

## **2014 Financial Statements and Report of the External Auditor**

*This Document is submitted to the GEO-XII Plenary for decision.*



**PRESENTATION OF THE GROUP ON EARTH OBSERVATIONS  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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: 30 April 2015





**FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2014**



**16 April 2015 EXTERNAL AUDITOR'S AUDIT OPINION**

We have audited the financial statements of the Group on Earth Observations (GEO) for the year ended 31 December 2014. 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**

Our responsibility is to express an opinion on GEO's financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB). These standards require us 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2014, 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 18 May 2015.

Berne, 18 May 2015

SWISS FEDERAL AUDIT OFFICE<sup>1</sup>

(External Auditor)

Signed in the original

Eric-Serge Jeannet

Deputy Director

Didier Monnot

Mandate Officer

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<sup>1</sup> Mailing address: Monbijoustrasse 45, CH-3003 Berne.

## STATEMENT I

**GROUP ON EARTH OBSERVATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2014  
*(in thousands of Swiss Francs)*

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	206	-
Other receivables	3.3	124	143
Funds held by WMO	3.4	2,965	3,123
<b>Total assets</b>		<b>3,296</b>	<b>3,267</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accruals	3.5	75	28
Employee benefits	3.6	168	134
		<b>243</b>	<b>162</b>
<b>Non-current liabilities</b>			
Long-term employee benefits	3.6	609	451
<b>Total liabilities</b>		<b>852</b>	<b>613</b>
<b>Net assets</b>		<b>2,444</b>	<b>2,654</b>
<b>NET ASSETS/EQUITY</b>			
Fund balances	Stat III	2,387	2,500
Employee benefits reserves	3.7	57	154
<b>Total net assets/equity</b>		<b>2,444</b>	<b>2,654</b>

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 2014**  
*( in thousands of Swiss Francs )*

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b>Revenue</b>			
Voluntary contributions	5.1	3,421	3,558
Voluntary contributions - accrued	5.2	206	-
In-kind contributions	5.3	1,375	1,134
Other revenue	5.4	61	(15)
<b>Total Revenue</b>		<b>5,063</b>	<b>4,677</b>
<b>Expenses</b>			
Salaries and employee benefits	6.1	2,416	2,146
In-kind expenditures	6.2	1,375	1,134
Travel	6.3	506	483
Other expenditures	6.4	411	334
Meetings	6.5	283	101
Supplies, consumables and other running costs	6.6	185	123
<b>Total Expenses</b>		<b>5,176</b>	<b>4,320</b>
<b>(Deficit)/Surplus for the period</b>		<b>(113)</b>	<b>357</b>

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 2014**  
*(in thousands of Swiss Francs)*

	<b>Fund Balances</b>	<b>Employee Benefits Reserves</b>	<b>Total Net Assets</b>
<b>Net assets at 31 December 2013</b>	<b>2,500</b>	<b>154</b>	<b>2,654</b>
<b>Movements in fund balances and reserves in 2014</b>			
(Deficit)/Surplus for the period (Statement II)	(113)		(113)
Gain arising on actuarial valuation of employee benefits		(97)	(97)
<b>Total movements during the year</b>	<b>(113)</b>	<b>(97)</b>	<b>(210)</b>
<b>Total net assets at 31 December 2014</b>	<b>2,387</b>	<b>57</b>	<b>2,444</b>
	<b>Fund Balances</b>	<b>Employee Benefits Reserves</b>	<b>Total Net Assets</b>
<b>Net assets at 31 December 2012</b>	<b>2,143</b>	<b>(162)</b>	<b>1,981</b>
<b>Movements in fund balances and reserves in 2013</b>			
Surplus for the period (Statement II)	357		357
Gain arising on actuarial valuation of employee benefits		316	-
<b>Total movements during the year</b>	<b>357</b>	<b>316</b>	<b>673</b>
<b>Total net assets at 31 December 2013</b>	<b>2,500</b>	<b>154</b>	<b>2,654</b>

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 2014**  
*(in thousands of Swiss Francs)*

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(Loss) for the period	(113)	357
(Increase) decrease in contributions receivables	(206)	128
(Increase) decrease in other current assets	19	-
(Increase) decrease in funds held by WMO	158	(518)
Increase (decrease) in payables and accruals	47	(29)
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	192	(254)
Increase (decrease) in employee benefits reserves	(97)	316
<b>Net cash flows from operating activities</b>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at beginning of year</b>	1	1
<b>CASH AND CASH EQUIVALENT AT 31 DECEMBER 2014</b>	<u><u>1</u></u>	<u><u>1</u></u>

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**  
**AS AT 31 DECEMBER 2014**  
*( in thousands of Swiss Francs)*

	Budget	Actual*	Budget Under/(Over) Spent
<b>A. Salaries and employee benefits</b>			
1 Staff costs	1,707	1,512	195
2 Employee Benefits	420	475	(55)
3 Consultancy costs	412	429	(17)
4 Total Salaries and employee benefits	<u>2,539</u>	<u>2,416</u>	<u>123</u>
<b>B. Travel</b>			
1 Staff travel (fixed term and contractors)	510	388	122
2 Other (individual developing country participants to GEO meetings)	175	118	57
3 Total Travel	<u>685</u>	<u>506</u>	<u>179</u>
<b>C. Meetings - Support to GEO events and meetings (LoAs)</b>	250	283	(33)
<b>D. Supplies, consumables and other running costs</b>			
1 Internet, intranet, etc	80	57	23
2 Data processing services	-	88	(88)
3 Services/equipment rental for special events	25	7	18
4 Supplies and other running costs	30	33	(3)
5 IT Software and equipment	40	-	40
6 Total Supplies, consumables and other running costs	<u>175</u>	<u>185</u>	<u>(10)</u>
<b>E. Other expenditure</b>			
1 Support costs	399	332	67
2 Booklets, publications, other printing	55	29	26
3 External audit	5	5	-
4 Hospitality	-	40	(40)
5 Staff training	5	4	1
6 Bank charges	3	1	2
7 Incidentals (Others)	5	-	5
8 Total other expenditure	<u>472</u>	<u>411</u>	<u>61</u>
<b>F. In-kind expenditures</b>			
1 Seconded staff	1,902	1,289	612
2 Rental of office space	98	86	13
3 Total In-kind expenditures	<u>2,000</u>	<u>1,375</u>	<u>625</u>
<b>E. TOTAL ALL EXPENDITURES</b>	<u><u>6,121</u></u>	<u><u>5,176</u></u>	<u><u>945</u></u>

\* excluding obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 132,000

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

# Notes to the Financial Statements as at 31 December 2014

## 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 2005-2015.
- b) To carry out the GEOSS 10 Year Implementation Plan. GEOSS works with, and builds upon existing national, regional, and international systems to provide comprehensive, coordinated Earth observations from thousands of instruments worldwide, transforming the data collected into vital information for society.
- c) Through GEOSS, to yield a broad range of benefits to society, including reducing loss of life and property from natural and human-induced disasters; understanding environmental factors affecting human health and well-being; improving management of energy resources; understanding, assessing, predicting, mitigating and adapting to climate variability and change; improving water resource management through better understanding of the water cycle; improving weather information, forecasting and warning; improving the management and protection of terrestrial, coastal and marine ecosystems; supporting sustainable agriculture and combating desertification; and understanding, monitoring and conserving biodiversity.
- d) GEO is established on a voluntary and legally non-binding basis, with voluntary contributions to support activities.
- e) 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.
- f) 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:
- GEO-World Meteorological Organization (WMO) Standing Agreement;
  - WMO Staff and Financial Rules and Regulations;
  - Delegation of responsibility from the Secretary-General of WMO to the GEO Secretariat Director;
  - WMO-GEO Service Level Agreement; and
  - GEO Rules of Procedure, updated on 4 November 2010.

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 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. Revenue from non-exchange transactions such as voluntary contributions is recognized as revenue at the time the agreement with the donor becomes binding unless the agreement includes conditions related to specific performance of services to third parties and the return of unexpended balances is the norm. Agreements containing such conditions require initial recognition of a liability and deferral of revenue recognition until such time as the liability is discharged through performance of the specific conditions included in the agreement.

13. Receivables are valued at amortized cost less allowances for estimated irrecoverable amounts and discounted if cash flows are not expected within 12 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 2014.

#### **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 2014.

#### **Employee Benefits**

18. GEO recognizes the following employee benefits:

- a) short-term employee benefits due to be settled 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.

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.

19. 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.

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

#### **Provisions and Contingent Liabilities**

21. 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.

22. 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**

23. GEO maintains Petty Cash for immediate miscellaneous disbursements.

**Note 3.2: Contributions receivable**

24. Contributions receivable in the amount of CHF 206,000 represents voluntary contributions – pledged revalued at 31 December 2014.

**Note 3.3: Other receivables**

	<u>2014</u>	<u>2013</u>
	<i>Swiss Francs</i>	
Advances for the organization of meetings	5,000	39,000
Home country taxation	119,000	66,000
Sundry debtors	-	36,000
Prepaid expenses	-	2,000
<b>Total other assets</b>	<b><u>124,000</u></b>	<b><u>143,000</u></b>

25. 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.

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. There were no Sundry debtors at 31 December 2014. The amount in 2013 represented an amount due to GEO in relation to ticket costs advanced by GEO was settled in 2014.

28. Prepaid expenses at 31 December 2013 were cleared in 2014. There were no prepaid expenses at 31 December 2014.

**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: Payables and Accruals**

	<u>2014</u>	<u>2013</u>
	<i>Swiss Francs</i>	
Vendor payables	(7,000)	18,000
Accruals	82,000	10,000
<b>Total payables and accruals</b>	<b><u>75,000</u></b>	<b><u>28,000</u></b>



30. Payables to vendors relate to amounts due for goods and services for which invoices have been received. The negative balance at 31 December 2014 is the result of amounts payable to suppliers minus the amount due from participants who were paid but did not attend meetings.

31. 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 3.6: Employee Benefits Liabilities

	2014	2013
	<i>Swiss Francs</i>	
Current liabilities – Short-term benefits	168,000	134,000
Non-current liabilities – Long-term benefits	609,000	451,000
<b>Total benefits</b>	<b>777,000</b>	<b>585,000</b>

32. 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.

33. 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.

### Valuation of Employee Benefits Liabilities

34. Liabilities for employee benefits were determined by a professional actuary engaged to carry out a “roll-forward” actuarial valuation as at 31 December 2014. At 31 December 2014 the total employee benefits liabilities amounted to CHF 777,000, 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 777,000 at 31 December 2014 has increased by CHF192,000. After taking into account service costs and interest cost of CHF 95,000, the net actuarial loss arising at 31 December 2014 is CHF 97,000. 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.

35. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a professional independent actuary. These employee benefits are established for staff members who are entitled to such benefits. 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.

36. 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 2014. 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)**

37. 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. 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.

38. 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.

39. 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% for participants and 15.8% 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 only payable 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 Pension 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.

40. 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 will be conducted as of 31 December 2015.

41. 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.

42. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, 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.

43. 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.

44. 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](http://www.unjspf.org)

45. In 2014 GEO contributions paid to UNJSPF amounted to CHF 255,000 (CHF 221,000 in 2013).

### **Note 3.7 Employee Benefits Reserves**

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

### **Note 4: Risk Analysis**

#### **Credit Risk**

47. 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**

48. GEO's cash and funds held by WMO at 31 December 2014 of CHF 2,966,000 are sufficient to meet its current liabilities at that date of CHF 243,000. On an ongoing basis, it is anticipated that GEO will have sufficient liquidity to pay all debts due.

49. 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.

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

#### **Market Risk**

51. Interest earnings amounted for the year 2014 amounted to CHF 2,000 (CHF 4,000 in 2013). The implementation of GEO's plan and budget is not dependent on or impacted by interest earnings.

52. 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.

#### **Currency Risk**

53. 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**

54. GEO recognized revenue of CHF 3,421,000 from voluntary contributions actually received (CHF 3,558,000 for 2013).

## 5.2 Accrued voluntary contributions

55. GEO recognized revenue of CHF 209,000 from pledges. There were no pledges at 31 December 2013.

## 5.3 In-kind contributions

	2014	2013
	<i>Swiss Francs</i>	
Seconded staff	1,289,000	1,048,000
Office space	86,000	86,000
<b>Total in-kind contributions</b>	<b>1,375,000</b>	<b>1,134,000</b>

56. Contributions in-kind relate to the cost of staff secondments and office space provided by WMO. The increase in contribution in-kind relating to seconded staff can be explained by the increase in the number of seconded staff (7 in 2014; 5 in 2013). GEO paid stipends to certain seconded-staffs 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

	2014	2013
	<i>Swiss Francs</i>	
Other income (relates to prior period reimbursement of WebEx charges)	64,000	-
Interest income	2,000	4,000
Unrealized gain/(loss) on currency exchange differences	(5,000)	(19,000)
<b>Total other revenue</b>	<b>61,000</b>	<b>(15,000)</b>

## 5.5 Contingent Assets

57. There are Contingent Assets as at 31 December 2014 in the amount of CHF 255,000. 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 6: EXPENSES**

58. Expenses represent the following:

	<b>2014</b>	<b>2013</b>
	<i>Swiss Francs</i>	
<b>6.1 Salaries and employee benefits</b>		
Staff costs (2014 increase primarily due to increased professional staff costs)	1,512,000	1,284,000
Employee benefits (2014 increase on almost all benefits, but in particular on education grants)	475,000	371,000
Consultancy costs (2013 included costs for communications strategists)	429,000	491,000
	<b>2,416,000</b>	<b>2,146,000</b>
<b>6.2 In-kind expenditures</b>		
Seconded staff (number of seconded staff increased in 2014)	1,289,000	1,048,000
Office space	86,000	86,000
	<b>1,375,000</b>	<b>1,134,000</b>
<b>6.3 Travel</b>		
Travel of staff	388,000	401,000
Travel – other	118,000	82,000
	<b>506,000</b>	<b>483,000</b>
<b>6.4 Other expenditures</b>		
Support costs	332,000	279,000
External audit	5,000	5,000
Hospitality	40,000	11,000
Booklets, leaflets, publications, reprints	29,000	36,000
Other staff training	5,000	2,000
Bank charges	1,000	1,000
	<b>411,000</b>	<b>334,000</b>
<b>6.5 Meetings</b>		
Grants and contributions for organization of meetings	<b>283,000</b>	<b>101,000</b>
<b>6.6 Supplies, consumables and other running costs</b>		
Internet, Intranet, etc	57,000	56,000
Data processing services (2014 Information, communication and technology (ICT) charges paid by GEO to WMO increased; in 2013, these charges amounting to CHF 39,000 were reported under Supplies and other running costs)	88,000	-
Supplies and other running costs	33,000	61,000
Services/equipment rental for special events	7,000	6,000
	<b>185,000</b>	<b>123,000</b>

**NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

59. GEO's Operations Budget for 2014 was approved by GEO-X Plenary held in Geneva, Switzerland, on 15-16 January 2014.

60. 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**

61. The difference between budget and actual in-kind expenditures relating to seconded staff amounting to CHF 612,000 (65% of total savings of CHF 945,000) is due to in-kind value of the salaries of seconded staff. Though the number of seconded staff increased in 2014, the value of the in-kind expenditure is still below the budget. The actual value of in-kind expenditure is net of stipends paid by GEO.

62. Savings under salaries CHF 195,000 (13% of the total savings of CHF 945,000) are due to staff posts that are budgeted but have remained vacant.

63. Savings under travel CHF 179,000 (19% of the total savings of CHF 945,000) may be attributed to having the meetings in Geneva and cheaper air tickets. .

64. In 2014, costs for data processing services which represent amount to CHF 88,000 have significantly increased compared to CHF 39,000 in 2013.

#### **NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS**

65. At 31 December 2014, 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**

66. At 31 December 2014, GEO had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 132,000 (CHF 119,000 on 31 December 2013).

67. 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>					
<b>2014</b>	1	213,000	-	35,000	248,000	40,000	-
<b>2013</b>	1	212,000	-	35,000	247,000	25,000	-

68. 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.

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

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

71. Key management personnel are ordinary members of UNJSPF.

**NOTE 12: EVENTS AFTER REPORTING DATE**

72. GEO's reporting date is 31 December 2014. 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 2014 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 63rd session, the WMO Executive Council entrusted the Swiss Federal Audit Office (SFAO), in accordance with Article 15.1 of WMO's 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 WMO's Financial Regulations and in the Additional Mandate for External Audits of the Accounts attached 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 members of the SFAO conducting the mandate are performing their duties in an autonomous and independent fashion, with the support of their collaborators.*

*The 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. The SFAO has a team of highly qualified professionals, and enjoys extensive experience of auditing international organizations.*

For further information, please contact:

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#### **Annex 1: External auditor's opinion**

#### **Annex 2: Recommendations made to the Secretary-General of WMO**

#### **Annex 3: Proposals for improvements with regard to IPSAS**

Berne, 18 May 2015

Registration No. 1.15189.952.00428.06  
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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 2014, 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, we should 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, including GEO, where we noted an improvement in the quality of the financial statements.

Next, in accordance with our rotation schedule for auditing WMO's key processes, applied by analogy to GEO, the procurement process was analysed. We believe that there is room for further improvement in the system of internal control within this process. Although 2014 was a transitional year for the WMO Procurement and Travel Services Division (PTS) and a consultant was engaged, we feel that the performance of oversight activities in this area remains a priority. We therefore recommend that WMO issue the necessary guidelines and we invite GEO to take note of this recommendation.

Finally, we noted an increase in GEO's employee benefit obligations, mainly as a result of new actuarial assumptions. Our plausibility study on these assumptions confirmed that they had a significant impact on these obligations and that they were IPSAS-compliant.

## **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 2014. 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),<sup>1</sup> 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 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, we 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. We wish to emphasize the excellent cooperation and spirit of openness which characterized the auditing process. We also 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 18 May 2015. This meeting was attended by Ms B. Ryan, Secretariat Director, Ms P. Geddes, Senior Administrative Manager, and Ms B. Cruz, accountant. The External Auditor was represented by Mr D. Monnot, Mandate Officer, and Mr H. Hadjeres, Audit Officer.
10. The findings of the audit of WMO's accounts were communicated at the final discussion on 18 April 2015. The final version of our audit report, including the comments by the Secretary-General, was sent on 4 May 2015.
11. In accordance with figure 7 of the Additional Mandate for the External Auditing of the Accounts relating to the comments of the Secretariat Director to be inserted into this report, we received an e-mail dated 1 June 2015 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. The two recommendations made in our closing audit of the 2013 financial statements were followed up. They concerned the introduction of guidelines on gifts and benefits and on peripheral activities engaged in by WMO and GEO staff. We note that these guidelines have been accepted and are part of the regulations in force. We can therefore consider that the recommendations have been implemented.

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<sup>1</sup> International Standards on Auditing (ISA), published by the International Auditing and Assurance Standards Board (IAASB)

14. Annex 2 of this report contains the recommendations we made to the Secretary-General of WMO in our report on the 2014 financial statements. In view of the current provisions on the relationship between WMO and GEO, these recommendations also apply indirectly to the latter.

## **SYSTEM OF INTERNAL CONTROL**

15. 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 our various audit missions according to a rotation schedule identical to that used for WMO.
16. 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.
17. Our staff focused on the system of internal control during the interim audit, which took place in autumn 2014. The follow-up, which took place during the closing audit in March 2015, confirmed their initial findings. Checks were carried out on the following processes:
  - Controls at the organizational level
  - IT controls
  - Procurement controls
  - Process for the closing of accounts
18. The system of internal control for the annual closing of accounts and controls at the organizational level could be improved with regard to the formalization of processes and cooperation between divisions to coordinate annual account closure operations.

### **Procurement process**

#### Documenting and describing processes

19. Our auditors identified shortcomings in the processes relating to procurement, which could be improved. Since the control environment in 2014 showed some weaknesses, our auditors had to carry out a large number of detailed checks on the procurement process.
20. The IOO conducted an audit on the procurement process. The report issued in March 2014 ("Procurement - Engagement 2013/14-IAS-1") identified weaknesses in the control environment for procurement and made a number of recommendations. Those recommendations are not included in this report. Our auditors took note of an initial series of measures taken and planned in response to the IOO recommendations. We invite WMO to continue work in this area and to check that the measures are implemented.

21. Chapter 8.7 of the Standing Instructions was being updated during our interim audit in December 2014. This chapter describes the objectives of the procurement procedures, responsibilities, calls for tenders, management of purchase orders and assignment of mandates.
22. 2014 was a transitional year for the PTS due, among other things, to the prolonged absence of the head of the division. A consultant was hired in the division to replace him on a temporary basis.
23. The implementation of control activities for the procurement process should be a priority. Following the validation of new procurement guidelines, WMO will have to put in place the necessary organizational measures and staff to ensure their proper implementation.

**Comment:** We invite GEO to note that we have recommended that WMO put in place new guidelines and other necessary measures to ensure the proper functioning of PTS activities. For information, the Secretary-General of WMO has accepted this recommendation (see Annex 2).

### **Processes for voluntary contributions**

#### Documenting and describing processes

24. Improvements can already be seen, although there is, of course, room for further improvement. The work of preparing process descriptions is still under way. Since this work is a priority, we will review progress in this area during the next interim audit.

#### Analyzing contracts and entering and evaluating pledges

25. Our auditors reviewed a significant proportion of the contracts relating to voluntary contributions received during accounting year 2014.
26. We noted an improvement in the analysis of contracts by the Finance Division in 2014. The documentation for contributions is now analysed in detail to determine the characteristics of each contract and to identify any existing conditions as defined in IPSAS 23.

### **Process for the closing of accounts**

27. During our last audit we invited WMO to complete the account closure instructions to enable the Finance Division to finalize reconciliation operations within a reasonable time frame. At a meeting held on 6 October 2014 with the Head of the Resource Management Department, all the departments concerned were informed of the programme for closing the 2014 accounts.
28. At present, the process of preparing financial statements is still partly dependent on the flow of information from the various departments and divisions to the Finance Division.
29. We note that there is room for improvement in the year-end reconciliation procedure for certain accounts.
30. The exchange rate used for closing balances in foreign currencies at 31 December 2014 was correct. It was based on the United Nations reference rate at end December 2014.

### **IT general controls**

31. The IT audit focused on the following areas:
  - Checking of IT general controls
  - JET analysis (journal entries testing)

32. The IT audit focused on the IT general controls. After reviewing the IT general control processes as a whole, our staff stressed the importance of formalizing processes and controls.

## **PREPARATION OF IPSAS-COMPLIANT FINANCIAL STATEMENTS**

### **Preparation of IPSAS-compliant financial statements – a complex, important undertaking**

33. GEO's 2014 financial year coincides with the fifth 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.
34. It is important for WMO to acquire and regularly update IPSAS skills internally, as the Organization will then no longer need to rely systematically on external service providers to solve IPSAS-related problems.
35. WMO hired an IPSAS expert on a temporary basis in 2014.

## **AUDIT OF 2014 BUDGET IMPLEMENTATION**

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

36. The financial statements, on an annual basis under IPSAS, and the GEO programme and budget cover the 2014 financial year.
37. 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 2014 presented and approved at the 10th plenary session held in Geneva on 15 and 16 January 2014.
38. The differences between the budget figures and the actual expenditures for the 2014 financial year, amounting to a cumulative surplus of CHF 0.9 million, were explained in Note 8 of the financial statements, as required by IPSAS 24.
39. With regard to budget implementation in general, please refer to the comments of the Secretariat Director.

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## **AUDIT OF THE 2014 FINANCIAL STATEMENTS**

### **The 2014 financial statements were presented in an IPSAS-compliant format**

40. The documents submitted to us for auditing are presented in the GEO 2014 financial statements.

### **Funds with WMO**

41. GEO does not hold a bank account in its own name. Its funds are deposited in WMO's bank accounts.
42. The current account balance on the assets side of GEO's balance sheet ("Funds held by WMO") amounts to a total of CHF 3 million (CHF 3.1 million at the end of 2013) and corresponds to the balance on the liabilities side of WMO's balance sheet. We were able to check this amount.
43. The balances as at 31 December 2014 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 95.9 million in all (CHF 98.6 million at the end of 2013), respect the principle of 90 day availability of funds.

### **Short-term receivables**

44. Short-term receivables tied to contributions amount to CHF 0.12 million (CHF 0.14 million at the end of 2013). 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.

### **Payables and accruals**

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

### **Voluntary contributions**

46. Detailed checks of the main conventions signed by certain contributing countries were conducted in order to validate the periodic apportioning of income and accounting treatment in accordance with IPSAS 23.
47. The audit found no specific problems in accounting for voluntary contributions.

### **Employee benefits: ASHI**

48. 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).
49. GEO's 2014 financial statements show a provision for ASHI (health insurance fund) of CHF 0.423 million on the liability side (CHF 0.423 million in long-term liabilities), an increase in comparison with 2013. This difference is primarily due to a change in certain actuarial assumptions.

50. Much of the difference can be traced to the reduction in the discount rate from 2.35% in 2013 to 1.22% in 2014. With regard to accounting technique, we note that the Organization has adopted the OCI method<sup>2</sup> for recognizing actuarial gains and losses. This option is consistent with the guidelines set out in IPSAS 25. The assumptions used were approved by the Auditor and the amounts set aside match the balances carried forward in the actuarial analysis.

**Employee benefits: repatriation grants**

51. GEO has an obligation to pay staff members repatriation grants (Article 9.4 of the WMO Staff Regulations).
52. The provisions entered in the accounts at 31 December 2014 as repatriation grants amount to CHF 0.225 million on the liability side (CHF 0.126 million in long-term liabilities). The assumptions used were approved by the Auditor and the amounts set aside match the balances carried forward in the actuarial analysis.
53. The increase in this provision in 2014 is primarily due to a change in certain actuarial assumptions, much of which can be traced to the reduction in the discount rate from 3.9% in 2013 to 2.82% in 2014.

**Employee benefits: accumulated leave**

54. GEO has an obligation to grant home leave to staff members (Article 5.3 of the WMO Staff Regulations).
55. Provisions for accumulated leave are entered under liabilities for an amount of CHF 0.129 million (CHF 0.060 million in long-term liabilities). The assumptions used were approved by the Auditor and the amounts set aside match the balances carried forward in the actuarial analysis.
56. The increase in this provision in 2014 is primarily due to a change in certain actuarial assumptions, much of which can be traced to the reduction in the discount rate from 3.9% in 2013 to 2.82% in 2014.

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

57. As we pointed out when we took up our mandate as Auditor, we believe there is a potential future risk to GEO's financial statements as the United Nations Joint Staff Pension Fund (UNJSPF) is not able to provide its affiliated institutions with a calculation of pension obligations in accordance with IPSAS 25<sup>3</sup>.
58. However, as the situation does not concern GEO alone, we do not consider it necessary for the time being to express a reservation or to refer specifically to this point in our audit opinion on the 2014 financial statements.

**Net assets/equity**

59. We reviewed the Statement of Changes in Net Assets/Equity (financial statement III), and we have no particular comments to make in this connection.

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<sup>2</sup> "Other Comprehensive Income"

<sup>3</sup> The arguments leading to this assessment were set out in detail in the reports for financial years 2012 and 2013

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### **Expenditure and income**

60. Expenditure and income were subjected to analytical checks and sampling based on the materiality threshold applied during the audit.

#### Journal entries testing

61. 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 2014.
62. In this connection, we wish to point out that for the year 2014, staff costs in general for all employee categories amount to around CHF 2.4 million (CHF 2.1 million at the end of 2013).

### **Statement of cash flow**

63. We carried out control procedures on the positions on the Statement of Cash Flow (financial statement V) 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**

64. Our various checks revealed some improvements; however, there was still scope for improvement in the presentation of the financial statements of WMO and GEO.
65. At a meeting held on 2 April 2014, our staff gave the Finance Division a list of the points which needed to be improved in order to meet the requirements of the accounting standards applied. At another meeting on 9 April 2015, these requirements were presented in the context of the preparation of the final version of the GEO financial statements for 2014, supplied on 16 April 2015. A table in Annex 3 lists the points discussed, some of which have already been considered, but which will have to be reviewed at the next closure of the GEO accounts.



**CONCLUSION**

66. Following the work carried out, we can confirm that WMO's 2014 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, we can also confirm that no unposted additional entries were found during the audit procedures for the financial statements at 31 December 2014, and that the accounting data published in the financial statements reflect GEO's accounting.
67. We are 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 audit opinion
- 2) Recommendations made to the WMO Secretary-General
- 3) Proposals for improvements with regard to IPSAS



Annex 1 to 1.15189.952.00428.06

## **EXTERNAL AUDITOR'S AUDIT OPINION**

We have audited the financial statements of the Group on Earth Observations (GEO) for the year ended 31 December 2014. 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**

Our responsibility is to express an opinion on GEO's financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB). These standards require us 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2014, 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 18 May 2015.

Berne, 18 May 2015

SWISS FEDERAL AUDIT OFFICE<sup>4</sup>  
(External Auditor)

Eric-Serge Jeannet  
Deputy Director

Didier Monnot  
Mandate Officer

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## **RECOMMENDATIONS MADE TO THE WMO SECRETARY-GENERAL**

As mentioned in paragraph 14, we made a number of recommendations to the Secretary-General of WMO in our audit report of 22 April 2015 on the financial statements for 2014. Given the current provisions governing the relationship between WMO and GEO, these recommendations also indirectly concern the latter, and are set out below, along with the comments of the WMO Secretary-General.

### **Procurement process**

#### Documenting and describing processes

**Recommendation No. 1:** We invite WMO to implement the new guidelines and other measures needed to ensure the proper functioning of the Procurement Division's activities.

**Comment by the Secretary-General: Recommendation accepted.** The revised version of chapter 8.7 of the Standing Instructions came into effect on 1 April 2015. It addresses all the existing shortcomings and takes into account all the possibilities for improvement and all the recommendations made to date by the auditor with regard to procurement. A new electronic tendering system was implemented on the same date. Several UN agencies based in Geneva already use this system (In-Tend), which offers WMO and potential tenderers numerous advantages in terms of efficiency and traceability, while also enabling procurement procedures to be checked. Finally, the two procurement assistants in the PTS were able to enhance their skills by participating in a training programme, at the end of which they received the *Introductory Certificate in Public Procurement* (level 2), awarded by the Chartered Institute of Procurement and Supply (CIPS). WMO believes that this recommendation has been fully implemented by means of these measures.

### **Other short-term receivables**

**Recommendation No. 2:** We invite WMO at the next closure to document the justification for the provision for debtors, substantiating the way in which provisions are made for debtors, and ensuring that the list of open items is reviewed.

**Comment by the Secretary-General: Recommendation accepted.**

An examination of this provision, which was entered in the books in 2010, will be carried out by 30 September 2015. As from the 2015 financial statements, it will be documented in full in order to establish its validity.

### **Property, plant and equipment**

**Recommendation No. 3:** We invite WMO to ensure that, in future, amounts to be entered in property, plant and equipment are no longer recorded as an expense. The process relating to capitalizations should be analysed in order to limit this risk in future closures.

**Comment by the Secretary-General: Recommendation accepted.**

As from January 2015, expenses relating to repairs and maintenance of property, plant and equipment will be examined as part of the month-end closing procedure, to ensure that accounting for this item is IPSAS-compliant. The possibility of flagging purchase orders relating to property, plant and equipment in Oracle eBusiness Suite by 30 September 2015 is being considered.

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## **Payables and accruals**

**Recommendation No. 4:** We invite WMO to carry out a regular, systematic review of creditors' open items in future closures.

**Comment by the Secretary-General: Recommendation accepted.**

As from the quarter ending on 31 March 2015, the "Payables and accruals" accounts will be examined in detail at the end of each quarter, so that the underlying balances can be validated.

## **Expenditure and income**

### Supplies, consumables and other running costs

**Recommendation No. 5:** We invite WMO to review the presentation of "Supplies, consumables and other running costs" and "Other expenditure" at the next closure of accounts. The notes to the financial statements should present the necessary additional information.

**Comment by the Secretary-General: Recommendation accepted.**

As from the 2015 financial statements, the presentation of a) Supplies, consumables and other running costs and b) Other expenditure will be amended. A distinction will be made between the items relating to operations (such as consumables) and those connected with projects.

### **PROPOSALS FOR IMPROVEMENTS WITH REGARD TO IPSAS**

At a meeting held on 9 April 2015, we 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 WMO's 2014 financial statements. The proposals made in the following table could be considered at the next closing of the GEO annual accounts.

<b>Accounting standard</b>	<b>Missing disclosures – references and topics</b>
IPSAS 1 Presentation of financial statements	IPSAS 1, paragraph 53 <ul style="list-style-type: none"><li>• Comparative figures to be completed ("comparative information"):<ul style="list-style-type: none"><li>○ Comparative figures in some sections of the financial statements</li></ul></li></ul>
IPSAS 30 Financial instruments	IPSAS 30, paragraph 44a <ul style="list-style-type: none"><li>• For example, for receivables: include a paragraph with a schedule of amounts due (not done for receivables connected with voluntary contributions)</li></ul>
IPSAS 18 Segment reporting	IPSAS 18, paragraph 51 <ul style="list-style-type: none"><li>• Information not presented by segment: the inclusion of a reference in the notes to the financial statements should be considered.</li></ul>