

**FORTY-SIXTH SESSION OF THE IPCC
Montreal, Canada, 6-10 September 2017**

IPCC-XLVI/INF. 1
(3.VII.2017)
Agenda Item: 3.3
ENGLISH ONLY

IPCC TRUST FUND PROGRAMME AND BUDGET

**Audit of 2016 financial statements of the Intergovernmental Panel
on Climate Change**

(Submitted by the Secretary of the IPCC)



Reg. No. 1.17087.952.00428.003

EXTERNAL AUDITOR'S REPORT

To the Panel of the Intergovernmental Panel on Climate Change (IPCC)

Opinion

SFAO has audited the financial statements of IPCC, which comprise the Statement of Financial Position (financial statement I) as at 31 December 2016, the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts (financial statement V) for the financial year ended on that date, as well as the annexed notes, including a summary of the main accounting methods.

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

Basis for the opinion

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

The IPCC Secretariat's responsibility for the financial statements

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

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

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

Auditor's responsibility for auditing the financial statements

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

reasonable to expect that they might, individually or collectively, influence the financial decisions taken by the users of the financial statements on the basis of those statements.

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

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

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

Berne, 1 June 2017

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

Annex: Financial statements as at 31 December 2016

¹ Mailing address: Monbijoustrasse 45, CH-3003 Berne



No enreg. 1.17087.952.00428.003

RAPPORT DU VERIFICATEUR EXTERIEUR

Au Comité Exécutif du Groupe d'experts intergouvernemental sur l'évolution du climat (GIEC)

Opinion

Le CDF a effectué l'audit des états financiers du GIEC, qui comprennent l'état de la situation financière (état financier I) au 31 décembre 2016, l'état de la performance financière (état financier II), l'état des variations des capitaux propres (état financier III), le tableau des flux de trésorerie (état financier IV) et l'état de la comparaison des montants budgétaires et réels (état financier V) pour l'exercice clos à cette date, ainsi que les notes annexes, y compris le résumé des principales méthodes comptables.

A son avis, les états financiers ci-joints donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière du GIEC au 31 décembre 2016, 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.

Fondement de l'opinion

Le CDF a effectué son audit selon les Normes internationales d'audit (ISA). Les responsabilités qui lui incombent en vertu de ces normes sont plus amplement décrites dans la section « Responsabilités de l'auditeur pour l'audit des états financiers » du présent rapport. Le CDF est indépendant du GIEC conformément aux règles de déontologie qui s'appliquent aux états financiers en Suisse, et il s'est acquitté des autres responsabilités déontologiques qui lui incombent selon ces règles. Il estime que les éléments probants qu'il a obtenus sont suffisants et appropriés pour fonder son opinion.

Responsabilités du Secrétariat du GIEC pour les états financiers

Le Secrétariat est responsable de la préparation et de la présentation fidèle des états financiers conformément aux IPSAS et au Règlement financier de l'OMM, ainsi que du contrôle interne que le Secrétariat considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de la préparation des états financiers, c'est au Secrétariat qu'il incombe d'évaluer la capacité du GIEC à poursuivre son exploitation, de communiquer, le cas échéant, les questions relatives à la continuité de l'exploitation et d'en appliquer le principe comptable, sauf si le Secrétariat a l'intention de liquider le GIEC ou de cesser son activité ou si aucune autre solution réaliste ne s'offre à lui.

Il incombe aux responsables de la gouvernance de surveiller le processus d'information financière du GIEC.

Responsabilités de l'auditeur pour l'audit des états financiers

Ses objectifs sont d'obtenir l'assurance raisonnable que les états financiers pris dans leur ensemble sont exempts d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, et de délivrer un rapport de l'auditeur contenant son opinion. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes ISA permette toujours de détecter toute anomalie significative qui pourrait exister. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et elles sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce que, individuellement ou collectivement, elles puissent influencer sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'un audit réalisé conformément aux normes ISA, le CDF exerce son jugement professionnel et fait preuve d'esprit critique tout au long de cet audit. En outre:

- Le CDF identifie et évalue les risques que les états financiers comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, conçoit et met en œuvre des procédures d'audit en réponse à ces risques, et réunit des éléments probants suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;
- Le CDF acquiert une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir les procédures d'audit appropriées dans les circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du GIEC;
- Le CDF apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par le Secrétariat, de même que des informations y afférentes fournies par ce dernier;
- Le CDF tire une conclusion quant au caractère approprié de l'utilisation par le Secrétariat du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité du GIEC à poursuivre son exploitation. Si le CDF conclut à l'existence d'une incertitude significative, le CDF est tenu d'attirer l'attention des lecteurs de son rapport sur les informations fournies dans les états financiers au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Ses conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de son rapport. Des événements ou situations futurs pourraient par ailleurs amener le GIEC à cesser son exploitation;
- Le CDF évalue la présentation d'ensemble, la forme et le contenu des états financiers, y compris les informations fournies dans les notes, et apprécie si les états financiers représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

Le CDF communique au Secrétariat notamment l'étendue et le calendrier prévus des travaux d'audit et ses constatations importantes, y compris toute déficience importante du contrôle interne qu'il aurait relevée au cours de son audit.

Berne, le 1^{er} juin 2017

CONTROLE FEDERAL DES FINANCES
DE LA CONFEDERATION SUISSE¹
(Vérificateur extérieur)


Eric-Serge Jeannet
Vice-directeur


Didier Monnot
Responsable de mandats

Annexe:
Etats financiers au 31.12.2016

¹ Adresse postale: Monbijoustrasse 45, CH-3003 Berne

Intergovernmental Panel on Climate Change

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

24 May 2017

STATEMENT I

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
amounts in thousands of Swiss Francs

	Note	2016	2015
ASSETS			
Current assets			
Contributions receivable	3.1	521	535
Inventory	3.2	243	413
Advances for meetings	3.3	17	12
Other receivables	3.4	14	29
Funds held by WMO	3.5	5,867	6,597
		<u>6,662</u>	<u>7,586</u>
Non-current assets			
Contributions receivable	3.1	450	610
Total Assets		<u>7,112</u>	<u>8,196</u>
LIABILITIES			
Current liabilities			
Deferred Income	3.6	150	142
Payables and accruals	3.7	92	64
Employee benefits	3.8	162	71
Other liabilities	3.9	1	1
		<u>405</u>	<u>278</u>
Non-current liabilities			
Deferred Income	3.6	450	465
Long-term employee benefits	3.8	1,158	863
Total liabilities		<u>2,013</u>	<u>1,606</u>
Net assets		<u>5,099</u>	<u>6,590</u>
NET ASSETS/EQUITY			
Fund balances	Stmt III	5,378	6,569
Employee benefits reserves	3.10	<u>(279)</u>	<u>21</u>
Total net assets/equity		<u>5,099</u>	<u>6,590</u>

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 2016
amounts in thousands of Swiss Francs

	Note	2016	2015
Revenue			
Voluntary contributions	5.1	4,359	4,330
In-kind contributions	5.2	645	584
Other revenue	5.3	35	3
Total Revenue		5,039	4,917
Expenses			
Salaries and employee benefits	6.1	2,163	2,188
Travel	6.2	2,257	2,287
In-kind expenditures	6.3	645	584
Other expenditures	6.4	501	1,476
Grants and Contributions for organization of meetings	6.5	380	315
Supplies, consumables and other running costs	6.6	284	379
Total Expenses		6,230	7,229
Deficit for the year		(1,191)	(2,312)

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 2016
(in thousands of Swiss Francs)

	<u>Fund Balances</u>	<u>Employee Benefits Reserves</u>	<u>Total Net Assets</u>
Net assets at 31 December 2015	<u>6,569</u>	<u>21</u>	<u>6,590</u>
Movements in fund balances and reserves			
Deficit for the year (Statement II)	(1,191)	-	(1,191)
Loss arising on actuarial valuation of employee benefits	-	(300)	(300)
Total movements during the year	<u>(1,191)</u>	<u>(300)</u>	<u>(1,491)</u>
Total net assets at 31 December 2016	<u>5,378</u>	<u>(279)</u>	<u>5,099</u>

	<u>Fund Balances</u>	<u>Employee Benefits Reserves</u>	<u>Total Net Assets</u>
Net assets at 31 December 2014	<u>8,881</u>	<u>(264)</u>	<u>8,617</u>
Movements in fund balances and reserves			
Deficit for the year (Statement II)	(2,312)	-	(2,312)
Gain arising on actuarial valuation of employee benefits	-	285	285
Total movements during the year	<u>(2,312)</u>	<u>285</u>	<u>(2,027)</u>
Total net assets at 31 December 2015	<u>6,569</u>	<u>21</u>	<u>6,590</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 2016***(in thousands of Swiss Francs)*

	2016	2015
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/Deficit for the year	(1,191)	(2,312)
(Increase) decrease in contributions receivables	14	695
(Increase) decrease in inventory	170	(120)
(Increase) decrease in advances to meetings	(5)	41
(Increase) decrease in other receivables	15	(5)
(Increase) decrease in funds held by WMO	730	2,679
(Increase) decrease in long-term contributions receivables	160	(286)
Increase (decrease) in pass-throughs	-	(1,255)
Increase (decrease) in Deferred Income	(7)	607
Increase (decrease) in payables and accruals	28	(60)
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	386	(269)
Increase (decrease) in employee benefits reserves	(300)	285
Net cash flows from operating activities	<hr/> -	<hr/> -
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
CASH AND CASH EQUIVALENT AT 31 DECEMBER 2016	<hr/> <hr/> -	<hr/> <hr/> -

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

STATEMENT V

Intergovernmental Panel on Climate Change (IPCC)
Statement of Comparison of Budget and Actual Amounts
as at 31 December 2016
(in Swiss Francs)

Category	Budget 2016	Expenditure*	Budget Under/(Over) Spent
A. Governing Bodies:			
1 IPCC - 43	690,000	558,000	132,000
2 IPCC - 44	760,000	568,000	192,000
3 Bureau	408,000	246,000	162,000
4 Executive Committee	74,880	40,000	34,880
5 TFB	42,120	39,000	3,120
6 SBSTA/COP/JWG	80,000	84,000	(4,000)
7 Prior year meetings	-	3,000	(3,000)
8 Total Governing Bodies	2,055,000	1,538,000	517,000
B. Scoping Meetings, Expert Meetings and Workshops			
1 Expert meetings/workshops	280,800	-	280,800
2 Scoping Meeting (SR 1.5 degrees C)	234,000	128,000	106,000
3 Scoping Meeting (SR Oceans)	234,000	165,000	69,000
4 Working Groups I/II/III - Lessons Learned Workshop	140,400	97,000	43,400
5 TGICA	56,160	25,000	31,160
6 TGICA - Expert meeting	140,400	84,000	56,400
7 AR5 Communications/outreach - Lessons Learned meeting	80,000	57,000	23,000
8 EFDB Board	112,320	64,000	48,320
9 EFDB Expert Meetings	93,600	39,000	54,600
10 EFDB and Software Users' Feedback	44,000	40,000	4,000
11 TFI Expert meeting (tech assessment - cross-sectoral)	154,440	52,000	102,440
12 TFI Expert meeting (tech assessment - IPCC inventory GL)	154,440	59,000	95,440
13 TFI Scoping meeting - Future methodological devt.	229,320	158,000	71,320
14 Prior year meetings	-	(1,000)	1,000
15 Scoping Meetings, Expert Meetings and Workshops	1,953,880	967,000	986,880
C. Other Expenditures			
1 2006 GL software	6,000	-	6,000
2 EFDB maintenance	7,000	-	7,000
3 Translation/Publication	200,000	-	200,000
4 Publication (Wetlands & KP Supplements)	100,000	-	100,000
5 Communication	260,500	233,000	27,500
6 Distribution (IPCC publications)	170,000	130,000	40,000
7 Webconferences	30,000	-	30,000
8 IT Infrastructure	41,818	-	41,818
9 Library facility	103,000	-	103,000
10 External Audit fee	20,000	9,000	11,000
11 Advisory Services (Conflict of Interest)	30,000	16,000	14,000
12 Co-chairs	200,000	200,000	-
13 Prior year activities	-	226,000	(226,000)
14 Total Other Expenditure	1,168,318	814,000	354,318
D. Secretariat			
1 Secretariat	1,912,500	1,935,000	(22,500)
E. Total all expenditure	7,089,698	5,254,000	1,835,698

*Excluding obligations

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

Notes to the Financial Statements as at 31 December 2016

NOTE 1: PURPOSES OF THE ORGANIZATION

a) 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 2016 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.

3. The financial statements of the Intergovernmental Panel on Climate Change (IPCC) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention.

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

5. The functional and reporting currency of IPCC is the Swiss Franc (CHF). Transactions in currencies other than CHF are converted into CHF at 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.

Revenue

6. In accordance with IPSAS requirements, and reflecting the nature of IPCC'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 according to IPSAS 23 - Revenue from Non-Exchange Transactions.

7. IPCC considers that while there are restrictions on the use of all contributions, these restrictions do not meet the definition of a condition as described under IPSAS 23.

8. Interest revenue is recognized as it accrues.

Expenditure

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

Financial Instruments

10. 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.

11. 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.

12. 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

13. 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.

14. 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.

15. 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

16. IPCC does not maintain its own bank accounts. Its funds are administered by WMO.

Inventories

17. 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. As at 31 December 2015, inventories which related to the Fifth Assessment Period (seven year period which began in 2007) were valued at one hundred per cent cost, inventories in stock for up to two years prior to the Fifth Assessment Period were valued at fifty per cent of cost after writing off quantities which were considered in excess of requirements, whereas inventories in stock over two years prior to the Fifth Assessment Period were fully provided for. From the financial year 2016, inventories which relate to the seven year Fifth Assessment Period are valued at one hundred per cent cost. Inventories in stock prior to the Fifth Assessment Period are fully provided for.

Property, Plant and Equipment

18. 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 2016.

Intangible Assets

19. Intangible assets are stated at historical cost less accumulated amortization and any impaired losses. IPCC does not have Intangible Assets at 31 December 2016.

Employee Benefits

20. IPCC 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 IPCC staff are covered under the United Nations Joint Staff Pension Fund (UNJSPF), by virtue of IPCC's affiliation with WMO and UNEP.

23. IPCC 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 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 Fund 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. IPCC and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify IPCC'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 IPCC has treated this plan as if it were

a defined contribution plan in line with the requirements of IPSAS 25. IPCC'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.

Provisions and Contingent Liabilities

26. 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.

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 IPCC.

Budget Comparison

28. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts by activity, while the Statement of Financial Performance (Statement II) presents expenditures classified based on the nature of the expense. As the bases used to prepare the budget and financial statements differ, Note 7 provides a reconciliation between the actual amounts presented in Statement V to the actual amounts presented in the Statement of Financial Performance, Statement II.

Critical Accounting Estimates

29. Preparing financial statements in accordance with IPSAS requires IPCC 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

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

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

Comparative figures

32. In the preparation of the 2016 financial statements, some reclassifications have been made in the statement of financial performance without restatement of the prior year comparative figures. In order to keep comparability, information is given in the notes.

NOTE 3 : ASSETS AND LIABILITIES**Note 3.1: Contributions receivable**

33. Contributions receivable are comprised of pledges:

	2016	2015
	<i>Swiss Francs</i>	
Current	521,000	535,000
Non-current	450,000	610,000
Total contributions receivable	971,000	1,145,000

Note 3.2: Inventories

34. The following tables show the movements of the inventory 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.

	2016	2015
	<i>Swiss Francs</i>	
Publications	243,000	413,000

Inventory Reconciliation

	2016	2015
	<i>Swiss Francs</i>	
Opening Inventory	413,000	293,000
Increase (Purchases)	-	202,000
Total Inventory available for distribution	413,000	495,000
Less: Value of items distributed	86,000	82,000
Less: Decrease in value of publications (write-offs)	84,000	-
Total	243,000	413,000

35. The value of the inventory has greatly decreased due to items distributed as well as to write-off of old publications in stock related to the years prior to the 5th Assessment Report (AR5). Only AR5 publications remained valued at 100% of their initial cost.

36. 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: Advances for meetings

	2016	2015
	<i>Swiss Francs</i>	
Advances to institutions for the organization of meetings	17,000	12,000
Total advances for meetings	17,000	12,000

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

Note 3.4: Other receivables

	2016	2015
	<i>Swiss Francs</i>	
Education grant advance	14,000	12,000
Home country taxation	-	12,000
Prepaid expenses	-	5,000
Total other receivables	14,000	29,000

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

39. 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.

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

Note 3.5: Funds held by WMO

41. 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 3.6: Deferred Income

42. IPCC has an open pledge of CHF 600,000 relating to agreements with conditions. Revenue will only be recognized when such conditions are met.

43. There are Contingent Assets as at 31 December 2016 in the amount of CHF 172,000. This represents revenue from agreements which have been entered into with donors for contributions for future years but where that future year funding is still subject to some parliamentary budget approval.

Note 3.7 Payables and Accruals

	2016	2015
	<i>Swiss Francs</i>	
Accruals	98,000	55,000
Vendor payables	(6,000)	9,000
Total payables and accruals	92,000	64,000

44. Accruals represent the cost of goods and services received by IPCC and for which supplier invoices had not arrived as of the reporting date.

45. Payables to vendors relate to amounts due for goods and services for which invoices have been received less amounts due from participants who were paid but did not attend meetings.

Note 3.8: Employee Benefits Liabilities

	2016	2015
	<i>Swiss Francs</i>	
Short-term employee benefits	162,000	71,000
Long-term employee benefits	1,158,000	863,000
Total employee benefits	1,320,000	934,000

46. 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;
- c) Repatriation grant; and
- d) Termination benefits.

47. 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

48. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a consulting independent professional actuary. These employee benefits are established for staff members who are in professional category and general service. WMO is a member organization participating in the United Nations Staff Mutual Insurance Society (UNSMIS) and the United Nations Joint Staff Pension Fund (UNJSPF). IPCC staff members participate in the UNSMIS and UNJSPF through WMO. The actuarial valuation is undertaken for all eligible WMO staff and this includes eligible IPCC staff members. Full actuarial valuations are undertaken every two years, the most recent having been completed at 31 December 2015.

49. In the 2016 valuation of employee benefits liabilities, the actuaries have determined gross actuarial losses under post-employment benefits and other separation-related benefits of CHF 300,000. This amount was charged to the reserve for actuarial gains/losses reducing the balance of the reserve from CHF 21,000 to (CHF 279,000).

50. At 31 December 2016 the total employee benefits liabilities amounted to CHF 1,320,000 after taking into account the actuarial losses of CHF 300,000 and CHF 86,000 for current service costs, interest cost and benefits paid.

51. The accrued liability represents that portion of the present value of future benefits that had accrued from the staff members' dates of entry on duty until the valuation date, 31 December 2016. Active staff members' benefits are considered fully accrued when the staff members reach their dates of full eligibility for benefits.

United Nations Joint Staff Pension Fund (UNJSPF)

52. 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.

53. 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 Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

54. The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16% (a deficit of 0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was

23.54% of pensionable remuneration, compared to the actual contribution rate of 23.70%. The next actuarial valuation will be conducted as of 31 December 2017.

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

56. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

57. 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.

58. In 2016, contributions paid by IPCC to UNJSPF amounted to CHF 252,000 (CHF 222,000 in 2015).

Note 3.9: Other liabilities

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

Note 3.10 Employee Benefits Reserves

60. 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. The balance of this Reserve decreased to (CHF 279,000), due to the huge actuarial loss arising from the actuarial valuation of the employee benefits liabilities at 31 December 2016.

Note 4: RISK ANALYSIS*Credit Risk*

61. 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.

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

Liquidity Risk

63. IPCC's funds held by WMO at 31 December 2016 amounting to CHF 5,867,000 are sufficient to meet its current liabilities of CHF 405,000 at that date. On an ongoing basis, it is anticipated that IPCC will have sufficient liquidity to pay all debts due.

64. 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

65. 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.

66. Interest earnings in 2016 is CHF 3,000 (same as in 2015).

67. The implementation of IPCC's plan and budget is not dependent on or impacted by interest earnings.

Currency Risk

68. The IPCC budget is prepared in Swiss Francs and is funded through voluntary contributions which are pledged in various currencies. IPCC's funds are entrusted to WMO and managed through WMO's bank accounts.

NOTE 5: REVENUE**5.1 Voluntary contributions**

	2016	2015
	<i>Swiss Francs</i>	
Voluntary contributions	4,050,000	4,041,000
Voluntary contributions-pledged	225,000	157,000
Contribution from General Fund	84,000	131,000
Subventions	-	1,000
	4,359,000	4,330,000

5.2 In-kind contributions

69. a. Remuneration costs: Contributions in-kind relate to the remuneration costs of the IPCC Secretary paid by WMO (CHF 240,000 for year 2016; CHF 260,000 for year 2015) and the Deputy Secretary paid by UNEP (CHF 268,000 for year 2016; CHF 267,000 for year 2015).

b. Office space: Office space is provided by WMO (CHF 137,000 in 2016, and CHF 57,000 for 2015).

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 2016 as shown in Statement V and in total amount to approximately CHF 222,000 for the period 1 January to 31 December 2016 (approximately CHF 102,000 for the period 1 January to 31 December 2015).

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

	2016	2015
	<i>Swiss Francs</i>	
Unrealized gain from currency exchange	29,000	-
Other income	3,000	-
Interest income	3,000	3,000
	35,000	3,000

NOTE 6: EXPENSES

	2016	2015
	<i>Swiss Francs</i>	
6.1 Salaries and employee benefits		
Staff costs	1,383,000	1,258,000
Employee benefits and social charges (includes Actuarial interest and service costs of CHF 86,000 in 2016 compared to CHF 16,000 in 2015)	461,000	368,000
Consultancy cost (includes AR 5 Outreach Action Plan of CHF 16,000 in 2016)	319,000	562,000
	2,163,000	2,188,000
6.2 Travel		
Governing bodies	1,130,000	1,190,000
Scoping meetings, expert meetings and workshops	882,000	619,000
Other - outreach, secretariat	169,000	206,000
AR5 Outreach Action Plan	76,000	272,000
	2,257,000	2,287,000
6.3 In-kind expenditure		
Seconded staff	508,000	527,000
Rental of office space	137,000	57,000
	645,000	584,000
6.4 Other expenditures		
Loss on currency exchange:		
Realized	49,000	259,000
Unrealized	2,000	2,000
	51,000	261,000
Specialized services	213,000	457,000
Studies, reports, brochures, reprints	94,000	163,000
Write-offs (2016 write –off relates to inventory ; 2015 write off relates to receivables)	84,000	214,000
Audit fee	23,000	5,000
Bank charges	9,000	18,000
Staff training	9,000	10,000
Hospitality	8,000	1,000
Miscellaneous services (IT Costs and COS charges classified under “Supplies, consumables and other running costs” in 2016, CHF 75,000, same amount in 2015)	5,000	100,000
Public information	3,000	230,000
Fellowships	2,000	16,000
Discounting of long-term contributions receivables	-	1,000
	501,000	1,476,000
6.5 Grants and Contributions for organization of meetings		
Grants	200,000	200,000
Contributions for organization of meetings (includes AR 5 Outreach Action Plan of CHF 9,000 in 2016)	180,000	115,000
	380,000	315,000
6.6 Supplies, consumables and other running costs		
Postage and storage of IPCC publications	183,000	338,000
Information /Telecommunication (IT costs) (classified under Miscellaneous services in 2015)	60,000	-
Data processing services	17,000	7,000
Common services/Utilities (COS charges) (classified under Miscellaneous services in 2015)	15,000	-
Building maintenance and security	4,000	3,000
Supplies and other running costs	5,000	5,000
Information Technology	-	4,000
Office equipment (non-capitalized)	-	22,000
	284,000	379,000

NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

70. The IPCC budget for 2016 is CHF 7,090,000. It is CHF 460,000 less than the 2015 budget of CHF 7,550,000. This decrease may be attributed to reducing the number of journeys for some meetings and moving one activity from 2016 to 2017.

71. 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.

72. 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.

73. 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 2016 is presented below:

	Note	Swiss Francs
Amount of expenditure, Statement V		5,254,000
Plus:		
In-kind expenditure	6.3	645,000
Actuarial interest	6.1	86,000
Write offs (revaluation of inventory)	6.4	84,000
Currency exchange differences	6.4	51,000
Bank Charges	6.4	9,000
AR5 Outreach Action Plan:		
- Travel	6.2	76,000
- Salaries and employee benefits	6.1	16,000
- Grants and Contributions for organization of meetings	6.5	9,000
Amount of expenditure, Statement II		6,230,000

74. The AR5 Outreach Action Plan was established in 2015 to disseminate the findings of the AR5 report during the course of 2015 and 2016 through a series of regional outreach events. Contributions were received from Members specifically earmarked for this activity. It was not planned for in the 2016 budget and thus it appears as a reconciling item.

NOTE 8: VARIANCES BETWEEN BUDGET AND ACTUAL AMOUNTS BY CATEGORY

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

Category A: Savings were obtained as a result of two Executive Committee meetings being held back-to-back with Plenary Sessions; Executive Committee meetings are held regularly throughout the year by WebEx. In addition, one Bureau Session was held back-to-back with an IPCC scoping meeting. Further, 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 some cases, the number of participants attending meetings was lower than originally planned.

Category C: Savings were obtained from the non-utilization of funds set aside for some activities; these activities did not take place as planned.

Category D: Over-expenditure incurred is as a result of the participation of Bureau members and Secretariat staff, as guest speakers or participants, in a large number of non-IPCC meetings than usual, due to the interest in the work of the IPCC.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS

76. At 31 December 2016, there were no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to IPCC. No cases of fraud were noted.

NOTE 10: OTHER COMMITMENTS

77. At 31 December 2016, IPCC had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 673,000 (CHF 915,000 on 31 December 2015).

78. 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
2016	2	408,000	39,000	61,000	508,000	-	-
2015	2	383,000	86,000	58,000	527,000	-	-

79. 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. The post of the Secretary of IPCC has been vacant from 1 June 2015 to 30 June 2016. Consultants were hired as Acting Secretary of IPCC on short-term contracts till the appointment of the Secretary of IPCC on 1 July 2016.

80. 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.

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

82. Key management personnel are ordinary members of UNJSPF.

NOTE 12: EVENTS AFTER REPORTING DATE

83. IPCC's reporting date is 31 December 2016. 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.



Mr Abdalah Mokssit, Secretary
Intergovernmental Panel on Climate Change (IPCC)
C/o World Meteorological Organization
7 bis, Avenue de la Paix
Case postale 2300
1211 Geneva 2

Date 7 June 2017

Your reference

Our reference 1.17087.952.00428.02
buvi

Annual audit of the financial statements of the Intergovernmental Panel on Climate Change (IPCC) at 31 December 2016

Dear Mr Mokssit,

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). In accordance with the confirmation of the mandate dated 19 November 2015, we carried out the annual audit of the IPCC financial statements 2016 from Monday 13 March to Thursday 1 June 2017.

This audit was conducted in accordance with the International Standards on Auditing (ISA¹) and the additional mandate forming an integral part of the WMO Financial Regulations.

The results of the audit were communicated during the final discussion on 1 June 2017. This meeting took place in the presence of Mr A. Mokssit, IPCC Secretary, Ms K. Stendahl, IPCC Assistant Secretary, Ms J. Ewa, IPCC Programme Officer, Mr L. Ngwira, Head of the Finance Division, and Ms K. Paratian, Finance Officer. The External Auditor was represented by Mr D. Monnot, Mandate Officer, and Ms V. Bugnon, Audit Officer.

First of all, we wish to emphasize the excellent cooperation and spirit of openness which characterized the audit process. We should also like to express thanks for the willingness with which information was provided by all IPCC and WMO staff members whose cooperation was sought. The results of the checks carried out were generally satisfactory; however, certain aspects, set out below, warrant particular attention on the part of the management.

Since IPCC is administered by WMO, and most of the significant findings are included in the detailed report on the audit of the WMO financial statements for 2016, we did not issue a detailed report on the audit of the IPCC financial statements 2016. However, we should like to take this opportunity to bring to your attention certain important points identified during our audit.

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

Internal Control System (ICS)

In general terms, the ICS applicable to IPCC is the same as that applied to WMO. Therefore, we invite you to take note of the findings, remarks and recommendations addressed to the WMO Secretary-General by SFAO in the report on the 2016 financial statements.

These findings, remarks and recommendations first of all concern the controls in place in the organization, particularly the description of processes throughout the departments accompanied by a control matrix. They also include recommendations on the process of voluntary contributions and project management, particularly with regard to documentation, monitoring, IT tools and management, and on HR processes relating to documentation, salary changes and staff data, the payment system and the closing process. The recommendations concerning IT general controls refer to IT governance, the management of access rights, change management and the external service provider (International Computing Centre).

Voluntary contributions

When contracts stipulate certain conditions, revenue is recognized using the percentage of completion method. At 31 December, IPCC had recorded revenue of CHF 137,000 without having evidence that the corresponding costs had been incurred. We therefore invite IPCC and WMO to ensure that costs have been incurred before recording revenue.

Furthermore, we wish to remind you that in the case of contracts with conditions covering several years, estimates of dates and amounts for donor payment schedules, and also future expenditure, should be periodically reviewed. These re-evaluations will enable short-term and long-term balances to be more accurately shown in the financial statements.

Inventory

Following our last audit, the accounting policy for inventories was reviewed for the 31 December 2016 closing. Inventories pre-dating the fifth assessment period have now been fully depreciated, while inventories relating to the fifth assessment period have been valued at 100%. In the course of our checks, we identified publications for which few movements, or none at all, had been recorded. Therefore, an individual value adjustment must be taken into account in future, especially as the sixth assessment period began in 2016.

Payables and accruals

The procedures and controls put in place under the closing programme proved ineffective in 2016, and did not allow the periodical apportionment of accruals. The balance at 31 December 2016 included transactions that had already been paid, or for which the purchase orders had been recorded twice or had not been reconciled. Conversely, the accruals did not include all the invoices for services rendered during the financial period. We therefore see room for improvement in the effectiveness of controls.

Employee benefits: ASHI

The International Labour Organization (ILO) Administrative Tribunal recently handed down several judgements on the responsibility for ASHI provision. According to these judgements, this provision is the responsibility of the organization which draws up the contract of employment and which covers employees by virtue of its agreement on privileges and immunities with the local government authority, even if the organization is acting as agent for the administration of other organizations. Therefore, ASHI provision must be fully recognized by the organization which issues the contracts of employment, irrespective of the fact that these other organizations are independent and unconsolidated.

Therefore, we invite you to note that we have recommended that WMO take note of the ILO Administrative Tribunal judgement on the responsibility for ASHI provision and decide whether the provision should be fully integrated into its accounts at 31 December 2017.

Contractual commitments

According to the closing programme, the finance service reviews the purchase orders at the end of the year, in addition to the controls that are meant to be carried out in the departments. Despite these controls, we noted the existence of negative amounts already recognized under payables. Consequently, there is a continuing risk concerning these commitments, which would be open although the services or goods had already been received. The regularization process is ineffective. Please note that we have recommended that WMO review the list of purchase orders regularly as well as during closing, removing any incorrect items.

Financial situation

IPCC recorded significant deficits over the last three years, although the amount was reduced in 2016. We understand that these deficits were associated with significant costs arising from the finalization of the Fifth Assessment Report. The financial situation of IPCC is currently sound, despite the effect on liquidity of the deficits in recent years. However, future deficits comparable to those seen in the past could seriously affect the Panel's activities.

In addition, IPCC receives contributions from the United States Government, representing around 44% of its voluntary contributions. In the current context, future contributions from the United States to international organizations are very uncertain. We have noted that IPCC is aware of this situation and has already taken measures to optimize expenditure and to approach new donors. However, we must stress the importance of these measures in the current environment, and we urge you to continue to implement them.

Thanking you for your very constructive collaboration.

Yours sincerely
SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Eric-Serge Jeannet
Deputy Director

Didier Monnot
Mandate Officer

Annex: External Auditor's report of 1 June 2017



Intergovernmental Panel on Climate Change (IPCC)
Monsieur Abdalah Mokssit, Secrétaire
C/O World Meteorological Organization
7 bis, Avenue de la Paix
Case postale 2300
1211 Genève 2

Date 7 juin 2017

Votre référence

Notre référence

1.17087.952.00428.002
buvi

**Audit annuel des états financiers au 31 décembre 2016 du Groupe d'experts
intergouvernemental sur l'évolution du climat (GIEC)**

Monsieur le Secrétaire,

Le mandat de vérification extérieure des états financiers du Groupe d'experts intergouvernemental sur l'évolution du climat (GIEC) est exercé par le Vérificateur extérieur des comptes de l'Organisation météorologique mondiale (OMM). Conformément à la confirmation de mandat du 19 novembre 2015, nous avons procédé du lundi 13 mars au jeudi 1^{er} juin 2017 à l'audit annuel des états financiers 2016 du GIEC.

Cet audit a été effectué conformément aux Normes internationales d'audit (Normes ISA¹) et au mandat additionnel faisant partie intégrante du Règlement financier de l'OMM.

Le résultat de l'audit a été communiqué lors de la discussion finale du 1^{er} juin 2017. Cet entretien s'est déroulé en présence de Monsieur A. Mokssit, Secrétaire du GIEC, Madame K. Stendahl, Secrétaire adjointe du GIEC, Madame J. Ewa, « Programme Officer » du GIEC, Monsieur L. Ngwira, Chef de la division des finances ainsi que Madame K. Paratian, « Finance Officer ». Le Vérificateur extérieur était représenté par Monsieur D. Monnot, Responsable de mandat et Madame V. Bugnon, Responsable d'audit.

Tout d'abord, nous tenons à souligner la très bonne collaboration et l'esprit d'ouverture qui a prévalu durant l'exécution de cet audit et exprimons nos remerciements pour l'obligeance avec laquelle les renseignements ont été donnés par tous les fonctionnaires du GIEC et de l'OMM qui ont été

¹ International Standards on Auditing (ISA) publiés par l'IAASB (International Auditing and Assurance Standards Board)

sollicités. Les résultats des examens réalisés sont en général satisfaisants, toutefois certains éléments figurant ci-dessous méritent une attention particulière du management.

Etant donné que le GIEC est administré par l'OMM et que la plupart des constatations significatives sont intégrées dans le rapport détaillé sur l'audit des états financiers 2016 de l'OMM, nous avons renoncé à établir un rapport détaillé sur l'audit des états financiers 2016 du GIEC. Cette lettre nous permet de vous rendre attentif sur certains points importants identifiés au cours de notre audit.

Système de contrôle interne (SCI)

De manière générale, le SCI applicable au GIEC est celui appliqué à l'OMM. Par conséquent, nous vous invitons à prendre connaissance des constatations, remarques et recommandations que le CDF a adressées au Secrétaire général de l'OMM dans le rapport sur les états financiers 2016.

Les constatations, remarques et recommandations concernent en premier lieu les contrôles au niveau de l'entreprise, en particulier la description des processus à travers les départements complétée par une matrice de contrôle. Elles englobent également des recommandations sur le processus des contributions volontaires et de la gestion de projet, notamment en termes de documentation, monitoring, gestion et outils informatiques, sur le processus des ressources humaines relatives à la documentation, aux mutations salariales et des données personnelles et au système de paiement, ainsi que sur le processus de bouclage. Les recommandations relatives aux contrôles informatiques généraux font référence à la gouvernance informatique, à la gestion des droits d'accès, à la gestion des changements et au prestataire de service externe (International Computing Centre).

Contributions volontaires

Lorsque les contrats stipulent certaines conditions, le revenu est comptabilisé selon la méthode de l'avancement. Au 31 décembre 2016, IPCC a comptabilisé un revenu pour CHF 137'000 sans pour autant avoir les preuves que les dépenses relatives se soient produites. Nous invitons ainsi le GIEC et l'OMM à s'assurer que les dépenses relatives soient survenues avant de comptabiliser les revenus.

De plus, nous tenons à rappeler que les contrats avec conditions couvrant plusieurs années doivent périodiquement faire l'objet de nouvelles estimations. Ceci concerne les estimations en termes de date et de montants sur les échelonnements de paiement du donateur ainsi que sur les futures dépenses. Ces réévaluations permettent de mieux délimiter les soldes à court terme et à long terme dans les états financiers.

Stocks

Suite à notre audit précédent, la politique comptable des stocks a été revue pour la clôture au 31 décembre 2016. Les stocks datant d'avant la « 5th Assessment Period » sont maintenant complètement dépréciés, alors que les stocks concernant la « 5th Assessment Period » sont évalués à 100%. Lors de nos contrôles, nous avons identifié des publications qui n'enregistrent aucun voire très peu de mouvements. Une correction de valeur individuelle doit ainsi être prise en compte à l'avenir, d'autant plus que la « 6th Assessment Period » a débuté en 2016.

Fournisseurs et charges à payer

Les procédures et les contrôles en place prévus par le programme de boucllement s'avèrent inefficaces en 2016. Ils ne permettent pas de délimiter périodiquement les charges à payer. La balance au 31 décembre 2016 incluait des transactions qui avaient déjà été payées ou pour lesquelles des bons de commande étaient enregistrés à double ou n'avaient pas été rapprochés. A contrario, les charges à payer ne comprenaient pas toutes les factures relatives à des services rendus durant l'exercice. Nous identifions par conséquent un potentiel d'amélioration dans l'efficacité des contrôles.

Avantages du personnel: ASHI

Le Tribunal administratif de l'Organisation internationale du travail (OIT) a récemment rendu plusieurs jugements sur la responsabilité de la provision ASHI. Selon ces jugements, cette provision est de la responsabilité de l'organisation qui établit le contrat de travail et qui couvre les employés en vertu de son accord de privilège et d'immunité avec l'administration locale, bien que l'organisation agisse en tant qu'agent pour l'administration d'autres organisations. Par conséquent, la provision ASHI doit être reconnue intégralement par l'organisation qui délivre les contrats de travail, indépendamment du fait que ces autres organisations sont indépendantes et non consolidées.

Par conséquent, nous vous invitons à prendre note que nous avons recommandé à l'OMM de prendre connaissance du jugement du Tribunal administratif de l'OIT sur la responsabilité de la provision ASHI et à déterminer si la provision doit être entièrement intégrée dans ses comptes au 31 décembre 2017.

Engagements contractuels

Selon le programme de boucllement, le service financier passe en revue les bons de commande à la fin de l'année, en complément des contrôles censés être faits dans les départements. Malgré ces contrôles, nous constatons l'existence de montants négatifs déjà comptabilisés en fournisseurs. Un risque persiste donc pour des engagements qui seraient ouverts alors que les services ou la marchandise auraient déjà été réceptionnés. Le processus de régularisation est inefficace. Nous vous invitons à prendre connaissance que nous avons recommandé à l'OMM de passer en revue régulièrement et lors du boucllement la liste des bons de commande et d'éliminer tous les éléments erronés.

Situation financière

Le GIEC a enregistré des déficits importants sur les 3 dernières années. Bien que le déficit ait été réduit en 2016, nous comprenons que ces déficits sont liés aux frais importants induits par la finalisation du « 5th Assessment Report ». La situation financière du GIEC est actuellement saine, malgré une liquidité affectée par les déficits des dernières années. De futurs déficits à hauteur de ceux connus dans le passé pourraient par contre sérieusement influencer les activités du GIEC.

Par ailleurs, le GIEC obtient des contributions du gouvernement américain environ à hauteur de 44% de ses contributions volontaires. Le contexte actuel demeure très incertain quant aux futures contributions américaines aux organisations internationales. Nous avons pris note que le GIEC est conscient de cette situation et qu'il a déjà entrepris des mesures afin d'optimiser les dépenses et

d'approcher de nouveaux donateurs. Nous tenons néanmoins à souligner que ces mesures sont très importantes dans l'environnement actuel et vous encourageons à continuer d'implémenter ces procédures.

Nous vous remercions pour votre collaboration très constructive, et nous vous prions de croire, Monsieur le Secrétaire, à l'assurance de notre haute considération.

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



Eric-Serge Jeannet
Vice-directeur



Didier Monnot
Responsable de mandats

Annexe : Rapport du Vérificateur extérieur du 1^{er} juin 2017