

## **2020 Financial Statement and Audit Report**

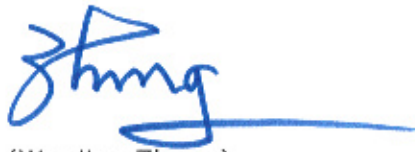
This document is submitted to the 17<sup>th</sup> Plenary for decision



**Group on Earth Observations Trust Fund**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The following appended financial statements, comprising Statements I, II, III, IV and V, and the Notes to the Financial Statements were properly prepared in accordance with the International Public Sector Accounting Standards. I certify that, to the best of my knowledge and information, all transactions during the year have been properly entered in the accounting records and that these transactions, together with the related financial statements and notes, fairly present the financial position of the Group on Earth Observations Trust Fund at 31 December 2020.



(Wenjian Zhang)  
Assistant Secretary-General  
World Meteorological Organization  
18 June 2021



(Gilberto Camara)  
Secretariat Director  
Group on Earth Observations  
18 June 2021





**FINANCIAL STATEMENTS  
FOR THE YEAR  
ENDED 31 DECEMBER 2020**

21 May 2021

## STATEMENT I

**GROUP ON EARTH OBSERVATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
*(in thousands of Swiss Francs)*

	Note	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	1,227	74
Advances for meetings	3.3	299	37
Other receivables	3.4	27	70
Funds held by WMO	3.5	6,277	4,553
		<u>7,831</u>	<u>4,735</u>
<b>Non-current assets</b>			
Contributions receivable	3.2	68	-
		<u>68</u>	<u>-</u>
<b>Total assets</b>		<b><u>7,830</u></b>	<b><u>4,735</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deferred revenue	3.6	2,393	223
Payables and accruals	3.7	17	28
Provision	3.8	194	121
Employee benefits	3.9	171	175
		<u>2,775</u>	<u>547</u>
<b>Non-current liabilities</b>			
Deferred revenue	3.6	307	-
Employee benefits	3.9	1,812	1,738
		<u>2,119</u>	<u>1,738</u>
<b>Total liabilities</b>		<b><u>4,894</u></b>	<b><u>2,285</u></b>
<b>Net assets</b>		<b><u>3,005</u></b>	<b><u>2,450</u></b>
<b>NET ASSETS/EQUITY</b>			
Fund balances	Sttmt III	3,340	2,898
Employee benefits reserves	3.10	(335)	(448)
<b>Total net assets/equity</b>		<b><u>3,005</u></b>	<b><u>2,450</u></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 2020**  
*(in thousands of Swiss Francs)*

	Note	2020	2019
<b>Revenue</b>			
Voluntary contributions	5.1	3,946	4,210
In-kind contributions	5.2	163	245
Other revenue	5.3	-	2
<b>Total Revenue</b>		<b>4,109</b>	<b>4,457</b>
<b>Expenses</b>			
Salaries and employee benefits	6.1	2,776	2,788
Other expenditure	6.2	440	256
Supplies, consumables and other running costs	6.3	175	183
In-kind expenditure	6.4	163	245
Meetings	6.5	85	373
Travel	6.6	28	584
<b>Total Expenses</b>		<b>3,667</b>	<b>4,429</b>
<b>Surplus for the year</b>		<b>442</b>	<b>28</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 2020**  
*(in thousands of Swiss Francs)*

	Fund Balances	Employee Benefits Reserves	Total Net Assets
<b>Net assets at 31 December 2019</b>	<b>2,898</b>	<b>(448)</b>	<b>2,450</b>
<b>Movements in fund balances and reserves in 2020</b>			
Deficit for the year (Statement II)	442	-	442
Gain /(Loss) arising on actuarial valuation of employee benefits	-	113	113
<b>Total movements during the year</b>	<b>442</b>	<b>113</b>	<b>555</b>
<b>Total net assets at 31 December 2020</b>	<b>3,340</b>	<b>(335)</b>	<b>3,005</b>
	Fund Balances	Employee Benefits Reserves	Total Net Assets
<b>Net assets at 31 December 2018 (Restated)</b>	<b>2,870</b>	<b>271</b>	<b>3,141</b>
<b>Movements in fund balances and reserves in 2019</b>			
Surplus for the year (Statement II)	28	-	28
Gain /(Loss) arising on actuarial valuation of employee benefits	-	(719)	(719)
<b>Total movements during the year</b>	<b>28</b>	<b>(719)</b>	<b>(691)</b>
<b>Total net assets at 31 December 2019</b>	<b>2,898</b>	<b>(448)</b>	<b>2,450</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 2020**  
*(in thousands of Swiss Francs)*

	<b>2019</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(Deficit) for the year	442	28
Interest and Service Charges on employee benefits liabilities	176	155
(Increase) decrease in contributions receivables	(1,221)	227
(Increase) decrease in advance for meetings	(262)	(37)
(Increase) decrease in other receivables	43	(37)
(Increase) decrease in funds held by WMO	(1,724)	(174)
Increase (decrease) in deferred income	2,477	(286)
Increase (decrease) in payables and accruals	(11)	-
Increase (decrease) in provisions	73	121
Increase (decrease) in liabilities for employee benefits	7	3
<b>Net cash flows from operating activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1</b>	<b>1</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1</b>	<b>1</b>

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 2020**  
*(in thousands of Swiss Francs)*

	Budget for 2020	Actuals	Budget Under/(Over) spent
<b>A. Salaries and Employee Benefits</b>			
1. Staff Costs and Employee Benefits	2,500	2,644	(144)
2. Special Service Agreements and other Staff Costs	100	132	(32)
3. Total Salaries and Employee Benefits	<u>2,600</u>	<u>2,776</u>	<u>(176)</u>
<b>B. Travel</b>			
1. Staff Travel	370	17	353
2. Other (individual developing country participants to GEO meetings)	150	11	139
3. Total Travel	<u>520</u>	<u>28</u>	<u>492</u>
<b>C. Support to GEO Events and Meetings (LoAs)</b>	30	85	(55)
<b>D. Supplies, Consumables and other Running Costs</b>			
1. Internet, intranet, etc	-	11	(11)
2. Services/equipment/rental for special events	-	-	-
3. Supplies and other running costs	-	5	(5)
4. IT software and equipment	50	39	11
5. Information/Telecommunications (IT charges)	80	50	30
6. Common services/Utilities (COS charges)	45	12	33
7. Rental of WMO office space	80	58	22
8. Total Supplies, consumables and other running costs	<u>255</u>	<u>175</u>	<u>80</u>
<b>E. Other Expenditures</b>			
1. Support costs	243	198	45
2. Pamphlets, publications, other printing	40	5	35
3. External audit	5	5	-
4. Staff training	10	4	6
5. Bank charges, Finance costs	10	4	6
6. Incidentals	5	1	4
7. Unrealized /realized loss on currency exchange	-	223	(223)
8. Total Other expenditures	<u>313</u>	<u>440</u>	<u>(127)</u>
<b>TOTAL CASH EXPENDITURES</b>	<u>3,718</u>	<u>3,504</u>	<u>214</u>
<b>F. In-kind expenditures</b>			
1. Seconded staff	1,439	-	1,439
2. Rental of office space	116	163	(47)
3. Total in-kind expenditures	<u>1,555</u>	<u>163</u>	<u>1,392</u>
<b>TOTAL EXPENDITURES</b>	<u>5,273</u>	<u>3,667</u>	<u>1,606</u>

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

# Notes to the Financial Statements as at 31 December 2020

## NOTE 1: PURPOSES OF THE ORGANIZATION

The purpose of the Group on Earth Observations (GEO) is:

- 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 (the Standing Agreement);
  - b) WMO Staff and Financial Regulations and Rules;

- 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; and
- e) GEO Rules of Procedure, updated on 26 October 2017.

Under the Standing Agreement, WMO Financial and Staff 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 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. As of 31 December 2020, the date of the financial position, the following IPSAS Standards had been issued, but had not taken effect:
  - IPSAS 41 – Financial instruments and
  - IPSAS 42 – Social benefits

IPSAS 41 and IPSAS 42 will come into force in periods beginning on or after January 2023. The potential effects of these standards are being evaluated.

4. In accordance with IPSAS requirements, and reflecting the nature of GEO's business, revenue from voluntary contributions received as well as pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions as per IPSAS 23 - Revenue from Non-Exchange Transactions. GEO considers that there are restrictions on the use of all contributions, and that some of these restrictions meet the definition of a condition as described under IPSAS 23.
5. The Statement of Cash Flow is prepared using the indirect method.
6. 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, contributions and receivables**

7. 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.

8. GEO considers that there are restrictions on the use of all contributions and that some of these restrictions meet the definition of a condition as described under IPSAS.
9. 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.
10. 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.
11. 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 and the effect of such discounting is material.
12. Interest revenue is recognized as it accrues.

### **Expenditure**

13. 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 is recorded in the accounting records and recognized in the financial statements in the periods to which they relate.

### **Financial Instruments**

14. 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.
15. 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.
16. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

**Funds held by WMO**

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

**Property, Plant and Equipment**

18. 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) at 31 December 2020.

**Intangible Assets**

19. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. GEO does not have Intangible Assets at 31 December 2020.

**Employee Benefits**

20. 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.
21. 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.
22. 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.
23. GEO, by virtue of its affiliation with 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.
24. 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 39. GEO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

### **Budget Comparison**

26. 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**

27. 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**

28. 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

29. 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 revenues and expenses.
30. 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 LIABILITIES

### Note 3.1: Cash

31. GEO maintains Petty Cash for immediate miscellaneous disbursements.

### Note 3.2: Contributions receivable

	<u>2020</u>	<u>2019</u>
	<i>Swiss Francs</i>	
Voluntary contributions pledged - Short Term	1,227,000	74,000
Voluntary contributions pledged - Long Term	68,000	-
<b>Total contribution receivable</b>	<b><u>1,295,000</u></b>	<b><u>74,000</u></b>

32. Contributions receivable are revalued in Swiss Francs at 31 December 2020.
33. Contributions receivable have significantly increased in 2020 due to three pledges signed in December 2020 for projects to be implemented in the next two years.

### Note 3.3: Advances for meetings

34. Advances for the organization of GEO meetings represent advances given to institutions for the organization of GEO meetings outside 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. The advances are recognized as expenditure when meeting is held.
35. The current balance of CHF 299,000 (CHF 37,000 at 31 December 2019) relates to advances for activities that are expected to take place in 2021 and 2022.



**Note 3.4: Other receivables**

	<b>2020</b>	<b>2019</b>
	<i>Swiss Francs</i>	
Education grant advances	22,000	14,000
Home country taxation	19,000	68,000
Travel refundable	6,000	4,000
Prepaid expenses	-	2,000
Provision for delays in collection of other debts	(20,000)	(18,000)
<b>Total other receivables</b>	<b>27,000</b>	<b>70,000</b>

36. Employees entitled to grants for the education of their eligible dependents may request advances at the beginning of the school year. The amount of the advance which is accrued is based on the number of months of attendance relative to the school year.
37. 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.
38. Travel refundable represents advances that were sent to travellers who were not able to participate to the GEO meetings which should be reimburse to WMO.
39. Prepaid expenses represent payment in advance for goods and services receivable in future years.
40. Provision for delays in collection of CHF 18,000 was recorded in 2019 related to potential claims that have not yet been confirmed for tax year 2018 and advances for tax year 2019. In 2020, An additional CHF 2,000 was recorded as provision to potential claims for tax year 2020.

**Note 3.5: Funds held by WMO**

41. 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 Revenue**

42. GEO's has deferred revenue relating to cash voluntary contribution covered by agreements with conditions as at 31 December 2020 amounting to CHF 2,631,000.

	<b>2020</b>	<b>2019</b>
	<i>Swiss Francs</i>	
Short-term	2,393,000	223,000
Long-term	307,000	-
<b>Total deferred revenue</b>	<b>2,700,000</b>	<b>223,000</b>

43. Deferred Revenue in 2020 included two projects for CHF 1,114,000, for which pledges have been signed in December 2020 for an implementation in 2021 and CHF 1,210,000 for 6 projects for which cash had been received but due to the Covid-19 pandemic, all 2020 planned activities could not be implemented as planned, leaving a large balance in deferred revenue to be used in the implementation of these in the future. CHF 307,000 deferred revenue is planned to be spent in 2022.
44. There are contingent assets in the amount of CHF 666,000 at 31 December 2020 (CHF 1,545,000 in 2019). This represents agreements which have been entered 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

	2020	2019
	<i>Swiss Francs</i>	
Payables	16,000	11,000
Accruals	1,000	17,000
<b>Total payables and accruals</b>	<b>17,000</b>	<b>28,000</b>

45. Payables to vendors relate to amounts due for goods and services for which invoices have been received.
46. 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 3.8: Provision

47. At 31 December 2020, there was a proceeding against GEO filed with the United Nations Administrative Tribunal (UNAT) in which it was deemed probable that the case will be decided in favour of the staff members. The total estimate that GEO would be liable for related to this case is approximately CHF 194,000, which has been recorded as a provision in these financial statements.

### Note 3.9: Employee Benefits Liabilities

	2020	2019
	<i>Swiss Francs</i>	
Current liabilities – Short-term benefits	171,000	175,000
Non-current liabilities – Long-term benefits	1,812,000	1,738,000
<b>Total benefits</b>	<b>1,983,000</b>	<b>1,913,000</b>

Employee benefits comprise:

- **Post-Employment Benefits**

48. Post-employment benefits are defined benefit plans consisting of United Nations Joint Staff Pension Fund (UNJSPF), After-Service Health Insurance Plan (ASHI) and Repatriation Grant and related benefits including accrued annual leave.
49. Arrangements relating to the UNJSPF are set out in paragraphs 71 to 81.
50. ASHI is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS).
51. Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. The Organization pays the amounts due for repatriation grant, travel and relocation expenses for the entitled staff members.

- **Other Long-Term Employee Benefits**

52. Other long-term employee benefits include accumulated balances of annual leave and, where applicable, compensation payments in the case of death, injury or illness attributable to performance of duties.
53. As the accumulated balance of annual leave is generally not wholly utilized in the 12 months following the balance sheet date, it is considered by IPSAS 39 as an "other long-term employee benefit".

	<b>2020</b>	<b>2019</b>
	<i>(Swiss Francs thousands)</i>	
After-service health insurance	1,553	1,551
Annual leave accrued on retirement	193	173
Repatriation grant	237	189
<b>Total benefits</b>	<b>1,983</b>	<b>1,913</b>
Current liabilities - Short-term benefits	1,812	1,738
Non-current liabilities - Long-term benefits	171	175
<b>Total benefits</b>	<b>1,983</b>	<b>1,913</b>

**Actuarial Valuations of Post – Employment and Other Separation – Related Benefits**

54. Liabilities arising from 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 under WMO Staff Regulations and Staff Rules. A full actuarial valuation was

carried out as at 31 December 2020. The prior valuation performed on 31 December 2019 was also a full actuarial valuation.

55. The CHF 50,000 (3%) increase in the liabilities is mainly due to the following:
- An increase of 11% arising from one additional year of service and interest on liabilities amounting to CHF 176,000;
  - A decrease of 1% following payment of benefits amounting to CHF 13,000
  - A decrease of 7% due to a net actuarial gain on the benefits of CHF 113,000.
56. The accrued benefit obligation represents that portion of the present value of future benefits that had been accrued from the staff members' date of entry on duty until 31 December 2020, the date of valuation. Active staff members' benefits are considered fully accrued when they reach their dates of full eligibility for benefits.

### **Actuarial Assumptions and Methods**

57. During each actuarial study, WMO in conjunction with the actuary, reviews and selects assumptions that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WMO's after-service benefit plans (post-employment benefits and other separation-related benefits and unused annual leave).
58. The following assumptions have been used to determine the value of post-employment and other separation-related employee liabilities for WMO at 31 December 2020:

- *Economics assumptions*

#### **ASHI**

Discount rate: 0.40 % (2019: 0.50%)

The discount rate is estimated to approximate the single equivalent rate such that the present value of the plan's cash flows (i.e. expected as from 31 December 2019; for 2019 as from 31 December 2019) using the single rate equals the present value of those cash flows using the spot rate at each maturity of the AAA and AA in CHF denominated Corporate Bonds yield as at 31 December 2020 (2019: 31 December 2019) for the relevant currency (primarily CHF, with approximately 5% each in EUR and USD). The reference spot rates are based upon the Aon yield curve and were provided by the UN Headquarters.

Pensionable Remuneration Increase Rate: 2.00% (2019: 2.50%)

**Salary increase rate:**

The salary increase rate as per UNJSPF salary scale has been applied, as per following sample rates:

At 31 December 2020		
Age	General service staff	Professional staff
20	6.33%	8.57%
30	5.97%	6.57%
40	4.77%	4.77%
50	4.37%	3.77%
60	3.97%	3.47%

At 31 December 2019		
Age	General service staff	Professional staff
20	6.53%	8.77%
30	6.17%	6.77%
40	4.97%	4.97%
50	4.57%	3.97%
60	4.17%	3.67%

**Healthcare cost increase rate:**

As at 31 December 2020, the health care cost increase rate has been set to a constant rate for the future of 2.90% which is line with the long term nominal medical trend rates as per the UN guidelines. As at 31 December 2019, it was set to 3.00%.

**Claim cost/ contribution rate:**

The contributions rates applied as at 31 December 2020, which are unchanged compared to 31 December 2019, are the following:

	Payable by insured person	Payable by WMO
Retired member only	3.4%	6.8%
Retired member with one dependent	4.4%	8.8%
Retired member with more than one dependent	4.8%	9.6%

**Repatriation**

Salary increase rate:	Same as ASHI
Discount rate (using US dollar yield curve*):	1.90% (2019: 2.80%)
Travel cost increase rate:	2.00% (2019: 2.00%)

*\*the spot rates have been provided by UN Headquarters*

- *Demographic assumptions*

The tables of the United Nations Joint Staff Pension Fund have been applied for both 2020 and 2019 with respect to mortality, disability and early retirement rate, as these are based on the demographic experience of the UN Joint Staff Pension Fund. Turnover rates are based upon WMO specific experience. The following provides the details relating to the demographic assumptions:

- Disability: UNJSPF tables for 2020 and 2019.
- Mortality: UNJSPF tables – The post retirement mortality rates utilized are gender-distinct mortality rates with static longevity improvements applied.
- Retirement rates: UNJSPF tables – The retirement rates are gender-distinct and vary based upon professional or general service staff and years of service.
- Participation: 95% of future retirees are assumed to elect post-retirement medical coverage for 2020 and 2019.
- Spousal coverage: 60% of future retirees are assumed married at retirement and elect coverage for their spouse for both 2020 and 2019. Males are assumed to be 3 years older than spouse.
- Turnover rates: Based upon WMO specific experience as summarized in the following table for both 2020 and 2019:

Age	Turnover Rate
30	20%
35	12%
40	7%
45	7%
50	5%
55	8%
60+	10%

The turnover rates for those aged over 55 are only applied if the staff member is not yet eligible for ASHI

## 59. Reconciliation of Defined Benefit Obligation for 2020

	After service health insurance	Repatriation	Total
	<i>(Swiss Francs thousands)</i>		
Benefit obligation at 31 December 2019	1,551	189	1,740
Service cost for 2020	120	43	163
Interest cost for 2020	8	5	13
Benefits paid in 2020	(13)	-	(13)
Actuarial (gain)/loss	(113)	-	(113)
<b>Benefit obligation at 31 December 2020</b>	<b>1,553</b>	<b>237</b>	<b>1,790</b>

## 60. Reconciliation of Defined Benefit Obligation for 2019

	After service health insurance	Repatriation	Total
	<i>(Swiss Francs thousands)</i>		
Benefit obligation at 31 December 2018	717	161	878
Service cost for 2019	111	32	143
Interest cost for 2019	6	6	12
Benefits paid in 2019	(8)	(4)	(12)
Actuarial (gain)/loss	725	(6)	719
<b>Benefit obligation at 31 December 2019</b>	<b>1,551</b>	<b>189</b>	<b>1,740</b>

## 61. Reconciliation of recognized actuarial gains / losses

	After service health insurance	Repatriation	Total
	<i>(Swiss Francs thousands)</i>		
Actuarial gains (losses) at 31 December 2019	(467)	19	(448)
Movement in reporting period	(113)	-	(113)
Actuarial gains/(losses) at 31 December 2020	354	(19)	335

62. In the 2020 valuation of employee benefits liabilities, the actuaries have determined gross actuarial gain under post-employment benefits and other separation-related benefits of CHF 113,000 (2019: gross actuarial losses of CHF 719,000).

63. The total actuarial gain of CHF 113,000 represents a gain of CHF 113,000 relating to After Service Health Insurance.

## 64. Annual Expense

	2020	2019
	<i>(Swiss Francs thousands)</i>	
Service cost	163	143
Interest cost	13	12
<b>Total</b>	<b>176</b>	<b>155</b>

65. The composition of the defined benefit obligation for ASHI between active staff members and retirees is as follows:

	2020	2019
	<i>(Swiss Francs thousands)</i>	
Active staff members	1,284	1,262
Retirees	269	289
<b>Total ASHI obligation</b>	<b>1,553</b>	<b>1,551</b>

**After-Service Health Insurance – Sensitivity Analysis**

66. Two of the principal assumptions in the valuation of the After-Service Health Insurance are: (i) the rate at which medical costs are expected to increase in the future; and (ii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

67. A sensitivity analysis was undertaken to determine the impact of the above assumptions on the liability and service cost under IPSAS 39.



68. The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates are shown below:
69. The effect of on the ASHI DBO of increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates are shown below:

<b>ASHI Benefit Obligation at 31 December 2020</b>	<b>Discount rate currently reflected</b>	<b>Discount rate increase +1%</b>	<b>Discount rate decrease -1%</b>
Amount	1,553	-20.50%	28.10%
<b>Repatriation Related Benefit Obligation at 31 December 2020</b>	<b>Discount rate currently reflected</b>	<b>Discount rate increase +1%</b>	<b>Discount rate decrease -1%</b>
Amount	128	-6.10%	7.00%
<b>ASHI Benefit Obligation at 31 December 2020</b>	<b>Healthcare cost currently reflected</b>	<b>Healthcare cost increase +1%</b>	<b>Healthcare cost decrease -1%</b>
Amount	1,553	2,121	2,507
Effect	-	568	669
<b>Service cost and interest cost 2020</b>	<b>Healthcare cost currently reflected</b>	<b>Healthcare cost increase +1%</b>	<b>Healthcare cost decrease -1%</b>
Amount	128	198	77
Effect	-	70	-51

### Expected Costs during 2021

70. The expected contribution of GEO in 2021 to the employee benefit plan is CHF 50,000.

### United Nations Joint Staff Pension Fund (UNJSPF)

71. WMO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The 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.
72. 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 the Agency'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, GEO has treated this plan

as if it were a defined contribution plan in line with the requirements of IPSAS 39 - Employee Benefits. GEO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

73. 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.
74. GEO'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 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.
75. The latest actuarial valuation was done as of 31 December 2020 has been performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.
76. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1% (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.
77. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, 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.
78. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2017, 2018 and 2019) USD 7,131.6 million, of which less than 0.1 % was contributed by GEO.
79. During 2020, contributions paid by GEO to UNJSPF amounted to CHF 353,000 (CHF 347,000 in 2019).

80. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
81. 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)

### **Note 3.10 Employee Benefits Reserves**

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

### **NOTE 4: RISK ANALYSIS**

#### **Currency Risk**

83. 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**

84. GEO's cash and funds held by WMO at 31 December 2020 of CHF 6,277,000 (CHF 4,553,000 at 31 December 2019) is sufficient to meet its current liabilities at that date of CHF 2,726,000 (CHF 547,000 at 31 December 2019).
85. Implementation of GEO activities cannot commence until a contribution has been received. Before 2020, budgets were only allotted to the level of contributions received after a withholding of ten percent to cover any fluctuations that may arise against legal obligations and commitments entered into. Since 2020, GEO can spend until the limit of resources available. The control of fluctuation risk and the impact of support cost should be managed by the department to ensure that there is sufficient cash to meet contractual liabilities.
86. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities.

**Market Risk***Interest Risk*

87. There was no exposure to interest rate risk during 2020, except normal exposure to bank interest

*Currency Risk*

88. 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 US Dollar and 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**

	<b>2020</b>	<b>2019</b>
	<i>Swiss Francs</i>	
Voluntary contributions	3,901,000	4,134,000
Voluntary contributions-pledged	45,000	76,000
	<b>3,946,000</b>	<b>4,210,000</b>

89. Voluntary contribution revenue has slightly decreased in comparison to 2019, by 6 per cent. However, total contributions, including deferred revenue, has increased significantly in 2020. See Note 3.6 for further discussion on the increase in deferred revenue.

**5.2 In-kind contributions**

	<b>2020</b>	<b>2019</b>
	<i>Swiss Francs</i>	
Seconded staff	-	129,000
Office space	163,000	116,000
<b>Total in-kind contributions</b>	<b>163,000</b>	<b>245,000</b>

90. Contributions in-kind relate to the cost of staff secondments and office space provided by WMO. There were no staff secondments in 2020. The value of office space rental provided by WMO has increased due to the change in calculation in 2020. In 2019, it was calculated by the number of offices; in 2020, the calculation is based on the number of square meters multiplied by 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.

### 5.3 Other revenue

	2020	2019
	<i>Swiss Francs</i>	
Interest income	-	2,000
<b>Total other revenue</b>	<b>-</b>	<b>2,000</b>

### NOTE 6: EXPENSES

	2020	2019
	<i>Swiss Francs</i>	
<b>6.1 Salaries and employee benefits</b>		
Staff costs	1,832,000	1,923,000
Employee benefits and social charges (variance due to increased allowances and in actuarial interest and service cost)	812,000	800,000
Consultancy costs (more consultancy work in 2020 than in 2019)	132,000	65,000
	<b>2,776,000</b>	<b>2,788,000</b>
<b>6.2 Other expenditures</b>		
Support costs (Decrease in 2020 due to decrease in expense in 2020)	198,000	257,000
Unrealized loss on currency exchange (Increase due to the number of Financial Support obligations in 2020 and the impact of foreign exchange rate changes on United States dollars held by WMO on behalf of GEO)	175,000	-
Realized loss on currency exchange	48,000	32,000
Pamphlets, Publications, other printing	5,000	7,000
External Audit	5,000	5,000
Other staff training	4,000	2,000
Finance cost (In 2019, reversal of prior year provisions and estimate for future denied claims in respect to the US Tax reimbursement (note 3.4) and provision for legal claims (see note 3.8))	3,000	(83,000)
Hospitality (Coffee Breaks for GEO Meetings in Geneva; Only one in 2020, in February)	1,000	13,000
Bank charges	1,000	2,000
Write Off (Denied claim in respect to UX Tax reimbursement amounting to CHF 20,000 in 2019; and advance paid to travellers who were not able to attend GEO meetings and have not reimbursed CHF 1,000 in 2019)	-	21,000
	<b>440,000</b>	<b>256,000</b>
<b>6.3 Supplies, consumables and other running costs</b>		
Rental of office space (charge is for 8 office spaces in excess of WMO in-kind contribution as per revised service in 2019 - In 2020, change in calculation method, charge 90m2 at CHF 639 per square meter and not the number of offices)	58,000	72,000
Information/Telecommunication (ICT charges - decrease in 2020)	50,000	77,000
Supplies and other running costs (More equipment and supplies bought during the period in 2020 than in 2019)	44,000	14,000
Common Services/Utilities (COS charges, slight decrease in 2020)	12,000	15,000
Internet, Intranet, etc (Slight increase in 2020 due to the subscription to additional software)	11,000	5,000
	<b>175,000</b>	<b>183,000</b>

**6.4 In-kind expenditures**

Seconded staff (1 Seconded from January to June 2019 compared to no seconded staff in 2020)	-	129,000
Office space (WMO Office facilities for up to 10 staff - change in calculation method in 2020, charge 210m2 and not the number of offices as in 2019)	163,000	116,000
	<b>163,000</b>	<b>245,000</b>

**6.5 Meetings**

Support to GEO Events (In 2020 support for project Essential Biodiversity Variables (EBV) and GEO-LDN Initiative; AOGEO Symposium in 2019 in Australia)	<b>85,000</b>	<b>373,000</b>
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**6.6 Travel**

Travel of staff (In 2020, due to the Covid-19 pandemic, there was no travel after February 2020)	17,000	332,000
Travel – other (In 2020, due to the Covid-19 pandemic, no travel took place after February 2020; more support in 2019 for participants from developed countries to attend GEO meetings)	11,000	252,000
	<b>28,000</b>	<b>584,000</b>

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

91. GEO's Operations Budget for 2020 was approved by GEO-XVI Plenary held in Canberra, Australia, on 6-7 November 2019.
92. 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**

93. A - There was a slight over-expenditure under Salaries and Employee Benefits as the cost of GEOGlam project support does not form a part of the approved GEO budget in 2020, but is supported by a specific extrabudgetary contributions.
94. B - There is a significant decrease in travel costs due to global restrictions on travel, which resulted from the Covid-19 pandemic. Planned meetings were either held virtually or postponed to 2021.
95. C - Support to GEO Events was more than originally planned as additional events were identified during 2020 and are being supported by specific extrabudgetary contributions.
96. D - Savings were made under Supplies, Consumables and other running cost as the actual expenditures related to rental of office space, IT charges and common cost (COS) charges were lower than the original budget due to changes in the methodology of determining the underlying charges.

97. E - There was an overspend under other expenditure mainly due to the significant unrealized and realized loss on currency exchange, primarily resulting from the strengthening of the Swiss Franc in comparison to the US Dollar.
98. F - The lack of in-kind expenditure for seconded staff in 2020, as compared to a planned amount of CHF 1.4 million, is due to unavailability of secondments provided by Members to the GEO Secretariat.

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

99. As at 31 December 2020, 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**

100. At 31 December 2020, GEO had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 110,000 (CHF 25,000 on 31 December 2019).
101. 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>2020</b>	1	186,000	20,000	38,000	244,000	-	-
<b>2019</b>	1	184,000	20,000	39,000	243,000	-	-

102. The GEO Secretariat-Director is the only member of key management as he has the authority and responsibility for planning, directing and controlling the activities of GEO. The Executive Committee consists of 13 Members without personal appointment.
103. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment and employer pension contributions.
104. Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

105. Key management personnel are ordinary members of the UNJSPF.

**NOTE 12: EVENTS AFTER REPORTING DATE**

106. GEO's reporting date is 31 December 2020. On the date of signing of these accounts, other than as stated in the following paragraphs, there have been no material events, favourable or unfavourable that incurred between the Statement of Financial Position date and the date when the financial statements have been authorized for issue.





# *Corte dei conti*

## **AUDIT CERTIFICATE**

### **Opinion**

We have audited the Financial Statements of the Group on Earth Observations (GEO), which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity, the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts for the year then ended, and the accompanying Notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group on Earth Observations (GEO) as at 31 December 2020, and its financial performance, its changes in net asset/equity, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS) and the WMO Financial Regulations and Rules.

### **Basis for Opinion**

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs in so far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the GEO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the GEO Secretariat 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, and for such internal control as the Secretariat determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, it is the Secretariat's responsibility to assess the GEO's ability to continue operating, to disclose, where appropriate, matters related to going concern and to use the going concern basis of accounting, unless the Secretariat either intends to liquidate the GEO or to cease its activity or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the GEO's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Corte dei conti'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 auditor's report that includes its opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect any material misstatements that may exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtain an understanding of elements of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GEO's internal control;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretariat;
- We conclude on the appropriateness of the use by Secretariat of the going concern basis of accounting and, based on the audit evidence obtained, and on the existence or not of a material uncertainty related to events or conditions that may cast significant doubt on the GEO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the GEO to cease its operation.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rome, 18 June 2021

*Guido Carlino*  
*President of the Corte dei conti*