



GEO-XIV

25-26 October 2017

2016 Financial Statements and Audit Report
(This Document is being presented for decision)

GEO-XIV-7.2

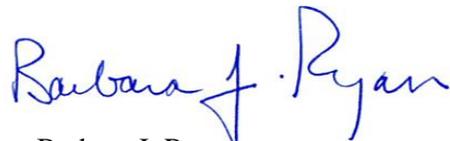
**PRESENTATION OF THE GROUP ON EARTH OBSERVATIONS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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: 1 June 2017



Reg. No. 1.17087.952.00428.005

EXTERNAL AUDITOR'S REPORT

To the Executive Committee of the Group on Earth Observations (GEO)

Opinion

SFAO has audited the financial statements of GEO, which comprise the Statement of Financial Position (financial statement I) as at 31 December 2016, 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) for the financial year ended on that date, as well as the annexed notes, including a summary of the main accounting methods.

In its opinion, the attached financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2016, as well as its financial performance and cash flow for the year ended at that date, in accordance with the International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations.

Basis for the opinion

SFAO conducted its audit in accordance with the International Standards on Auditing (ISA). Its responsibilities by virtue of these standards are described more fully in the section of this report headed "Auditor's responsibilities concerning the audit of the financial statements". SFAO is independent of GEO in accordance with the rules of professional conduct applying to financial statements in Switzerland, and has discharged its other ethical responsibilities according to these rules. In its opinion, the audit evidence it has obtained is sufficient and appropriate to form a basis for its opinion.

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 IPSAS and WMO's Financial Regulations. The Secretariat is also responsible for introducing any internal controls it deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the financial statements, the Secretariat is responsible for evaluating the capacity of GEO to continue as a going concern, communicating any issues that may arise regarding its continued operation and applying the relevant accounting principle, unless the Secretariat intends to liquidate GEO or to cease its activities, or if it can find no other realistic solution.

It is the responsibility of the governance officers to oversee the GEO financial information process.

Auditor's responsibility for auditing the financial statements

The auditor's objectives are to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit opinion. Reasonable assurance means a high level of assurance, but this does not guarantee that an audit performed in accordance with ISA always enables every material misstatement to be detected. Misstatements may arise from fraud or error, and are regarded as material when it is reasonable to expect that they might, individually or collectively, influence the financial decisions taken by the users of the financial statements on the basis of those statements.

Within the framework of an audit conducted in accordance with ISA standards, SFAO exercises professional judgement and adopts a critical approach throughout the audit. Furthermore:

- SFAO identifies and evaluates the risk of the financial statements containing material misstatements, whether due to fraud or error, develops and implements audit procedures in response to these risks, and gathers sufficient and appropriate evidence for its opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than in the case of a material misstatement due to error, since fraud can involve collusion, falsification, deliberate omissions, false declarations, or the bypassing of the system of internal control;
- SFAO obtains an understanding of the aspects of internal control that are relevant to the audit in order to develop appropriate audit procedures, and not to express an opinion as to the effectiveness of the GEO system of internal control;
- SFAO assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the Secretariat, as well of as the related information provided by the latter;
- SFAO draws a conclusion as to the appropriateness of the Secretariat's use of the going concern principle in accounting and, according to the evidence obtained, the existence or otherwise of material uncertainty connected with events or situations likely to cast significant doubt on GEO's capacity to continue its operations. If SFAO concludes that there is material uncertainty, it is obliged to draw the attention of readers of its report to the information contained in the financial statements concerning this uncertainty or, if this information is insufficient, to express a modified opinion. Its conclusions are based on the evidence obtained up to the date of its report. However, future events or situations could cause GEO to cease operating.
- SFAO evaluates the overall presentation, form and content of the financial statements, including the information given in the notes, and assesses whether the way in which the financial statements represent underlying events and operations gives a true and fair view.

SFAO notifies the Secretariat in particular of the planned scope and timetable for the audit work and its key findings, including any significant internal control shortcomings it has noted in the course of its audit.

Berne, xx June 2017

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

Annex: Financial statements as at 31 December 2016

¹ Mailing address: Monbijoustrasse 45, CH-3003 Berne

Annex 1 to 1.17087.952.00428.005

ADDITIONAL ENTRIES

The following table summarizes the additional entries noted during the audit procedures for the financial statements at 31 December 2016.

Adjusted additional entries

(Sum of adjusted differences)

No	Description	Debit/Credit	Montant en CHF	Type
2	Reclassification of negative payables in Other receivables	Other receivables	3,162	Current assets
		Payables and accruals	-3,162	Current Liabilities
			Impact P/L	-



**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2016**

12 May 2017

STATEMENT I

GROUP ON EARTH OBSERVATIONS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(in thousands of Swiss Francs)

	Note	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	188	239
Advance for meetings	3.3	141	5
Other receivables	3.4	263	174
Funds held by WMO	3.5	3,325	3,275
Total assets		3,918	3,694
LIABILITIES			
Current liabilities			
Deferred Income	3.6	346	306
Payables and accruals	3.7	43	99
Employee benefits	3.8	152	180
		541	585
Non-current liabilities			
Long-term employee benefits	3.8	830	847
Total liabilities		1,371	1,432
Net assets		2,547	2,262
NET ASSETS/EQUITY			
Fund balances	Stat III	2,528	2,381
Employee benefits reserves	3.9	19	(119)
Total net assets/equity		2,547	2,262

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 2016
(in thousands of Swiss Francs)

	Note	2016	2015
Revenue			
Voluntary contributions	5.1	3,082	3,673
Voluntary contributions - accrued	5.2	-	9
In-kind contributions	5.3	1,401	1,296
Other revenue	5.4	26	(56)
Total Revenue		4,509	4,922
Expenses			
Salaries and employee benefits	6.1	1,986	2,330
In-kind expenditure	6.2	1,401	1,296
Travel	6.3	386	586
Supplies, consumables and other running costs	6.4	256	208
Other expenditure	6.5	258	301
Meetings	6.6	75	207
Total Expenses		4,362	4,928
Surplus/(Deficit) for the year		147	(6)

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 2016
(in thousands of Swiss Francs)

	Fund Balances	Employee Benefits Reserves	Total Net Assets
Net assets at 31 December 2015	2,381	(119)	2,262
Movements in fund balances and reserves in 2016			
Surplus for the year (Statement II)	147	-	147
Gain/(Loss) arising on actuarial valuation of employee benefits	-	138	138
Total movements during the year	147	138	285
Total net assets at 31 December 2016	2,528	19	2,547
	Fund Balances	Employee Benefits Reserves	Total Net Assets
Net assets at 31 December 2014	2,387	57	2,444
Movements in fund balances and reserves in 2015			
Deficit for the year (Statement II)	(6)	-	(6)
Gain/(Loss) arising on actuarial valuation of employee benefits	-	(176)	(176)
Total movements during the year	(6)	(176)	(182)
Total net assets at 31 December 2015	2,381	(119)	2,262

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 2016
(in thousands of Swiss Francs)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	147	(6)
(Increase) decrease in contributions receivables	51	(33)
(Increase) decrease in Advance for meetings	(136)	-
(Increase) decrease in other receivables	(89)	(55)
(Increase) decrease in funds held by WMO	(50)	(310)
Increase (decrease) in payables and accruals	(56)	24
Increase (decrease) in Deferred Income	40	306
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	(45)	250
Increase (decrease) in employee benefits reserves	138	(176)
Net cash flows from operating activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	1	1
CASH AND CASH EQUIVALENT AT 31 DECEMBER 2016	<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
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Swiss Francs)

	Budget for Jan- Dec 2016	Actual*	Budget Under/(Over) Spent (Secretariat)
A. Salaries and employee benefits			
1 Staff costs	1,560	1,430	130
2 Employee Benefits	540	349	191
3 Junior Professional Officer	200	75	125
4 Special Services Agreements and other Staff Costs	350	132	218
5 Total Salaries and employee benefits	<u>2,650</u>	<u>1,986</u>	<u>664</u>
B. Travel			
1 Staff travel (fixed term and contractors)	470	178	292
2 Other (individual developing country participants to GEO meetings)	190	208	(18)
3 Total Travel	<u>660</u>	<u>386</u>	<u>274</u>
C. Meetings - Support to GEO events and meetings (LoAs)	350	75	275
D. Supplies, consumables and other running costs			
1 Internet, intranet, etc	120	6	114
2 Information/Telecommunication	-	76	(76)
3 Common Services/Utilities	-	19	(19)
4 Rental of WMO office space	-	143	(143)
5 Services/equipment rental for special events	60	-	60
6 Supplies and other running costs	30	12	18
7 IT Software and equipment	50	-	50
8 Total Supplies, consumables and other running costs	<u>260</u>	<u>256</u>	<u>4</u>
E. Other expenditure			
1 Support costs	420	187	233
2 Booklets, publications, other printing	60	1	59
3 External audit	5	5	-
4 Public information	-	9	(9)
5 Write offs	-	-	-
6 Staff training	10	3	7
7 Bank charges	3	1	2
8 Hospitality	-	16	(16)
9 Unrealized/realized loss in currency exchange	-	5	(5)
10 Incidentals (Others)	5	31	(26)
11 Total other expenditure	<u>503</u>	<u>258</u>	<u>245</u>
F. In-kind expenditures			
1 Seconded staff	1,922	1,285	637
2 Rental of office space	98	116	(18)
3 Total In-kind expenditures	<u>2,020</u>	<u>1,401</u>	<u>619</u>
E. TOTAL ALL EXPENDITURES	<u><u>6,443</u></u>	<u><u>4,362</u></u>	<u><u>2,081</u></u>

* excluding obligations amounting to CHF 238,000 at 31 December 2016

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

Notes to the Financial Statements as at 31 December 2016

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, revised on 19 October 2016 with retroactive application from 1 January 2015.
- 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.

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

4. 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.

Revenue

5. 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.

6. 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.

7. Interest revenue is recognized as it accrues.

Expenditure

8. 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 recognized in the financial statements of the periods to which they relate.

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 2016.

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 2016.

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. 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 to employees. The Pension Fund is a 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.

22. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WMO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WMO's and GEO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WMO and GEO have treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. GEO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

Budget Comparison

24. The Statement of Comparison of Budget and Actual Amounts, Statement V, compares the final budget to actual amounts, excluding obligations, using classification based on the nature of expenses in the Statement of Financial Performance, Statement II. Therefore, there is no need to provide a reconciliation between Statement V and Statement II.

Provisions and Contingent Liabilities

25. 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.

26. 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.

Critical Accounting Estimates

27. Preparing financial statements in accordance with IPSAS requires GEO to make estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; impairment on assets; classification of financial instruments; and contingent assets and liabilities. Changes in estimates are reflected in the year in which they become known.

Segment Reporting

28. The financial statements are based on a fund accounting basis, showing at the end of the period the consolidated position of all GEO funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives. Fund balances represent the accumulated residual of revenue and expenses.

29. A segment is a distinguishable activity or group of activities for which financial information is reported separately. GEO classifies all projects, operations and fund activities into one segment. Therefore, no additional information per segment is given in the financial statements.

NOTE 3. ASSETS AND LIABILITES

Note 3.1: Cash

30. GEO maintains Petty Cash for immediate miscellaneous disbursements.

Note 3.2: Contributions receivable

31. Contributions receivable at 31 December 2015 amounting to CHF 239,000 were cleared during the reporting period. Contributions receivable in the amount of CHF 188,000 represents voluntary contributions – pledged revalued at 31 December 2016.

Note 3.3: Advance for meetings

	2016	2015
	<i>Swiss Francs</i>	
Advances for the organization of meetings	141,000	5,000
Total advance for meetings	141,000	5,000

32. 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. The advance of CHF 141,000 relates to an event that took place in January 2017.

Note 3.4: Other receivables

	2016	2015
	<i>Swiss Francs</i>	
Home country taxation	247,000	172,000
Education grant advance	15,000	-
Prepaid expenses	1,000	2,000
Total other assets	263,000	174,000

33. 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.

34. Employees entitled to grants for the education of their eligible dependents may request advance at the beginning of the school year. The amount of the advance which is accrued at the 31 December 2016 is based on the number of months of attendance relative to the school year.

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

Note 3.5: Funds held by WMO

36. 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 3.6: Deferred Income

37. GEO has CHF 158,000 income relating to cash voluntary contribution and CHF 188,000 pledge covered by agreements with conditions as at 31 December 2016. Revenue will only be recognized when such conditions are met.

Contingent Assets

38. There are Contingent Assets as at 31 December 2016 in the amount of CHF 2,228,000. 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 3.7: Payables and Accruals

	2016	2015
	<i>Swiss Francs</i>	
Accruals	40,000	54,000
Vendor payables	3,000	45,000
Total payables and accruals	43,000	99,000

39. Accruals are liabilities for the cost of goods and services, as well as other incurred expenses that have been received or provided to GEO and which have not been invoiced by suppliers as of the reporting date.

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

Note 3.8: Employee Benefits Liabilities

	2016	2015
	<i>Swiss Francs</i>	
Non-current liabilities – Long-term benefits	830,000	847,000
Current liabilities – Short-term benefits	152,000	180,000
Total benefits	982,000	1,027,000

41. 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.

42. 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

43. 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 in professional category and general service. WMO is a member organization participating in the United Nations Staff Mutual Insurance Society (UNSMIS) and the United Nations Joint Staff Pension Fund (UNJSPF). GEO staff members participate in the UNSMIS and UNJSPF 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.

44. In the 2016 valuation of employee benefits liabilities, the actuaries have determined gross actuarial gains under post-employment benefits and other separation-related benefits which was charged to the Employee Benefits Reserve for gains and losses.

45. At 31 December 2016 the total employee benefits liabilities decreased to CHF 982,000 after taking into account the actuarial gains, actuarial interest costs and service costs.

46. 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 2016. 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)

47. The 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.

48. 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 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 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.

49. The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16% (a deficit of 0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54% of pensionable remuneration, compared to the actual contribution rate of 23.70%. The next actuarial valuation will be conducted as of 31 December 2017.

50. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1% (127.5% in the 2013 valuation). The funded ratio was 100.9% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

51. 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.

52. 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

53. For the period January to December 2016, contributions paid to UNJSPF amounted to CHF 196,000 (CHF 240,000 for the same period in 2015).

Note 3.9 Employee Benefits Reserves

54. The Reserve for Employee Benefits represents 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. The balance of this Reserve rose to CHF 19,000 at 31 December 2016 due to the actuarial gains.

NOTE 4: RISK ANALYSIS

Credit Risk

55. 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

56. GEO's cash and funds held by WMO at 31 December 2016 of CHF 3,325,000 is sufficient to meet its current liabilities at that date of CHF 541,000. On an ongoing basis, it is anticipated that GEO will have sufficient liquidity to pay all debts due.

57. 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.

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

Market Risk

59. 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. For the period January to December 2016, there were CHF 1,000 interest earnings (same as in 2015). The implementation of GEO's plan and budget is not dependent on or impacted by interest earnings.

Currency Risk

60. 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 Voluntary contributions**

61. GEO recognized revenue of CHF 3,082,000 from voluntary contributions actually received in 2016 (CHF 3,673,000 for 2015).

5.2 Accrued voluntary contributions

62. GEO had no revenue from pledges in 2016 (CHF 9,000 in 2015).

5.3 In-kind contributions

	2016	2015
	<i>Swiss Francs</i>	
Seconded staff	1,285,000	1,211,000
Office space	116,000	85,000
Total in-kind contributions	1,401,000	1,296,000

63. Contributions in-kind relate to the cost of staff secondments and office space provided by WMO. Staff secondments increased due to increased work months. Office space increased in 2016 due to the application of the revised Service Level Agreement. The value of office space rental provided by WMO for up to 10 GEO staff was calculated using the current rental rate applied to WMO tenants. 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

	2016	2015
	<i>Swiss Francs</i>	
Realized gain on currency exchange	23,000	(50,000)
Unrealized gain on currency exchange	2,000	(7,000)
Interest income	1,000	1,000
Total other revenue	26,000	(56,000)

64. In 2015, gains and losses were all presented under other revenue. In 2016, only gains were shown as other revenue while losses were shown under other expenditure.

NOTE 6: EXPENSES

	2016	2015
	<i>Swiss Francs</i>	
6.1 Salaries and employee benefits		
Staff costs (includes costs of temporary staff for CHF 412,000 (2015:CHF212,000) previously categorized under consultancy costs)	1,494,000	1,382,000
Employee benefits and social charges	360,000	443,000
Consultancy costs (2015 includes costs of temporary staff for CHF 212,000)	132,000	505,000
	<u>1,986,000</u>	<u>2,330,000</u>
6.2 In-kind expenditures		
Seconded staff	1,285,000	1,211,000
Office space (WMO Office facilities for up to 10 staff calculated using current rental rates applied to WMO tenants)	116,000	85,000
	<u>1,401,000</u>	<u>1,296,000</u>
6.3 Travel		
Travel of staff	281,000	448,000
Travel – other	105,000	138,000
	<u>386,000</u>	<u>586,000</u>
6.4 Supplies, consumables and other running costs		
Supplies and other running costs	12,000	12,000
Internet, Intranet, etc.	6,000	49,000
Rental of office space (charge for 8 office spaces in excess of WMO in-kind contribution for 2015 and 2016 as per revised Service Level Agreement signed in October 2016 with retro-active application on 1 January 2015)	143,000	-
Services/equipment rental for special events	-	52,000
Information/Telecommunication (IT charges)	76,000	-
Common Services/Utilities (COS charges)	19,000	-
Miscellaneous services (2015 expenditure included IT and COS charges; in 2016 these items are reported separately)	-	95,000
	<u>256,000</u>	<u>208,000</u>
6.5 Other expenditures		
Support costs	187,000	232,000
Other	31,000	37,000
Hospitality	16,000	11,000
Public information	9,000	1,000
Realized loss on currency exchange	1,000	-
Unrealized loss on currency exchange	4,000	-
Booklets, leaflets, publications, reprints	1,000	3,000
External Audit	5,000	5,000
Other staff training	3,000	4,000
Bank charges	1,000	5,000
Write-offs	-	3,000
	<u>258,000</u>	<u>301,000</u>
6.6 Meetings		
Grants and contributions for organization of meetings	<u>75,000</u>	<u>207,000</u>

NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

65. GEO's Operations Budget for 2016 was approved by GEO-XII Plenary held in Mexico City, Mexico, on 11-12 November 2015.

66. 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

67. The actual amounts are globally lower than the approved 2016 Budget. This discrepancy is due to the fact that the budget presented and approved for 2016 reflected the ambitions of the GEO Strategic Plan 2016-2025: Implementing GEOSS and the 2016 Work Programme. Actual contributions both in cash and in kind were lower than the budgeted amounts which has been designed to show the optimal level of resourcing of the Secretariat.

68. Salaries and employee benefits savings of CHF 664,000 is mainly due to a decrease in costs of Special Service Agreements and other Staff costs and Employee benefits.

69. Savings under in-kind expenditure of CHF 619,000 is due to a decrease in the costs of seconded staff.

70. Savings of CHF 274,000 for travel is mainly due to GEO staff travelling less than planned in 2016 and at a lower cost.

71. Savings of CHF 245,000 for other expenditure is mainly due to a decrease in support cost.

72. Savings of CHF 275,000 for meetings is mainly due to less meetings being organized by GEO in 2016.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS

73. At 31 December 2016, 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

74. At 31 December 2016, GEO had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 238,000 (CHF 34,000 on 31 December 2015).

75. 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>							
2016	1	219,000	-	38,000	257,000	52,000	-
2015	1	216,000	-	39,000	255,000	36,000	-

76. 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 16 Members without personal appointment.

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

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

79. Key management personnel are ordinary members of UNJSPF.

NOTE 12: EVENTS AFTER REPORTING DATE

80. GEO's reporting date is 31 December 2016. 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.