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IPCC TRUST FUND PROGRAMME AND BUDGET

**Audit of the 2014 financial statements of the Intergovernmental Panel
on Climate Change**

(Submitted by the Acting Secretary of the IPCC)

Statement by the Swiss Federal Audit Office

The Swiss Federal Audit Office (SFAO) presents its best compliments to the representatives of the Member States of the Intergovernmental Panel on Climate Change (IPCC). We regret not being able to attend its Plenary Session and we thank the IPCC management for passing on our audit opinion and long form report on the IPCC 2014 financial statements.

Despite the fact that IPCC has its own independent financial statements, its Trust Fund is administered by the World Meteorological Organization (WMO) – the actual focus of our audit activities and subsequently financial arrangements of the WMO affect the management of the IPCC Trust Fund. Therefore, the recommendations issued in our report on WMO's financial statements indirectly concern IPCC too, which is why we incorporated them into the annex to this report.

Before arriving at the actual audit results, we take the opportunity to thank the Secretary of the IPCC and the Secretary General of WMO and their entire staff for supporting our team during the interim audit in November and December 2014 and the final audit in February and March 2015. In the third year of our mandate, we were once again met with a friendly, open, constructive and professional working climate.

In its capacity as External Auditor for the IPCC, the SFAO wishes to confirm that the audit of the financial statements for 2014, presented in accordance with the International Public Sector Accounting Standards (IPSAS), has yielded a satisfactory result overall and that it is in a position to issue an unqualified audit opinion.

First, we wish to highlight the efforts of the management of WMO to implement our recommendations. Implementing them does have a positive impact on all the sectors it administers, including the IPCC, where we saw an improvement in the quality of financial statements.

Next, in accordance with our rotation schedule for auditing the key processes of WMO, applied by analogy to IPCC, we analysed the procurement process. Indeed, we consider that there is still room for improvement of the internal control system of this process. While 2014 was a transition year for the WMO Procurement Division and a consultant had been hired, we believe that the implementation of control activities in this area is a priority. Accordingly, we invited WMO to lay down the necessary guidelines and we invite IPCC to take note of that recommendation.

Mr Didier Monnot
Mandate Officer
Swiss Federal Audit Office

Intergovernmental Panel on Climate Change

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

16 April 2015

IPCC Secretariat

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STATEMENT I

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

(in thousands of Swiss Francs)

	Note.	2014	2013
ASSETS			
Current assets			
Contributions receivable	3.1	1,230	1,543
Inventory	3.2	293	161
Other assets	3.3	77	92
Funds held by WMO	3.4	9,276	10,816
		10,876	12,612
Non-current assets			
Contributions receivable	3.1	324	725
		11,200	13,337
LIABILITIES			
Current liabilities			
Payables and accruals	3.5	124	1,506
Employee benefits	3.6	147	68
Pass-throughs	3.7	1,255	-
Other liabilities	3.8	1	-
		1,527	1,574
Non-current liabilities			
Employee benefits	3.6	1,056	859
		2,583	2,433
Net assets		8,617	10,904
Fund balances and reserves			
Fund balances	Stat III	8,881	10,986
Employee benefits reserves	3.9	(264)	(82)
Total net assets/equity		8,617	10,904

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

STATEMENT II

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Swiss Francs)

	Note	2014	2013
Revenue			
Voluntary contributions	5.1	4,420	7,097
In-kind contributions	5.2	657	673
Other revenue	5.3	9	56
Total Revenue		5,086	7,826
Expenses			
Travel	6.1	2,833	2,798
Salaries and employee benefits	6.2	2,635	2,043
Other expenditures	6.3	693	1,510
In-kind expenditures	6.4	657	673
Grants and contributions for organization of meetings	6.5	205	458
Supplies, consumables and other running costs	6.6	168	135
Total Expenses		7,191	7,617
Surplus /(Deficit) for the period		(2,105)	209

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

STATEMENT III

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Swiss Francs)

	Fund Balances	Employee Benefits Reserve	Total Net Assets
Net assets at 31 December 2013	<u>10,986</u>	<u>(82)</u>	<u>10,904</u>
Movements in fund balances and reserves in 2014			
(Deficit) for the period (Statement II)	(2,105)	-	(2,105)
(Loss) arising on actuarial valuation of employee benefits	<u>-</u>	<u>(182)</u>	<u>(182)</u>
Total movements during the year	<u>(2,105)</u>	<u>(182)</u>	<u>(2,287)</u>
Total net assets at 31 December 2014	<u><u>8,881</u></u>	<u><u>(264)</u></u>	<u><u>8,617</u></u>
	Fund Balances	Employee Benefits Reserve	Total Net Assets
Net assets at 31 December 2012	<u>10,777</u>	<u>(314)</u>	<u>10,463</u>
Movements in fund balances and reserves in 2013			
Surplus for the period (Statement II)	209	-	209
Gain arising on actuarial valuation of employee benefits	<u>-</u>	<u>232</u>	<u>232</u>
Total movements during the year	<u>209</u>	<u>232</u>	<u>441</u>
Total net assets at 31 December 2013	<u><u>10,986</u></u>	<u><u>(82)</u></u>	<u><u>10,904</u></u>

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

STATEMENT IV

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Swiss Francs)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the period	(2,105)	209
(Increase) decrease in inventory	(132)	61
(Increase) decrease in contributions receivable	313	(753)
(Increase) decrease in other current assets	15	18
(Increase) decrease in funds held by WMO	1,540	373
(Increase) decrease in long-term contributions receivable	401	386
Increase (decrease) in payables and accruals	(1,382)	(383)
Increase (decrease) in pass-throughs	1,255	-
Increase (decrease) in other liabilities	1	-
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	276	(143)
Increase (decrease) in employment benefits reserves	(182)	232
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	-	-
Cash and cash equivalents at 31 December 2014	<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December 2014, as per Statement I	<u>-</u>	<u>-</u>

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

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Amounts in thousands of Swiss Francs

Category	Budget	Expenditure*	Budget Under/(Over) Spent
A. Governing Bodies:			
1 IPCC - 38	830	709	121
2 IPCC - 39	900	784	116
3 IPCC - 40	900	755	145
4 Bureau	408	56	352
5 Executive Committee	75	0	75
6 TFB	42	21	21
7 SBSTA/COP/JWG	80	82	(2)
8 Prior year meetings	-	(8)	8
9 Total Governing Bodies	<u>3,235</u>	<u>2,399</u>	<u>836</u>
B. Lead Authors, scoping and expert meetings for reports			
1 WG I Joint IPCC-WCRP Meeting	40	21	19
2 WG II Session (preparatory)	136	124	12
3 WG III Session (preparatory)	178	45	133
4 AR5 SYR CWT-3 and CWT-3 bis Meetings	196	68	128
5 AR5 SYR CWT-4 Meeting	117	92	25
6 AR5 SYR Session CWT-5 (preparatory)	150	76	74
7 Prior year meetings	-	(18)	18
8 Total Lead Authors, scoping and expert meetings for reports	<u>817</u>	<u>408</u>	<u>409</u>
C. Scoping Meetings, Expert Meetings and Workshops			
1 TGICA	112	28	84
2 EFDB Board	98	49	49
3 EFDB Data Meetings	94	25	69
4 EFDB and Software User Feedback	47	23	24
5 2006 GL Related Issues	112	69	43
6 TFI Expert Meeting (Systematic Ass't TFI prod)	112	76	36
7 Task Group - Future of IPCC	562	143	419
8 Prior year meetings	-	(1)	1
9 Total Scoping Meetings, Expert Meetings and Workshops	<u>1,137</u>	<u>412</u>	<u>725</u>
D. Other Expenditures			
1 2008 GL software	6	0	6
2 EFDB maintenance	7	0	7
3 WG I publication/translation	100	336	(235)
4 WG II/III publication/translation	600	155	445
5 SYR publication/translation	200	11	189
6 Wetlands Supplement and Kyoto Protocol	600	14	586
7 Communication Activities	1,248	636	612
8 Distribution (publications)	270	161	109
9 Web conferences	30	0	30
10 ENB	50	0	50
11 Secretariat	1,800	1,785	15
12 External Audit Fee	20	5	15
13 Advisory Services (Conflict of Interest)	30	30	-
14 IPCC Chair (support for SYR TSU)	110	86	24
15 Co-chairs	250	171	79
16 Prior year activities	-	(9)	9
17 Total Other Expenditure	<u>5,321</u>	<u>3,380</u>	<u>1,941</u>
E. Total all expenditure	<u>10,510</u>	<u>6,599</u>	<u>3,911</u>

* excludes obligations amounting to CHF 836,000 at 31 December 2014

Notes to the Financial Statements as at 31 December 2014

NOTE 1: PURPOSES OF THE ORGANIZATION

a) The IPCC is an intergovernmental body open to all member countries of the UN and WMO. Its main purpose is to:

- (i) make assessments of available scientific information on climate change,
- (ii) make assessments of environmental and socio-economic impacts of climate change, and
- (iii) formulate response strategies to meet the challenge of climate change.

b) The IPCC works through three Working Groups (WG) and a Task Force (TFI). WG I deals with "The Physical Science Basis of Climate Change", WG II with "Climate Change Impacts, Adaptation and Vulnerability" and WG III with "Mitigation of Climate Change". The main objective of the Task Force on National Greenhouse Gas (GHG) Inventories (TFI) is to develop and refine a methodology for the calculation and reporting of national GHG emissions and removals.

c) Technical Support Units (TSUs) provide scientific, technical and organizational support to their respective IPCC WGs or TFI. The Technical Support Units are funded directly by the governments of countries in which they are located. In the case of the TFI TSU, the Government of Japan channels its funding through the IPCC Trust Fund.

d) The role of the IPCC Secretariat is to provide strategic, functional and administrative support to the implementation of the work programme of the IPCC; to provide cohesion and continuity to the organization; to ensure that the IPCC work programme is implemented consistently with the Principles Governing IPCC Work, the Decisions of the Panel and relevant UN regulations; and to liaise with Governments. The costs of the TSUs are not included in these Financial Statements as they are not under the direct control of the Secretariat.

NOTE 2: ACCOUNTING POLICIES

Basis of Preparation

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

- a) Memorandum of Understanding between the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) on the Intergovernmental Panel on Climate Change (IPCC);
- b) WMO Staff and Financial Rules and Regulations; and
- c) delegation of responsibility from the Secretary-General of the WMO to the Secretary of the IPCC.

Under the Memorandum of Understanding, WMO Staff and Financial Regulations and Rules apply to the transactions of IPCC. The accounting records of IPCC 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 the commitments of panel members will not be sustained. In addition the budget for 2014 has been approved by the Panel.

2. The IPCC works through the following two separate Trust Funds: (i) the IPCC Trust Fund, which receives contributions from Governments and International Organizations to support the activities of the Panel; and (ii) the Scholarship Programme Trust Fund, which contains the seed money of the Nobel Peace Prize awarded to IPCC in 2007 and contributions by private entities to support the activities of the IPCC Scholarship Programme. The financial statements in this document refer to both Trust Funds.

Revenue

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

4. IPCC considers that there are restrictions on the use of all contributions and that some of these restrictions do meet the definition of a condition as described under IPSAS 23.

5. Interest revenue is recognized as it accrues.

Expenditure

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

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

8. The functional and reporting currency of IPCC is the Swiss Franc (CHF). Transactions in currencies other than CHF are converted 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 UNORE in force at the end of the year. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Financial Instruments

9. Financial instruments are recognized when IPCC 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 IPCC 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 and other receivables. Receivables are stated at amortized cost.

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

Contributions and receivables

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

13. Receivables are valued at amortized cost less allowances for estimated irrecoverable amounts and discounted if cash flows are not expected within 12 months from the reporting date.

14. In-kind contributions of services that directly support approved operations and activities 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. IPCC does not maintain its own bank accounts. Its funds are administered by WMO.

Inventories

16. IPCC's publications are for free distribution. Publications in stock at the end of a financial period are recorded as inventories and are valued at the lower of cost or net replacement cost. Inventories which are procured externally are valued at one hundred per cent of cost, regardless of the date of the procurement. Inventories which relate to the current seven year Assessment Period starting in 2007 are valued at one hundred per cent cost after writing off quantities which are considered in excess of requirements. Inventories in stock for up to two years prior to the current Assessment Period are valued at fifty per cent of cost after writing off quantities which are considered in excess of requirements. Inventories in stock over two years prior to the current Assessment Period are fully provided for.

Property, Plant and Equipment

17. Property, Plant and Equipment (PPE) costing at least CHF 5,000 are stated at historical costs less accumulated depreciation and any impairment losses. Depreciation is provided for PPE for over their estimated useful lives using the straight line method. IPCC does not have any Property, Plant and Equipment (PPE) recorded at 31 December 2014.

Intangible Assets

18. Intangible assets are stated at historical cost less accumulated amortization and any impaired losses. IPCC does not have Intangible Assets at 31 December 2014.

Employee Benefits

19. IPCC recognizes the following employee benefits:

- a) short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- b) post-employment benefits; and
- c) other long-term employee benefits;
- d) termination benefits.

20. 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.

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

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

Provisions and Contingent Liabilities

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

24. 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 IPCC.

NOTE 3 : ASSETS AND LIABILITIES

Note 3.1: Contributions receivable

25. Contributions receivable are comprised of pledges:

	2014	2013
	<i>Swiss Francs</i>	
Current	1,230,000	1,543,000
Non Current	324,000	725,000
Total contributions receivable	1,554,000	2,268,000

Note 3.2: Inventories

26. The following tables show the movements of the inventory items during the period. The first table shows the total value of inventories as presented in the Statement of Financial Position. The second table shows a reconciliation of inventories which reflects the opening balance and the additions during the period reduced by the value of items distributed and write offs made during the period.

Inventories

	2014	2013
	<i>Swiss Francs</i>	
Publications	293,000	161,000

Inventory Reconciliation

	2014	2013
	<i>Swiss Francs</i>	
Opening Inventory	161,000	222,000
Increase (Purchases)	223,000	-
Total Inventory available for distribution	384,000	222,000
Less: Value of items distributed	91,000	61,000
Total	293,000	161,000

27. For publications the valuation includes costs incurred up to the point of distribution. They include paper, CDs, editing and outsourcing (in some cases).

Note 3.3: Other assets

	2014	2013
	<i>Swiss Francs</i>	
Advances for financial support	53,000	50,000
Home country taxation	12,000	42,000
Education grant advances	12,000	-
Total other assets	77,000	92,000

28. Advances for financial support relate to advances to cover office expenses and activities of IPCC Co-chairs from developing countries.

29. 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.

30. Employees of IPCC are entitled to grants for the education of their eligible dependents. Staff may request an advance at the beginning of the school year. The amount of the advance which is accrued at the end of the year is based on the number of months of attendance relative to the school year.

Note 3.4: Funds held by WMO

31. IPCC does not maintain its own bank accounts. Its funds are administered by WMO. Funds held by WMO represents the amount of IPCC funds in WMO bank accounts.

Note 3.5: Payables and Accruals

	2014	2013
	<i>Swiss Francs</i>	
Vendor payables	(35,000)	(8,000)
Accruals	159,000	1,514,000
Total payables and accruals	124,000	1,506,000

32. Payables to vendors relate to amounts due for goods and services for which invoices have been received. The negative balance of CHF 35,000 is the result of the amount payable to suppliers minus and the amount due from participants who were paid but did not attend meetings.

33. Accruals represent the cost of goods and services received by IPCC and for which supplier invoices had not arrived as of the reporting date. The 2013 accruals include the amount of CHF1,338,000 representing financial support towards Housing, Staffing and Administrative Costs of the Technical Support Unit of the "IPCC Task Force on National Greenhouse Gas Inventories" for 2013.

Note 3.6: Employee Benefits Liabilities

	2014	2013
	<i>Swiss Francs</i>	
Short-term employee benefits	147,000	68,000
Long-term employee benefits	1,056,000	859,000
Total employee benefits	1,203,000	927,000

34. Employee benefits comprise:

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

35. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service

Valuation of Employee Benefits

36. Liabilities for employee benefits were determined by a professional actuary engaged to carry out a "roll-forward actuarial valuation" as at 31 December 2014. At 31 December 2014 the total employee benefits liabilities amounted to CHF 1,203,000, net of actuarial gains and losses, and this has been fully charged to Fund Balances and Employment Benefits Reserves at that date. The balance of CHF 1,203,000 at 31 December 2014 has increased by CHF 276,000. After taking into account service costs and interest costs of CHF 94,000, the net actuarial loss arising at 31 December 2014 is CHF 182,000. Under IPSAS 25, IPCC has decided to recognize, in reserves, actuarial gains and losses for post-employment benefits as and when determined by the actuarial valuation.

37. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a professional independent actuary. These employee benefits are established for staff members who are entitled to such benefits. WMO is a member organization participating in the UNSMIS. IPCC staff members participate in the UNSMIS through WMO. The actuarial valuation is undertaken for all eligible WMO staff and this includes eligible IPCC staff members.

38. The accrued liability represents that portion of the present value of future benefits that had accrued from the staff members' dates of entry on duty until the valuation date, 31 December 2014. Active staff members' benefits are considered fully accrued when the staff members reach their dates of full eligibility for benefits.

United Nations Joint Staff Pension Fund (UNJSPF)

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

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

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

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

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

44. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

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

46. 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.

47. In 2014, IPCC contributions paid to UNJSPF amounted to CHF 211,000 (CHF 225,000 in 2013).

Note 3.7: Pass-throughs

48. Pass-throughs represent the funds provided by the Government of Japan, channeled through the IPCC Trust Fund, as financial support towards Housing, Staffing and Administrative Costs of the Technical Support Unit of the "IPCC Task Force on National Greenhouse Gas Inventories".

Note 3.8: Other liabilities

49. Other liabilities represent a provision set up for amounts due to a former travel service provider.

Note 3.9: Employment Benefits Reserves

50. The Reserve for Employee Benefits represents the net actuarial loss arising from actuarial valuations of liabilities of employee benefits, the last one of which was carried out as of 31 December 2014 by a professional actuary.

NOTE 4: RISK ANALYSIS

Credit Risk

51. Credit risk and liquidity risk associated with cash and cash equivalents 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. Financial arrangements for the administration of IPCC are specified in the Memorandum of Understanding between the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) on the Intergovernmental Panel on Climate Change (IPCC) and WMO Staff and Financial Rules and Regulations.

52. Contributions receivable comprise primarily amounts due from pledged voluntary contributions from sovereign nations.

Liquidity Risk

53. IPCC's funds held by WMO at 31 December 2014 amounting to CHF 9,276,000 are sufficient to meet its current liabilities of CHF 1,527,000 at that date. On an ongoing basis, it is anticipated that IPCC will have sufficient liquidity to pay all debts due.

54. Implementation of IPCC 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. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities.

Market Risk

55. Interest earnings for the year 2014 amounted to CHF 6,000 (CHF 13,000 in 2013) compared to revenue of CHF 4,429,000 (total revenue less in-kind contributions; CHF 7,153,000 in 2013). The implementation of IPCC's plan and budget is not dependent on or impacted by interest earnings.

56. On 18 December 2014 the Swiss National Bank (SNB) announced as from 22 January 2015 an interest rate of negative 0.25% on sight deposit account balances at the SNB.

Currency Risk

57. The IPCC 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 IPCC's cash revenue. Such fluctuations may be beneficial or disadvantageous to IPCC. IPCC's funds are entrusted to WMO and managed through WMO's bank accounts.

NOTE 5: REVENUE

5.1 Monetary contributions

58. IPCC recognized revenue of CHF 4,420,000 from voluntary contributions. This includes contributions made in cash during the period, written pledges for 2014 and future years that were received and paid in 2014, as well as written pledges for 2014 and future years that were received during January to December 2014 but not paid in 2014. Voluntary contributions pledged in 2014 amounted to CHF 126,000. (In 2013 voluntary contributions amounted to CHF 7,097,000 including pledges of CHF 1,223,000.)

5.2 In-kind contributions

59. a. Remuneration costs: Contributions in-kind relate to the remuneration costs of the IPCC Secretary paid by WMO (CHF 302,000 for year 2014; CHF 303,000 for year 2013) and the IPCC Deputy- Secretary paid by UNEP (CHF 298,000 for the year 2014; CHF 313,000 for the year 2013).

b. Office space: Office space is provided by WMO (CHF 57,000 for 2014, also CHF 57,000 for 2013)

c. Administrative support: In accordance with the Memorandum of Understanding between WMO and UNEP establishing the IPCC, WMO also provides various administrative support facilities free of charge to IPCC.

d. IPCC meetings: IPCC also receives contributions in-kind from members, which are not recognized in these accounts as IPCC did not have control over those contributions in-kind and could not measure their fair value reliably. The services in-kind which are provided by members, relate to the support provided for IPCC meetings held in their countries. The costs for these meetings were included in the IPCC budget for 2014 as shown in Statement V and in total amount to approximately CHF 1,464,216 for the period 1 January to 31 December 2014 (approximately CHF 944,000 for the period 1 January to 31 December 2013).

e. IPCC work: The work of the IPCC is delivered by thousands of scientists from all over the world who contribute on a voluntary basis as authors, contributors and reviewers. None of these authors are paid by the IPCC. The number of authors involved in preparing IPCC reports is increasing from year to year. From the Fourth Assessment Report to the Fifth Assessment Report, Lead Authors have increased from 450 to about 857 Lead Authors.

f. In-kind contributions are expensed at the same time as they are recognized as revenue.

5.3 Other revenue

60. Other revenue relates to interest income of CHF 6,000 (CHF 13,000 in 2013), other income of CHF 3,000 derived from a refund from prior years' travel expense paid (CHF 43,000 other income in 2013 was derived from royalties).

5.4 Contingent Assets

61. There are Contingent Assets as at 31 December 2014 in the amount of CHF 127,000. This represents agreements which have been entered into with donors for contributions for future years but where that future year funding is still subject to some parliamentary budget approval.

NOTE 6: EXPENSES

62. Expenses represent the following:

	2014	2013
	<i>Swiss Francs</i>	
6.1 Travel		
Lead Authors, scoping and expert meeting for reports	1,867,000	1,513,000
Governing bodies	389,000	1,044,000
Scoping meetings, expert meetings and workshops	392,000	204,000
Other - outreach, secretariat	185,000	37,000
	2,833,000	2,798,000
6.2 Salaries and employee benefits		
Staff costs	1,226,000	1,284,000
Consultancy cost	993,000	281,000
Employee benefits	416,000	479,000
	2,635,000	2,043,000
6.3 Other expenditures		
Currency exchange differences:		
Realized	(108,000)	(77,000)
Unrealized	38,000	15,000
	(70,000)	(62,000)
Specialised services	341,000	67,000
Miscellaneous services	262,000	15,000
Studies, reports, brochures, reprints	98,000	94,000
Fellowships	44,000	28,000
Bank charges	10,000	11,000
Hospitality	6,000	3,000
Audit fee	5,000	5,000
Freight	4,000	1,000
Write-offs	-	10,000
Financial support towards Housing, Staffing and Administrative Costs of the Technical Support Unit of the "IPCC Task Force on National Greenhouse Gas Inventories" (as from 2014 to be recorded under Pass-throughs and not as revenue and expenditure)	-	1,338,000
Other	(3,000)	5,000
Discounting of long-term contributions receivables	(4,000)	(4,000)
	693,000	1,510,000
6.4 In-kind expenditure		
Seconded staff	600,000	616,000
Rental of office space	57,000	57,000
	657,000	673,000
6.5 Grants and contributions for organizations of meetings		
Grants	171,000	244,000
Contributions for organization of meetings	34,000	214,000
	205,000	458,000
6.6 Supplies, consumables and other running costs		
Postage and storage of IPCC publications	161,000	114,000
Supplies and other running costs	8,000	10,000
Office equipment (non-capitalized)	6,000	-
Communication costs	1,000	8,000
Building maintenance and security	1,000	1,000
Data processing services	(9,000)	2,000
	168,000	135,000

NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

63. The IPCC budget for 2014 is CHF 10,510,000 (CHF 9,311,000 in 2013; the CHF 1,199,000 increase from the 2013 budget is mainly due to the increased number of governing body meetings for the approval and acceptance of the Working Group II and Working Group III contributions to the Fifth Assessment Report (AR5) and the AR5 Synthesis Report).

64. IPCC'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), whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared using classification by activity.

65. As required under IPSAS-24, where the financial statements and the budget are not prepared on a comparable basis, the actual amounts presented on a comparable basis to the budget shall be reconciled to the actual amounts presented in the financial statements.

66. The reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance for the year ended 31 December 2014 is presented below:

	Note	Swiss Francs
Amount of expenditure, Statement V		6,599,000
Less:		
Currency exchange differences	6.3	(70,000)
Discounting of long-term contributions receivable	6.3	(4,000)
Inventory (net movement – increase in inventory)	3.2	(132,000)
Plus:		
In-kind expenditure	6.4	657,000
Employee benefits service cost and interest cost	3.6	94,000
Fellowships, other expenditure, office equipment (non-capitalized)	6.3 /6.6	47,000
Amount of expenditure, Statement II		<u>7,191,000</u>

67. Among the reconciling items is the amount of CHF 44,000 representing expenditures funded by the IPCC Scholarship Programme Trust Fund.

NOTE 8: VARIANCES BETWEEN BUDGET AND ACTUAL AMOUNTS BY CATEGORY

68. The principal variances between budget and actual amounts by category are:

Category A: Savings were obtained as a result of only one Bureau Session being held instead of the two planned, while the Executive Committee meetings were generally held by WebEx. In addition, the amount of resources needed to support participation in some meetings was lower than originally planned due to reduced travel costs and changes in the number of expected participants.

Category B: Savings were derived from non-utilization of funds set aside for meeting costs; these costs were absorbed by the host countries. In a few cases, the number of participants attending meetings was lower than originally planned.

Category C: Savings were made from advance planning for meetings which led to obtaining lower air fares and non-utilization of funds set aside for meeting costs. These costs were covered by host countries.

Category D: The over expenditure under WG I publication/translation is as a result of most of the planned activities taking place in 2014 instead of 2013, after the approval and acceptance of the WG I contribution to the AR5 Report in September 2013.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS

69. At 31 December 2014, there were no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to IPCC. No cases of fraud were noted.

NOTE 10: OTHER COMMITMENTS

70. At 31 December 2014, IPCC had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 836,000 (CHF 268,000 on 31 December 2013).

71. 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

Key Management Personnel	Number of posts	Compensation and post adjustment	Entitlements	Pensions and health plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans
2014	2	408,000	115,000	77,000	600,000	-	-
2013	2	408,000	129,000	79,000	616,000	-	-

72. The Secretary and Deputy Secretary of the IPCC are the only members of key management who have the authority and responsibility for planning, directing and controlling the activities of IPCC.

73. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions. These costs are paid by WMO and UNEP and are considered as in-kind income and in-kind expenditure for IPCC.

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

75. Key management personnel are ordinary members of UNJSPF.

NOTE 12: EVENTS AFTER REPORTING DATE

76. IPCC's reporting date is 31 December 2014. On the date of signing of these financial statements, there have been no material events, favourable or unfavourable, incurred between the financial statements' date and the date when the financial statements have been authorized for issue that would have impacted these statements.



Report of the External Auditor

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

Audit of the 2014 financial statements

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

The mandate is defined in Article 15 of the WMO Financial Regulations and in the Additional Mandate for External Audits of the Accounts attached to those Regulations. Moreover, the mission is described and specified by the letter of 5 November confirming the mandate, the terms of which IPCC accepted in its reply of 16 November 2012. The members of the SFAO conducting the mandate are performing their duties in an autonomous and independent fashion, with the support of their staff.

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

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Table of contents

Paragraphs

Executive summary

Regulations, standards and information	1-12
Follow-up of recommendations	13-14
Internal control system	15-31
Establishment of IPSAS-compliant financial statements	32-34
Audit of 2014 budget implementation	35-38
Audit of 2014 financial statements	39-65
Conclusion	66-67

Annex 1: External auditor's opinion

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

Annex 3: Proposals for improvement in relation to IPSAS

Annex 4: Additional entries

Berne, 18 May 2015

Registration No. 1.15189.952.00428.03
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EXECUTIVE SUMMARY

In its capacity as External Auditor for the Intergovernmental Panel on Climate Change (IPCC), the Swiss Federal Audit Office (SFAO) wishes to confirm that the audit of the financial statements for 2014, presented in accordance with the International Public Sector Accounting Standards (IPSAS), has yielded a satisfactory result overall and that it is in a position to issue an unqualified audit opinion.

First, we wish to highlight the efforts of the management of the World Meteorological Organization (WMO) to implement our recommendations. Implementing them does have a positive impact on all the sectors it administers, including the IPCC, where we saw an improvement in the quality of financial statements.

Next, in accordance with our rotation schedule for auditing the key processes of WMO, applied by analogy to IPCC, we analysed the procurement process. Indeed, we consider that there is still room for improvement of the internal control system of this process. While 2014 was a transition year for the WMO Procurement Division and a consultant had been hired, we believe that the implementation of control activities in this area is a priority. Accordingly, we invited WMO to lay down the necessary guidelines and we invite IPCC to take note of that recommendation.

Finally, we found an increase in IPCC commitments to staff. These arise mainly as a result of new assumptions made by the actuaries. Our review of the plausibility of these assumptions confirms this significant impact on these commitments in compliance with IPSAS.

REGULATIONS, STANDARDS AND INFORMATION

Financial regulations and purpose of the audit

1. The financial years of the Intergovernmental Panel on Climate Change (IPCC) are governed partly by the provisions of the Convention signed between WMO and the United Nations Environment Programme and partly by the WMO Financial Regulations. The Financial Regulations applicable to IPCC require its financial statements to be prepared in accordance with International Public Sector Accounting Standards (IPSAS).
2. The audit covered the IPCC financial statements for the year ended 31 December 2014. These consist of the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts for the General Fund (financial statement V), as a summary of the main accounting methods and other explanatory notes.

Auditing standards, information and acknowledgements

3. Audits were carried out in accordance with the International Standards on Auditing (ISA¹), consistent with the additional mandate which forms an integral part of the WMO Financial Regulations.
4. The International Standards on Auditing specify the role that auditors must play in relation to the risk of misstatements in the financial statements, whether due to fraud or error (ISA 240). Consequently, the External Auditor is not liable and is not tasked with detecting cases of fraud.
5. When audit tests were conducted, we selected samples on the basis of risks or the relative size of the amounts recorded in the headings examined.
6. Issues of minor importance were clarified and discussed with those responsible, in the course of work not covered by this report.
7. During the auditing process, we met regularly with Mr C. Martin-Novella, Deputy Secretary of IPCC, with Mr A. Rolli, Director of the Resource Management Department, with Mr L. Ngwira, Chief of the Finance Division, with other staff from his unit and with staff from other WMO departments, depending on the topics dealt with.
8. We wish to emphasize the excellent cooperation and spirit of openness which characterized the auditing process. We also express thanks for the willingness with which information and documents were provided by all IPCC and WMO staff members whose cooperation was sought.
9. The audit findings were communicated during the final discussion on 18 May 2015. This meeting was attended by Mr C. Martin-Novella, Deputy Secretary, Ms J. Ewa, Programme Manager and Mrs B. Cruz, Accountant. The External Auditor was represented by Mr D. Monnot, Mandate Officer, and Mr H. Hadjeres, Audit Officer.
10. For information, the findings the audit of the WMO accounts were communicated during the final discussion on 22 April 2015. The final version of our audit report, including the comments of the Secretary-General, was sent on 4 May 2015.
11. Pursuant to section 7 of the additional mandate for the external audit of the accounts, relating to the comments of the Secretary of the IPCC to be inserted in this report, we received an email dated 18 May 2015 stating there were no additional comments.
12. The original language in which this report was drafted is French, and we recall that it is the French text which is deemed to be authoritative.

FOLLOW-UP OF RECOMMENDATIONS FROM PREVIOUS REPORTS

13. The two recommendations made at the time of our audit closing the financial statements for 2013 were followed up. They concerned the introduction of guidelines on gifts and benefits received as well as on side activities by WMO and IPCC staff. We note that these guidelines have been accepted and are part of the regulations in force. We can therefore consider that the recommendations have been implemented.
14. For information, Annex 2 to this report mentions some recommendations we addressed to the Secretary-General of WMO in our report on the financial statements

¹ International Standards on Auditing (ISA), published by the International Auditing and Assurance Standards Board (IASSB).

for 2014. In view of the current provisions on relations between WMO and IPCC, these recommendations also apply indirectly to the latter.

INTERNAL CONTROL SYSTEM

15. The internal control system (ICS) and the main processes which affect the financial statements are assessed on a multi-year basis. These are covered by our various audit missions, in accordance with a rotation schedule identical to the one established for WMO.
16. The audit opinion is also based on an assessment of the existence of formalized processes and key controls stemming from an analysis of risks. The External Auditor does not comment on their sustainability or effectiveness. A distinction should be made between the work done by the External Auditor and other types of audits, such as financial supervisory audits or the audits performed by the Internal Audit Office (IOO), as the latter focus more on the operational aspects of processes and on the effectiveness of the related key process controls. The results of IOO's work are likely to be relevant to our audit procedures. As per ISA 610, the work carried out in the area of procurement, among others, was considered useful for the purposes of the audit.
17. Our staff mainly examined the ICS during the interim audit conducted in autumn 2014. A follow-up was carried out during the closing-out audit performed in March 2015. The follow-up confirmed the initial findings. The following processes were examined:
 - Controls at the organizational level;
 - Procurement process;
 - Voluntary contributions;
 - Closure of accounts;
 - IT general controls.
18. In terms of the closure of the annual accounts and controls at the organizational level, the ICS offers scope for improvement with regard to the formalization of processes and cooperation between departments in coordinating operations for closing the annual accounts.

Procurement process

Documenting and describing processes

19. Our auditors identified shortcomings in the processes relating to procurement. There is scope for improvement. Since the control environment in 2014 had some weaknesses, our auditors cannot rely on it for the 2014 audit operations.
20. IOO conducted an audit on the procurement process. The report issued in March 2014 ("Procurement - Engagement 2013/14-IAS-1") identified weaknesses in the control environment for procurement and made a number of recommendations. Those recommendations are not included in this report. Our auditors learned of an initial series of measures undertaken and planned in relation to the IOO recommendations. We invite WMO to continue with this process and check implementation.

21. Chapter 8.7 of the Standing Instructions was being updated during our interim audit in December 2014. That chapter gives descriptions about the objectives of the procurement procedures, responsibilities, tenders, managing purchase orders and assignment of mandates.
22. 2014 was a transitional year for the Procurement and Travel Services (PTS) Division, due among other things to the long absence of the head of the division. A consultant was temporarily hired in the division to replace him.
23. The implementation of control activities for the procurement process should be a priority. Following the validation of new procurement guidelines, WMO will have to put in place the necessary organizational measures and staff to ensure proper implementation.

Note: We invite IPCC to note that we have recommended that WMO implement the new guidelines and other measures needed to ensure the proper functioning of the Procurement Division activities. For information, the Secretary-General of WMO has accepted this recommendation (see Annex 2).

Voluntary contributions process

Documenting and describing processes

24. We have already seen improvements. However, there is still scope for improvement in the field of voluntary contributions. The work of introducing process descriptions is still ongoing. Since this work is a priority, we will analyse progress again during the next interim audit.

Analysing contracts and entering and evaluating pledges

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

Process of closing accounts

26. During our last audit we invited WMO to complete the accounts closure instructions so as to enable the Finance Division to finalize reconciliation operations within a reasonable time frame. At a meeting held on 6 October 2014 with the Head of the Resource Management Department, all departments concerned were informed of the programme for the closure of the 2014 accounts.
27. At present, the process of preparing financial statements is still partly dependent on the flow of information from the various departments and divisions to the Finance Division (see above under "Processes for voluntary contributions and project management").
28. We note that there is scope for improvement in the procedure of year-end reconciliation of certain accounts. The Finance Division should analyse and settle the open items in the lists of creditors and accrued liabilities. The control process for accrued liabilities booked at year-end ("accruals") should be followed-up.
29. In contrast to last year, the exchange rate used for closing balances in foreign currencies at 31 December 2014 is correct. It is based on the United Nations reference rate at end December 2014.

IT general controls

30. The IT audit provided an opportunity to cover the following fields:
 - Verification of IT general controls,
 - Analysis of Journal Entries Testing (JET).
31. The IT audit focused on IT general controls. Following their review of the body of processes concerning IT general controls, our staff recalled the importance of formalizing processes and controls.

ESTABLISHMENT OF IPSAS-COMPLIANT FINANCIAL STATEMENTS

Establishment of IPSAS-compliant financial statements – a complex, substantial undertaking

32. The IPCC 2014 financial year coincides with the fifth closing of accounts using IPSAS. These standards represent a rapidly changing accounting basis which requires constant updating of skills and the presentation elements included in the financial statements.
33. It is important for WMO to acquire and regularly update IPSAS skills internally, as the Organization will then no longer need to rely systematically on external service providers to solve IPSAS-related problems.
34. WMO hired an expert in IPSAS on a temporary basis in 2014.

AUDIT OF 2014 BUDGET IMPLEMENTATION

Implementation of the budget, figures, reconciliations and a presentation of information containing gaps (financial statement V)

35. The annual financial statements under IPSAS, and the IPCC programme and budget relate to financial year 2014.
36. We checked that the information contained in Statement V and in notes 7 and 8 to the financial statements was prepared in accordance with IPSAS 24. These were reconciled with the budget data for 2014 presented and approved at the 40th session of the IPCC.
37. The various discrepancies between the budget and actual amounts of charges for the 2014 financial year, which show a cumulative surplus of CHF 3.9 million, will have to be explained in Note 8 to the financial statements, as required by IPSAS 24.
38. With regard to budgetary implementation in general, please refer to the comments of the Secretary.

AUDIT OF 2014 FINANCIAL STATEMENTS

The 2014 financial statements are presented in an IPSAS-compliant fashion.

39. The documents submitted to us for auditing are presented in the IPCC 2014 financial statements. As can be seen from the various tables and notes relating to the financial statements, the yearly financial result is tied to the method used for recognizing voluntary contributions.

Receivables

40. Short-term receivables tied to contributions come to CHF 1.6 million (CHF 2.3 million at the end of 2013). Detailed control activities were conducted on the open balances at year end. No specific problems in accounting for the recovery of these receivables were observed.

Inventory

41. The inventory shown on the balance sheet represents a value of nearly CHF 293,000 (CHF 161,000 at the end of 2013), composed mainly of publications.

Funds held by WMO

42. IPCC does not have a bank account in its own name. Its funds are deposited in the bank accounts of WMO.
43. The current account balance on the assets side of the IPCC balance sheet ("Funds Held by WMO") totals CHF 9.3 million (CHF 10.8 million at the end of 2013), tallies with the balance on the liabilities side of the WMO balance sheet. This amount was verified.
44. The balances as at 31 December 2014 for the WMO various cash accounts were compared with the bank statements, which were sent directly to us. The amounts shown for liquidities on the assets side of the WMO balance sheet, CHF 95.9 million in all (CHF 98.6 million at the end of 2013), respect the principle of 90-day availability of funds. The balances belonging to IPCC were therefore available with WMO at 31 December 2014.

Payables and accruals

45. Our staff conducted detailed controls of the balances open at year's end, and did not notice any specific problems, with the exception of a balance of CHF 18,595 to be adjusted (see Annex 4).

Voluntary contributions

46. Our staff conducted detailed checks of the main conventions signed by certain contributing countries, the aim being to validate the periodic delimitation of income and accounting treatment, in accordance with IPSAS 23.
47. The audit found no specific problems in accounting for voluntary contributions.

Employee benefits: ASHI

48. IPCC has a contractual obligation to fund medical care by subsidizing medical insurance premiums for retired employees (Article 6.2 of the WMO Staff Regulations).
49. The IPCC financial statements for 2014 show a provision for ASHI (health insurance fund) of CHF 0.836 million on the liability side (CHF 0.828 million in long-term liabilities), up slightly on financial year 2013. This difference is primarily due to a change in certain actuarial assumptions.
50. Much of this can be traced to the fall in the discount rate from 2.35% in 2013 to 1.22% in 2014. With regard to accounting techniques, we note that the Organization uses the OCI method² for recognizing actuarial gains and losses. This option is compliant with the thrust of IPSAS 25. The assumptions considered have been validated by the Accounts Auditor and the amounts provided tally with the balances reported in the actuarial analysis.

Employee benefits: Repatriation grants

51. IPCC has an obligation to provide compensation tied to employee retirement (Article 9.4 of the WMO Staff Regulations).
52. The provisions recognized as at 31 December 2014 as repatriation grants come to CHF 0.215 million on the liability side (including CHF 0.138 in long-term liabilities). The assumptions considered have been validated by the Accounts Auditor and the amounts provided tally with the balances reported in the actuarial analysis.
53. The increase in this provision in 2014 is essentially due to a change in certain actuarial assumptions, much of which can be traced to the fall in the discount rate from 3.9% in 2013 to 2.82% in 2014.

Employee benefits: Accumulated leave

54. IPCC has an obligation to provide employees with compensation for home leave (Article 5.3 of the WMO Staff Regulations).
55. Provisions for accumulated leave are entered under liabilities amount to CHF 0.151 million (including CHF 0.089 million in long-term liabilities). The assumptions considered have been validated by the Accounts Auditor and the amounts provided tally with the balances reported in the actuarial analysis.
56. The increase in this provision in 2014 is essentially due to a change in certain actuarial assumptions, much of which can be traced to the fall in the discount rate from 3.9% in 2013 to 2.82% in 2014.

United Nations Joint Staff Pension Fund (UNJSPF), a potential future risk for the IPCC financial statements

57. As we noted when we took up our mandate as Auditor, we believe that there is a future potential risk to the financial statements of IPCC as the United Nations Joint Staff Pension Fund (UNJSPF) is not able to provide its member institutions with a calculation of pension obligations according to IPSAS 25.³
58. In conclusion, as the situation does not concern IPCC alone, we consider that it is not necessary for the time being to express a reservation or refer specifically to this point in our opinion on the audit of the 2014 financial statements.

² "Other Comprehensive Income".

³ The arguments leading us to this assessment were set out in detail in the reports for financial years 2012 and 2013.

Net assets/equity

59. We reviewed the table Statement of Change in Net Assets/Equity (financial statement III). We have no particular comments.

Expenditure and income

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

Journal entries testing

61. Data analyses were also conducted in collaboration with PwC. The analyses, or Journal Entries Testing, related to an analysis of manual entries comprising certain specific tests (unusual users and entries, entries recorded at the end of the period, adjustment entries, etc.). Based on these efforts, we have a reasonable assurance of the accuracy of the expenditure and income recorded for 2014.
62. In this respect, we wish to emphasize that, for the year 2014, staff costs in general, for all employee categories, come to some CHF 2.6 million (CHF 2.0 million at the end of 2013).

Statement of cash flow

63. The items in the cash flow table (financial statement V) were subject to control procedures. A check was made to make sure that the amounts shown tallied with the changes in balances between the opening and the closing of the balance sheet.

Maintenance and updating of financial information in accordance with IPSAS

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

CONCLUSION

66. In the light of the work done, we can confirm that the IPCC 2014 financial statements have been presented in accordance with IPSAS. Moreover, in the light of the materiality threshold predefined on the basis of the International Standards on Accounting, we can also confirm that the accounting data published in the financial statement reflect the IPCC accounting.
67. As a result, we can issue the audit opinion which is attached to this report and which has been drawn up in accordance with paragraph 5 of the Additional Mandate for the External Auditing of the Accounts (attached to WMO's Financial Regulations).

FEDERAL CONTROL OF FINANCE
Swiss Federal Audit Office
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

Annexes:

- 1) External Auditor's audit opinion
- 2) Recommendations made to the Secretary-General of WMO
- 3) Proposals for improvement in relation to IPSAS
- 4) Additional accounting entries

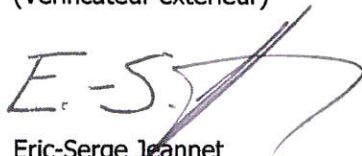
Actualisation et mise-à-jour des informations financières selon les IPSAS

64. Nos divers contrôles ont mis à jour des améliorations, et aussi des potentiels d'amélioration au niveau de la présentation des états financiers de l'OMM et du GIEC.
65. Lors d'une séance organisée le 2 avril 2014, nos collaborateurs avaient présenté à la Division des finances les éléments à améliorer pour remplir les exigences requises par les normes comptables appliquées. Une autre séance datée du 9 avril 2015 a permis de présenter ces mêmes exigences dans le cadre de l'établissement de la version définitive des états financiers 2014 du GIEC, fournie le 16 avril 2015. Un tableau figurant à l'annexe 3 dresse la liste des points discutés, dont une partie a déjà été considérée mais qui devra être reprise lors du prochain bouclage des comptes du GIEC.

CONCLUSION

66. A la suite des travaux effectués, nous sommes en mesure de confirmer que les états financiers 2014 du GIEC sont présentés en conformité avec les normes IPSAS. Par ailleurs et compte tenu du seuil de matérialité prédéfini en fonction des normes internationales d'audit, nous confirmons aussi que les données comptables publiées dans les états financiers correspondent à la comptabilité du GIEC.
67. Par conséquent, nous pouvons délivrer l'opinion d'audit jointe en annexe au présent rapport et établie conformément au paragraphe 5 du Mandat additionnel pour la vérification extérieure des comptes (annexe au Règlement financier de l'OMM).

CONTROLE FEDERAL DES FINANCES
DE LA CONFEDERATION SUISSE
(Vérificateur extérieur)



Eric-Serge Jeannet
Vice-directeur



Didier Monnot
Responsable de mandats

Annexes:

- 1) Opinion d'audit du Vérificateur extérieur
- 2) Recommandations faites au Secrétaire général de l'OMM
- 3) Propositions d'amélioration par rapport aux normes IPSAS
- 4) Ecritures complémentaires



Annex 1 to 1.15189.952.00428.03

EXTERNAL AUDITOR'S AUDIT OPINION

We have audited the financial statements of the Intergovernmental Panel on Climate Change (IPCC) for the year ended 31 December 2014. These comprise the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV) and the Statement of Comparison of Budget and Actual Amounts (financial statement V), as well as a summary of the main accounting methods and other explanatory notes.

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

Auditor's responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the IPCC as at 31 December 2014, as well as its financial performance and cash flow for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and the WMO Financial Regulations. In accordance with the Additional Mandate for the External Auditing of the Accounts, which is attached to the WMO Financial Regulations, we have also prepared a detailed report on our audit of the financial statements, dated 18 May 2015.

Berne, 18 May 2015

FEDERAL CONTROL OF FINANCE
Swiss Federal Audit Office⁴
(External Auditor)

Eric-Serge Jeannot
Deputy Director

Didier Monnot
Mandate Officer

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Annexe 1 à 1.15189.952.00428.03

OPINION D'AUDIT DU VERIFICATEUR EXTERIEUR

Nous avons effectué l'audit des états financiers au 31 décembre 2014 Groupe d'experts intergouvernemental sur l'évolution du climat (GIEC), comprenant le bilan (état financier I), les produits et les charges (état financier II), l'état des variations de l'actif net (état financier III), l'état des flux de trésorerie (état financier IV) et la comparaison des montants budgétisés et des montants effectifs (états financiers V) pour l'exercice clos à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres notes explicatives.

Responsabilité du Secrétariat du GIEC pour les états financiers

Le Secrétariat est responsable de l'établissement et de la présentation sincère de ces états financiers conformément aux dispositions fixées dans les Normes comptables internationales pour le secteur public (normes IPSAS) et dans le Règlement financier de l'OMM. En outre, le Secrétariat est responsable de l'établissement d'un contrôle interne qu'il juge nécessaire pour permettre l'établissement d'états financiers ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité est d'exprimer une opinion sur les états financiers du GIEC sur la base de notre audit. Nous avons effectué notre vérification selon les Normes internationales d'audit publiées par l'IAASB (International Auditing and Assurance Standards Board). Ces normes requièrent de nous conformer aux règles d'éthique, de planifier et de réaliser l'audit en vue d'obtenir une assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives. Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournies dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, de même que l'évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs. En procédant à cette évaluation, l'auditeur prend en compte le contrôle interne en vigueur dans l'entité relatif à l'établissement des états financiers afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur le fonctionnement efficace du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers. Nous estimons que les éléments probants recueillis sont suffisants et appropriés pour fonder notre opinion.

Opinion

A notre avis, les états financiers donnent une image fidèle, dans tous leurs aspects significatifs, de la situation financière du GIEC au 31 décembre 2014, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date, conformément aux Normes comptables internationales pour le secteur public (normes IPSAS) et au Règlement financier de l'OMM. Conformément au Mandat additionnel pour la vérification extérieure des comptes, annexé au Règlement financier de l'OMM, nous avons également établi un rapport détaillé sur notre vérification des états financiers, document daté du 18 mai 2015.

Berne, le 18 mai 2015

CONTROLE FEDERAL DES FINANCES
DE LA CONFEDERATION SUISSE⁵
(Vérificateur extérieur)


Eric-Serge Jeannot
Vice-directeur



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Responsable de mandats

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RECOMMENDATIONS MADE TO THE SECRETARY-GENERAL OF WMO

As mentioned in paragraph 14, we made a number of recommendations to the Secretary-General of WMO in our audit report of 22 April 2015 on the financial statements for 2014. In view of the provisions currently in force on relations between WMO and IPCC, the recommendations below also relate indirectly to the latter and are presented below with the comments of the Secretary-General of WMO.

Procurement process

Documenting and describing processes

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

Comment by the Secretary-General: Accepted. The revision of Chapter 8.7 of the Standing Instructions entered into force on 1 April 2015. It addresses all weaknesses, improvement opportunities and auditors' recommendations identified in the area of procurement so far. On the same date, a new system for electronic tendering was implemented. This system (InTend) is used by several UN entities in Geneva and provides numerous advantages to both the WMO and to prospective bidders in terms of efficiency, traceability and auditability of the procurement process. Finally, professional skills in the PTS division have been enhanced with the participation of both Procurement Assistants in a training programme leading to the CIPS (Chartered Institute of Procurement and Supply) Introductory Certificate in Public Procurement, Level 2. WMO believes that the above actions fully address this recommendation.

Other short-term receivables

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

Comment by the Secretary-General: Recommendation accepted.

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

Property, plant and equipment

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

Comment by the Secretary-General: Recommendation accepted.

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

Payables and accruals

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

Comment by the Secretary-General: Accepted. At the end of every quarter, beginning with the quarter ending 31 March 2015, payables and accruals will be reviewed in detail with a view to validating the underlying balances.

Expenditure and income

Supplies, consumables and other running costs

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

Comment by the Secretary-General: Accepted. Beginning with the financial statements for 2015, presentation of: (a) "Supplies, consumables and other running costs"; and (b) "Other expenditures" will be revised, separating those related to operations (e.g. "consumables") from those related to projects.

PROPOSALS FOR IMPROVEMENT IN RELATION TO IPSAS

At a meeting held on 9 April 2014, we gave the Finance Division a list of elements which should be improved in order to meet the requirements of the accounting standards applied when preparing the final version of WMO's 2014 financial statements. The proposals in the table below may be considered at the next closure of the IPCC accounts.

Accounting standard	Missing disclosures - references and topics
IPSAS 1 Presentation of financial statements	IPSAS 1, paragraph 53 <ul style="list-style-type: none">• Comparative figures to be completed ("comparative information"):<ul style="list-style-type: none">○ Comparative figures in several sections of the financial statements
IPSAS 30 Financial instruments	IPSAS 30, paragraph 44a <ul style="list-style-type: none">• For example for debts: include a paragraph with a timetable of amounts receivable (not done for receivables related to voluntary contributions)
IPSAS 18 Segment reporting	IPSAS 18, paragraph 51 <ul style="list-style-type: none">• No report by sector: consideration should be given to including a reference in the notes to the financial statements.

ADDITIONAL ACCOUNTING ENTRIES

The following table sums up the unposted additional entries noted during the audit procedures on the financial statements as at 31 December 2014.

CHF	Description	Impact on	
		the result for the financial year	own funds
	1. Adjustment with an impact on the result		
-18,595	Unnecessary reversal of a transitional liability	-18,595	-18,595
	(dt P&L / Ct Accruals)		
	Total unposted additional entries	-18,595	-18,595

As the cumulative additional entries were not material to the 2014 result, they do not appear in our report.