accruals	54,000	82,000
Total payables and accruals	99,000	75,000

32. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

33. Accruals are liabilities for the cost of goods and services that have been received or provided to GEO and which have not been invoiced by suppliers as of the reporting date.

Note 3.7: Employee Benefits Liabilities

	2015	2014
	<i>Swiss Francs</i>	
Non-current liabilities – Long-term benefits	847,000	609,000
Current liabilities – Short-term benefits	180,000	168,000
Total benefits	1,027,000	777,000

34. Employee benefits comprise:

- a) After-Service Health Insurance (ASHI);
The After-Service Medical Plan is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS);
- b) Annual leave accrued on retirement; and
- c) Repatriation grant.

35. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service. The liabilities at 31 December 2015 include the service costs for January to December 2015 less benefit payments made.

Valuation of Employee Benefits Liabilities

36. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a professional independent actuary engaged to carry out a full actuarial valuation as at 31 December 2015. These employee benefits are established for staff members who are in professional category and general service. WMO is a member organization participating in the UNSMIS. GEO staff members participate in the UNSMIS through WMO. The actuarial valuation is undertaken for all eligible WMO staff and this includes eligible GEO staff members. Full actuarial valuations are undertaken every two years, the most recent having been completed at 31 December 2015.

37. At 31 December 2015 the total employee benefits liabilities amounted to CHF 1,027,000, net of actuarial gains and losses, and this has been fully charged to Fund Balances and Employment Benefits Reserves at that date. The balance of CHF 1,027,000 at 31 December 2015 has increased by CHF 250,000. After taking into account service costs and interest cost of CHF 74,000, the net loss arising at 31 December 2015 is CHF 176,000. Under IPSAS 25 GEO has decided to recognize, in reserves, actuarial gains and losses for post-employment benefits as and when they are determined by the actuarial valuation.

38. The accrued liability represents that portion of the present value of future benefits that had accrued from the staff members' dates of entry on duty until the valuation date, 31 December 2015. Active staff members' benefits are considered fully accrued when the staff member reach their dates of full eligibility for benefits.

United Nations Joint Staff Pension Fund (UNJSPF)

39. WMO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. GEO staff members participate in the UNJSPF through WMO. The pension fund is a funded multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

40. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

41. WMO's financial obligation to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly (currently at 7.9 percent for the participants and 15.8 percent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

42. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation was conducted as of 31 December 2015 but its results are expected in summer 2016.

43. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

44. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the

actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

45. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

46. For the period January to December 2015, contributions paid to UNJSPF amounted to CHF 240,000 (CHF 255,000 for the same period in 2014).

47. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org

Note 3.8 Employee Benefits Reserves

48. The Reserve for Employee Benefits represents the actuarial gains and losses arising from the actuarial valuation of the employee benefits liabilities which were determined by a professional actuary at the end of each financial period.

Note 4: Risk Analysis

Credit Risk

49. Credit risk and liquidity risk associated with funds held by WMO is minimized substantially by WMO ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency.

Liquidity Risk

50. GEO's cash and funds held by WMO at 31 December 2015 of CHF 3,275,000 is sufficient to meet its current liabilities at that date of CHF 585,000. On an ongoing basis, it is anticipated that GEO will have sufficient liquidity to pay all debts due.

51. Implementation of GEO activities cannot commence until the contribution has been received. Budgets are only allotted to the level of contributions received after a withholding of ten percent is made to cover any fluctuations that may arise against legal obligations and commitments entered into.

52. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities.

Market Risk

53. On 18 December 2014, the Swiss National Bank (SNB) announced as from 22 January 2015 an interest rate of negative 0.25% on sight deposit account balances at the SNB. As a result of the negative interest rate, GEO's interest income decreased from CHF 2,000 for the year 2014 to CHF 1,000 for the year 2015. The negative interest of CHF 4,000 in 2015 is recorded under bank charges. The implementation of GEO's plan and budget is not dependent on or impacted by interest earnings.

Currency Risk

54. The GEO budget is prepared in Swiss Francs and is funded through voluntary contributions which are pledged in various currencies. Currency fluctuations between the Swiss Franc and currencies such as the US Dollar and the Euro do have an impact on GEO's cash revenue. Such fluctuations may be beneficial or disadvantageous to GEO. GEO's funds are entrusted to WMO and managed through WMO's bank accounts.

Note 5: Revenue

5.1 Monetary contributions

55. GEO recognized revenue of CHF 3,673,000 from voluntary contributions actually received in 2015 (CHF 3,421,000 for 2014).

5.2 Accrued voluntary contributions

56. GEO recognized CHF 9,000 as revenue from pledges in 2015 (CHF 206,000 for 2014).

5.3 In-kind contributions

	2015	2014
	<i>Swiss Francs</i>	
Seconded staff	1,211,000	1,289,000
Office space	85,000	86,000
Total in-kind contributions	<u>1,296,000</u>	<u>1,375,000</u>

57. Contributions in-kind relate to the cost of staff secondments and office space provided by WMO. The number of seconded staff in 2014 remained the same in 2015 (7 seconded staff). GEO paid stipends to some seconded staff and these amounts were deducted from the value of their gross in-kind services. GEO also receives in-kind contributions from members which are not recognized in these accounts as GEO did not have control over the services in-kind and could not measure the fair value of these services.

5.4 Other revenue

	2015	2014
	<i>Swiss Francs</i>	
Other income	-	64,000
Interest income	1,000	2,000
Unrealized gain/(loss) on currency exchange differences	(57,000)	(5,000)
Total other revenue	(56,000)	61,000

58. No other income was recorded in 2015. Other income in 2014 related to prior period reimbursement of WebEx charges).

59. GEO's revenue on interest decreased from CHF 2,000 to CHF 1,000 as a result of the negative interest rate in 2015.

NOTE 6: EXPENSES

60. Expenses represent the following:

	2015	2014
	<i>Swiss Francs</i>	
6.1 Salaries and employee benefits		
Staff costs	1,382,000	1,512,000
Employee benefits	443,000	475,000
Consultancy costs	505,000	429,000
	2,330,000	2,416,000
6.2 In-kind expenditures		
Seconded staff (Although the number of staff remained the same, there was a decrease in the total number of work months provided by the seconded staff. In 2015, seconded staff rendered service for a total of 66.5 work months, compared to 74 work months in 2014.)	1,211,000	1,289,000
Office space	85,000	86,000
	1,296,000	1,375,000
6.3 Travel		
Travel of staff	448,000	388,000
Travel – other	138,000	118,000
	586,000	506,000
6.4 Other expenditures		
Support costs (in 2015, support costs was not charges on in-kind expenditure)	232,000	332,000
Other (includes IISD reporting services for the reporting on the GEO Week, Mexico City, Mexico, 9-13 Nov 2015(CHF35,000)	37,000	-
External audit	5,000	5,000
Other staff training	4,000	4,000
Booklets, leaflets, publications, reprints	3,000	29,000
Write-offs	3,000	-
Public information	1,000	-

Bank charges	5,000	1,000
Hospitality	11,000	40,000
	<u>301,000</u>	<u>411,000</u>

6.5 Supplies, consumables and other running costs

Internet, Intranet, etc	49,000	57,000
Data processing services	95,000	88,000
Services/equipment rental for special events (2015 charges relate to WMO conference services)	52,000	7,000
Supplies and other running costs	12,000	33,000
	<u>208,000</u>	<u>185,000</u>

6.6 Meetings

Grants and contributions for organization of meetings	<u>207,000</u>	<u>283,000</u>
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NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

61. GEO's Operations Budget for 2015 was approved by GEO-XI Plenary held in Geneva, Switzerland, on 13-14 November 2014.

62. GEO's financial statements are prepared on full IPSAS accrual basis using classification based on the nature of expenses in the Statement of Financial Performance (Statement II). The Statement of Comparison of Budget and Actual Amounts (Statement V) also shows expenditures based on the nature of expenses as shown in Statement II.

NOTE 8: VARIANCES BETWEEN BUDGET AND ACTUAL AMOUNTS

63. The major variances between budget and actual amounts are under In-kind expenditures Salaries and employee benefits, and Other expenditure.

64. In-kind expenditure was less than the budget because the actual number of seconded staff in 2015 was less than the number of seconded staff expected.

65. Salaries and employee benefits total costs decreased due to reduced staff costs and benefits. Moreover, there were no actual costs for Junior Professional Officer budgeted at CHF 200,000 for 2015.

66. Savings under other expenditure is mainly due to the decrease in support costs. Under the revised Service Level Agreement, no support costs are to be charged on in-kind expenditure as from 1 January 2015.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS

67. At 31 December 2015, there were no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to GEO. No cases of fraud were noted.

NOTE 10: OTHER COMMITMENTS

68. At 31 December 2015, GEO had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 34,000 (CHF 132,000 on 31 December 2014).

69. Under IPSAS 1 on accrual accounting and on the basis of the delivery principle, commitments for future expenses are not recognized in the financial statements. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods or services.

NOTE 11: RELATED PARTY AND OTHER SENIOR MANAGEMENT DISCLOSURE

NOTE 11.1: Key Management Personnel

	Number of posts	Compensation and post adjustment	Entitlements	Pension plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans
		<i>Swiss Francs</i>					
2015	1	216,000	-	39,000	255,000	36,000	
2014	1	213,000	-	35,000	248,000	40,000	-

70. The GEO Secretariat-Director is the only member of key management as she has the authority and responsibility for planning, directing and controlling the activities of GEO. The Executive Committee consists of 13 Members without personal appointment.

71. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment and employer pension contributions.

72. Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

73. Key management personnel are ordinary members of UNJSPF.

NOTE 12: EVENTS AFTER REPORTING DATE

74. GEO's reporting date is 31 December 2015. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the financial statements' date and the date when the financial statements have been authorized for issue that would have impacted these statements.



Report of the External Auditor

GROUP ON EARTH OBSERVATIONS (GEO)

Audit of 2015 financial statements

The mandate of externally auditing the financial statements of the Group on Earth Observations (GEO) is exercised by the External Auditor of the accounts of the World Meteorological Organization (WMO). The mandate of externally auditing the financial statements of WMO is traditionally exercised by members of the supreme public financial auditing body of the country chosen. On the basis of this provision and further to its sixty-third session, the WMO Executive Council entrusted the Swiss Federal Audit Office (SFAO), in accordance with Article 15.1 of WMO Financial Regulations, with the mandate of External Auditor of WMO's accounts for the period from 1 July 2012 to 30 June 2016.

The mandate is defined in Article 15 of the WMO Financial Regulations and in the Additional Terms of Reference Governing External Audit annexed to those Regulations. Moreover, the mission is described and specified by the letter of 5 November 2012 confirming the mandate, the terms of which GEO accepted in its reply of 15 November 2012. The SFAO members conducting the mandate are performing their duties in an autonomous and independent fashion, with the support of their collaborators.

SFAO is providing the services relating to the external audit of WMO's accounts completely independently of its role as the supreme financial oversight body of the Swiss Confederation. SFAO has a team of highly qualified professionals, and enjoys extensive experience of auditing international organizations.

For further information, please contact:

Eric-Serge Jeannet
Deputy Director
Swiss Federal Audit Office
Monbijoustrasse 45
3003 Berne
Tel. +41 58 463 10 39
eric-serge.jeannet@efk.admin.ch

or:
Didier Monnot
Mandate Officer
Tel. +41 58 463 10 48

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Annex 3: Additional entries

Berne, 3 May 2016

Reg. No. 1.16131.952.00428.08
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EXECUTIVE SUMMARY

In its capacity as External Auditor for the Group on Earth Observations (GEO), the Swiss Federal Audit Office (SFAO) confirms that the audit of the financial statements for 2015, presented in accordance with the International Public Sector Accounting Standards (IPSAS), has yielded a satisfactory result overall and that it is in a position to issue an unqualified audit opinion.

First of all, SFAO would like to mention the efforts made by the World Meteorological Organization (WMO) Management in implementing our recommendations. This has had a positive impact on all the sectors under its administration.

Next, in accordance with our rotation schedule for auditing WMO's key processes, applied by analogy to GEO, the procurement process was analysed. Recommendations in this connection have been implemented and SFAO found no significant weaknesses. There is room for improvement regarding the selection of the most economical offers. In particular, SFAO identified potential savings in the area of travel costs.

Regarding voluntary contributions, WMO has made significant efforts to bolster project management and its supervision. SFAO encourages WMO to continue along this path. We have invited WMO to centralize and share information in the departments concerned and to set up an internal control system to ensure that these are properly accounted for.

REGULATIONS, STANDARDS AND INFORMATION

Financial Regulations and purpose of the audit

1. GEO's financial years are regulated by the provisions of the GEO-WMO Standing Arrangement, the WMO Financial Regulations, the delegation of responsibility by the WMO Secretary-General to the Secretariat Director, and the WMO-GEO Service Level Agreement. The Financial Regulations to which GEO is subject stipulate that its financial statements must be prepared in accordance with the International Public Sector Accounting Standards (IPSAS).
2. The audit covered GEO's financial statements for the year ended 31 December 2015. These comprised the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts for the General Fund (financial statement V), as well as a summary of the main accounting methods and other explanatory notes.

Auditing standards, information and acknowledgements

3. Audits were carried out in accordance with the International Standards on Auditing (ISA),¹ consistent with the additional mandate which forms an integral part WMO's Financial Regulations.
4. The International Standards on Auditing specify the role that auditors must play in relation to the risk of misstatements in the financial statements, whether due to fraud or

¹ International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB)

error (ISA 240). Consequently, the External Auditor is not liable and is not tasked with detecting cases of fraud.

5. Where audit sampling was carried out, SFAO selected samples on the basis of risks or the relative size of the amounts recorded in the headings examined.
6. Minor issues which were clarified and discussed with those responsible in the course of the work are not covered in this report.
7. During the auditing process we met regularly with Ms B. Ryan, Secretariat Director, Ms P. Geddes, Senior Administrative Manager, Mr A. Rolli, Director of the Resource Management Department, Mr L. Ngwira, Chief of the Finance Division, as well as other staff from his unit and staff from other departments in the Organization, depending on the topics dealt with.
8. SFAO wishes to emphasize the excellent cooperation and spirit of openness which characterized the auditing process. We should also like to express thanks for the willingness with which information and documents were provided by all GEO and WMO staff members whose cooperation was sought.
9. The audit findings were communicated at the final discussion on 3 May 2016. This meeting was attended by Ms B. Ryan, GEO Secretariat Director, Ms P. Geddes, Senior Administrative Manager, Mr L. Ngwira, Chief of the Finance Division, Ms B. Cruz and Ms K. Paratian, Finance Officers. The External Auditor was represented by Mr D. Monnot, Mandate Officer, and Ms C. Frei, Senior Auditor.
10. For information, the findings of the audit of WMO's accounts were communicated at the final discussion on 20 April 2016. The final version of this audit report, including the comments by the WMO Secretary-General, was sent on 12 May 2016.
11. In accordance with figure 7 of the Additional Mandate for the External Auditing of the Accounts relating to the comments of the GEO Secretariat Director to be inserted into this report, SFAO received an e-mail dated 8 June 2016 confirming that the Secretariat Director had no further comments to make.
12. The original language in which this report was drafted is French, and we recall that it is the French text which is deemed to be authoritative.

FOLLOW-UP OF RECOMMENDATIONS

13. SFAO notes that there are no pending recommendations from the closure of previous years' audits. Furthermore, SFAO invites GEO to take note of the recommendations addressed to the WMO Secretary-General in the report on the financial statements for 2015. In view of the current provisions on relations between WMO and GEO, these recommendations also apply indirectly to the latter. The most important recommendations are indicated in this report with the word "Note".

SYSTEM OF INTERNAL CONTROL

14. Checks on the system of internal control and the main processes which affect the financial statements are carried out on a multi-year basis and are covered by the various audit missions according to a rotation schedule identical to that used for WMO.
15. The audit opinion is also based on an assessment of the existence of formalized processes and key controls stemming from an analysis of risks. The External Auditor does not comment on their sustainability or effectiveness. A distinction should be made between the work done by the External Auditor and other types of audits, such as financial supervisory audits or the audits performed by the Internal Oversight Office (IOO), as the latter focus more on the operational aspects of processes and on the effectiveness of the related key process controls. The results of the IOO's work are likely to be relevant to our audit procedures. According to ISA 610, the work carried out in the area of procurement, among others, was considered useful for the purposes of the audit.
16. SFAO focused on the system of internal control during the interim audit, which took place in autumn 2015, The follow-up, which was carried out during the closing audit in March 2016, confirmed their initial findings. Checks were performed on the following processes:
 - Controls at the organizational level
 - IT controls
 - Procurement controls
 - Processes for voluntary contributions and project management
 - Process for the closing of accounts

Controls at the organizational level

17. SFAO wishes to underline the importance of the risk analysis process for the proper management of the Organization's affairs. We discussed with Ms E. Manaenkova, Assistant Secretary-General, the risks concerning the operational and financial aspects connected with voluntary contributions and project management. Following the substantial increase in voluntary contributions in recent years, SFAO will continue to monitor and regularly review this process.

Procurement process

18. The documentation relating to procurement was improved in 2015. During the final audit of the accounts in March 2015, SFAO stressed the importance of implementing the necessary measures to ensure the proper functioning of the procurement division.
 - In the meantime, the revised versions of the Standing Instructions and, in particular, Chapter 8.7 "Procurement", entered into force.
 - In addition, a new electronic tendering system, currently used by several United Nations agencies based in Geneva, was implemented in 2015. The system offers numerous advantages in terms of efficiency and traceability.
 - Finally, staff in the Procurement and Travel Services Division (PTS) were able to enhance their skills by participating in a training programme.
19. As it was unable to base its findings entirely on the control environment within the PTS Division in 2015, SFAO performed detailed checks during the interim audit, revealing no substantive errors. The samples audited showed that the current WMO guidelines on procurement are generally followed.

20. However, a number of weaknesses with regard to this process came to light and there is scope for improvement. For example, strict monitoring of advance orders for air tickets would help to achieve savings in travel costs. The Internal Oversight Office (IOO) made similar findings in a report issued in 2015.

Processes for voluntary contributions

21. WMO has made significant efforts in project monitoring. It has implemented a trial project accountability designation form clarifying roles and responsibilities within the Organization. The Project Management Board (PMB) also proposes to perform local external audits and to incorporate these costs into the project budget. A voluntary contributions acceptance checklist has been drawn up to ensure clear decision-making regarding the acceptance of funds. A quarterly projects highlight report submitted by the Project Coordination Unit summarizes the status (including progress) of the most important projects and determines any measures that need to be taken. A list containing the extrabudgetary-funded projects shows the implementation period and the implementation status.
22. The new tools put in place should enable the Organization to monitor projects more effectively. SFAO welcomes these efforts, and agrees that they will strengthen and improve project management. However, SFAO noted that the Finance Division was not making use of these management and monitoring tools. Moreover, it was not participating in determining the stage of completion. Therefore, it is possible that the list kept by the Finance Division to define the stage of completion according to the costs incurred does not agree with that produced by the PMB/PCU tools.
23. In the absence of an integrated project management software tool, SFAO recalls the importance of centralized storage of contract data and of sharing information between divisions and departments. Communication between divisions is essential to ensure that the accounts are closed properly.

Note: SFAO invites GEO, insofar as it is directly involved, to take note of its recommendation to WMO that information concerning activities financed by donors should be centralized and handled interdepartmentally. A description of the process involved in managing this task should be prepared and should include all the departments and managers involved, as well as the key controls carried out. Moreover, the periodic apportioning of revenues in relation to the progress of these activities could be improved. The revenues to be deferred, and respectively to be recognized, should be based on the progress of costs and not on payments made by the donor. SFAO also proposed the formalization of a validation control for the overall accounting treatment.

Closing process

24. The accounts are closed in accordance with a closing programme which sets out deadlines and responsibilities.
25. SFAO notes that in most cases the accounts are reconciled with supporting documents. However, it is very time-consuming for us to check this reconciliation. As regards the quality of the accounting documents, it is preferable to have external supporting documents for the amount posted. Those originating solely from the accounting system itself cannot be considered as supporting documents.
26. The financial statements were made available at the start of the audit. SFAO recognizes the efforts made by the Finance Division and the services concerned in carrying out this task. However, it considers that quality assurance could be improved.

Note: SFAO invites GEO to take note of its recommendation to WMO that clear reconciliations and relevant supporting documents should be established systematically

for account balances. Quality assurance for tasks relating to the preparation of financial statements should be strengthened.

IT general controls

27. The IT audit focused on the following areas:
 - Checking of IT general controls
 - JET analysis (journal entries testing)
28. The IT audit focused on the IT general controls. Following its review of the IT general control processes as a whole, SFAO stressed the importance of formalizing processes and controls.

PREPARATION OF IPSAS-COMPLIANT FINANCIAL STATEMENTS

Preparation of IPSAS-compliant financial statements – a complex, important task

29. GEO's 2015 financial year coincides with the sixth closing of accounts under IPSAS. These standards represent a rapidly changing accounting framework which requires constant updating of skills and of the disclosures included in the financial statements. It is important for WMO to acquire and regularly update IPSAS skills internally.

AUDIT OF 2015 BUDGET IMPLEMENTATION

Implementation of the budget, figures, reconciliations and presentation of incomplete information (financial statement V)

30. The financial statements, on an annual basis under IPSAS, and the GEO Programme and Budget cover the 2015 financial year.
31. We checked that the information contained in financial statement V and in Notes 7 and 8 to the financial statements complied with IPSAS 24. These data were reconciled with the budget figures for 2015 presented and approved at the 11th plenary session held in Geneva on 13 and 14 November 2014.
32. The differences between the budget figures and the actual expenditure amounts for the 2015 financial year were explained in Note 8 of the financial statements, as required by IPSAS 24.
33. With regard to the budget implementation in general, please refer to the comments of the Secretariat Director.

AUDIT OF THE 2015 FINANCIAL STATEMENTS

Receivables

34. Short-term receivables tied to contributions amount to CHF 239,000 (CHF 206,000 at the end of 2014). Detailed checks were carried out on balances open at the end of the year. No specific accounting problems were identified with regard to the collection of these receivables.

Other receivables

35. Other short-term receivables amount to CHF 179,000 (CHF 124,000 at the end of 2014). Detailed checks were carried out on balances open at the end of the year. No specific accounting problems were identified with regard to the collection of these receivables.

Funds with WMO

36. GEO does not hold a bank account in its own name. Its funds are deposited in WMO's bank accounts.
37. The current account balance on the assets side of GEO's balance sheet ("Funds held by WMO") amounts to a total of CHF 3.3 million (CHF 3 million at the end of 2014) and corresponds to the balance on the liabilities side of WMO's balance sheet. We were able to check this amount.
38. The balances as at 31 December 2015 for the various WMO cash accounts were compared with the bank statements, which were sent directly to us. The amounts shown under liquid assets on the assets side of the WMO balance sheet, CHF 73.7 million in all (CHF 95.9 million at the end of 2014), respect the principle of 90 day availability of funds. The funds belonging to GEO were therefore available from WMO at 31 December 2015.

Payables and accruals

39. The amounts shown on the closing balance sheet as payables and accruals were checked and did not give rise to any particular comments.

Deferred income

40. SFAO reviewed a significant proportion of the contracts relating to voluntary contributions received during the accounting year 2015 in order to validate the periodic apportioning of income and accounting treatment in accordance with IPSAS 23.
41. The audit revealed no specific problems in accounting for voluntary contributions.

Employee benefits: ASHI

42. GEO has a contractual obligation to finance medical care by subsidizing medical insurance premiums for retired employees (Article 6.2 of the WMO Staff Regulations).
43. GEO's current financial statements show a provision for ASHI (health insurance fund) of CHF 614,000 on the liabilities side (CHF 423,000 at the end of 2014). The provision was justified by an actuarial valuation.
44. The increase in this provision in 2015 is essentially due to a change in certain actuarial assumptions, much of which can be traced to the reduction in the discount rate from 1.22% in 2014 to 1% in 2015. With regard to accounting technique, SFAO notes that

the Organization has adopted the OCI method² for recognizing actuarial gains and losses. This option is consistent with the guidelines of IPSAS 25.

Employee benefits: repatriation grants

45. GEO has an obligation to pay staff members repatriation grants (Article 9.4 of the WMO Staff Regulations).
46. The provisions entered in the accounts at 31 December 2015 as repatriation grants amount to CHF 253,000 on the liabilities side (CHF 225,000 at the end of 2014) and were justified by an actuarial valuation. The discount rate changed from 3% in 2014 to 3.3% this year.

Employee benefits: accumulated leave

47. GEO has an obligation to grant home leave to staff members (Article 5.3 of the WMO Staff Regulations).
48. Provisions for accumulated leave are entered under liabilities for an amount of CHF 160,000 (CHF 129,000 at the end of 2014) and were justified by an actuarial study. The discount rate changed from 2.8% in 2014 to 3% this year.

Data to be submitted for the actuarial study

49. SFAO noted that there is no control mechanism for ensuring that the relevant human resources data is submitted correctly to the actuarial consultant. Furthermore, it noted that the information appearing in the actuary's report is not validated by the Finance Division or the HR department. This control mechanism should both define the responsibilities of the respective services and formalize the data plausibility controls.
50. **Note:** SFAO invites GEO to note that it has recommended that WMO formalize a control mechanism and procedure to ensure that the relevant data submitted for the actuarial calculation of commitments relating to employee benefits (IPSAS 25) is comprehensive and reliable. Moreover, the source data used by the expert and the methodology applied should also be subject to an a posteriori control based on the actuarial report.

United Nations Joint Staff Pension Fund (UNJSPF) – a potential future risk for GEO's financial statements

51. As SFAO pointed out when its mandate as External Auditor was renewed, it considers that there is a potential future risk for GEO's financial statements while the United Nations Joint Staff Pension Fund (UNJSPF) is unable to provide its affiliated institutions with a calculation of pension obligations in accordance with IPSAS 25.
52. However, as the situation does not concern GEO alone, SFAO does not consider it necessary for the time being to express a reservation or to refer specifically to this point in its audit opinion on the 2015 financial statements.

Net assets

53. SFAO reviewed the Statement of Changes in Net Assets/Equity (financial statement III). Its findings did not give rise to any concerns.

² Other Comprehensive Income

Expenditure and income

54. Analytical checks and sampling were carried out on expenditure and income, based on the materiality threshold applied during the audit.
55. Data analyses were also conducted in collaboration with PwC. Analyses (journal entries testing) of manual entries were carried out, and comprised a number of specific tests (unusual users and entries, entries recorded at the end of the period, adjustment entries, etc.). The results of these tests enabled us to be reasonably sure of the accuracy of the expenditure and income recorded for 2015.
56. With regard to GEO salaries, SFAO noted that some expenditure items were treated differently in the WMO accounts. For example, contributions to the JSPF or for medical treatment come under "staff costs" in WMO, whereas they are considered "employee benefits" in GEO, and the "overtime" account is presented under "employee benefits" instead of under "staff costs". SFAO recommends standardizing accounting treatments to make these figures comparable between the bodies.

Statement of cash flow

57. SFAO reviewed all the positions on the Statement of Cash Flow (financial statement IV), and checked that the amounts shown matched the changes in balances between the opening and closing of the balance sheet.

Refreshing and updating financial information in accordance with IPSAS

58. The Finance Division has implemented most of the improvements suggested by SFAO with regard to the application of IPSAS standards presented in Annex 3.

CONCLUSION

59. Following the work carried out, SFAO can confirm that GEO's 2015 financial statements were presented in accordance with IPSAS. Moreover, in the light of the materiality threshold predefined on the basis of the International Standards on Auditing, it can also confirm that the accounting data published in the financial statements reflect GEO's accounting.
60. SFAO is therefore able to issue the audit opinion which is attached to this report and has been drawn up in accordance with paragraph 5 of the Additional Mandate for the External Auditing of the Accounts (annex to the WMO Financial Regulations).

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

Annexes:

- 1) External Auditor's opinion
- 2) Proposals for improvements with regard to IPSAS
- 3) Additional entries



Annex 1 to 1.16131.952.00428.08

EXTERNAL AUDITOR'S OPINION

The Swiss Federal Audit Office has audited the financial statements of the Group on Earth Observations (GEO) for the year ended 31 December 2015. These comprise the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts (financial statement V), as well as a summary of the main accounting methods and other explanatory notes.

GEO Secretariat's responsibility for the financial statements

The Secretariat is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations. The Secretariat is also responsible for introducing any internal controls he deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

The responsibility of SFAO is to express an opinion on GEO's financial statements based on its audit. It conducted its audit in accordance with the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB). These standards require it to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, rather than expressing an opinion on the effective functioning of the entity's internal controls. An audit also includes an appreciation of the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, as well as an appreciation of the overall presentation of the financial statements. SFAO believes that the audit evidence we have obtained is sufficient and appropriate to provide a basis for its audit opinion.

Opinion

In its opinion, the financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2015, as well as its financial performance and cash flow for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations. In accordance with the Additional Mandate for the External Auditing of the Accounts, which is attached to WMO's Financial Regulations, we have also prepared a detailed report on our audit of the financial statements, dated 3 May 2016.

Berne, 3 May 2016

SWISS FEDERAL AUDIT OFFICE³
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

³ Mailing address: Monbijoustrasse 45, CH-3003 Berne.

PROPOSALS FOR IMPROVEMENTS WITH REGARD TO IPSAS

During the audit in March 2016, SFAO gave the Finance Division a list of points which needed to be improved in order to meet the requirements of the accounting standards applied when preparing the final version of the GEO's 2015 financial statements.

Accounting standard	Missing disclosures - references and topics
IPSAS 30 Financial instruments	IPSAS 30, paragraph 44a <ul style="list-style-type: none">• For example, for receivables: include a paragraph with a schedule of amounts due (not done for receivables connected with voluntary contributions)
IPSAS 18 Segment reporting	IPSAS 18, paragraph 51 <ul style="list-style-type: none">• Information not presented by segment: the inclusion of a reference in the notes to the financial statements should be considered

Annex 3 to 1.16131.952.00428.08

ADDITIONAL ENTRIES

The following table summarizes the additional entries noted during the audit procedures for the financial statements at 31 December 2015.

Adjusted additional entries

(Sum of adjusted differences)

No	Amount	Description	Type	Result for the financial year
1	4,336	Negative interest to be reclassified under bank charges	Reclass.	-