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United Nations Development Programme

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

United Nations • New York, 2016

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal and certification

Letter dated 30 April 2016 from the Administrator, the Assistant Administrator and Director, Bureau for Management Services, and the Chief Finance Officer and Comptroller of the United Nations Development Programme addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Development Programme (UNDP) for the financial year ended 31 December 2015, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

- The management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on management's best estimates and judgments.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with an appropriate segregation of duties. UNDP internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.
- The management provided the Board of Auditors and UNDP internal auditors with full and free access to all accounting and financial records.
- The recommendations of the Board of Auditors and UNDP internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Helen **Clark**
Administrator

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau for Management Services

(*Signed*) Darshak **Shah**
Chief Finance Officer and Comptroller
Bureau for Management Services

Letter dated 30 June 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2015, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the cash flow statement (statement IV), the statement of comparison of budget and actual amounts (regular resources) (statement V) and the supporting statements and explanatory notes.

Responsibility of management for the financial statements

The Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as 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.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNDP as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UNDP that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of UNDP and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UNDP.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom
of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2016

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Development Programme (UNDP) was established in 1965 by the General Assembly. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2015. The audit was carried out at the headquarters in New York and through visits to the country offices in the Lao People's Democratic Republic, Liberia, Nepal, Sierra Leone, Sri Lanka and Uganda.

Scope of the report

The report covers matters that in the opinion of the Board should be brought to the attention of the General Assembly and has been discussed with UNDP management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNDP as at 31 December 2015 and its financial performance and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNDP operations under financial regulation 7.5 of the United Nations. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNDP operations. The report also includes commentary on the status of implementation of the Board's recommendations from previous years.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNDP for the period under review as reflected in chapter I.

Overall conclusion

The Board did not identify significant deficiencies in the preparation and presentation of the financial statements. UNDP continued its efforts to address the concerns raised by the Board in its previous reports and improve financial management and overall governance structure.

The Board identified a number of areas where improvements could be made to internal controls. Many of the Board's observations highlight the need to strengthen compliance with rules and regulations and to enhance the programme and project management processes, enhance reporting to donors and the quality of information available to management. UNDP also needs to review its approach to information and communications technology, particularly in respect of access controls to the Atlas database and Hyperion systems and arrangements at the data centre. The Board also noted recurring weaknesses in project management, such as delayed certification of combined delivery reports; inadequate review and update of project risk logs in Atlas; and delayed financial closure of projects. These processes need to be enhanced to improve the way in which UNDP demonstrates its effective use of resources from donors.

Key findings

The Board highlights the key findings set out below.

Programme and projects management

Certification of the combined delivery reports

At the six country offices it visited, the Board noted delays in signing combined delivery reports. For example, while Programme and Operations Policies and Procedures require combined delivery reports to be certified and signed after the end of the quarter, 128 out of 164 such reports (from 82 projects) reviewed by the Board for the first and second quarters, with due dates of April and July 2015, respectively, were signed after delays of between three and six months. Delays in certification and signing of combined delivery reports increase the risk that misstatements in previous periods will not be corrected in a timely manner and consequently misstate the project's expenditure as reported in the financial statements. Management attributed the delays to technical requirements to modify the automated programme for the changed distribution rates of the general management support fee, which made the reports from the first quarter unavailable for signing until 5 July. Other reasons provided included the non-availability of authorized officials of implementing partners to sign off on the reports in some country offices and the longer time taken for the reports to be made available by headquarters. However, the Board considers that most of these factors could be mitigated through proper plans for software system changes and timely intervention with implementing partners.

Project oversight, monitoring and reviews

In its previous report (A/70/5/Add.1) the Board noted that project risk logs were not adequately updated in Atlas to reflect project issues and risk logs, the effectiveness of mitigating actions and residual risks. The Board continued to note similar weaknesses, whereby 78 of 104 reviewed projects (75 per cent), in the six country offices, were not adequately updated in Atlas. In two of the country offices visited, the 2015 midterm reviews were yet to be completed for 7 out of 8 projects and the 2014 annual reviews for 2 out of 8 projects had not been performed. Inadequate review and updating of the issues and risk logs may result in delays in effective management of project risks and inhibit the entity's ability to monitor and evaluate project activities. Management stated that it had a plan to recruit a Monitoring and Evaluation Compliance Officer and expected support from headquarters and regional service centres to assist in addressing the inadequacies in updating projects in Atlas on the issue and risk logs. The Board considers that performing midterm and annual reviews of projects in a timely manner is necessary for country offices to determine the actions to be taken in a timely manner for the remaining periods of project implementation.

Delays in closing projects

In its previous reports, the Board raised concern over delays in the financial and operational closure of projects. In 2015, the Board continued to note delays in project closures at the country offices it visited. For example, in three of the country offices, 28 out of 49 operationally closed projects were financially closed after a delay of more than 12 months, contrary to what is required by the Programme and Operations Policies and Procedures. Management attributed the delay to factors such as the outbreak of Ebola virus disease in Liberia and Sierra Leone, the general elections in Sri Lanka and the time needed to solicit approvals from donors regarding unspent amounts. While acknowledging the effect of natural disasters and political events in project delivery, the Board considers that delays were also caused by inadequate project monitoring, since these events were clearly not the sole cause of inadequate performance, as the outbreak of Ebola and general elections are not occurring annually in the country offices.

Multi-Partner Trust Fund Office: delay in operational and financial closure of projects

The Board noted that participating United Nations organizations receive funds from the Multi-Partner Trust Fund Office for implementing projects, but there have been protracted delays in the operational and financial closure of the projects they implement, contrary to the United Nations Development Group Guidance on Establishing, Managing and Closing Multi-Donor Trust Funds. For example, out of 716 (net funded amount $2,286.8 million) projects for which operational and financial closure is overdue and that are still active, 176 projects (net funded amount $545.1 million) completed between 2009 and 2013 are still marked as ongoing in the Multi-Partner Trust Fund Office Gateway, while another 540 projects (net funded amount $1,741.7 million) completed between 2005 and 2013 were marked as operationally closed instead of being financially closed.

The Board also found that out of the 716 projects overdue for closure, final reports had not been submitted for 306 projects, 89 projects had uncorrected reports with overexpenditure of $11.2 million accruing from 2005 to 2013; and 321 projects had unspent balances of $32.75 million pending final refunds and/or final expense reporting by the participating United Nations organizations. Those refunds are pending for periods of between 2 and 11 years from the projects' end dates.

Delays in project closure affect the accountability and credibility of the United Nations Development Group, participating United Nations organizations and the Multi-Partner Trust Fund Office. The Board is of the view that standardized and improved closure procedures will allow for more cost-effective and timely closure and decision-making. Management explained that for the projects in question, there were delays for some entities in submitting their final reports despite follow-ups made by the Multi-Partner Trust Fund Office.

Harmonized approach to cash transfers framework

Compliance with the revised harmonized approach to cash transfers framework became mandatory from 1 January 2015 for all country offices. While positive progress was made by country offices towards implementation of the revised framework, the Board identified a number of weaknesses that need management attention in order for improvements to be made. These include non-performance of macroassessments, macroassessments not being included in the United Nations Development Assistance Framework reviews, or not incorporated into the common country assessments, non-preparation or delay in the preparation of microassessment plans, delayed submission or submission of incomplete information in the harmonized approach to cash transfers assurance activity plan; and delays or non-performance of the microassessment activities for implementing partners. Non-performance of the macroassessment and non-inclusion of the summary of the macroassessment in the country context report and the United Nations Development Assistance Framework may have an impact on country office ability in identifying risks in the public financial management environment in which the implementing partners operate. As a result, risks identified in the macroassessment may not always be incorporated into country-level risk management activities and programme design in a timely manner.

Procurement and contract management

Vendor data management

In relation to financial resources (creating and approving vendors), the Programme and Operations Policies and Procedures require that when creating a new vendor, the staff member with a buyer profile should review Atlas vendor records to avoid creating duplicates, input the required vendor information in Atlas and check for accuracy and completeness. At 5 out of the 6 country offices visited, the Board noted 84 duplicate active vendors and 33 approved vendors who had bank accounts with the same account numbers and account details. Management attributed the weakness to offices that had created vendors from global long-term agreements, resulting in vendors with similar names, input errors when creating new vendors in the system and delayed vendor data corrections. While no instances of losses were identified in the audit, the Board considers that duplicate active vendors and vendors with the same bank accounts numbers and details create a risk of transacting or making payments to inappropriate vendors.

Hyperion financial management tool

Contract management and reports from Hyperion financial management tool

On 22 October 2014, UNDP engaged a consultant for three years for the implementation of the Hyperion financial management tool and application management services. The scope and objective of the consultancy was to assist UNDP in achieving its goals and objectives in terms of delivering accurate, high quality, periodic and annual financial statements on a timely basis, including reclassifications.

While UNDP made some achievements through the use of the financial management tool in automating the process of generating financial statements, some deficiencies were noted in the preparations of financial statements. For example, the cash flow statement and comparative financial information were not prepared in the financial management tool. In addition, the Board noted that figures for eight items in the notes to the financial statements were not automated and had differences.

While these differences were adjusted in the course of the audit, the Board is concerned that the challenges reported highlight the need for management actions to optimize the value of investing in the financial management tool and to minimize the risk of misstatements in the financial statements.

Management stated that they decided not to automate some of the statements owing to limitations in performing some of the ageing analysis. For example, ageing on some notes is by project identification number, which is a field not brought into the financial management tool, and the tool was not used to prepared the comparative financial statements because of the prior period adjustments, but from 2016 onwards, the tool will be used to prepared the comparative financial statements. Despite management explanations, there was no approved addendum to the statement of work confirming an agreement that the consultant would deliver work with a reduced scope. Management has assured the Board that the addendum will be approved and signed.

Hyperion information technology controls

The Board noted the following weaknesses in information technology controls related to the financial management tool:

(a) *Granting access to Hyperion users*: the process of requesting, approving and reviewing access was not documented and the role matrix was not adequately defined. The lack of documented procedure for access control and inadequately defined role matrix could lead to the assignment of excessive permission and granting user access without approval, thus exposing UNDP to the risk of unauthorized or unintentional modifications or misuse of information;

(b) *Segregation of duties*: the administrator user role in the financial management tool can load data from Atlas, change account mappings and metadata, manage user accounts and generate financial reports without an independent review of those activities, contrary to best practice on the segregation of duties. This set-up escalates a risk of unauthorized modification and granting access without approval.

Recommendations

The Board has made several recommendations based on its audit, which are contained in the body of the report. The main recommendations are that UNDP:

Certification of the combined delivery reports

(a) **In future, plan ahead on the changes needed in project settings such as the rates of the general management support fee to minimize delays in signing quarterly combined delivery reports, (ii) submit such reports in a timely manner, duly signed by UNDP and implementing partners in compliance with the Programme and Operations Policies and Procedures, (iii) liaise with implementing partners on their accountability regarding the timely signing of such reports, when delays are encountered;**

Project oversight, monitoring and reviews

(b) **Expedite the proposed measures, such as the hiring of a Monitoring and Evaluation Compliance Officer or designate a responsible programme staff member to ensure review and updating of the project risk logs, issues and monitoring logs and document the same in Atlas as the primary source of projects information, in a timely manner;**

(c) **(i) Obtain donors' approvals on refunds or reprogramming of unspent amounts in a timely manner, to minimize delays in closing projects; and (ii) ensure all projects in operational closure status are financially closed within 12 months;**

Multi-Partner Trust Fund Office: delay in operational and financial closure of projects

(d) **(i) Enhance and document the follow-up mechanisms, including feedback from all participating organizations that delayed in submitting final project reports, for future improvements; (ii) introduce measures to accelerate the operational and financial closure of all overdue projects; and (iii) as the largest United Nations fund administration service provider, propose the idea of common policies and procedures around inter-agency pooled funding mechanisms to harmonize practices and reduce transaction costs, so as to enhance accuracy in reporting and improve the timing of the issuing of reports;**

Harmonized approach to cash transfers framework

(e) **Ensure (i) country offices liaise with other United Nations entities and conduct macroassessments to align with the country offices' programme cycle; (ii) incorporate the macroassessments in the United Nations Development Assistance Framework review; (iii) incorporate macroassessments into the common country assessments; (iv) prepare in a timely manner the microassessment plans and the assurance activities plan for the harmonized approach to cash transfers; and (v) perform microassessments of the implementing partners in a timely manner;**

Vendor data management

(f) **(i) Perform regular vendor data checks to maintain accurate and up-to-date data, including removing duplicate active vendors; (ii) review and correct vendors' bank information to prevent duplicates; and (iii) review transactions processed into accounts shared by multiple vendors to ensure that no inappropriate transactions are included;**

Contract management and reports from the Hyperion financial management tool

(g) **(i) Liaise with the consultant and sign an addendum to the initial statement of work to include actual tasks performed in line with the long-term agreement and statement of work; (ii) periodically review financial reports from the financial management tool and correct differences in a timely manner, which will improve the accuracy of the financial statements at year end; and (iii) institute the compensating controls to check the ageing and balances generated by the financial management tool that need to be corrected before preparing financial statements;**

Hyperion information technology controls — granting access to Hyperion users

(h) **Strengthen controls to ensure frequent review of activities of administrators in the system;**

Hyperion information technology controls — segregation of duties

(i) **Clearly document procedures for granting and authorizing access to the system based on the role matrix and ensure a periodic review of the access list to both the application and the back-end database is conducted.**

Key facts	
170	Countries and territories where UNDP operates
$844.68 million	Budget for 2015 approved by the Executive Board for regular resources (core resources). Other resources do not fall within remit of the Executive Board's approved budget, although they are accounted for in the financial statements
$4.82 billion	Total revenue
$5.06 billion	Total expenses
$6.42 billion	Total assets
$2.15 billion	Total liabilities

A. Mandate, scope and methodology

1. The United Nations Development Programme (UNDP) was established in 1965 by the General Assembly. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

2. The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2015 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNDP as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNDP. The audit included a general review of financial systems and internal controls and testing of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNDP operations under financial regulation 7.5 of the United Nations. This allows the Board to make observations with respect to the efficiency

of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of UNDP operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. Those matters are addressed in the relevant sections of the present report and the summary of the results is included in annex I to the present chapter.

5. The Board performed the annual audit of the regular resources of the UNDP-Global Environment Facility Trust Fund and issued an unqualified audit opinion for the year ended 31 December 2015.

6. The Board coordinates with the Office of Audit and Investigations of UNDP in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the work of the Office. The present report relates to audits performed at the country offices visited by the Board and at UNDP headquarters.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNDP management, whose comments have been appropriately considered in the report.

B. Findings and recommendations

1. Follow-up of recommendations from previous years

8. The Board reviewed a total of 31 recommendations from previous years that were outstanding as of 31 December 2014 and noted that 16 recommendations (52 per cent) were fully implemented, 7 recommendations (23 per cent) were under implementation and 8 (25 per cent) were reiterated. Details of the status of implementation of those recommendations are shown in annex I. While the Board acknowledges management efforts in implementation of its recommendations, it considers that more efforts are needed to address the recommendations, with greater emphasis on the recurring recommendations that have been reiterated in the present report.

9. The Board noted that seven of its recommendations under implementation require UNDP to finalize some activities before they may be considered as fully implemented. The recommendations were on: suspected national implementation modality project procurement irregularities; review of the United Nations Development Assistance Framework and approval of country programme action plans; management of service contracts; management of purchase orders carried over from prior periods; unresolved balances with the United Nations current account; management of staff complaints, claims and concerns over structural change; and the preparation of resource mobilization plans at country offices.

2. Financial overview

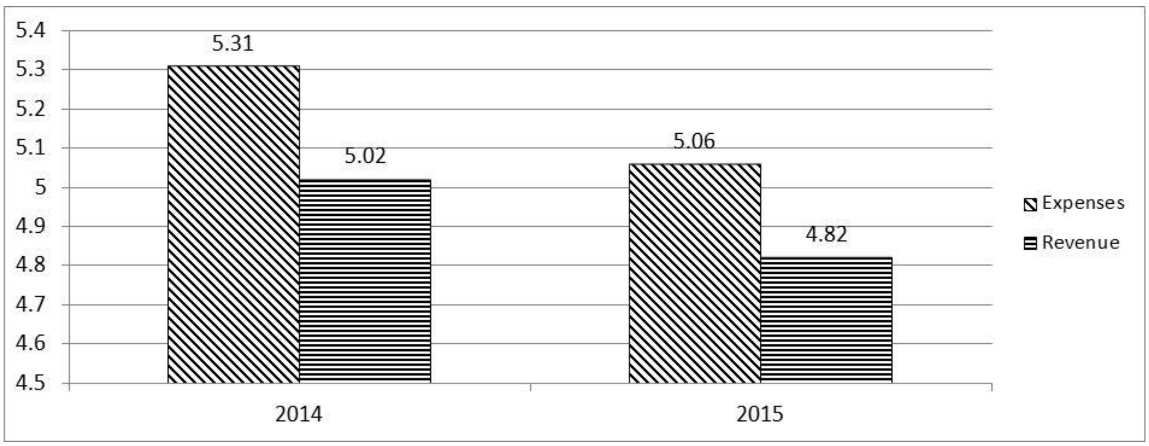
Revenue and expenses

10. UNDP revenue includes regular resources (core funds), other resources (non-core funds), investment revenue and other revenue. During the period under review, total revenue amounted to $4.82 billion, compared with $5.02 billion for the

previous period, a decrease of 3.9 per cent. Total expenses amounted to $5.06 billion, compared with $5.31 billion for the previous year, denoting a decrease of 4.7 per cent. In 2015, UNDP had a deficit of $237.25 million of expenses over revenue, which is a slight improvement compared with a deficit of $297 million reported in the previous period.

11. Overall, UNDP had cash and investments totalling $5.83 billion as at 31 December 2015 (2014: $5.90 billion). Total liabilities as at 31 December 2015 were $2.15 billion (2014: $2.32 billion). In accordance with the Financial Regulations and Rules approved by its Executive Board, UNDP held $341.13 million in reserves (2014: $352.64 million) and $3.93 billion as accumulated surplus (2014: $3.87 billion). Total revenue and expenses for the financial periods 2014 and 2015 are shown in figure II.I.

Figure II.I
Revenue and expenses
(Billions of United States dollars)



Source: Analysis by the Board of Auditors of UNDP financial statements for the periods ended 31 December 2014 and 31 December 2015.
Note: Graph not to scale.

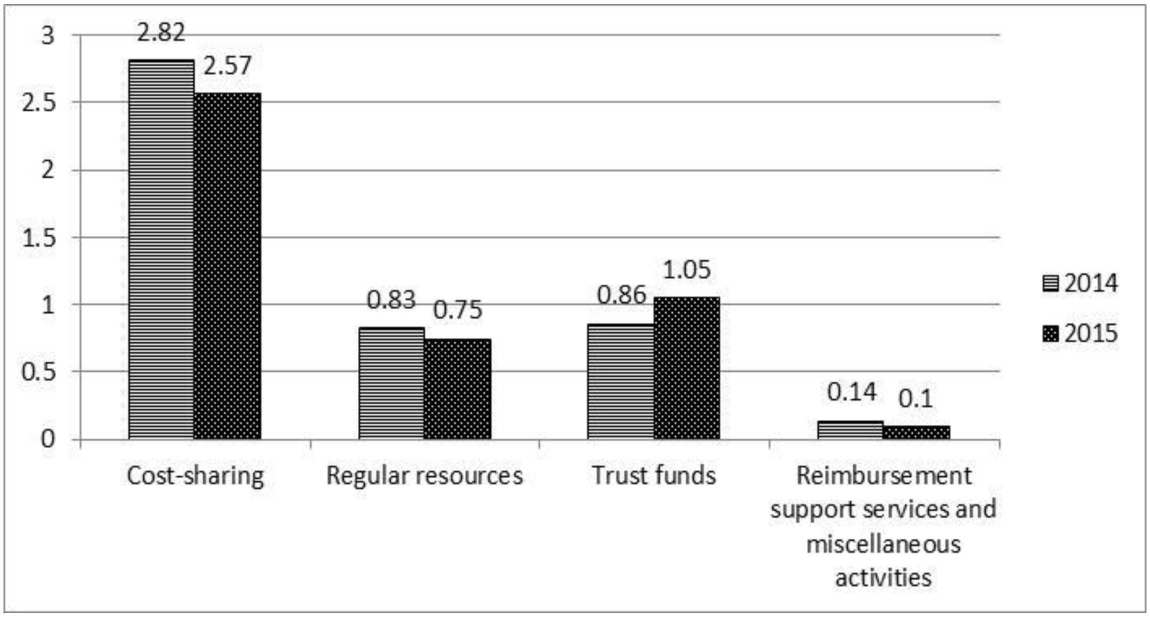
12. Revenue decreased by $0.20 billion (3.9 per cent) mainly owing to a decrease in voluntary contributions, revenue from exchange transactions and other revenues, whereas expenses decreased by $0.25 billion (4.7 per cent) mainly owing to favourable foreign exchange movement, resulting in lower foreign exchange loss in 2015 compared with 2014. Other factors include a reduction in the level of activities managed by the United Nations Office for Project Services, resulting in reduced expenses being reported in project delivery reports as regards community disaster management committees and least developed member countries, and a decrease in contractual costs, staff costs, supplies and consumables, as well as in general operating expenses.

Revenue

13. UNDP revenue includes voluntary contributions, revenue arising from exchange transactions (revenue generated by the exchange of goods or services), investment revenue and other revenue. During the year under review, voluntary

contributions amounted to $4.47 billion (2014: $4.66 billion), representing 93 per cent of the total revenue for the year. The amount included the following: cost-sharing, $2.57 billion (58 per cent); regular resources, $0.75 billion (17 per cent); trust funds, $1.05 billion (23 per cent); and $0.10 billion (2 per cent) from reimbursement support services and miscellaneous activities. Comparative contributions for regular and other resources for 2014 and 2015 are shown in figure II.II.

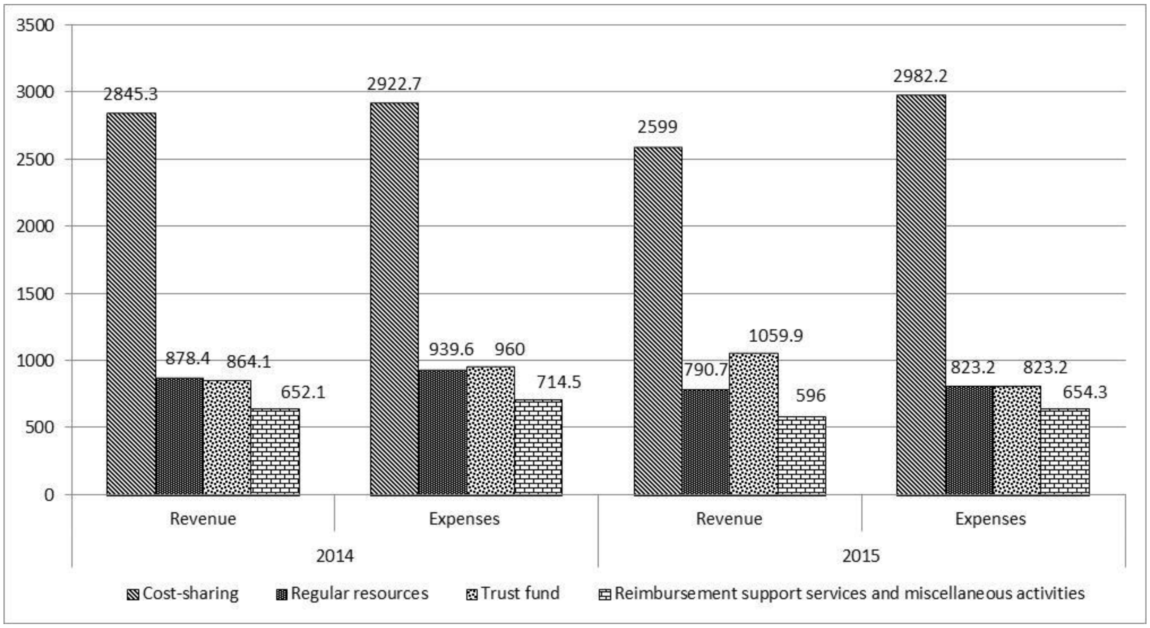
Figure II.II
Contributions to regular and other resources
(Billions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2014 and 31 December 2015.

14. Figure II.III below shows the analysis of UNDP revenue and expenses by segment for the years 2014 and 2015. The analysis shows that while in 2014, revenue from all segments was less than the related expenses, in 2015, revenue from trust funds was slightly greater than expenses, by 0.24 million, while in the rest of the segments, revenue was lower than expenses.

Figure II.III
Revenue and expenses by segment
(Millions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2014 and 31 December 2015.

Ratio analysis

15. Despite the unfavourable trend of revenue from contributions in the two consecutive years 2014 and 2015, the ratios set out in table II.1 still indicate a healthy overall financial position for UNDP. Current assets are more than three times the current liabilities and total assets are more than two times the total liabilities. The overall position shows that UNDP has sufficient assets to meet its short-term and long-term liabilities. However, the current ratio shows a decreasing trend over the past three years. This mainly indicates the decreasing level of liquidity, meaning that UNDP ability to pay off its short-term liabilities is slightly decreasing.

Table II.1
Ratio analysis

Description of ratio	*31 December 2015*	*31 December 2014*	*31 December 2013*
Current ratio[a]			
Current assets: current liabilities	3.59	3.65	4.42
Total assets: total liabilities[b]	2.99	2.82	3.37
Cash ratio[c]			
Cash + investments: current liabilities	3.18	3.13	3.86
Quick ratio[d]			
Cash + investment + account receivables: current liabilities	3.41	3.37	4.09

Source: Analysis by the Board of Auditors of UNDP financial statements for the periods ended 31 December 2013, 2014 and 2015.

[a] Current ratio: a high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] Total assets: total liabilities: A high ratio is a good indicator of solvency.

[c] Cash ratio: the cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] Quick ratio: the quick ratio is more conservative than the current ratio because it excludes inventories and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

3. Post implementation of International Public Sector Accounting Standards

16. Since the adoption of IPSAS in 2012, UNDP has been preparing IPSAS compliant financial statements annually. The Board has continued to note good progress in terms of the quality of the financial information being presented by UNDP. During the adoption of IPSAS, UNDP applied the transitional provision permissible under IPSAS 17, Property, plant and equipment, thus postponing the capitalization of all project assets that were acquired prior to 2012. Following the expiration of the transition period on 1 January 2015, UNDP has capitalized all project assets in 2015, whereby a total of 2,800 assets with a carrying amount of $22.6 million have been recognized in the financial statements for the year ended 31 December 2015. The Board noted areas with scope for improvement regarding IPSAS, as highlighted in the paragraphs below.

Pending milestones under the International Public Sector Accounting Standards dashboard

17. The pending milestones for revenue contributions arise as a result of uncompleted events when processing the contribution agreements at the Global Shared Service Centre. These may be attributable to cases such as expected cash not received from donors, unrecorded contributions from donors, or changed repayment schedules for contribution agreements not being captured at the Global Shared Service Centre. Completeness of these events is crucial as they affect the criteria for recognition of revenue, according to the Programme's IPSAS policy on revenue.

18. Programme and Operations Policies and Procedures on the monitoring of pending milestones require country offices, business units and operating units to regularly review contribution contract agreements with pending milestones and proactively follow up with donors on milestones with expired due dates. In addition,

the 2015 year-end closing instructions required offices to clear past due milestones by either uploading relevant documents in the Document Management System for the Global Shared Service Centre or indicating the revised estimated completion date for that milestone.

19. Nevertheless, despite the audit recommendation made in the previous report (A/70/5/Add.1), the Board continues to note pending milestones amounting to 7.6 million United States dollars, 18.8 million euros, 1 million pounds sterling, 1.5 million Norwegian kroner and 3 million Swedish kronor, with their estimated completion dates ranging from 1 July 2013 to 31 December 2015. The Board considers that delays in following up with donors on milestones with expired due dates, cancelled or amended contract agreements might lead to misstatements of revenue balance in the financial statements.

20. **UNDP agreed with the Board's recommendation that it: (a) ensure that operating units regularly review contribution contract agreements with pending milestones and proactively follow up with donors on milestones with expired due dates; and (b) ensure that at year-end, every operating unit reviews the reports for contracts with pending milestones and, where issues are identified, communicate to the Global Shared Service Centre through the Document Management System and update the status accordingly.**

Contributions not received

21. According to Programme and Operations Policies and Procedures, UNDP is required to provide for an allowance for doubtful debts when there is objective evidence at the reporting date showing that UNDP will not be able to collect all amounts due according to the original terms of the receivables. In addition, the year-end closure instructions require all operating units to amend the schedule of payments and negotiate with donors, before the due dates indicated in the agreements, and not after the receivables have been recorded in Atlas.

22. Despite the concern raised in its previous report (A/70/5/Add.1), the Board continues to note cases of contributions not yet received, which were due between 2013 and December 2015. As at the time of audit (May 2016), contributions amounting to $0.99 million had been outstanding since 2013, without a provision for doubtful debts being made as required by the Programme and Operations Policies and Procedures, and the terms of agreements had not been changed to reflect revised contribution due dates. The Board did not find any evidence that the long outstanding contributions were assessed for recoverability to determine if there was a need for an impairment allowance or adequate documentary evidence to substantiate the follow-up by operating units with donors to request payments for long outstanding contributions. The existence of contributions not received for a long period, without impairment provision, may have an impact on the fair presentation of accounts receivable.

23. Management stated that UNDP followed up with country offices on a monthly basis on outstanding receivables, carried out an analysis and determined that there was no need for any impairment in 2015. The Board was also informed that there were delays in negotiations with the donors to revise the agreement due dates or amend the terms of agreements where there were changes; therefore there was no need for an impairment allowance to be created. Nevertheless, the Board is still concerned that, owing to inadequate negotiations with donors on the long

outstanding contribution, UNDP would not know the recoverability status of the contributions.

24. **UNDP agreed with the Board's recommendation that it: (a) review the list of contributions receivable on a quarterly basis, so as to identify their recoverability status, and the level of assurance that controls are in place as required by the internal control framework; (b) keep documentary evidence at the country level of follow-up with donors to request payments for long outstanding contributions, prior to their recognition in Atlas at year end; and (c) make allowance for long outstanding doubtful debts, based on objective evidence as to their recoverability.**

Purchase orders without Atlas receipts

25. Programme and Operations Policies and Procedures and the internal control framework require UNDP purchase orders to be created for the full amount of the purchase or contract and the creation of receipts in Atlas when the goods are received or services rendered. Upon submission of an invoice by the vendor, an accounts payable voucher must be created by the Finance Section.

26. The Board reviewed the IPSAS dashboard and noted 324 purchase orders (in an amount of $5.57 million) without Atlas receipts, which indicates that goods were not received or services were not rendered. Those purchase orders were overdue, for periods ranging between 90 days and 1,408 days, from the expected due dates which were between 2013 and 2016.

27. The Board also noted 22 purchase orders (in an amount of $273,156), in the dashboard, for which ordering dates were entered in Atlas after the dates on which the vendors generated the invoices.

28. Management explained that, normally, receipts cannot be created in Atlas unless goods had been received or services rendered. Follow-up will continue with the relevant offices to ensure the purchase orders are either cancelled or the expired dates revised if the purchase orders are still valid. They also stated that there were rare instances, with justifiable reasons such as emergency or disaster situations, when offices might need to raise the purchase orders post facto. The Board is concerned that long outstanding purchase orders for goods or services without Atlas receipts increase the risk of them being invalid. In addition, raising purchase orders after the receipt of goods or services is contrary to the internal control framework and Programme and Operations Policies and Procedures.

29. **UNDP agreed with the Board's recommendation that it ensure that: (a) purchase orders are reviewed on a timely basis and cancelled or updated as necessary; (b) purchase orders are raised before receipt of the goods and services, in accordance with the internal control framework; and (c) post facto purchase orders are tracked to ensure that they are justified.**

Receipts without Document Management System links in Atlas

30. The Board noted from the IPSAS dashboard that 396 purchase orders in an amount of $22.41 million for goods and services received in 2015 had no Document Management System links to the supporting documents, such as invoices and goods received notes on receipt of such goods, services or fixed assets, as required by the standard operating procedures. Management stated that they will follow up with the

respective offices to ensure full compliance with the standard operating procedures. The lack of links to supporting documents means that voucher requests can be denied and therefore cause delay in processing payments. In addition, the accuracy of project delivery and asset recognition may be impaired.

31. **UNDP agreed with the Board's recommendation that it follow up with the respective offices to ensure full compliance with the standard operating procedures by: (a) uploading links to all supporting documents to the Document Management System in a timely manner, after being satisfied with the receipt of goods or services; and (b) regularly reviewing the IPSAS dashboard on the Document Management System link in Atlas and highlighting exceptions to the project managers or management requiring corrective action.**

Aged prepayments to vendors

32. According to the year-end IPSAS closure instructions for 2015, all operating units were required to prepare regular vouchers to liquidate prepayments before 31 December 2015. The IPSAS dashboard indicates the number of prepayment vouchers that have not been liquidated by the country offices for 180 days or more from the scheduled date of payment.

33. Nevertheless, the Board found that, in the Atlas dashboard for IPSAS at 31 December 2015, 39 prepayment vouchers with a value of $4.2 million had not been cleared by the operating units for more than 180 days after their scheduled date of payment. The prepayments were made between 2012 and 2015. Of those prepayments, $1.39 million related to prepayments that had been outstanding for periods ranging from 365 to 1,362 days, without being cleared. The Board is of the view that prepayments which are not cleared for long periods are prone to errors and the risk of non-receipt of goods and services. In addition, the excessive delay in receiving goods or services is likely to affect the intended use of the items.

34. UNDP stated that prepayments amounting to $3.14 million (75 per cent) relates to The Global Fund to Fight AIDS, Tuberculosis and Malaria procurement of pharmaceutical drugs through one United Nations agency. The procurement was made by the agency on behalf of UNDP from pharmaceutical companies with a long production lead time. The balance is made up of $554,099 (13 per cent) relating to vehicles that are procured through a second United Nations agency, which also has long production lead times from manufacturers, $345,385 (8 per cent) for civil works, and $176,273 (4 per cent) for police motorcycle uniforms and electrical networks. Although UNDP stated that it is following up with country offices, the Board is still concerned that UNDP should have followed up in a timely manner to ensure prepayments for which goods or services had been received are liquidated in line with the closure instruction and to obtain justification for prepayments for which no goods or services had been received.

35. **UNDP agreed with the Board's recommendation that it ensure that operating units: (a) prepare accounts payable vouchers before the deadline, as stipulated in the year-end closure instructions, so as to liquidate corresponding aged prepayments; and (b) regularly monitor and perform prepayment spot checks so as to verify and clear aged prepayments in a timely manner.**

4. Programme and project management

Certification of the combined delivery reports

36. In its previous reports (A/70/5/Add.1 and A/69/5/Add.1 and Corr.1), the Board raised concerns over the need for UNDP and implementing partners to sign the combined delivery reports[1] on a quarterly basis, as required by the Programme and Operations Policies and Procedures.

37. The Board reviewed project documents from 82 projects (164 combined delivery reports), at the six country offices visited, for the first and second quarters of 2015 and continued to note similar deficiency of delays in signing the delivery reports. Of the reviewed documents, a total of 128 reports (78 per cent) for the first and second quarters were signed after delays ranging from three to six months, while they are supposed to be signed within a month after the end of each quarter. A summary is in table II.2 below.

Table II.2
Certification of quarterly combined delivery reports, 2015

		First quarter			*Second quarter*			
No.	*Country office*	*Number of projects for which combined delivery reports were reviewed*	*Due date for signing the reports*	*Actual date on which reports were signed*	*Number of projects for which combined delivery reports were reviewed*	*Due date for signing the reports*	*Actual date on which reports were signed*	*Number of delayed combined delivery reports (delay in signing the 1st and 2nd quarter, unsigned reports)*
1	Lao People's Democratic Republic	26	April 2015	September 2015	26	July 2015	September 2015	50 of 52
2	Liberia	16	April 2015	September 2015	16	July 2015	September 2015	25 of 32
3	Nepal	11	April 2015	September 2015	11	July 2015	September 2015	22 of 22
4	Sierra Leone	7	April 2015	September 2015	7	July 2015	September 2015	4 of 14
5	Sri Lanka	9	April 2015	September 2015	9	July 2015	September 2015	18 of 18
6	Uganda	13	April 2015	September 2015	13	July 2015	September 2015	9 of 26
	Total	**82**			**82**			**128 of 164**

Source: Analysis by the Board of Auditors of country office combined delivery reports.

38. The country offices attributed the delays in certification and signing of the combined delivery reports to delays in receiving directives from headquarters, which are the basis for finalizing the delivery reports. The Board was also informed that in some implementing partners, the signatories either travelled frequently or had a high turnover, such that they were not available to sign the reports on time. Further, UNDP stated that the target closing time for the reports is two and a half months after the end of the quarter, owing to the processes required in the Atlas system. For instance, the reports for the first quarter were available on 5 July, owing to the extra technical requirements specified by headquarters to modify the automated programme for the changed distribution rates of the general management support fee.

[1] The combined delivery reports are official expenditure reports for implementing partners detailing the utilization of funds when implementing projects.

39. Delays in certification and signing of the combined delivery reports by country offices and implementing partners increases the risk that misstatements in previous periods, including incorrect postings of expenditure, will not be corrected in a timely manner, and consequently affect the project's expenditure in the financial statements.

40. While the Board acknowledges management concerns that headquarters needed more time to modify the automated programme for the changed general management support fee rates in 2015, the Board believes that better planning could have prevented changes in general management support rates from affecting the deadline for certification of the combined delivery reports. In addition, the changes in those rates occurred in 2015, while the delays in certification of the reports are a recurring deficiency and the Programme and Operations Policies and Procedures do not provide for extension for the certification of the reports.

41. **UNDP agreed with the Board's recommendation that: (a) in future, UNDP plan ahead regarding the changes needed in project settings, such as the rates of the general management support fee, to minimize delays in signing quarterly combined delivery reports; (b) it submit the combined delivery reports in a timely manner, duly signed by UNDP and implementing partners, in compliance with the Programme and Operations Policies and Procedures; and (c) it liaise with implementing partners on their accountability regarding the timely signing of combined delivery reports when delays are encountered.**

Oversight, monitoring and reporting for ongoing projects

42. According to the Programme and Operations Policies and Procedures, project monitoring is one of the most important responsibilities of the project manager. The project monitoring tools and mechanisms include regularly updating the risk log in Atlas, visiting field offices to monitor projects at least once a year and preparing annual reports.

43. At the six country offices visited, the Board noted that risk identification was done at the operational level, for example, in preparing unit workplans or at the start of projects. However, from a sample of 104 projects, the Board found that 78 projects had not been updated in Atlas with new risk and issue logs, progress in the monitoring of the risks and the reports on actions taken to address the risks identified. In addition, the Board found that risk and issue logs for 24 out of 104 sampled projects were updated in October 2015, at the period of interim audit, rather than being done regularly, as required under the Programme and Operations Policies and Procedures (see table II.3).

Table II.3
Project oversight and monitoring

Country office	*Projects not updated with risk and issue logs*	*Projects with late updates of risk and issue logs; few risk types and issues updated*
Lao People's Democratic Republic	17 out of 19	2 out of 19
Liberia	15 out of 20	4 out of 20
Nepal	6 out of 9	3 out of 9
Sierra Leone	24 out of 27	3 out of 27
Sri Lanka	2 out of 9	7 out of 9
Uganda	14 out of 20	5 out of 20
Total	**78 out of 104**	**24 out of 104**

Source: Analysis by the Board of Auditors.

44. Management stated that the country offices normally update some projects in the system at least on an annual basis. The noted deficiency was mainly attributable to the weaknesses in compliance with the monitoring requirements at field offices. Nevertheless, some country offices were addressing the issue by recruiting a Monitoring and Evaluation Compliance Officer, and headquarters and the regional service centres would provide support on the matter. The Board was also informed by management in some country offices that risk and issue logs and the progress in monitoring projects were recorded offline.

45. The Board remains concerned that weaknesses in the reporting of mitigating actions to address the identified risks and the infrequent updates and reviews of the issue and risk logs may undermine the ability to adequately manage projects' risks. The Board also considers that country offices need to enhance the monitoring of risks identified in the corporate planning system.

46. **UNDP agreed with the Board's recommendation that it institute measures such as the hiring of Monitoring and Evaluation Compliance Officers or designate a responsible programme staff member to ensure the timely review and updating of the projects' risk, issue and monitoring logs and document the same in Atlas as the primary source of project information.**

Project review and progress monitoring

47. According to the Programme and Operations Policies and Procedures, project monitoring and evaluation activities are crucial for project implementation. In addition, the projects' documents require the midterm review to be conducted during the mid-period of project implementation, to assess the progress made towards the achievement of outcomes in terms of effectiveness, efficiency and the timeliness of project implementation. The Policies and Procedures also require that projects' boards review the progress of projects and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily, according to plans.

48. The Board's review of 15 out of 65 ongoing projects at the Sri Lanka and Nepal country offices revealed the following:

(a) Sri Lanka country office:

(i) Quarterly progress reports were prepared in different formats in 5 out of the 9 projects and some of the reports did not capture key project information, such as risks, issues, output progress and financial performance. Other projects had in place the "monthly project delivery monitoring calendar" instead of the required quarterly progress reports;

(ii) Three projects had no quarterly progress reports for the first quarter, while one project had no progress report for the second quarter of 2015. In addition, three project boards did not conduct meetings in the first and second quarter of 2015, contrary to the requirements of the Programme and Operations Policies and Procedures;

(iii) The country office had not yet conducted the midterm review for one project, while the 2014 annual reviews for two projects had not been conducted. Management explained that political changes in 2015 after the general elections had caused challenges, such as the change of focal points who were responsible for projects at implementing ministries, which consequently affected project management and monitoring.

(b) Nepal country office midterm reviews were not conducted for six projects out of the eight scheduled for 2015. Management explained that midterm reviews for three projects were delayed in the initiation phase because of the earthquake in April 2015.

49. While acknowledging the challenges faced by the country offices, including the earthquake in Nepal, the Board is of the view that management needs to expedite the finalization of progress reports in order to provide valuable input to the projects board meetings and to enable action to be taken in a timely manner for improvement in the remaining period of the project's implementation.

50. **UNDP agreed with the Board's recommendation that UNDP Nepal and Sri Lanka country offices: (a) ensure that quarterly progress reports are prepared and harmonized and that they capture all key items related to projects; (b) ensure timely meetings of projects boards are conducted, as required by the Programme and Operations Policies and Procedures; (c) develop an action plan so that midterm reviews and annual reviews of projects scheduled for 2015 are performed without further delay; and (d) institute control measures to ensure that monitoring for future project reviews takes place on time.**

Project closure activities

51. On project closure, the Programme and Operations Policies and Procedures require the completion of various activities and the preparation of closure documents, including final combined delivery reports, final review reports and final completion checklists. From the review of project documentation at six country offices, the Board noted the following deficiencies at the Liberia and Uganda country offices relating to project closure:

(a) *Liberia country office*: out of 14 projects that were closed operationally in 2015 final reviews and project board meetings had not been conducted for 7 of those projects. In addition, 6 out of the 14 operationally closed projects had total fund balances of $50,112 over a period of four years (2011 to 2015). Management explained that the fund balances were either pending refund to donors or to be reprogrammed with the consent of donors. Further, a review of 25 out of the 58 financially closed projects as at 31 August 2015 showed that 9 projects had no final combined delivery report, while 1 project had no final completion checklists. Management explained that two projects were handled by headquarters therefore the final combined delivery reports could be obtained from headquarters, and for the remaining eight projects, the final reports were not obtained because those projects were operational from previous years and the country office did not have documentation readily available. The absence of delivery reports and other project information may inhibit UNDP from ascertaining the authenticity of expenditure and getting the full benefit of lessons learned from closed projects.

(b) *Uganda country office*: 14 projects were closed financially in 2015. The Board reviewed eight financially closed projects and noted that five projects had neither final combined delivery report nor final completion checklists. Management explained that those five projects were older projects, with no readily available documents, and the office had been looking for the required documents without success. The lack of final combined delivery reports and project completion checklists is contrary to the requirements of the Programme and Operations Policies and Procedures and also limits the assurance of management and of the Board of Auditors over the expenditure of the closed projects.

52. **UNDP agreed with the Board's recommendation that the Liberia and Uganda country offices: (a) ensure project completion checklists are completed and final combined delivery reports for financially closed projects are certified by responsible parties; and (b) make efforts to refund amounts due to donors in line with the Programme and Operations Policies and Procedures and donor agreements.**

Delays in closing projects

53. The Programme and Operations Policies and Procedures require that projects be financially completed within 12 months of operational completion or from the date of project cancellation. In addition, the Policies and Procedures require that for the period between operational closure and financial closure, the implementing partner should identify and settle all financial obligations and prepare a final expenditure report.

54. At the country offices it visited, the Board noted that of 49 projects reviewed, which were financially closed in 2015, a total of 28 projects (57 per cent) took more than 12 months to be financially closed. The excessive time taken to financially close projects causes challenges in verifying aged transactions and in determining expenditures and other information related to projects (see table II.4).

Table II.4
Delay in closing completed projects

Country	*Number of projects financially closed in 2015*	*Number of projects for which financial closure was delayed beyond 12 months*
Lao People's Democratic Republic	15	8
Liberia	15	9
Sri Lanka	19	11
Total	**49**	**28**

Source: Analysis by the Board of Auditors.

55. Management explained that the delays in project closure referred to in table II.4 were mainly attributable to more time taken to obtain approvals from donors regarding unspent amounts, to the outbreak of Ebola virus disease, which affected Liberia, and to the holding of general elections in Sri Lanka. In addition, the Board was informed that the Liberia country office was engaged in due diligence, reviewing grant agreements and holding discussions with donors about reprogramming or refunding the balances. While acknowledging management explanations, the Board is of the view that UNDP needs to continue to address the issue of delays in closing projects financially, because it increases the risk of misuse of the unspent balances.

56. **UNDP agreed with the Board's recommendation that it: (a) obtain donors' approvals regarding refunds or reprogramming of unspent amounts, in a timely manner, to minimize delays in closing projects; and (b) ensure that all projects in operational closure status are financially closed within 12 months.**

Slow pace in project budget implementation

57. In its previous reports (A/70/5/Add.1 and A/69/5/Add.1 and Corr.1), the Board raised concerns about the slow pace of project budget implementation. The Board noted similar issues in 2015, during its visit to six country offices, which had 181 ongoing projects with a total budget of $155.6 million and actual expenditure of $63.9 million as of August 2015, indicating a project delivery rate of 41 per cent (country office rates of delivery ranged from 32 per cent to 54 per cent).

58. While the project expenditure and delivery rates ranged between 75 per cent and 92 per cent (average of 84 per cent) towards year end, the in-year progress observed during audit shows the need for close supervision of the projects. The summary of project budget utilization is in table II.5.

Table II.5
Project budget utilization
(United States dollars)

Country office	*No. of ongoing projects*	*Budget August 2015 (interim audit)*	*Budget December 2015*	*Actual expenditure August 2015*	*Actual expenditure December 2015*	*Utilization August 2015 (percentage)*	*Utilization December 2015 (percentage)*
Lao People's Democratic Republic	19	19 777 688	21 835 563	7 770 202	16 876 278	39	77
Liberia	32	28 135 990	27 925 179	12 648 207	22 693 457	45	81
Nepal	22	44 079 644	40 473 738	14 464 579	35 782 956	33	88
Sierra Leone	27	24 345 557	20 076 346	13 098 308	17 655 814	54	88
Sri Lanka	43	20 737 391	20 934 179	6 706 569	15 666 502	32	75
Uganda	38	18 523 105	17 674 621	9 256 986	16 239 961	50	92
Total	**181**	**127 463 385**	**148 919 626**	**63 944 851**	**124 914 968**	**41**	**84**

Source: Audit analysis of project budget utilization based on Atlas and executive snapshots as of August 2015 and December 2015.

59. Management attributed the slow pace of project delivery to several factors, including implementing partners who had demonstrated limited capacity to absorb funds owing to inadequate staffing or periodic staff turnover; inefficiencies within some implementing partners; multiple demands placed on the same implementing partners by national and other donor funded programmes, without necessarily the commensurate capacities to handle all funds. Other factors included the failure to request advances for projects in a timely manner, leading to delayed initiation of activities, natural disasters, such as the outbreak of Ebola virus disease in Sierra Leone and Liberia and the earthquake in Nepal, as well as the holding general elections in Sri Lanka, which took place in 2015.

60. The Board acknowledges the challenges facing management, but considers that the slow pace of delivery was mainly attributable to the shortcomings in project monitoring during implementation. These include inadequate consultations with implementing partners and the lack of workplans to deal with outstanding project activities, which impede the timely completion of project activities. This is evidenced by the fact that other country offices with slow project budget utilization, visited by the Board, had not been affected by factors beyond management control, such as the outbreak of Ebola virus disease. The Board considers it necessary that project budgets are more realistic and attainable within a specified period, according to the available resources of implementing partners.

61. **UNDP agreed with the Board's recommendation that it ensure country offices: (a) set realistic and attainable project activities and budgets at key planning stages, in line with the Programme and Operations Policies and Procedures, so as to expedite project budget implementation; and (b) monitor the progress of project implementation in a timely manner and implement corporate action plans to minimize project delays.**

Accelerated delivery and unprogrammed resources reports

62. Accelerated delivery and unprogrammed resource reports (prepared on a weekly basis on the Programme's intranet) are aimed at highlighting the financial

data related to accelerating project delivery and unprogrammed resources for projects. The financial data related to unprogrammed resources are categorized as trust funds that are not fully allocated (available resources are not fully reflected in annual spending limits in Atlas); trust funds that are not fully budgeted (annual spending limits and/or available resources are not fully assigned to approved project budgets in Atlas), and cost-sharing resources that are not fully budgeted (available resources are not fully reflected in approved project budgets in Atlas).

63. From a sample of 5 of the 25 largest trust funds and 5 of the 60 largest unbudgeted funds of cost-sharing projects included in the reports for unallocated trust funds and cost-sharing projects for the years 2013, 2014 and 2015, the Board found that total unallocated and unbudgeted fund balances in those three years ranged from $10.64 million to $49.9 million, as shown in tables II.6 and II.7.

Table II.6
Trust Fund reports indicating unallocated balances from 2013 to 2015
(United States dollars)

	Total amount		
Number of trust funds	*2013*	*2014*	*2015*
5	26 489 742	49 949 403	48 868 960

Source: Information on accelerated delivery and unprogrammed resource, UNDP intranet.

Table II.7
Reports indicating unbudgeted funds from 2013 to 2015
(United States dollars)

	Total amount		
Number of projects	*2013*	*2014*	*2015*
5	10 665 247	10 647 576	10 695 559

Source: Information on accelerated delivery and unprogrammed resource, UNDP intranet.

64. Management informed the Board that the reports had been designed to bring to the attention of respective bureaux and fund managers the possible unprogrammed and unallocated resources. Among the sample of trust funds or projects audited, there were no issues of unallocated or unprogrammed resources, instead the reports are meant to reflect unrecorded transfers of income and expenditure between the receiving units and the implementing units. In addition, balances were due to the multi-year nature of UNDP work, whereby contributions received at the end of the year are generally programmed for use in the succeeding years and thus, year-end balances are not necessarily indicative of inactivity.

65. While the Board noted the management response, it is of the view that financial data reports for unbudgeted and unallocated funds should provide a realistic basis to support effective management and operational decision-making and monitoring. The Board is concerned that unrealistic financial data reports in the dashboard may mislead those relying on the information and affect the interpretation or understanding of the information by other stakeholders.

66. **UNDP agreed with the Board's recommendation that it consider improving its accelerated and unprogrammed resource reports through additional guidance in year-end closure instructions, in order for the reports to have similar understanding and meaning by management and other stakeholders.**

5. Multi-Partner Trust Fund Office

Delay in operational and financial closure of projects

67. The Multi-Partner Trust Fund Office of UNDP assists the United Nations system and national governments in establishing and administering pooled financing mechanisms — multi-donor trust funds and joint programmes — to collect and allocate funding from a diverse pool of financial contributors to a wide range of implementing entities in a coordinated manner.

68. The Board found that participating United Nations organizations received funds from the Multi-Partner Trust Fund Office for implementing projects, but there have been protracted delays in the operational and financial closure of the projects they implement, which is contrary to the UNDG Guidance on Establishing, Managing and Closing Multi-Donor Trust Funds. For example, of the 716 projects for which operational and financial closure was overdue (net funded amount of $2,286.8 million) that remained active as of 31 December 2015, 176 projects (25 per cent, net funded amount of $545.1 million) completed between 2009 and 2013 were marked as ongoing in the Multi-Partner Trust Fund Office Gateway; while 540 projects (75 per cent, net funded amount of $1,741.7 million) completed between 2005 and 2013 were marked as operationally closed instead of being marked as financially closed.

69. In addition. of the 716 overdue projects, final reports were yet to be submitted for 306 projects, 89 projects had uncorrected reports, with overexpenditure of $11.2 million accruing from 2005 to 2013, and 321 projects had a balance of $32.752 million, which was held pending the final refunds and/or final expense reports from the participating United Nations organizations. The refunds had been pending for a period of between 2 and 11 years from the projects' end dates. Delays in project closure affect the accountability and credibility of the United Nations Development Group, the participating United Nations organizations and the Multi-Partner Trust Fund Office. It also affects the entire fund closure timeline, implicitly driving up costs for all parties, including financial contributors, who cannot close their own financial statements.

70. The Multi-Partner Trust Fund Office stated that it can only operationally close and thereafter financially close a project if it has received a full refund of any balance from each participating United Nations organization involved in the project and a final certified report, in line with the memorandum of understanding. It was further explained that, for the projects in question, there was a delay by some entities in the submission of their final reports, despite follow-up actions. The Office has limited influence as the administrative agent, since it relies on the other United Nations entities and their compliance with rules and timing regarding closure and issuing of reports.

71. However, the Board considers that UNDP needs to strengthen its process for following up with delaying participating organizations to accelerate project closure

and reporting, so as to realize the Multi-Partner Trust Fund Office's strategic objectives. UNDP also need to standardize and improve the closure procedures to allow for more cost-effective and timely closures and decision-making.

72. **UNDP agreed with the Board's recommendations that it (a) enhance and document the follow-up mechanisms, including feedback from all delayed participating organizations for future improvements; (b) introduce measures to accelerate the operational and financial closure of all overdue projects; and (c) as the largest United Nations fund administration service provider, propose the idea of common policies and procedures around inter-agency pooled funding mechanisms to harmonize practices so as to enhance accuracy in reporting and timing of issuing reports.**

6. Harmonized approach to cash transfers framework

Implementation of revised harmonized approach to cash transfers framework

73. The inter-agency harmonized approach to cash transfers framework was endorsed by the United Nations Development Group in 2014 and has therefore superseded the previous framework (2005). Within UNDP, the revised framework was approved by the Associate Administrator, for implementation effective 1 January 2015.

Macroassessments

74. Item 3.1 (a) of the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers, regarding macroassessment, explains that the purpose of the macroassessment is to ensure adequate awareness of the public financial management environment within which United Nations entities provide cash transfers to implementing partners. The harmonized approach to cash transfers framework is not limited solely to the financial environment but other aspects such as national procurement capacity, exchange rate volatility and the presence of informal or black markets. Item 3.1 (d) (i) of the relevant Policies and Procedures explains that a macroassessment should be undertaken once per programme cycle, noting that both the country and its public financial management environment are continually evolving. Further, section 7.11 of the framework explains that a summary of the macroassessment should be incorporated into the common country assessment. If the timing of the assessments does not coincide, the summary of the macroassessment should be communicated through the annual review in the context of the United Nations Development Assistance Framework.

75. The Board reviewed the progress in the implementation of the revised harmonized approach to cash transfers framework and noted areas which require management intervention for improvements, as described below.

76. *Uganda country office*: The country office was in the last year of its programme cycle (2010-2015) and the new programme cycle will run from 2016 to 2020. However, the Board noted that the most recent macroassessment was performed in 2006. The United Nations country team, at its meeting in September 2015, approved the adoption of the World Bank report on public expenditure and financial accountability and used its results instead of performing the macroassessment. Management relied on the World Bank report, arguing that to conduct a macroassessment would be time-consuming and costly. Nevertheless, the

Board found that the report was outdated, as its validity was only for the period 2012 to 2014, while the new programmatic cycle of the United Nations Development Assistance Framework covers the period from 2016 to 2020. In addition, the report is not sufficient as it does not have details of procurement capacity, exchange rate volatility and the presence of informal or black markets. Furthermore, the use of the report is not compliant with the revised harmonized approach to cash transfers framework and item 3.1 d (i) of the Programme and Operations Policies and Procedures on the framework, which clearly state that assessments by the World Bank and other institutions should not be considered as substitutes for the harmonized approach to cash transfers macroassessment.

77. The Board considers that the non-performance of the macroassessment may create (a) difficulties for the country office in identifying risks in the public financial management environment in which the implementing partners operate and therefore, risk management activities and logs might not be appropriately incorporated in the country-level risk management activities; and (b) challenges for how the country office would use findings from macroassessment in other activities relating to implementation of the harmonized approach to cash transfers, such as project assurance activities, since the outcomes of macroassessment are not included in the United Nations Development Assistance Framework.

78. *Liberia country office*: The country office conducted the macroassessment in 2013 and is in the programme cycle of 2013 to 2017. However, the outcomes of the macroassessment were not included in the United Nations Development Assistance Framework review. The Board is concerned that the country office has not used the outcomes of the macroassessment to address the risks relating to the implementation of the harmonized approach to cash transfers. Management explained that since the United Nations Development Assistance Framework was still under review, the country office would consider including the results of macroassessment once completed. Nevertheless, the Board is of the view that non-inclusion of the summary of macroassessment in the United Nations Development Assistance Framework inhibits the office from exploring the risks identified at the country level that are specific to United Nations entities and programme design.

79. *Sierra Leone country office*: The country office is in the first year of its current programme cycle (2015 to 2018), with the most recent macroassessment conducted in 2009. The country office has not conducted the macroassessment for the current period of the United Nations Development Assistance Framework and programmatic cycle. Subsequently, management conducted a macroassessment in June 2016, which is contrary to the provisions of the harmonized approach to cash transfers framework, which advocate the assessment being performed during the preparation of the common country assessment. If the timing of the assessments does not coincide, then the macroassessment should be conducted during the annual United Nations Development Assistance Framework review. The Board is of the view that delays in performing the macroassessment affect the ability of the country office to identify and include the outcomes of the macroassessment in the United Nations Development Assistance Framework; consequently there are concerns as to how the country office could utilize the findings to inform other activities relating to implementation of the harmonized approach to cash transfers, such as project assurance activities. The delayed performance of macroassessment is not in compliance with the requirements of the harmonized approach to cash transfers framework.

80. *Sri Lanka country office*: The current programmatic cycle is from 2013 to 2017 and the country office engaged a consultant to perform harmonized approach to cash transfers macroassessment in 2015. The final report from that review was submitted on 28 July 2015. The Board noted that the "country context" report (as a substitute for the common country assessment) was done in 2012, before conducting the review of the United Nations Development Assistance Framework for 2013 to 2017. In addition, the annual review of the United Nations Development Assistance Framework for 2014 was suspended as at the time of audit, in October 2015, to allow for a midterm review of the Framework. However, the summary of harmonized approach to cash transfers macroassessments was yet to be incorporated into the "country context" report and United Nations Development Assistance Framework of 2013 to 2017. The Board is of the view that the non-inclusion of the summary of the macroassessment in the country context report and United Nations Development Assistance Framework of 2013 to 2017 limits the agencies in exploring the country-level risks identified and in the timely incorporation of their understanding of risk effects into the organization and programme design.

81. **UNDP agreed with the Board recommendation that the resident coordinators ensure that the Sri Lanka and Liberia country offices: (a) communicate the summary of the macroassessment of 2015 when conducting the annual United Nations Development Assistance Framework review; and (b) perform future macroassessments at least once during the programming cycle, in line with the harmonized approach to cash transfers framework.**

82. **UNDP also agreed with the Board recommendation that the resident coordinators ensure that: (a) the Uganda country office liaise with other United Nations entities and initiate the process of conducting macroassessments at least once during the country office programme cycle; and (b) the Uganda and Sierra Leone country offices incorporate the macroassessment, where available, in the United Nations Development Assistance Framework reviews.**

Preparations of the microassessment plans

83. Item 3.2 (d) (xvi) of the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers requires a microassessment plan to be prepared in advance of each programme cycle, updated annually and completed during the programme cycle. In addition, section 7.27 of the harmonized approach to cash transfers framework explains the importance of the planning process, which provides a mechanism for agencies and country offices to determine which implementing partners require a microassessment and how to prioritize the assessments.

84. Furthermore, under transition arrangements, item 2.3 (d) of the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers required country offices to submit a transitional microassessment plan through the regional bureau to the focal point for harmonized approach to cash transfers at headquarters by 30 April 2015. The plan must indicate dates by when the microassessments will be completed, which should be no later than 30 September 2015. However, at the country offices it visited, the Board noted the deficiencies described below.

85. *Nepal country office*: The country office prepared a combined plan of macro- and microassessment in 2013. However, the combined macro- and microassessment

plan lacked certain prerequisite information, such as identification of implementing partners eligible for microassessment, budgeted programme cycle, priority rating and planned dates for microassessment. In addition, the plan had not been endorsed by the Resident Representative. Furthermore, the macro- and microassessment plan for 2013 were uploaded in the harmonized approach to cash transfers dashboard on 5 October 2015 instead of 30 April 2015, which was the due date according to the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers.

86. In addition, one implementing partner was scheduled for microassessment in October 2015, but the country office had not yet updated the microassessment plan. The microassessment plan gives a road map for the microassessment process and for prioritizing the assessments of certain implementing partners accordingly. In the absence of a well-documented microassessment plan, the country office might not be able to prioritize the microassessment activities. For instance, two implementing partners with more than 10 per cent of total programme cycle funding, who are considered to represent material risk, were assessed in 2014 instead of 2013, whereas nine implementing partners with less than 10 per cent of programme cycle funding were assessed in 2013.

87. *Sri Lanka country office*: The country office did not prepare a microassessment plan for the 2013 to 2017 programmatic cycle and consequently there were no annual updates in 2014 or 2015. In addition, the 2015 transitional microassessment plan had yet to be prepared and uploaded in the harmonized approach to cash transfers SharePoint site. Furthermore, while the Board acknowledges the efforts made by the Sri Lanka country office to request clearance from the regional bureau, on 12 May 2015, for the preparation of the transitional microassessment plan, the Board remains concerned that the request was sent to the regional bureau 12 days after the deadline of 30 April 2015 for preparing the transitional microassessment plan.

88. *Uganda country office*: the microassessment plan was endorsed in September 2015 by the Resident Representative and uploaded in the harmonized approach to cash transfers SharePoint on 20 October 2015, although the due date for uploading the plan was 30 April 2015. In addition, the plan had the following deficiencies: (a) it did not indicate the budget programme cycle funding for all implementing partners or the number of years the country office had been working with 56 implementing partners; (b) previously, the office had worked with 25 implementing partners but the plan did not establish the priority risk ratings of those implementing partners; (c) eight implementing partners were included in the plan as requiring microassessment in 2015, however the scheduled dates for assessment referred to in the plan indicated that their assessments were still valid, despite the fact that those partners were last assessed prior to the year 2014; and (d) 15 implementing partners indicated that they needed microassessments, however, their planned assessment dates were indicated as “not applicable”. The Board is concerned that the lack of consistency and accuracy of information in the microassessment plan in line with the harmonized approach to cash transfers framework regarding implementing partners and actual dates for performing microassessments might affect the reliability of the plans.

89. *Sierra Leone country office*: The country office prepared the transitional microassessment plan in October 2015, the due date for which was 30 April 2015.

The Board's review of the plan showed that the microassessment plan did not indicate the budget programme cycle funding for all implementing partners nor the number of years the country office had been working with 50 implementing partners. In addition, the office had previously worked with 12 implementing partners but their priority risk ratings were not properly established in the plan. The Board is of the view that a microassessment plan gives a road map for the microassessment process and therefore the absence of a well-documented microassessment plan might deter the country office from prioritizing the microassessment activities.

90. In the absence of the complete and accurate microassessment plans, prepared in a timely manner, the country offices could not properly prioritize the risk ratings of the implementing partners, and it affected the selection of the cash transfer modality for implementing partners and their corresponding assurance activities.

91. **UNDP agreed with the Board recommendation that it (a) strengthen controls in reviewing the harmonized approach to cash transfers microassessment plan for completeness and accuracy; (b) prioritize the microassessment activities relating to implementing partners, based on an assessment plan; and (c) monitor implementation and conduct an annual update of the assessment plan.**

Submission of harmonized approach to cash transfers assurance activities plans

92. Section 2.3 (d) of the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers requires the country office focal point for the harmonized approach to cash transfers to submit the transitional assurance plan to the focal point for the harmonized approach to cash transfers at headquarters for review, and to upload the plan onto the harmonized approach to cash transfers SharePoint site by 30 April 2015. In addition, section 3.4 (b) of the Policies and Procedures identifies two phases of assurance activities (planning and implementation phases) requiring the approval of the assurance plan activity at the beginning of the programme cycle by the head of office, as one of the key procedures. However, the Board noted the deficiencies explained below.

93. *Nepal country office*: According to the harmonized approach to cash transfers assurance plan and harmonized approach to cash transfers dashboard, the assurance plan for the programmatic cycle of 2013 to 2017 was prepared in 2015, rather than at the beginning of programme cycle, and was uploaded on 5 October 2015, instead of 30 April 2015, contrary to requirements of the Programme and Operations Policies and Procedures. The assurance plan had yet to be approved by the Head of the Office. Although prior to the revisions to the harmonized approach to cash transfers framework, the assurance plan did not require endorsement by headquarters, the Policies and Procedures now require the assurance plan to be submitted to headquarters for review and approval. Late preparation and submission of the assurance plan to headquarters leads to late review and approval of the scheduled assurance activities for the respective years. This deficiency exposes the country office to a risk of implementing assurance activities without proper guidance and approvals.

94. *Uganda country office*: The transitional harmonized approach to cash transfers assurance activities plan was uploaded in the SharePoint on 20 October 2015, rather than on 30 April 2015. In addition, the assurance activities plan did not indicate the

budgeted programme cycle funding, as required under the harmonized approach to cash transfers assurance template, which stipulates that the country office may use available information, such as historical cash transfers and/or planned/budgeted transfers, to estimate programme cycle funding if total actual budgeted programme cycle funding is not readily available. Furthermore, the uploaded harmonized approach to cash transfers assurance activity plan did not indicate a schedule for spot checks, therefore it was difficult to identify the names of implementing partners requiring the spot checks, the total number of spot checks required for the current programme cycle, in accordance with agency guidance, the dates when spot checks were planned to be performed, actual dates of spot checks and the current status. The plan had no summary of the results or outcomes of the assurance activity, including any changes to the agency assurance plan and workplan.

95. While the Uganda country office had two reports for spot checks conducted in 2015, those spot checks were not included in the assurance activities plan, as required under the Programme and Operations Policies and Procedures, but instead they were included in the monitoring and evaluation plan. In the absence of spot checks being scheduled and in view of delays in the preparation of an assurance activities plan, the office cannot effectively perform the assessment and verify the accuracy of the financial records for cash transferred to the implementing partners and the status of programme implementation. Management explained that they would comply with the harmonized approach to cash transfers framework after completion of the project formulation process for the new programme cycle, 2016-2020.

96. In addition, while management considers the submission of the harmonized approach to cash transfers assurance activities plan as a one-time transitional plan issue, the noted shortcomings highlight the need for management to institute measures to minimize such shortcomings in the harmonized approach to cash transfers transitional plans and similar future assignments.

97. Harmonized approach to cash transfers assurance activity planning is critical to the successful implementation of the harmonized approach to cash transfers framework, especially as regards the periodic on-site reviews (spot checks), programme monitoring and scheduled and special audits of implementing partners at country offices.

98. **UNDP agreed with the Board's recommendation that it ensure country offices (a) prepare the complete set of harmonized approach to cash transfers assurance activities plan in line with the harmonized approach to cash transfers assurance template and include all the required information; (b) conduct all assurance activities as planned; and (c) monitor and improve annual assurance plans from the lessons learned from harmonized approach to cash transfers transitional assurance activities plans of 30 April 2015.**

Preparation of joint harmonized approach to cash transfers assurance plan

99. According to the harmonized approach to cash transfers framework, where entities share implementing partners, they have to work together to ensure an appropriate balance between the agency's assurance requirements and the burden of oversight and assurance on the implementing partner. For shared implementing partners, entities identify a lead agency for the purposes of managing the microassessment and audit processes. The Board noted deficiencies in the Uganda and Liberia country offices, as explained in the paragraphs that follow.

100. *Uganda country office*: The country office did not have a joint harmonized approach to cash transfers assurance plan between UNDP, the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), although the agencies share four implementing partners. Management explained that all United Nations entities were in the programme formulation process and that the harmonized approach to cash transfers working group has agreed that after completing the programme formulation process, a committee representing the three agencies would meet, identify shared implementing partners and prepare a joint harmonized approach to cash transfers assurance plan. That activity was scheduled to take place in November 2015.

101. *Liberia country office*: There was no joint harmonized approach to cash transfers assurance plan between UNDP, UNICEF and UNFPA, although the agencies share three implementing partners. Management attributed the noted deficiency to the outbreak of Ebola virus disease between April and August 2015. While acknowledging the challenges faced by the country office, the Board considers that it is important for UNDP to liaise with harmonized approach to cash transfers inter-agency coordinators for the preparation of the joint assurance plan for shared implementing partners, which is to be updated annually because the non-preparation of a joint assurance plan is non-compliant with the harmonized approach to cash transfers framework. The lack of a joint assurance plan might also result in different risk ratings by entities and inconsistency in the cash transfer modalities for the same implementing partners.

102. **UNDP agreed with the Board recommendation that the resident coordinators of the country offices for Uganda and Liberia ensure that the offices continue to liaise with the harmonized approach to cash transfers inter-agency coordinators for the preparation and endorsement of the joint harmonized approach to cash transfers assurance activities plan, without further delay.**

Delays and non-performance of the microassessments of implementing partners

103. Item 3.2 (d) (vi) of the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers emphasizes the performance of the microassessment before the commencement of programme activities and, if the microassessment had not previously been conducted, the office should proceed on the assumption that the result of the assessment would be an overall risk rating of "high risk" until the microassessment was completed. Further, section 2.3 (d) of the Policies and Procedures required that in 2015 the microassessments should be conducted no later than 30 September 2015. However, the Board noted the deficiencies outlined below, at three country offices.

104. *Liberia country office*: The microassessment plan showed that the last microassessment for all implementing partners was conducted in 2012. Of the implementing partners designated for assessment in 2012, four were later identified as requiring assessment in 2015. However, as at the time of the Board's interim audit (October 2015), the assessment had yet to be performed, contrary to the requirement in the Programme and Operations Policies and Procedures. Management explained that they were in the process of engaging a third-party service provider to conduct the assessment from November to December 2015. Nevertheless, the Board notes that the microassessment exercise for 14 implementing partners were in

progress and were due to be completed in 2016, but the Board considers that the engagement of the third-party service provider should have been done earlier, so as to ensure that the microassessment is performed within the time prescribed in the Policies and Procedures.

105. *Uganda country office*: The office had a total of 59 implementing partners for the year 2015. In its microassessment plan for the year 2015, the country office included 59 implementing partners, of which 21 were indicated as non-assessed, 37 as assessed for years running from 2010 to 2014, while one implementing partner was assessed prior to 2010. Further, the Board noted that all 59 implementing partners were identified for microassessment in 2015 and 2016, although the assessments had not been done as at the time of audit visit in October 2015. Management explained that the country office was running a 2010 to 2015 country programme cycle, to end in December 2015, therefore the office was in the process of conducting the microassessment in accordance with the plan. The Board understands that, despite the 2010 to 2015 programme cycle to end December 2015, the 59 implementing partners were supposed to have been microassessed by 30 December 2015, as per the requirement in the Programme and Operations Policies and Procedures.

106. *Nepal country office*: The office had 14 implementing partners eligible for microassessments in the current programmatic cycle (2013 to 2017). Of those 14, only 8 were assessed in a timely manner, in 2013. The Board noted that three implementing partners had not been assessed up to the time of the Board's visit in October 2015, although they had been implementing project activities, and three implementing partners were assessed in 2014 instead of 2013. In addition, the implementing partners had commenced project activities in 2013 before being subjected to the microassessments. In the absence of microassessments, the country office might not have an appropriate basis for adequately evaluating and incorporating the implementing partners risk ratings into the risk management activities and logs, consistent with the risk-based approach. Furthermore, starting project implementation prior to microassessments might lead to an inappropriate choice of cash transfer modality.

107. Management stated that the microassessments were yet to be accomplished owing to the need to obtain the agreement of implementing partners prior to conducting the microassessments, and that such agreement was not readily available, despite regular follow-ups. However, the Board believes that proper negotiations and consultations on the project's details, including requiring the compliance of implementing partners with the Programme and Operations Policies and Procedures on the harmonized approach to cash transfers, would increase compliance.

108. **UNDP agreed with the Board's recommendation that it (a) speed up the process of engaging a third-party service provider for microassessments and ensure the assessments are done without further delays; (b) institute control mechanisms so that future microassessments are done on time, before funds are provided to implementing partners; and (c) continue consultations with implementing partners to conduct the microassessments before starting future programmes, since the national implementation modality audits do not replace the microassessments.**

7. Contribution and resource management

Mapping of partnership and resource mobilization opportunities

109. According to the resource mobilization toolkit, the main aim of the mapping of partnership and resource mobilization opportunities is to consolidate the existing information on key current and potential donors, analyse ongoing trends in the development assistance landscape in the country office and provide an inventory of emerging sources of funding, as well as propose recommendations for the consideration of the country offices.

110. In Uganda, the Board noted that the country office did not include the mapping of partnership and resource mobilization opportunities in the resource mobilization strategy. Management explained that it had commenced mapping the partnership and resource mobilization opportunities, although it has yet to prepare donor profiles, which was expected to be finalized by June 2016. The profiles will indicate, for each donor, their thematic areas of focus, potential match with UNDP areas of focus and resources available, to the extent possible. However, there was no evidence to substantiate the mapping of partnership and it was noted that, among the partners in the corporate planning system who were meant to provide responses for the survey conducted, many were government institutions and bilateral donors. Thus the Board is of the view that the office had not fully explored the partnership opportunities from those donors.

111. The Board believes that more efforts are required to expedite the preparation and finalization of the donor profiles. The office needs to develop mapping, along with a resource mobilization strategy, which will describe the functional flow[2] for the effective coordination and management of resource mobilization. In the absence of mapping of resources and partners, UNDP will not easily realize the opportunities of mobilizing resources from those donors, since they have not been mapped in their mobilization strategy.

112. **UNDP agreed with the Board's recommendation that the Uganda country office prepare and include in its resource mobilization strategy the mapping of partners and resource mobilization opportunities.**

Deficiencies in the resource implementation plan

113. Resource mobilization is a process that requires ongoing dialogue with funding partners to create trust and develop strong relations. The process starts with planning, where resource requirements are identified and an analysis of the available external resource environment is made, to determine existing and potential sources of funding. The planning is followed by the implementation phase, whereby the offices engage with funding partners and conclude agreements.

114. The Board noted that the Uganda country office had included an implementation plan in its resource mobilization strategy of 2014. However, the plan had the following deficiencies: it did not indicate when the targeted resources would be mobilized, it had no information on how the country office would engage potential donors and it did not specify the time frame for meeting the resource

[2] Defining roles and responsibilities when mapping resource opportunities against partners to smooth the operations of mobilizing resources.

mobilization goals, which is contrary to the best practices recommended in the resource mobilization action plan.

115. Further, the country office resource mobilization strategy and plan showed that, despite the progress made, there were challenges regarding the quality (including of such items as output and outcome level development information, indicating concrete results, best practices and lessons learned) and the timelines for reporting contribution agreements with donors. For instance, according to the contribution agreements in the Document Management System, the country office had signed two agreements with two donors, in 2012 and 2014, for third-party cost-sharing. However, those agreements were communicated to the Global Shared Service Centre after a delay of more than 60 days, contrary to the Programme and Operations Policies and Procedures, which require the agreements to be submitted within a week of their being signed.

116. Furthermore, the revenue management process in the Document Management System showed that the country office did not establish the estimated and actual dates for the submission and approval of the donor reports. The Board considers that without adequate planning it will be difficult to achieve the revenue mobilization objectives; in addition, delays in updating donor agreements in the Global Shared Service Centre and weakness in the follow-up with donors may inhibit efficient tracking and therefore negatively affect future prospects for resource mobilization.

117. **UNDP agreed with the Board's recommendation that the Uganda country office: (a) improve its resource implementation plan by including the resource targets over each year of a plan, indicating clearly the time frame for meeting outputs and actions; (b) establish a clear process and monitoring tool to track resource mobilization by improving donor reporting through robust reporting; and (c) review and enhance its donor reporting system for quality and timely resource tracking and ensure the monitoring of resource mobilization.**

8. Human resource management

Performance management and development

118. In April 2013, the Programme's Bureau of Management issued a guidance note to all managers on how to effectively use the new platform for performance management and development to strengthen management and to ensure dialogue between the managers and the staff. According to the guidance, in January and/or February of each year, the year-end performance assessments for the previous year and the performance plans for the following year must be completed. In June and/or July, a midyear review and feedback must be completed and for all the three stages, dialogue is required to be a central element and should be done in conjunction with using the Performance Management and Development System as the tool to support the dialogue in Atlas.

119. In its previous report (A/70/5/Add.1), the Board raised concerns that the rates of completing performance plans were very low for the country offices it visited in 2014, the midyear reviews had not been conducted and the final performance reviews for 2014 had not been completed.

120. From its review of the status of performance plans and midyear reviews for 2015, in Atlas and in the corporate planning system, for the six country offices visited, the Board found that in the country offices in Uganda (in the case of all 56

staff members) and Liberia (in the case of six staff members), there were no midyear review notes for the year 2015, although the system has a function for documenting midyear reviews. A comparison with the previous year (2014) indicated that all staff who were working in 2014 had completed final performance reviews but there were no midyear review notes.

121. Management attributed the noted deficiencies to factors such as a lack of user awareness of using the system to document midyear review notes and to the fact that performance plans and assessments could not be completed for some staff members who were on temporary assignments in connection with the outbreak of Ebola virus disease (Sierra Leone) because of uncertainty in the continuity of their assignments. However, the Board noted that the guidance relating to Performance Management and Development does not allow for such an exemption. Completion of Performance Management and Development assessments in 2015 for four of the country offices visited is summarized in table II.8.

Table II.8
Completeness of Performance Management and Development assessments for 2015

Country office	*Staff whose performance plans and midyear reviews for 2015 were not carried out*	*Staff whose performance plans for 2015 were completed*	*Total staff*
Liberia	6	57	63
Nepal	16	64	80
Sierra Leone	7	56	63
Uganda	56	–	56
Total	**85**	**177**	**262**
Percentage	**32**	**68**	**100**

Source: Analysis by the Board of Auditors of the status of Performance Management and Development assessments at country offices, at interim audit 2015.

122. Non-completion of performance plans and failure to perform midyear reviews limits the provision of feedback on staff performance in a timely manner and therefore delays taking action on staff performance. It also hinders the organization from achieving its main goals of strategic integration of individual performance, talent management review and the assessment of results, competency domains and staff capacity.

123. **UNDP agreed with the Board's recommendation that it enforce compliance at the country offices with Performance Management and Development timelines for completion, review, documentation and approval of midyear and final reviews by managers.**

Evaluation of service contracts

124. Section 4.39 (d) of the service contract user guide explains that a service contract evaluation form must be completed by the supervisor two months prior to contract expiration, after receiving a brief self-assessment written by the holders of

service contracts, including special accomplishments, and having a service evaluation session with the individual contract holder for a performance discussion.

125. The Board reviewed reports of service contract extensions and their related evaluation reports for 2015 at the six country offices visited and noted that, in four country offices, the evaluation of service contract holders was delayed, contrary to section 4.39 of the guide. Table II.9 summarizes the delayed evaluations.

Table II.9
Evaluation of service contracts in 2015

Country office	*Number of service contract holders with delayed evaluations*	*Timing of evaluations (days prior to contract expiration)*
Nepal	36 out of 36	3 to 46
Sierra Leone	15 out of 25	1 to 26
Sri Lanka	12 out of 15	3 to 35
Uganda	17 out of 28	9 to 40
Total	**80 out of 104**	

Source: Analysis by the Board of Auditors.

126. Management explained that the service contract holders of project staff under direct supervision of the Government normally took a longer period to assess and evaluate the service contracts, before UNDP could conclude as the secondary reviewer. Another reason for the delay was the outbreak of Ebola virus disease in 2014, which caused the Sierra Leone country office to reprogramme the available resources to support the Ebola response, thus leaving it with insufficient resources to renew service contracts for 2015 with certainty. Furthermore, it was explained that the uncertainty of the project extension or the change in project structure created delays in submitting the service contract appraisal documents.

127. While the Board acknowledges the uncertainty of project extensions and other challenges that the country offices face, the Board is of the view that not all service contract holders were under the direct supervision of governments and Sierra Leone, which was affected by the outbreak of Ebola virus disease, represent only 15 of the 80 delayed cases. The Board also considers that even for staff under Government supervision, regular follow-up through continuous reminders of the need to observe the requirements of section 4.39 (d) of the service contract user guide would increase the timely evaluation of service contract holders. Delays in the evaluation of service contract holders reduce the time available for supervisors to make guidance notes and deliver feedback to be addressed by service contract holders before the expiration of contracts.

128. **UNDP agreed with the Board's recommendation that it institute control mechanisms so that evaluation is done in a timely manner, so that in future, service contract evaluations are completed two months prior to contract expiration, in accordance with the guidance to allow for valuable decision-making, in a timely manner, during the renewal of contracts.**

9. Procurement and contract management

Vendor data management

129. The Programme and Operations Policies and Procedures concerning financial resources (creating and approving vendors) require that when creating a new vendor, the buyer should review Atlas vendor records to avoid creating duplicates, input required vendor information in Atlas and check for the accuracy and completeness of vendor information. In addition, paragraph 3 of the standard operating procedures on vendors requires the country office to carry out regular vendor data maintenance, every six months, with a view to maintaining an accurate and up-to-date database by removing duplicate vendors and archiving inactive vendors.

130. In five of the six country offices visited, the Board found 84 duplicate active vendors in Atlas and 33 approved vendors who had bank accounts with similar account numbers and details, as summarized in table II.10.

Table II.10
Duplicate active vendors and approved vendors with similar bank accounts

Country offices	*No. of duplicate active vendors*	*No. of approved vendors with the same bank accounts numbers and details*
Lao People's Democratic Republic	2	2
Nepal	26	11
Sierra Leone	31	10
Sri Lanka	9	4
Uganda	16	6
Total	**84**	**33**

Source: Atlas vendor data, October 2015.

131. Management explained that, owing to the decentralized nature of vendor management, there were cases where vendors actually had similar names (first names, middle names and surnames). In addition, duplicate names of vendors were caused by input errors and delays in correcting vendor data.

132. The Board acknowledges management explanations and some actions taken, including the deactivation of vendors that should not have been included in the database and the removal of inaccurate bank information. However, the cases highlighted were not for similar names, but rather duplicates. The Board considers that management could have instituted preventive controls since the existence of duplicate active vendors and similarities in bank account numbers poses a risk of transacting and/or making payments to inappropriate vendors, although no such instances were identified in the audit.

133. **UNDP agreed with the Board's recommendation that it (a) perform regular vendor data checks to maintain accurate and up-to-date data, including removing duplicate active vendors; (b) ensure regular review and correction of vendors' bank information to prevent duplicates; and (c) review transactions**

processed in bank accounts shared by multiple vendors to correct inappropriate transactions.

Information in the procurement dashboard and delivery delays

134. The procurement dashboard in Atlas is a monitoring tool to assist users and management in keeping track of all procurement actions and facilitate identification of any activity that may need corrective action. The procurement dashboard was created for the purpose of tracking: (a) all staff with buyer profiles, to ensure that they have the minimum level of procurement certification; (b) price variances between the cost of each purchase order and the invoiced amounts; (c) all vouchers above the $2,500 threshold, to ensure purchase orders are raised against such vouchers when they are processed; and (d) delays in the delivery of goods and services by suppliers.

135. From its review of procurement dashboards at the country offices, the Board noted the following deficiencies:

(a) *Sri Lanka country office*: the procurement dashboard indicated that four active procurement staff with buyer profiles completed procurement certification level II, whereas the actual number of staff who had completed procurement certification level II was only two, as confirmed by the country office. The error arose from erroneously repeating the names of two staff who had completed the certification. The Board also reviewed 47 suppliers out of 2,475 suppliers on the Sri Lanka country office procurement dashboard and noted that 21 suppliers had long delivery lead times, ranging from 30 days to 113 days beyond expected delivery lead time, as indicated in the purchase orders.

(b) *Sierra Leone country office*: the procurement dashboard indicated that no staff members had buyer profiles and no staff member had obtained the basic certification in procurement. However, there were actually four staff members with buyer profiles who had completed procurement certification level I. The Sierra Leone procurement dashboard indicated that 20 of 147 reviewed suppliers had delivery lead time delays ranging from 30 to 117 days beyond the delivery dates recommended in the purchase orders.

(c) *Uganda country office*: the procurement dashboard had six staff members who were active users with buyer profiles. Of those, five had completed procurement certification level I, while one did not complete the certification. In addition, there was no procurement staff member with a buyer profile who had completed procurement certification level II. The Board also noted late deliveries of supplies for a sample of 28 suppliers out of 122 who delivered supplies during the year, with delivery lead times ranging from 60 days to 136 days beyond the delivery dates recommended in the purchase orders.

136. Management explained that the procurement dashboard does not provide real-time information for the two indicators (online buyer certification relating to the Learning Management System and the Advisory Committee on Procurement) that were maintained in different platforms from Atlas, while all indicators were updated on a regular basis. In addition, it was explained that the delivery due dates are entered by the requester through e-requisition, based on the expected project needs, which might be ambitious and impractical compared to vendors' physical delivery dates based on design, manufacture, packaging and other reasons involving the

supply chain. It was also explained that the procurement dashboard and IPSAS dashboard have separate purposes, to serve two different functional units; and those two items relating to buyer certification that are not in Atlas are not updated daily. Furthermore, country offices are required to update delivery due dates to correct the purchase orders with past due delivery dates (indicated in red) in IPSAS dashboard. Management agreed to update those two items manually on a regular basis in the procurement dashboard and to continue to follow up with country offices on IPSAS dashboard receipt indicators.

137. The Board is of the view that the procurement dashboard is the only platform where comprehensive procurement information is available and therefore inaccuracies in data could have an impact on the quality of information to support decision-making and to monitor compliance in accordance with UNDP procurement policies and procedures within the framework of the Programme and Operations Policies and Procedures. The procurement dashboard is expected to have accurate, complete, reliable and updated data at all times. In addition, suppliers with long lead times pose risks of delaying the implementation of projects activities thus affecting delivery rates.

138. **UNDP agreed with the Board's recommendation that it: (a) provide regular updates on the non-Atlas procurement indicators for more accuracy, completeness and reliability of information; (b) ensure requesters at country offices input reasonable delivery due dates in the e-requisition, in such a way as to reduce the workload of data clean-up of delivery dates for purchase orders indicated in red in IPSAS dashboard; and (c) enhance follow-up with vendors such that goods or services are delivered within the scheduled period.**

10. Hyperion financial management

Contract management and reports from Hyperion financial management

139. On 22 October 2014, UNDP entered into a long-term agreement with a consultant for the implementation of the Hyperion financial management tool and application management services for a period of three years, to October 2017. The statement of work appended to the agreement elaborates on the work anticipated, whereby the scope and objective of the assignment required the consultant to assist UNDP in delivering accurate, high quality, periodic and annual financial statements on a timely basis, including reclassifications.

140. Prior to the detailed needs analysis and design phase, it was agreed that, among other things, the consultant would perform or provide the following: run the cash flow statement and statement of comparison of budget and actual amounts; perform comparatives dynamically for different comparative periods such as year-on-year, quarter-to-quarter and month-on-month; migrate and reconcile data from 2012 to 2014; run and generate all 35 notes to the financial statements (based on 2012 financial statements); and perform routine reclassifications and use the ability of the Hyperion financial management system to import calculations into its reports.

141. Management explained that all tasks were completed before the production of the financial statements for the year ended 31 December 2015 and there were therefore no tasks to be completed in 2016. Management confirmed that the Hyperion financial management tool has automated 90 per cent of the production of financial statements. Furthermore, the vendor performance report of April 2016

indicated that UNDP was satisfied with the services rendered by the consultant and no weaknesses were identified.

142. The Board recognizes and appreciates the achievements made by UNDP through the use of the Hyperion financial management tool in automating the process of generating financial statements. However, the Board identified deficiencies in some elements of the financial statements, as highlighted below. These were initially to be delivered by the consultant, based on the long-term agreement and statement of work signed with UNDP in October 2014, but challenges arose that required management intervention for improvement:

(a) (i) The cash flow statement, statement of comparison of budget and actual; and (ii) comparative financial information as at 31 December 2014 were not prepared in the Hyperion financial management tool;

(b) The comparative financial information of 2012 and 2013 was not prepared in the Hyperion financial management tool either, although data were migrated and reconciled from 2012 to 2014;

(c) Figures for eight items in the notes to the submitted financial statements for the year ended 31 December 2015 were not automated and did not agree with figures generated from the Hyperion financial management tool;

(d) Reclassifications and ageing of items in three notes were not automated in the Hyperion financial management tool and did not agree with figures in the submitted financial statements for the year ended 31 December 2015 for items in notes 10 (receivables: non-exchange transactions), 11 (receivables: exchange transactions) and 12 (advances issued: non-exchange transactions).

143. While discrepancies were subsequently corrected by management, the challenges highlight the need for management action, such as instituting strengthened internal checks.

144. The Board also noted that the vendor performance report was completed in April 2016, while the evaluation checklist to support the vendor performance report was completed post facto, in May 2016, instead of being done before preparing the performance report.

145. Management explained that the statement of work was signed at an early stage, when UNDP compiled the wish list prior to finalizing the requirements, and thus, during the needs analysis and design phase, management decided not to automate the cash flow statement owing to the decision not to perform foreign exchange revaluation in the Hyperion financial management tool as Atlas already performs it; and it was also decided not to automate the statement of comparison of budget. In addition, management explained that the tool was not used to prepare the 2015 comparative (financial statements of 2014) because of the prior period adjustments for the previous years. Management is planning to implement comparatives for 2016 onwards. Regarding reclassification and ageing, it was also explained that there are limitations for ageing which require project identity data (such as the ageing analysis of funds to implementing agencies under national implementation modality), which is an area of automation not included in the design of the Hyperion financial management tool.

146. Despite management explanations, there was no approved addendum to the statement of work confirming an agreement that the consultant would deliver work

with a reduced scope. The Board is of the view that the failure to update the statement of work causes a mismatch between the approved work and the work actually implemented, which may lead to the lack of a benchmark against which the performance of the consultant can be realistically measured. In addition, the absence of a completed checklist at the time of assessing the vendor's performance may lead to inappropriate conclusions regarding vendor performance and thus mislead decision makers.

147. **UNDP agreed with the Board's recommendation that it (a) liaise with the consultant and sign an addendum to the initial statement of work to include actual tasks performed in line with the long-term agreement and approved statement of work; (b) periodically review financial reports from the Hyperion financial management tool and correct the differences in a timely manner, which will ensure the accuracy of financial statements at year end; (c) institute compensating controls to check the ageing and balances generated by the tool, which need to be corrected before preparing the financial statements; and (d) ensure that the evaluation checklist for vendor performance is completed on time for other future contracts.**

Hyperion information technology controls

148. Hyperion is an application acquired by UNDP in 2014 for generating IPSAS-based financial reports from transactions recorded in Atlas. The Board noted areas for improvements in Hyperion information technology controls in the areas of change management, granting access to Hyperion users and the segregation of duties, as explained below.

149. *Change management*: section 4.4.19 of the information security policy of UNDP requires audit logs for recording user activities, exceptions and information security events to be produced and kept for an agreed period, so as to assist in possible investigations and/or access control monitoring. Logging facilities and log information shall be protected against unauthorized access.

150. The Board found that the procedure for requesting and approving changes to account mapping and metadata has not been documented. Moreover, the data audit function was not enabled to log changes done to account mapping and metadata for future review and assurance of change authorization.

151. Management explained that the consultant who implemented the system advised that the data audit should be disabled, as it affects system performance. However, the Board is of the view that since the system is only accessible by 25 users, its performance should not be a problem, considering the importance of the feature in minimizing the risk of information being tampered with and unauthorized access.

152. *Granting access to Hyperion users*: section 4.5.7 of the information security policy requires the allocation of passwords and user accounts to be controlled through a formal management process. The Board found that the process for requesting, approving and reviewing access to Hyperion was not documented and the role matrix was not initially adequately documented.

153. Management explained that the initial list of Hyperion users was established during the system implementation phase and all subsequent requests for access were submitted to the Chief of corporate financial reporting and accounts, who approves

the changes based on the limited licences available. The Board is concerned that the lack of a documented procedure for access control and an inadequate defined role matrix could lead to the assignment of excessive permission and to the granting of user access without approval, which could eventually expose UNDP to unauthorized or unintentional modifications or misuse of information.

154. The Board also noted three default system accounts with access to the Hyperion back-end database, which stores data imported from Atlas, that were not disabled. Management explained that those three accounts were part of the standard Oracle database package and serve specific functions in database administration and monitoring that are integrated into the larger ecosystem needed to maintain and monitor the database and applications. The Board considers that default system accounts need to be properly protected to prevent intruders from gaining access to the database, since these accounts are targeted for malicious use because of their high access privileges.

155. *Segregation of duties*: section 4.4.5 of the information security policy explains that appropriate segregation of duties and responsibilities shall be implemented, to the greatest extent possible, to reduce the possibility that any one individual can compromise an application, a policy or a procedure. The Board noted inadequate segregation of duties among users with access to the Hyperion tool, for example a user with an administrator and advanced user role in the tool can load data from Atlas, change account mappings and metadata, manage user accounts and generate financial reports without independent review, contrary to best practice.

156. Management explained that UNDP will formalize the procedure in the standard operating procedures and ensure regular review of the logs once the pilot phase is completed. However, the Board is of the view that this setup increases the risk of unauthorized modification and granting of access without approval.

157. **UNDP agreed with the Board's recommendation that it: (a) clearly document procedures for managing changes to account mapping and metadata, to ensure all changes are recorded and authorized; (b) enable the data audit to track and manage changes to account mapping and metadata for auditing and accountability purposes; (c) strengthen controls to ensure frequent review of the activities of administrators in the system; (d) clearly document procedures for granting and authorizing access to the system based on a role matrix and ensure periodic review of the access list to both the application and the back-end database is conducted; and (e) strengthen controls to ensure a strong password policy for default database system accounts.**

11. Information and communications technology

Information security awareness training

158. The Cybersecurity Unit under the Office of Information Management and Technology is responsible for providing information and communications technology security trainings to users and raising their awareness through an online learning management system and, as necessary, publishing information and communications technology security advisories. The learning management system is managed by the Office of Human Resources and the cybersecurity team does not have access to monitor staff members' participation in the trainings. The learning management system has two categories of training courses, mandatory and

non-mandatory courses. While all staff members are automatically enrolled for mandatory training, enrolment in non-mandatory training is optional. After enrolment, staff members are required to register, complete training and answer the questions at the end of the course in order to be considered to have completed the training.

159. At UNDP headquarters, the Board noted that during the period from January 2013 to October 2015, a total of 1,382 (16 per cent of total staff) staff members were registered for basic security training (mandatory) but only 365 of them successfully completed the training, while 155 staff (2 per cent of total staff) were registered for information security awareness training (non-mandatory) of whom only 68 successfully completed the training, as summarized in table 10.

Table II.11
Staff registered for information security training sessions (January 2013 to October 2015)

		Registered 2 years ago for training		*Completed the training (among those registered 2 years ago)*	
Online training	*Total staff*	*No. of staff members*	*Percentage*	*No. of staff members*	*Percentage*
Basic security	8 527	1 382	16	365	4
Information security awareness training	8 527	155	2	68	1

160. Furthermore, the Board noted that 107 out of 301 staff members registered in 2013 completed basic security training, while 150 of those staff members had never attempted the training since having registered for it. The Board also reviewed the Programme's information security risk assessment report of January 2015 and noted that the lack of information security awareness training has been identified as a medium risk which requires mitigation, with its associated risks including unescorted visitors, security breaches involving mobile devices and suspicious user activity. However, the Board noted that there were insufficient controls to ensure registered staff complete the training.

161. The Board is of the view that most staff did not undertake the training on information security awareness because it is not mandatory and there is no enforcement mechanism to register and complete the training. The Board is concerned that the lack of information security training provided by the cybersecurity team could result in improper handling of sensitive information, insecure use of information and communications technology systems or in UNDP staff members becoming victims of targeted attacks. UNDP could also face challenges with respect to the confidentiality, availability and integrity of information.

162. **UNDP agreed with the Board recommendation that it (a) consider making the training on information security awareness mandatory for staff; and (b) establish enforcement mechanisms, such as including the completion of information security awareness training in performance reviews of staff members.**

Access controls to the Atlas database

163. UNDP information security policy requires appropriate restrictions on access to information be implemented and maintained in line with legitimate business needs and security responsibilities. Security responsibilities require the database administrator role to be segregated from each of the following four business roles, by ensuring that they are not combined: programmer, system administrator, security administrator and network administrator.

164. The Board reviewed access control to the Atlas system back-end database and noted the existence of one programmer and two security administrators who have been granted read-only access to the Atlas database.

165. The Board found 16 active accounts in Atlas, out of 289 active accounts, which had no roles assigned to them. Active accounts without roles highlight inadequacies of controls over user management and the lack of periodic review of the access list. In addition, unused active accounts can be used to impersonate users and perform unauthorized access and modify data. Management explained that read-only access to the database was granted for the purpose of supporting users of applications. However, the Board is of the view that the best practices would require UNDP to create a separate test environment, which is a replica of the production environment, for programmers and security administrators to troubleshoot issues raised by users.

166. **UNDP agreed with the Board recommendation that it: (a) strengthen controls when granting access to the Atlas database to ensure the segregation of duties is adhered to such that the programmer and security administrator have only the minimum necessary access to the Atlas database, which is reviewed regularly; (b) review access rights of the Atlas database and remove active accounts without roles; (c) conduct quarterly reviews of access rights, make corrections and submit the report to the quarterly management meetings of the Information Security Section; and (d) introduce guidance requiring the use of a separate environment as a replica of production for programmers and security administrator when they need to troubleshoot, instead of accessing the production database.**

Information security risks

167. The information security risk register, as of April 2016, showed that two high risks on Atlas account management were introduced in 2014: the first risk was on Atlas users with multiple profiles, which was closed in 2014, and the second was on separated UNDP staff still active in Atlas, which was closed in 2015. While UNDP closed these two risks in 2014 and 2015 respectively, the Board found that the list of users with access to Atlas as of 27 April 2016 included users with multiple profiles and the active accounts of separated staff members. For example, from a sample of 10,238 active accounts, the Board found seven active accounts of staff members separated between March 1993 and March 2016, and 16 of separated staff members that were locked but not deleted. From another sample of 11,394 active Atlas users, the Board found 12 Atlas users with multiple profiles.

168. The Board also reviewed the management of the risk register for continuous monitoring of risks and found that, those two Atlas account risks went undetected and were not reported in the risk assessment reports of January 2015 and January

2016. The first risk was neither detected nor reported in the risk assessment report of January 2015, while the second risk was neither detected nor reported in the risk assessment report of January 2016. These Atlas account risks were also not reported by the participants in the quarterly Information Security Section management meetings of 2015 and 2016. Management informed the Board that there were only two staff members assigned to information security, therefore it would not be productive to continually test and validate the mitigating controls that were already implemented.

169. **UNDP agreed with the Board recommendation that it (a) strengthen controls over information security risk management by conducting continuous monitoring of high risks in addition to the annual risk assessment and quarterly reviews; and (b) consider reviewing the current workload, roles and responsibilities of staff assigned to information security to facilitate the continuous monitoring of information security risk management.**

Controls at the data centre

170. The UNDP data centre also serves offices in three other buildings in New York, which access the Internet and file-sharing services through the same data centre. This implies that in case of any network infrastructure disruption at the data centre, the other three offices will not have access to the Internet and eventually it will be impossible to access business applications from those buildings; thus the business will be affected. Management is exploring the possibility of leveraging the United Nations network facility to establish redundant network connectivity, which will enable the three other offices to have an alternative connection to the Internet.

171. The Board also found that the data centre has a water-based fire suppression system, which is less effective than a dry pipe fire suppression system. In addition, the network cabling was not laid properly and not labelled, thus affecting the performance of data transfers and making it difficult to troubleshoot. Furthermore, there were unused items such as cabinets, cooling and network equipment which prevent the circulation of air needed to cool the servers. Management stated that they had a plan to reduce the footprint of the data centre, including the removal of obsolete items, and the plan would eliminate approximately half of the racks used in the data centre.

172. The Board also reviewed the management and monitoring of access to the data centre and noted that there were access control doors and closed-circuit television cameras. The access control system is managed by the Administration Service Division. Management explained that a review of access to the data centre was conducted once a year, however there was no evidence of the review conducted.

173. **UNDP agreed with the Board's recommendation that it: (a) implement a backup plan for Internet access for its three offices using the service of the data centre; (b) clear unused items from the data centre, label and keep cables in order; (c) use a dry pipe fire suppression system in the data centre; and (d) review physical access rights to the data centre every quarter and report thereon to the Information Security Section management meetings.**

12. Asset management

Asset disposal — retirement in error

174. The Programme and Operations Policies and Procedures on asset management require the use of the procurement catalogue to select items that are to be purchased, which should be recorded in Atlas. The system has been configured to ensure that the correct account is automatically chosen, provided that items purchased are based on a requisition using the catalogue and a purchase order. In addition, the country support team business analytic standard operating procedure explains that the occurrence of asset retirement in error is mainly attributable to country offices selecting in error a UNDP catalogue for an asset in cases where the assets do not belong to UNDP and a different catalogue should have been selected.

175. The Board found deficiencies in the process used to record and retire disposed assets in Atlas. For instance in 2015, 79 assets (cost $2.54 million) out of 160 (cost $2.8 million) assets were disposed of by retirement in error, 70 assets (cost $220,704) were retired in error owing to errors in choosing quantities at the requisition stage, selecting the procurement catalogue, capitalization of a project which did not meet the threshold and correcting duplicate assets. The remaining 9 assets (cost $2.32 million) were owing to procedures used in Atlas to convert assets under construction into leasehold improvements.

176. The Board considers that operating units did not perform regular reviews of recorded assets in Atlas and send regular requests to the Global Shared Service Centre for reversal and it is not appropriate to use the terminology asset retirement in error while the process in Atlas is meant to convert assets under construction into leasehold improvements. The set-up in Atlas creates confusion and it is difficult to differentiate between the actual assets retired in error versus assets under construction converted into leasehold improvements. The assets formed part of property, plant and equipment between 2013 and 2015 and thus make the balances concerned susceptible to misstatements.

177. **UNDP agreed with the Board's recommendation that it: (a) analyse all assets disposed in error and consider the impact on the financial statements of the year prior; (b) ensure operating units regularly perform reviews to identify errors and send requests to the Global Shared Service Centre in a timely manner for reversing the capitalization made in Atlas; (c) ensure approving managers verify that all items are appropriately selected in the procurement catalogue; and (d) consider improving assets data in Atlas such that actual assets retired in error could be easily differentiated from assets under construction converted into leasehold improvements.**

Intangible assets under development and/or construction

178. Paragraph 28 of IPSAS 31 requires that intangible assets shall be recognized if and only if, (a) it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and (b) the cost or fair value can be measured reliably. Further, paragraph 96 explains that the amortization of intangible assets shall begin when the asset is available for use.

179. The Board found that an intangible asset (resource planning and human performance) in use since January 2015, at a cost of $1.08 million, was erroneously reported as part of assets under construction or development for the year ended

31 December 2015. As a result of categorizing the asset in the wrong stage of development, the asset was not amortized. The Board considers that UNDP needs to reclassify the asset and to correct the misstatement of $1.08 million (cost) and $180,152.62 (amortization) resulting from the failure to amortize the assets.

180. The Board also noted that UNDP had no approved basis for determining the percentage of development phases for intangible assets. As a result, the categorization of the eight intangible assets reported as under construction (cost $3.74 million) was based on an estimation. Management explained that in 2016, UNDP is implementing a new dashboard to measure the percentage by counting the deliverables produced, which will be formalized into a report setting out portfolio highlights and envisioned lanes for the project's success. The Board considers that an approved and more sophisticated computation basis is crucial for determining the percentage of the development phase of an intangible asset under construction.

181. **UNDP agreed with the Board's recommendation that it: (a) reclassify intangible assets in use (resource planning and human performance) and correct the financial statements by calculating the amortization of intangible assets in use in 2015; and (b) approve and formalize the percentage computation basis of development phases of intangible assets under construction.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

182. The Administration informed the Board that, in accordance with financial rule 126.77, UNDP has no write-offs in the year 2015.

2. Ex gratia payments

183. As required by UNDP financial rule 123.01, the Administration reported ex gratia payments for the period under review, amounting to $168,757.

3. Cases of fraud and presumptive fraud

184. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

185. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. The Board also inquires as to whether management has any knowledge of any actual, suspected or alleged fraud, and this includes enquiries to the Office of Audit and Investigations. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

186. In 2015, the Board did not identify any cases of fraud, other than those cases of fraud and presumptive fraud which had been reported and disclosed by management. UNDP reported 56 cases of fraud or presumptive fraud to the Board, with an estimated loss of $2.9 million. Of the 56 cases, UNDP had already resolved 16 cases (valued $134,124), while 40 cases (valued $2.8 million) were still pending. Recoveries in 2015 from 16 cases were $55,892. The details of all cases are provided in annex II to the present report. The Board considers that UNDP needs to thoroughly review the underlying circumstances that led to the cases, identify the possible gaps and develop a comprehensive anti-fraud strategy to minimize fraud risks and associated loss.

D. Acknowledgement

187. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Administrator of the United Nations Development Programme and her staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

Annex I

Status of implementation of recommendations up to the year ended 31 December 2014

						Status after verification				
No.	*Audit report year*	*Paragraph reference*	*Recommendations of the Board*	*UNDP response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Reiterated*
1.	2014 (A/70/5/Add.1, chap. II)	23	UNDP agreed with the Board recommendations that it: (a) ensure at year end that country offices and headquarters units review the report of contracts with pending milestones and, for any identified issue, communicate with the Global Shared Service Centre through the Document Management System and update the status accordingly; and (b) follow up with the country offices and headquarters units so that milestones pending from previous years (2011-2014) are cleared without further delay.	Global Shared Service Centre procedures require a monthly download of the information from the dashboard database to remind country offices regarding open accounts receivable and past-due milestones. The country offices can amend the contracts to correct the outstanding balances; individual e-mails are prepared for each country.	In the final audit of 2015 the Board noted weaknesses in relation to pending milestones. Therefore the Board has reiterated the recommendation in the 2015 report.					√
2.	2014	27	UNDP agreed with the Board's recommendations that it: (a) request country offices to promptly follow up on all outstanding balances with donors and notify the Global Shared Service Centre of any changes to the schedules of payments that are required under existing procedures; (b) assess and maintain evidence of follow-up with donors for long outstanding receivables;	On parts (a) and (b), Global Shared Service Centre procedures require a monthly download of the information from the dashboard database to remind country offices regarding open accounts receivable and past-due milestones. On part (c), an analysis of aged receivables was carried out as of 31 December 2015 and UNDP	The Board noted similar findings for contributions not received in 2015. Therefore, the Board reiterates the recommendation in the 2015 report.					√

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			and (c) assess aged receivables and record impairment for cases where donors whose ability to pay is doubtful in accordance with UNDP policy.	determined that there was no need for any impairment.						
3.	2014	30	UNDP agreed with the Board's recommendations that: (a) the Papua New Guinea country office, in collaboration with the United Nations country team, should provide the missing information on national indicators, source of data, baselines and assumptions; and (b) an annual review of the United Nations Development Assistance Framework for Brazil be carried out in 2015 and the country office pursue timely signing of the country programme action plan by the Government.	(a) The United Nations Development Assistance Framework review was completed in August 2014. However, the data for national indicators were still not available. Development of the new United Nations Development Assistance Framework is anticipated by fourth quarter of 2016. The lack of national statistics will continue to be a challenge and this is beyond UNDP influence as it is related to the absence of national structures to enable the collection of national statistics. (b) The programme cycle for Brazil was extended until the end of 2016. The decision to extend the current cycle for Brazil, initially from 2012 to 2015 and now from 2012 to 2016, was closely coordinated with the national Government and the United Nations Development Group for	(a) Agreed action plan says that "UNDP Papua New Guinea, in collaboration with the United Nations country team, will use the action plan for the results framework of the ongoing review United Nations Development Assistance Framework to update and complete missing information on national indicators, sources of data, baselines and assumptions." The latest implementation status confirmed that the data for national indicators were still not available. Development of the new United Nations Development Assistance Framework is anticipated by the fourth quarter 2016. (b) It was agreed that an annual review of the United Nations Development Assistance Framework would be carried out in 2015 and onwards, which has not		√			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				Latin America and the Caribbean. Terms of reference for the evaluation have been developed. (c) The country programme action plan has been signed.	been done to date. The Board has noted the terms of reference for the review. The Board will update the recommendation after receiving the reviewed United Nations Development Assistance Framework. Management response has been verified and part (c) of the recommendation has been closed.					
4.	2014	34	UNDP agreed with the Board's recommendation that it ensure that regional bureaux monitor the assessment of national implementation modality implementing partners in line with the Programme and Operations Policies and Procedures and that all project monitoring activities are carried out and documented.	Regional bureaux monitor the assessment of national implementation modality implementing partners in line with the Programme and Operations Policies and Procedures. Assessments of implementing partners for a sample of 24 projects selected by the Board of Auditors were submitted for verification in 2016.	Implemented in accordance with the action plan. The Board verified samples of assessments of national implementation modality implementing partners.	√				
5.	2014	38	UNDP agreed with the Board recommendation that the Argentina and Brazil country offices: (a) use updated terms of reference for national implementation modality auditors; and (b) conduct capacity assessments of government auditors in accordance with headquarters guidelines.	UNDP provided supporting documents on how the Programme has addressed the Board's recommendation: On part (a) transmittal letters requesting the governments to use UNDP terms of reference, with English translations; and part (b) Supreme Audit Institution assessments carried out for Argentina had been	Implemented in accordance with the action plan.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				done in 2009 and for Brazil done in 2014.						
6.	2014	42	UNDP agreed with the Board's recommendations that the Argentina, Brazil and Papua New Guinea country offices collaborate with programme government counterparts to set realistic and attainable projects activities and budgets in line with available resources and monitor progress in implementation at the country level so as to minimize implementation delays and the need to reduce budgets at year end.	Argentina, Brazil and Papua New Guinea will establish realistic budgets for projects implemented with government counterparts and monitor implementation on a regular basis.	The Board noted that UNDP still has a slow pace of project budget implementation, therefore, the recommendation has been reiterated in the 2015 long-form report, since the same challenge has recurred in the year ended 31 December 2015.					√
7.	2014	47	UNDP agreed with the Board's recommendation that country offices prepare resource mobilization implementation plans in compliance with the guidelines established in the resource mobilization toolkit.	The Bureau of External Relations and Advocacy has worked with regional bureaux to communicate with country offices on the need to develop resource mobilization plans with a submission deadline of 30 June 2016, so as to enable the Board of Auditors to select a sample for validation.	Management efforts are noted, UNDP plans to implement this recommendation by 30 September 2016. Once implemented, the Board will assess the adequacy of the actions taken by country offices in preparing the plans.		√			
8.	2014	50	The Board reiterated its previous recommendation that UNDP submit the combined delivery reports in a timely manner, duly signed by UNDP and implementing partners in compliance with the Programme and Operations Policies and Procedures.	UNDP has developed a combined delivery report document library to enable regional bureaux to monitor the submission of the reports in a timely manner and ensure appropriate follow-up with implementing partners. The document	The Board noted during the interim audit that there were still some challenges in the timely signing of combined delivery reports in 2015, therefore the recommendations has been reiterated in the 2015 long-form report.					√

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				library was launched in April 2016. It is important to highlight that while UNDP has control over the timely preparation and submission of the reports to the implementing partner, it has limited control over the timelines for subsequent signing by an implementing partner, owing to variables such as key persons within the ministries travelling or being out of office for one reason or another.						
9.	2014	55	UNDP agreed with the Board's recommendations that country offices: (a) prepare progress reports for all projects in a timely manner; and (b) perform and document all requirements for project monitoring, including updating risks logs in Atlas and conducting project board meetings.	In line with the project quality assurance system currently being rolled out in three phases, regional bureaux will work with country offices to ensure that (a) progress reports are prepared in a timely manner; and (b) the requirements for project monitoring are documented, including assurance for risk management, and project risks are recorded and regularly updated.	The observation on project monitoring and reporting has recurred in the 2015 audit, therefore, the recommendation is reiterated.					√
10.	2014	59	UNDP agreed with the Board's recommendations that it: (a) exert more effort to financially close all projects that are in operationally closed status for more than 12 months; (b) ensure that appropriate projects completion	Two project closure compensatory procedures were issued by the Chief Finance Officer, in October 2015 and February 2016, to support offices that were unable to obtain documents from previous	The Board issued a new similar recommendation on project closure and therefore reiterates the recommendations in the report for the year ended 31 December 2015.					√

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			checklists are completed, final combined delivery reports for financial closure of projects are generated and certified in a timely fashion by responsible parties and final review reports are prepared consistently for operationally closed projects; (c) ensure projects board meetings are conducted in a timely manner and projects are evaluated as planned, reconciliations of expenditure are certified and lessons learned reports are prepared in a timely manner; and (d) make efforts to refund amount due to donors in line with the Programme and Operations Policies and Procedures and donor agreements.	years to enable them close their projects. UNDP developed a pilot project closure workbench that pulls data from Atlas to validate the balances in the checklist (automated checklist), as well as having all the reports associated with closure uploaded. The guidelines for accessing the project closure workbench used by country offices to upload requested documentation was provided. In a few instances, where the closure checklist was unavailable, UNDP has provided a reference to the automated project closure from the Atlas project closure workbench. It is important to highlight that most lessons learned are incorporated in the final project report or final evaluation document.						
11.	2014	63	UNDP agreed with the Board's recommendations that: (a) all country offices develop and implement comprehensive harmonized approach to cash transfers assurance plans for performing macro- and microassessments in a timely manner, considering their programmatic cycles;	Guidance specific to UNDP on a harmonized approach to cash transfers has been made available in the Programme and Operations Policies and Procedures and includes the need to develop joint assurance plans where there is a shared	The Board has issued a new recommendation on a harmonized approach to cash transfers during the interim audit in 2015 and therefore reiterates the recommendation.					√

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			and (b) wherever there is a shared implementing partner, the joint harmonized approach to cash transfers working groups should develop a comprehensive joint assurance plan that will cover all components highlighted in the Programme and Operations Policies and Procedures.	implementing partner and a joint harmonized approach to cash transfers working group. Regional bureaux will work with country offices to ensure the timely completion of macro- and microassessments, in line with programmatic cycles and the Programme and Operations Policies and Procedures.						
12.	2014	68	UNDP agreed with the Board's recommendation that it: (a) introduce timelines and a robust quality assurance process for updates, approval and implementation of the Programme and Operations Policies and Procedures; and (b) ensure that the Programme and Operations Policies and Procedures, IPSAS policies and other applicable guidelines have updated content, in line with stipulated timelines.	With regard to part (a) the Board's recommendation and agreed management action was to develop a quality assurance framework, which UNDP has demonstrated is in place. Updates to the Programme and Operations Policies and Procedures are an ongoing continuous process, as due dates for updates are staggered throughout the year. There is therefore no end point at which UNDP can say updates to the Policies and Procedures are all completed. The additional comments on ongoing updates to the Policies and Procedures were to highlight to the Board the additional efforts of UNDP, but in line with what was	The Board noted the 2015 IPSAS reviews by UNDP and considers the recommendation being fully addressed.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				required in part (a), UNDP management has effectively demonstrated that a quality assurance framework is in place. On part (b), in order to keep in step with IPSAS Board updates, UNDP reviews the annual IPSAS changes, looking for the impact on accounting policy, presentation, Programme and Operations Policies and Procedures and systems. In addition, UNDP annually completes the Ernst and Young disclosure checklist and, through its involvement with the United Nations System Task Force on Accounting Standards, follows the IPSAS Board deliberations on amendments and changes to IPSAS.						
13.	2014	74	UNDP agreed with the Board's recommendations that it ensure that country offices comply with the segregation of duties for bank reconciliation, asset management and leave management, in line with the internal control framework.	With regard to the segregation of duties for bank reconciliation, treasury operations are performed by each country office to check for compliance with the internal control framework for bank reconciliation, vendor approval and bank signatories.	The recommendation on the segregation of duties for bank reconciliation and asset management has been implemented, based on verification performed during the audit of country offices in 2015.		√			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				On the segregation of physical verification, the coordinator and asset focal point functions for both the midyear certification instructions to the Resident Representative and second quarter closing instructions reminded offices to adhere to this requirement. On leave management, in February 2015 the organization moved away from using the manual leave and attendance record cards. The new process ensures appropriate segregation of functions in line with the internal control framework.						
14.	2014	78	UNDP agreed with the Board's recommendation that it: (a) adhere to the service contract user guide on the proper use of service contracts by ensuring that holders of service contracts are recruited only for those functions and duties as stipulated in the user guide; and (b) amend the terms of service contracts to define clearly the support functions and duties of those contracts.	On part (a), UNDP has sent e-mails to remind country offices to monitor compliance with the service contract user guide requirements on the use of such contracts. On part (b), messages were sent by the Director of the Office of Human Resources on compliance with internal control framework requirements, frequently asked questions regarding the renewal and termination of service contracts and automation to amend service contracts in Atlas.	UNDP management needs to provide the way forward on the process of developing of terms of reference for service contracts and guidance on the standards for developing terms of reference for such contracts aligned with the overall programme results, as stated in its action plan. A clear timeline needs to be spelled out for the development of terms of reference and alignment of the overall results.		√			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				Concurrently, the service contract user guide has been updated to provide better clarity. The updating of generic terms of reference (which was to have been done comprehensively for all job descriptions) was not possible, owing to funding constraints, and the enhanced monitoring and visibility of having service contracts in Atlas has been used as an alternate control measure to ensure that country offices use services in line with the user guide.						
15.	2014	86	UNDP agreed with the Board's recommendation that it: (a) develop a clear action plan to ensure that performance management and development is used in talent management and assessment of results, competency domains and staff capacity; and (b) ensure country offices introduce an oversight mechanism such that performance management and development plans and assessments are completed in a timely manner and reviewed and approved by respective managers.	On part (a), performance assessment results have always been a factor in recruitment, with internal candidates being required to submit copies of their three most recent performance management and development documents as part of the recruitment process. The same requirement was reconfirmed and applied during the headquarters structural change process in 2014 and 2015. The results of the performance assessments are now being integrated into the profiles of staff in the candidate pools. Furthermore, many	The Board has issued similar observation regarding performance management and development during the current audit, therefore, the Board reiterates the recommendation.					√

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				human resources processes: recruitment, succession and performance management and development, have been largely aligned around the corporate core competency framework. On part (b), regular monitoring and reporting on completion of performance assessments and plans resulted in over 73 per cent compliance with performance assessments being completed by the end of the year (2015). Work is currently ongoing to ensure that there is an improvement not only in compliance, but also in timeliness, so that the corporate target for 2016 assessments is reached by the deadline.						
16.	2014	90	UNDP agreed with the Board's recommendation that: (a) the Office of Information Systems and Technology adopt a framework for carrying out, documenting and integrating management of all information technology-related risks (security, service delivery, project delivery, etc.) into the overall UNDP enterprise resource management process; and (b) all units	The Office of Information Systems and Technology has implemented the recommendations of the Board. It has ensured that the enterprise risk log is updated by all sections of the Office and not just the Information Security Section. In addition, the Office holds quarterly meetings to update the risk log with the current status of the risks or to	The Board assessed the action taken by the Office of Information Systems and Technology to update the risk log, and considers the recommendation to have been implemented.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			within the Office comply with the established unit-level strategic planning process.	consider new risks. The actions are fully compliant with the proposed UNDP enterprise risk policy.						
17.	2014	95	UNDP agreed with the Board's recommendation that it include in its contractual arrangements with the International Computing Centre the need and frequency of the report required under the International Standards on Assurance Engagements 3402 (ISAE type II report), which will give reasonable assurance to both UNDP and the Board on the operating effectiveness of the International Computing Centre controls within the annual financial reporting period.	UNDP requested that the International Computing Centre perform annual ISAE type II audits, which was approved at the International Computing Centre Management Committee meeting of October 2015. Evidence of that request was provided to the Board in the minutes from the International Computing Centre Management Committee meeting of 22 October 2015 on audit matters.	The Board reviewed the minutes of the International Computing Centre Management Committee meeting of 22 October 2015, specifying that the Centre will perform annual ISAE 3402 type II audits, which serve as a binding commitment, as confirmed by UNDP.	√				
18.	2014	102	UNDP agreed with the Board's recommendation that it: (a) regularly reconcile performance indicators, baseline and targets contained in the annual workplans; and (b) supervise and monitor data quality and timing and completeness of information entered by country offices into the platform/tool of baselines, milestones and targets.	As for the audit action plan and part (a), UNDP adjusted and streamlined the original Integrated Results and Resources Framework in response to Executive Board decision 2014/11. Based on the streamlined IRRF, the corporate-wide baselines, milestones and targets review exercise was completed in December 2014. UNDP conducted the development evidence lessons learned exercise	The Board reviewed UNDP management actions and considers the recommendation to have been implemented.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				in the third and fourth quarters of 2015, with a view to further strengthening the quality of Integrated Results and Resources Framework data across the organization. As regards part (b), the exercise intensively reviewed the quality of development evidence and issued a review report for all 135 country offices, with specific and customized recommendations on how to improve the quality of data followed by a series of training for regional bureaux, regional hubs and country offices. As a result, all concerned country offices (100 per cent) took action and enhanced the quality of Integrated Results and Resources Framework data in the corporate planning system.						
19.	2014	105	The Board recommended that UNDP: (a) investigate the errors in the process of reinstatement of purchase order balances; (b) institute quality assurance mechanisms for external access to the Atlas system when reinstating purchase orders; (c) ensure a mandatory reference field is completed for reinstated	On parts (a) and (b) quality assurance mechanisms have been instituted by the Brazil country office to mitigate against the risk of errors during the process of reinstating purchase orders with balances with respect to external access partners. The country office has adopted a	Implementation is in progress. Management efforts are noted. The Board awaits results of the investigation to validate the implementation of parts (a) and (b). Parts (c) and (d) of the recommendation are yet to be implemented, with a due date of December 2016.		√			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			purchase orders carried over from prior periods; and (d) ensure compliance with requirements under the Programme and Operations Policies and Procedures on raising separate purchase orders for goods and services expected to be received in respective financial periods.	purchase order log for the rollover of purchase orders. The log captures details of purchase order fields to ensure no errors are made when they are reinstated. Efforts are under way to address parts (c) and (d).						
20.	2014	108	UNDP agreed with the Board's recommendation that it: (a) liaise with United Nations entities and conclude terms of reference for the Office of the Ombudsman and Mediation Services and reach final agreement; and (b) work with United Nations entities and agree on milestones for clearing long outstanding unresolved balances.	UNDP has reconciled all balances with other United Nations entities for financial year-end 2015. There is one item with the United Nations and UNDP has raised the rejected medical case with the aim of concluding the matter by 31 August 2016, in line with the recommendation to set milestones and targets for the resolution of outstanding matters. Given the consultations between management of the Secretariat and the funds and programmes, UNDP was able to release the accrual set aside for the Office of the Ombudsman.	The accrued UNDP share in the Office of Ombudsman and Mediation Services from previous periods, amounting to $2,518,560, was already resolved. The Board still noted long outstanding unresolved balances for the United Nations current account in terms of medical ($166,053.41) and payroll ($139,778.38) from the extract of the United Nations reconciliation statement as at 31 December 2015.		√			
21.	2014	113	UNDP agreed with the Board's recommendations that: (a) the Myanmar and Papua New Guinea country offices dispose of all assets that have been retired from	For Myanmar country office: items identified as disposed of have now been removed from the in-service report; items with no tag or incorrect	The Board reviewed management action in implementing the recommendation and closed it.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			use in a timely manner; and (b) derecognize in the books/in-service reports all assets that have already been physically disposed of and those which have been transferred to the Government.	identification have been tagged and corrected. For the Papua New Guinea country office: inconsistent serial identification has been corrected; unavailable tag numbers for recording assets have been added; fully depreciated assets, not seen by auditors and marked as missing, are in the office but they were not checked properly during the audit.						
22.	2014	118	UNDP agreed with the Board's recommendations that it revisit the regular resources operational and other resources reserve calculation methodology and identify possible alternatives taking into account: (a) current UNDP operations; (b) the current strategic plan and risk management framework; (c) the impact of the IPSAS framework on the calculation of the reserve; and (d) the ongoing structural change.	UNDP has engaged a consultant (KPMG) to revisit its current operational reserve methodology and calculations to ensure that they take into account recent changes to operational, strategic, risk management, accounting and structural frameworks. The consultant report has been shared with the Board. UNDP considers the recommendation to have been implemented as the requirement was for UNDP to revisit its methodology, which has been done.	Evidence supporting management explanations has been verified and the recommendation is closed. The consultant recommended no changes be made to the current methodology and calculations of operational reserve.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	*Status after verification*: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
23.	2014	124	UNDP agreed with the Board's recommendations that it: (a) prepare a formal structural change-benefit-realization plan, including lessons learned so far; and (b) ensure that monitoring mechanisms are used so that long-term benefits are sustained in line with the formal benefit-realization plan.	(a) The benefit realization plan was endorsed by an executive group at its meeting; (b) the benefit realization plan is referred to in the annex to a document on structural changes implemented and impact delivered. This chart provides a summary for each recommendation of the structural changes by listing each (i) the recommendation, (ii) the changes implemented relating to the recommendation, and (iii) the impact delivered relating to the recommendation.	The Board reviewed management actions to implement the recommendation and is satisfied to close it.	√				
24.	2014	129	UNDP agreed with the Board's recommendations that it: (a) monitor and address staff complaints, claims or concerns over structural change from all channels, including those from the Staff Council, and facilitate their timely clearance to avoid reputational damage to UNDP; (b) strengthen opportunities for open and constructive dialogue and communication with staff and the Staff Council during the ongoing structural changes; and (c) establish plans for team-building and staff	(a) Throughout 2014, UNDP continued to monitor and address staff issues related to the structural change implementation. One important forum for discussions with the Staff Council was the establishment of the Staff Council Liaison Committee, which included key members of the Staff Council and UNDP management. Given the complex and cross-bureau nature of the structural changes, the Committee included the Director of the	(a) In progress. In the interim audit in September and October 2015, there were 17 cases of requests for management evaluation related to the structural change, in respect of 14 individual staff members, while as of 31 December 2015 and 1 April 2016, cases of requests for management evaluation increased to 20, relating to 14 individual staff members. The trend of cases of requests for management evaluation relating structural change has been increasing, as		√			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			motivation for confidence rebuilding and embed a culture that motivates and sustains the structural change.	Bureau for Management Services and/or the Director of the Office of Human Resources, the Chief of Staff of UNDP and the Special Adviser to the Administrator. (b) As noted for part (a), regular meetings of the Staff Council Liaison Committee were held from December 2013 until the completion of the structural change people realignment processes in September 2015. (c) The culture change envisaged as part of the structural changes has been continuously discussed, in parallel with the Programme's annual global staff survey exercise, the results of which were available in early 2015. In December 2014, the Organizational Performance Group specifically discussed culture change and the role of senior managers, with another discussion in February 2015, with Bureau Deputy Directors. Specific components of the discussion included the three themes of empowerment, collaboration and innovation. In parallel,	explained above, while in 2014 the Board, among other issues recommended timely clearance of all staff complaints emanating from restructuring. The Board considers that more efforts need to be exerted in this area. (b) In progress. The Board is of the view that it is difficult to rely on informal meetings or meetings without minutes. The Board suggests that since structural change is a crucial activity, all meetings between management and the Staff Council require formalization and for minutes to be taken. (c) In progress. The Board reviewed bureau action plans in relation to the 2014 global staff survey. However, the Board noted that the 2014 survey was carried out in November and December 2014, while the structural change was completed in 2015. The Board is of the view that the survey should have been conducted after completion of the structural change. At that point the Board would					

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				the global staff survey results were analysed and results have been provided to each bureau's leadership, including country offices within each region.	have been able to assess implementation of part (c) of the audit recommendation.					
25.	2013 (A/69/5/Add.1 and Corr.1, chap. II)	53	UNDP agreed with the Board's recommendation that it ensure that the project completion checklist is used consistently for the financial closure of development projects, including the preparation of final review reports.	A sample of financially closed projects was selected by the Board of Auditors for validation, to see if the recommendation had been implemented.	Based on the sample of 21 projects from 21 country offices, the Board's verification revealed that the recommendation has been satisfactorily implemented.	√				
26.	2013	84	UNDP agreed with the Board's recommendation that it review the causes of recurring modified audit opinions and take remedial action, as required, through engaging the regional bureaux and respective implementing partners.	Various actions have been taken by regional bureaux to address the risks associated with national implementation modality projects with three or more recurring modified audit opinions. In Tunisia, one project has changed to a cash transfer modality and the other has changed to direct implementation modality. In Argentina, the project has changed to a cash transfer modality. In Bangladesh, the microassessment rates the risks as moderate. In relation to Bangladesh, for one of the years, the audit rating was an error and the auditor changed the	The Board considers the recommendation to have been implemented, based on action taken. The information has been included in the comprehensive audit and recommendations database system and clarifications provided by the country office and the Regional Bureau for Asia and the Pacific.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				opinion to unqualified therefore the country office does not have 3 years recurring modified opinions.						
27.	2013	91	UNDP agreed with the Board's recommendation that it: (a) assess risks surrounding executing the national implementation modality to find out why assurance procedures other than an audit could not detect the suspected irregular procurement procedures and improve controls; and (b) continue engaging with the partner Government to ascertain more facts about the matter in order to establish the actual loss the projects suffered and possibilities of recovery from the individuals involved.	UNDP has ascertained that there was no loss to the organization or the donor and has a letter from the Government (which has previously been shared with the Board of Auditors directorate) confirming that, should a loss be determined, then they will absorb the loss. The case is part of a judicial process of a sovereign nation, a process over which UNDP has no control. In line with agreed practice, UNDP will continue to enquire regularly through the official channels about the status of the judicial process and will report to update the Board as soon as any new developments are known. From the Programme's perspective, all aspects of the recommendation have been implemented.	Part (a) Implemented according to the measures taken by the country office with the support of the Office of Audit and Investigations and the Regional Bureau for Latin American and the Caribbean. (b) In progress, the Board acknowledges the sovereignty of a nation, in matters over which UNDP has no control. However, since the judicial process is ongoing, the Board will categorize the recommendation as in progress until a ruling has been made on the case. It is useful for management to continue to update the Board on the development of the judicial process.		√			
28.	2013	94	UNDP agreed with the Board's recommendation that, unless there is a bilateral agreement with the donor(s) concerned, it make every effort to refund	Noting that the recommendation regarding the timely processing of refunds to donors was repeated in the 2014 audit report	The recommendation is considered to have been implemented based on the action taken by management to refund amounts due to donors	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			amounts due to donors and clear all balances exceeding 90 days in the 2013 account (refunds pending to donors), as required by the Programme and Operations Policies and Procedures and year-end closure instructions.	(A/70/5/Add.1, para. 59), UNDP acknowledges the Board's comments regarding the updates to the Programme and Operations Policies and Procedures on the processing of donor refunds, however wishes to state that the content of the Policies and Procedures is an internal management tool to enhance controls and UNDP management has considered the reality of donor refunds.	and the continuous communications and follow-up with donors.					
29.	2013	101	UNDP agreed with the Board's recommendation that it: (a) enforce its guidance notes to country offices on the implementation of the revised harmonized approach to cash transfers framework; and (b) follow up with regional bureaux and work with country offices to ensure that pending macro- and microassessments for the respective programming cycle are conducted as planned.	UNDP has sent a guidance note to UNDP offices on compliance with the harmonized approach to cash transfers framework. The roll-out message was sent in February 2015, with revised and updated policies in line with the 2014 revised harmonized approach to cash transfers framework, published in January 2015. To support monitoring, UNDP launched a harmonized approach to cash transfers monitoring dashboard for all offices. UNDP has implemented the recommendation through communication and guidance to country	The Board has reviewed management action in support of the roll-out of the revised harmonized approach to cash transfers framework and considers the recommendation to have been implemented.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	*Status after verification*				
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*	*Reiterated*
				offices and establishing a monitoring mechanism.						
30.	2013	129	UNDP agreed with the recommendation of the Board that it review the current Atlas payroll profiles to restrict the granting of conflicting roles in line with the internal control framework on payroll administration.	To address the Board's recommendation, the following changes have been implemented: 1. For Benefits and Entitlements Services and staff of the Junior Professional Officers Service Centre, who administer the human resources and serve as the first authority on payroll: (a) general procurement administrator role has been completely removed from their profiles in the Atlas Role Generation and User Provisioning System; (b) a role for staff in the Benefits and Entitlement Service Center, which is granted through the special instructions and provides access to human resources pages for implementing partners and General Service staff in New York, has been amended to remove payroll-related functions of a global payroll administrator. Please note that the human resources pages are not accessible through the standard human resources administrator role in the Atlas Role Generation and User Provisioning System	The Board has assessed the changes implemented by management and considers the recommendation to have been implemented.	√				

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNDP response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
				because management of implementing partner staff and General Service staff in New York is centralized and not open to country offices and headquarters units. 2. For the International Payroll Management Unit staff who administer the payroll and serve as the second authority, the human resources administrator role has been completely removed from their profiles in the Atlas Role Generation and User Provisioning System.						
31.	2013	138	UNDP agreed with the Board's recommendation that it implement an automated e-mail notification to staff members and their supervisors for approvals of advance leave beyond the approved limit of 10 days.	The additional notification when staff apply for advance annual leave is now in Atlas eServices and has been implemented. A notification in "My Leave"/e-Services will be shown to the staff member and his or her supervisor when the leave is requested, if the annual leave balance has or will result in a negative balance, if the request is approved.	The Board has assessed the additional notification functionality in Atlas eservice and considers the recommendation to have been implemented.	√				
	Total					**16**	**7**	–	–	**8**
	Percentage					**52**	**23**	–	–	**25**

Annex II

Disclosure by management of cases of fraud and presumptive fraud

(a) Cases received and resolved in 2015

No.	*Region*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the persons involved*	*Loss (United States dollars)*	*Amount recovered*	*Management action to deter recurrence*
1	Africa	21 January 2015	Theft and embezzlement	Staff member allegedly forged a document in order to procure stationery.	Closed; there was insufficient credible information to justify investigative follow-up.	200	–	Implementation to be determined
2	Arab States	30 January 2015	Entitlement fraud	Service contractor fraudulently claimed 5 510 in medical expenses through falsified invoices. The insurer withheld payment of the claim.	Country office terminated the service contractor after receiving an investigation report.	–	–	Implementation to be determined
3	Asia and the Pacific	17 February 2015	Theft and embezzlement	External party stole a UNDP vehicle.	Closed after assessment as an investigation was not likely to be successful.	Amount unknown (value of the car)	–	Implementation to be determined
4	Headquarters	6 February 2015	Failure to comply with other obligations	A staff member allegedly helped an individual contractor from another agency answer written test questions during a recruitment exercise.	Investigation report issued.	No financial loss	–	Implementation to be determined
5	Africa	19 February 2015	Entitlement fraud	A staff member allegedly submitted fraudulent medical insurance claims in the amount of 12 183 for himself and his dependants. The insurer withheld payment of the claim.	Closed after assessment, as a result of the outbreak of Ebola virus disease. Investigators could not carry out investigative activity relating to medical facilities and practitioners owing to the situation in-country.	–	–	Implementation to be determined
6	Europe and Commonwealth of Independent States	30 January 2015	Entitlement fraud	Service contractor fraudulently claimed 4 413 in medical expenses with false invoices. The insurer withheld 2 367 from the claim.	Service contractor not renewed; investigation report sent to country office	2,046	–	Implementation to be determined

No.	*Region*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the persons involved*	*Loss (United States dollars)*	*Amount recovered*	*Management action to deter recurrence*
7	Africa	16 March 2015	Procurement fraud	Vendor allegedly submitted fake certification in its bid for a procurement process.	Investigation report sent to Vendor Review Committee.	–	–	Implementation to be determined
8	Arab States	24 March 2015	Entitlement fraud	The son of a retired staff member allegedly submitted false documentation in order to continue receiving pension payments four years after the death of the beneficiary.	Closed after assessment; subject is not a UNDP staff member.	10,113	–	The country office stopped certifying the certificates of entitlement in absentia and requires the beneficiaries to come in person to prove their identity, or sends someone to their place of residence. Country office also reviewed the retirees' data and documents for similar cases.
9	Latin America and Caribbean	3 April 2015	Entitlement fraud	Four service contractors allegedly claimed false medical expenses for a total amount of 22 613, 11 685 of which was paid.	Closed after assessment; the service contractors were terminated in 2013.	11,685	–	Implementation to be determined.
10	Africa	14 April 2015	Theft and embezzlement	Employees of an implementing partner allegedly embezzled money from the Common Humanitarian Fund.	Closed after assessment; the funds were reimbursed and the employees dismissed.	40,622	40,622	Advisory Board of the Common Humanitarian Fund asked the implementing partner for reimbursement.
11	Africa	23 June 2015	Theft and embezzlement	A non-governmental organization allegedly did not finish the work it was contracted to do and refused to return funds advanced to it.	Closed after assessment; there was insufficient evidence to confirm fraud.	47,949	–	Matter has been referred to the Legal Office.

No.	Region	Date reported or detected	Nature	Description of the issue	Remedial action against the persons involved	Loss (United States dollars)	Amount recovered	Management action to deter recurrence
12	Arab States	13 July 2015	Entitlement fraud	Service contractor allegedly submitted 18 184 in fake medical invoices, some of which were not paid by the insurer. The subject reimbursed the remainder of what had been fraudulently claimed.	Service contract had expired before investigation completed; an investigation report was sent to country office and a note to file was placed in the service contractor's file.	14,670	14,670	Implementation to be determined
13	Africa	1 September 2015	Entitlement fraud	Service contractor allegedly submitted 3 961 in false medical claims.	Closed; the subject's contract ended.	3,961	–	Implementation to be determined
14	Asia and the Pacific	1 September 2015	Misrepresentation, forgery and false certification	Service contractor misrepresented his contractual situation in order to obtain simultaneous contracts.	Investigation report sent to country office; service contract expired and was not renewed.	No financial loss	–	Implementation to be determined
15	Latin America and the Caribbean	2 October 2015	Entitlement fraud	Service contractor submitted four forged medical invoices. Some payments were withheld.	Country office did not renew service contractor after receiving an investigation report and recovered the loss from the service contractor's final entitlements.	600	600	Implementation to be determined
16	Asia and the Pacific	21 December 2015	Entitlement fraud	Staff member allegedly presented false medical claims for his dependant.	Closed; the subject had retired.	2,278	–	Implementation to be determined
	Subtotal (a)					**134,124**	**55,892**	

(b) Cases received in 2015 and still pending

No.	Region	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the issue
1	Asia and the Pacific	18 January 2015	Procurement fraud	Amount unknown	Allegations of corruption, procurement irregularities (favouring certain vendors, asking for kickbacks, etc.) and improper recruitment against a service contractor.
2	Asia and the Pacific	29 January 2015	Procurement fraud	Loss amount unknown	Bid specifications were allegedly modified to favour a vendor. The contract value is 16.5 million
3	Asia and the Pacific	26 January 2015	Procurement fraud	Estimated: 100,000	Allegations concerning a subrecipient of funds from The Global Fund to Fight AIDS, Tuberculosis and Malaria.

No.	*Region*	*Date reported or detected*	*Nature*	*Amount involved (United States dollars)*	*Description of the issue*
4	Latin America and the Caribbean	20 February 2015	Entitlement fraud	56,000	Allegations of medical entitlement fraud against a national staff member and dependants.
5	Asia and the Pacific	3 March 2015	Procurement fraud	No apparent loss	Service contractor allegedly falsified documents to conceal the project's non-compliance with regulations and rules.
6	Asia and the Pacific	25 February 2015	Procurement fraud	Amount unknown	Allegations of corruption against country office procurement staff and two project managers.
7	Africa	1 November 2014	Procurement fraud	Amount unknown	Three staff members allegedly asked an implementing partner for cigarettes and beer in exchange for funds.
8	Africa	23 March 2015	Procurement fraud	Amount unknown	One former head of procurement, three current staff members and eight local vendors/suppliers in information technology allegedly colluded in awarding contracts to the vendors.
9	Africa	March 2015	Procurement fraud	Amount unknown	Staff members allegedly asked for complimentary hotel nights, as a form of commission, for facilitating UNDP conferences at those venues. They also allegedly claimed 100 per cent daily subsistence allowance for those nights and allegedly abetted, concealed and/or conspired to instruct vendors to amend their bids at various stages during the procurement process, including before and after the final contract had been awarded.
10	Africa	March 2015	Procurement fraud	Amount unknown	A United Nations Volunteer allegedly colluded with a company that asked for commissions from vendors awarded UNDP contracts.
11	Africa	March 2015	Procurement fraud	Amount unknown	A vendor allegedly colluded with UNDP personnel during procurement processes to win bids.
12	Africa	17 April 2015	Procurement fraud	4,290	Implementing partner allegedly embezzled funds and entered into a fake contract with an Internet provider (services not provided as claimed).
13	Africa	25 April 2015	Misuse of UNDP resources	Estimated 135,000	Allegations of misuse of The Global Fund grant resources (non-compliant expenditures and stolen information technology equipment) by a subrecipient.
14	Africa	18 May 2015; 23 July 2015; 1 September 2015	Entitlement fraud	Estimated 10,284	Three staff members allegedly submitted false medical claims.
15	Africa	19 June 2015	Entitlement fraud	6,666	Staff member allegedly submitted false medical claims.
16	Latin America and the Caribbean	19 June 2015	Abuse of authority and misuse of UNDP resources	Amount unknown	A local staff member allegedly used UNDP vehicles for his personal use without paying.
17	Europe and the Commonwealth of Independent States	2015	Procurement fraud	Amount unknown	Vendors allegedly misrepresented their ownership and physical location.

No.	Region	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the issue
18	Africa	23 July 2015	Entitlement fraud	Amount being assessed	Staff member submitted false medical insurance claims.
19	Africa	28 July 2015	Procurement fraud	Loss amount unknown	Vendor allegedly colluded with UNDP personnel to circumvent competitive procurement processes. The contract value is at least $815,422.
20	Africa	28 July 2015	Procurement fraud	Amount unknown	Vendor alleged to have colluded with a staff member to supply toner cartridges that were not needed.
21	Africa	31 July 2015	Procurement fraud	Amount unknown	Two procurement staff members are allegedly responsible for conducting improper procurement processes.
22	Asia and the Pacific	16 August 2015	Theft and embezzlement	Estimated to be at least 123,000	Implementing partner (non-governmental organization) allegedly engaged in corrupt practices with project funds.
23	Asia Pacific	24 August 2015	Procurement fraud	Amount unknown	Service contractor allegedly asked for bribes in exchange for allocating project funds.
24	Asia Pacific	29 August 2015	Theft and embezzlement	Amount unknown	Executive director of implementing partner (non-governmental organization) allegedly embezzled funds.
25	Africa	9 August 2015	Procurement fraud	Amount unknown	Country office personnel allegedly purchased equipment that did not conform to the contract. Some of the equipment is also allegedly missing.
26	Asia and the Pacific	24 August 2015	Procurement fraud	Unknown	UNDP manager allegedly falsified fuel reimbursement claims and demanded payments from staff before granting them benefits of employment to which they are entitled.
27	Arab States	26 August 2015	Theft and embezzlement	1.2 million	Government official allegedly embezzled funds from a UNDP-funded project.
28	Latin America and Caribbean	27 August 2015	Entitlement fraud	512 per month	Staff member allegedly claimed a rent subsidy that was higher than that to which he was entitled.
29	Latin America and Caribbean	27 August 2015	Entitlement fraud	Amount being assessed	Local staff member allegedly claimed a dependency allowance for a child that was not his dependant.
30	Europe and the Commonwealth of Independent States	15 September 2015	Procurement fraud	17,000	Non-governmental organization implementing partner, whose director has left the country, allegedly stole Global Environment Facility Small Grants Programme funds.
31	Africa	30 September 2015	Procurement fraud	Amount unknown	Vendors that are allegedly linked together bid against each other in the same procurement process and allegedly submitted false documentation.
32	Latin America and the Caribbean	30 September 2015	Theft and embezzlement	1.1 million	Staff member allegedly manipulated data in Atlas in order to transfer UNDP funds to himself and others.
33	Latin America and the Caribbean	9 October 2015	Procurement fraud	Amount unknown	A consultant allegedly colluded with a company to favour it in a bidding process.
34	Africa	22 October 2015	Procurement fraud	Amount unknown	Vendor allegedly received contracts through the assistance of a staff member who was his friend and business partner.

No.	*Region*	*Date reported or detected*	*Nature*	*Amount involved (United States dollars)*	*Description of the issue*
35	Other headquarters business unit	6 October 2015	Other failure to comply with obligations	Amount unknown	Allegations of bribery against UNDP personnel.
36	Africa	13 November 2015	Procurement fraud	Amount unknown	Staff members allegedly favoured personnel and vendors with whom they had a personal relationship.
37	Africa	18 November 2015	Procurement fraud	Amount unknown	A contract was allegedly awarded to a vendor without a competitive process.
38	Arab States	18 November 2015	Procurement fraud	Amount unknown	A governmental implementing partner allegedly used corrupt practices to favour a preferred bidder.
39	Europe and the Commonwealth of Independent States	21 December 2015	Entitlement fraud	850	Staff member allegedly presented false medical claims.
40	Africa	21 December 2015	Entitlement fraud	7,462	Five staff members allegedly presented false medical claims.
	Subtotal (b)			**2,761,064.00**	
	Total (a + b)			**2,895,188.00**	

Chapter III
Financial report for the year ended 31 December 2015

A. Introduction

1. In accordance with United Nations Development Programme (UNDP) financial regulation 26.01, the Administrator hereby submits the financial statements of UNDP for the year ended 31 December 2015.

2. The report of the Board of Auditors, their opinion on the financial statements and the comments of UNDP on the substantive observations are submitted in accordance with UNDP financial regulation 4.04.

3. UNDP was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP is politically neutral and partners with entities and people at all levels of society to help countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion. UNDP works, primarily through its offices, in nearly 170 countries and territories and provides a global perspective and local insight to help empower lives and build resilient nations. In accordance with the Programme's strategic plan 2014-2017, UNDP work will be organized around a focused set of seven outcomes: (a) growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded; (b) citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance; (c) countries have strengthened institutions to progressively deliver universal access to basic services; (d) faster progress is achieved in reducing gender inequality and promoting women's empowerment; (e) countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change; (f) early recovery and rapid return to sustainable development pathways are achieved in post-conflict and post-disaster settings; and (g) development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles.

4. As the principal United Nations entity on the ground in nearly 170 countries and territories, UNDP provides services, on a cost-recovery basis, to 68 United Nations agencies, including peacekeeping missions. In 2015, the value of transactions processed on behalf of United Nations agencies was $541 million (2014: $556 million).

5. UNDP administers the United Nations Volunteers programme, the United Nations organization that promotes volunteerism to support peace and development worldwide. The operations of United Nations Volunteers are reflected in the financial statements of UNDP. The key results of 2015 were: (a) mobilization of volunteers for the delivery of peace and development results, (b) increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development, and (c) the enhancement or forging of traditional and new partnerships within and outside of the United Nations. During 2015, 6,796 United Nations Volunteers from 153 countries supported partner United Nations entities in their peace and development activities in the field through 7,053 assignments. With over 82 per cent of United Nations Volunteers coming from countries of the global South, and 66 per cent working in countries other than their own, South-South cooperation is a natural focus area of the organization. The United Nations Volunteers

online volunteering service continued to expand during the year, reaching a total of 485,044 users across the globe and mobilizing over 11,554 online volunteers, who handled 19,423 volunteer assignments over the Internet.

6. UNDP administers the Junior Professional Officers programme on behalf of 15 United Nations entities. During 2015, a total of 238 professionals were administered by UNDP, including 215 Junior Professional Officers and 23 special assistants to Resident Coordinators. For the professionals placed in the programme in 2015, UNDP received $15.2 million in contributions and incurred $14.7 million in expenses.

7. The UNDP Administrator is responsible for the administration of the United Nations Capital Development Fund, which provides seed capital and technical assistance to promote sustainable inclusive growth in the least developed countries. While the Administrator continues to administer the Fund, beginning in 2012, in compliance with the International Public Sector Accounting Standards (IPSAS), the Fund prepared its financial statements separately from UNDP.

B. Financial performance

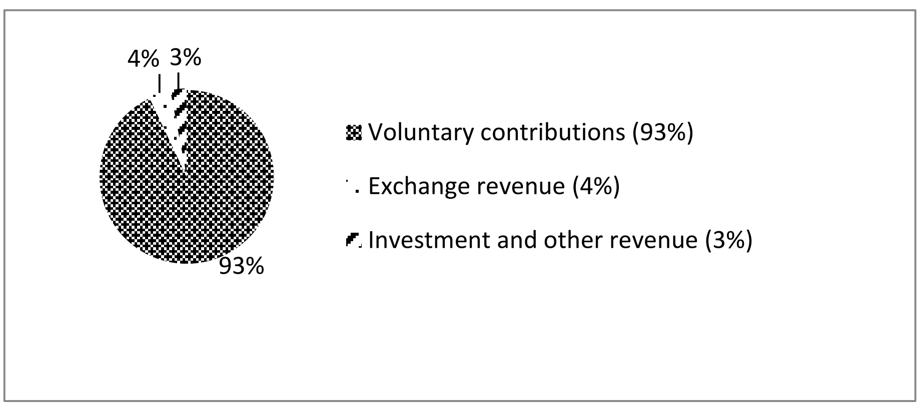
8. The total revenue of UNDP for 2015, that is, contributions and other revenue, was $4.82 billion (2014: $5.017 billion), compared with total expenses of $5.057 billion (2014: $5.314 billion), resulting in higher total expenses over total revenue of $237.3 million (2014: $297 million) in the year, drawing upon the accumulated surpluses which represent advance funding from UNDP partners of $3.929 billion (2014: $3.872 billion) from prior years.

Revenue analysis

Revenue by nature

9. The total revenue of UNDP in 2015 was $4.82 billion, of which $4.47 billion, or 93 per cent, was from voluntary contributions, $190.97 million, or 4 per cent, was from exchange revenue, and $157.3 million, or 3 per cent, was from investment and other revenue.

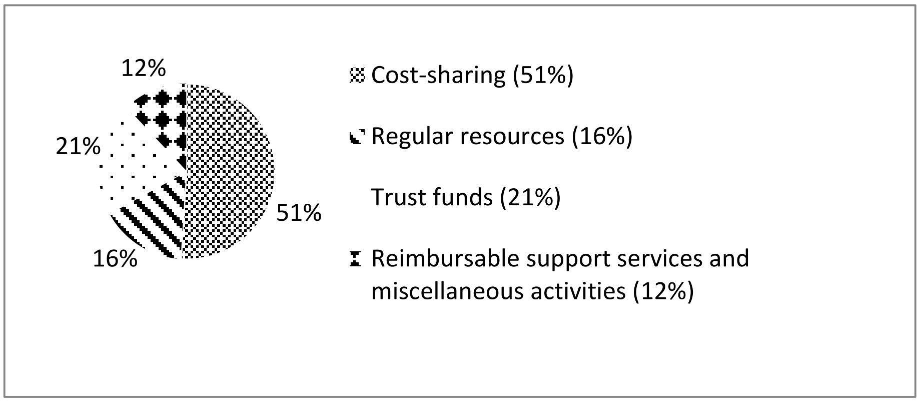
Figure III.I
Composition of total revenue in 2015 by nature



Revenue by segment

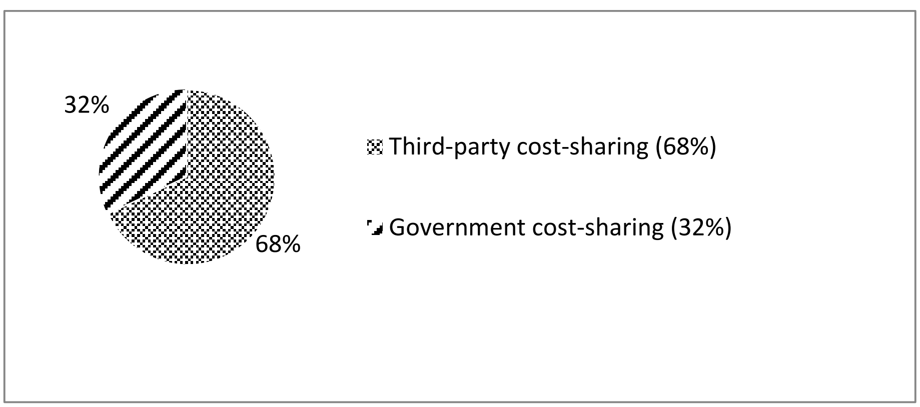
10. Analysis of revenue by segment[3] shows that cost-sharing is the largest revenue source, providing 51 per cent of the revenue of UNDP in 2015, followed by trust funds, providing 21 per cent, regular resources providing 16 per cent, and reimbursable support services and miscellaneous activities providing 12 per cent.

Figure III.II
Composition of total revenue in 2015 by segment



11. Within cost-sharing revenue totalling $2.599 billion, third-party cost-sharing provided 68 per cent of the revenue and government cost-sharing provided 32 per cent of the revenue.

Figure III.III
Composition of cost-sharing revenue in 2015 by type



Expense analysis

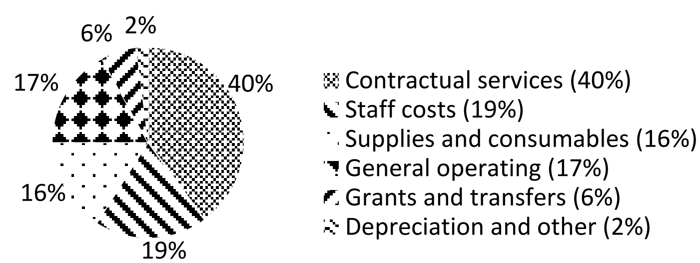
Expenses by nature

12. The total expenses of UNDP in 2015 were $5.057 billion. Considering that the mandate of UNDP is to provide knowledge, policy advice, advocacy and technical support to governments and other implementing partners, the largest expense

[3] Excludes the effect of inter-fund elimination.

category by nature in 2015 was contractual services with individuals and companies of $1.999 billion, or 40 per cent. The remaining expenses by nature are: $941.8 million, or 19 per cent, for staff costs; $893.3 million, or 17 per cent, for general operating expenses; $811.5 million, or 16 per cent, for supplies and consumables used; $317.9 million, or 6 per cent, for grants and other transfers; and $93.1 million, or 2 per cent, for depreciation and other expenses.

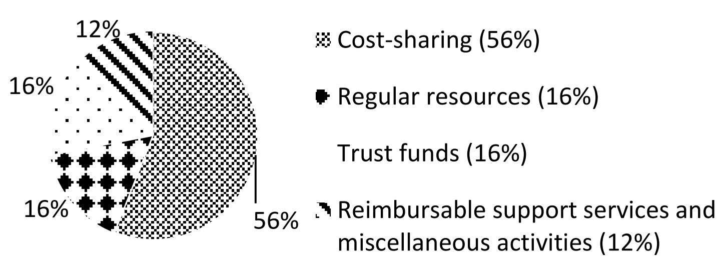
Figure III.IV
Composition of total expenses in 2015 by nature



Expenses by segment

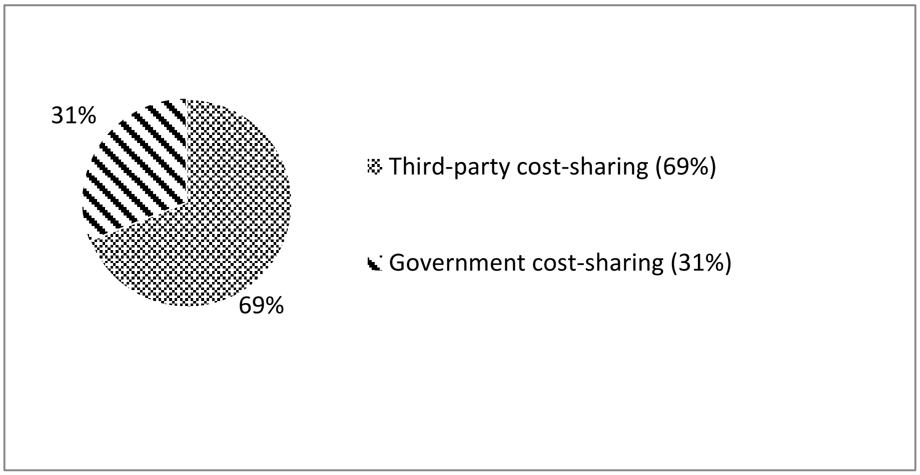
13. Of the total expenses for 2015,[1] 56 per cent was spent on cost-sharing, 16 per cent on regular resources, 16 per cent on trust funds and 12 per cent was spent on reimbursable support services and miscellaneous activities.

Figure III.V
Composition of total expenses in 2015 by segment



14. Within cost-sharing expenses, totalling $2.982 billion, 69 per cent was spent on third-party cost-sharing, and 31 per cent was spent on government cost-sharing.

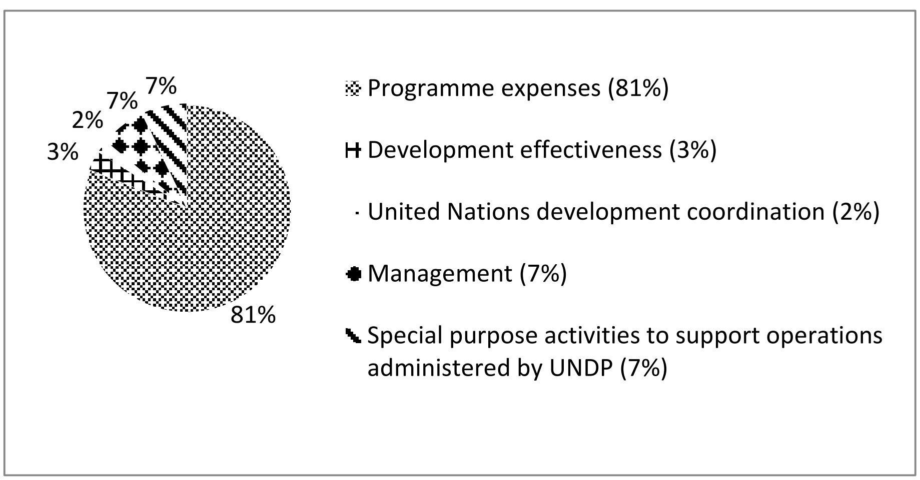
Figure III.VI
Composition of cost-sharing expenses in 2015 by type



Expenses by cost classification

15. The Executive Board of UNDP approved four broad cost-classification categories: (a) development activities, which encompass subcategories for programme activities and development effectiveness activities; (b) United Nations development coordination activities; (c) management activities; and (d) special purpose activities. Of total UNDP expenses by cost-classification category[1] prescribed by the Executive Board, 81 per cent was spent on programme activities, 3 per cent was spent on development effectiveness, 2 per cent was spent on United Nations development coordination, 7 per cent was spent on management and 7 per cent was spent on special purpose activities to support operations administered by UNDP.

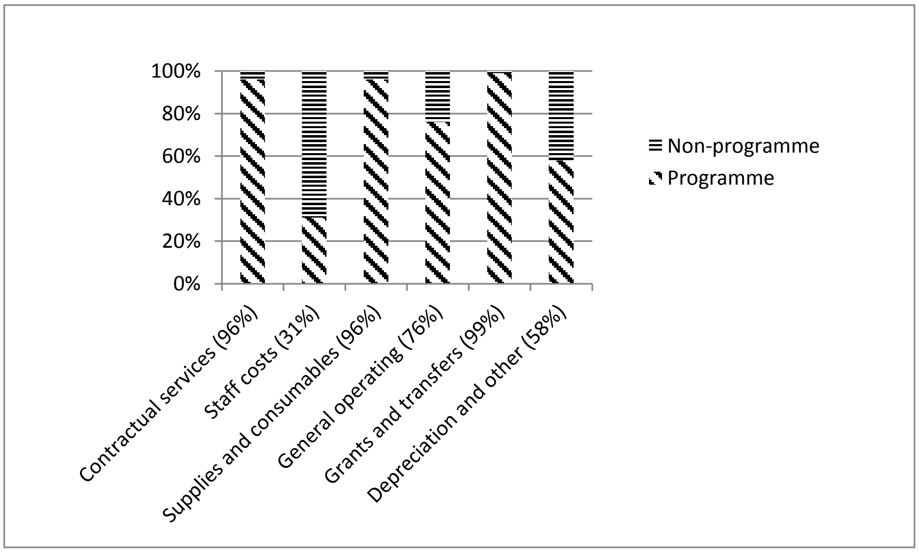
Figure III.VII
Composition of total expenses in 2015 by cost classification



Expenses relating to programme

16. In terms of the expense categories attributed to UNDP programme activities, in total, $4.238 billion (2014: $4.397 billion) of the total expenses of UNDP were programme expenses, reflecting the development nature of the operations of UNDP. By expense category, 96 per cent of the total contractual services with individuals and companies were programme expenses. Similarly, 31 per cent of staff costs, 96 per cent of supplies and consumables used, 76 per cent of general operating expenses,[4] 99 per cent of grants and other transfers and 58 per cent of depreciation and other expenses were programme expenses.

Figure III.VIII
Composition of programme expenses in 2015 by nature

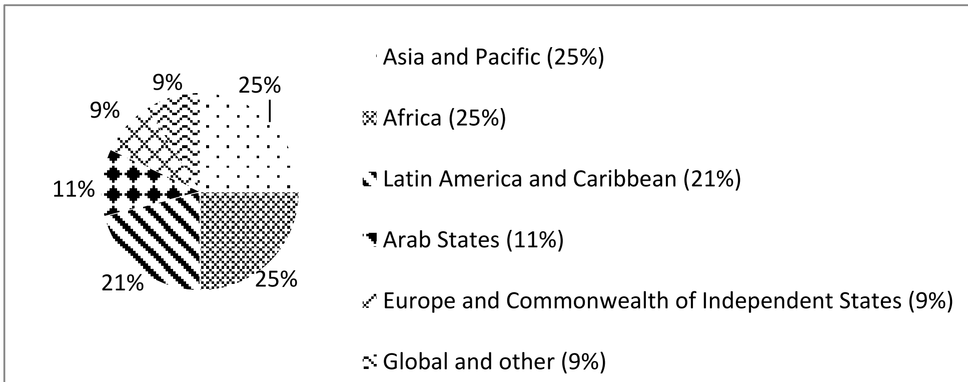


Programme expenses by geographical region

17. Of total programme expenses of $4.238 billion, by geographical region, 25 per cent is spent in Asia and the Pacific, 25 per cent is spent in Africa, 21 per cent is spent in Latin America and the Caribbean, 11 per cent is spent in Arab States, 9 per cent is spent in Europe and the Commonwealth of Independent States and 9 per cent is spent in the global and other regional category.

[4] Includes the effect of inter-fund elimination.

Figure III.IX
Composition of programme expenses in 2015 by geographical region



Financial performance by segment

18. In 2015, while segments, that is, regular resources, cost-sharing, trust funds and reimbursable support services and miscellaneous activities, showed annual expenses that were higher than annual revenue by $237.3 million, it is noted that UNDP partners provided funding in advance and that the accumulated surpluses of $3.929 billion was sufficient to absorb the current-year deficit. Note 6 to the financial statements, on segment reporting, provides details of financial performance by segment, which is summarized in table III.1.

Table III.1
Summary of financial performance by segment in 2015
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	790.6	2 599.0	1 060.0	596.0	(225.5)	4 820.1
Total expenses	823.2	2 982.2	823.2	654.3	(225.5)	5 057.4
Surplus/(deficit)	**(32.6)**	**(383.2)**	**236.8**	**(58.3)**	**–**	**(237.3)**
Total accumulated surpluses	**84.5**	**2 301.4**	**1 028.7**	**514.5**	**–**	**3 929.1**

Summary of financial performance by segment in 2014

(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	878.4	2 845.3	864.1	652.1	(222.6)	5 017.3
Total expenses	939.6	2 922.7	960.1	714.5	(222.6)	5 314.3
Surplus/(deficit)	**(61.2)**	**(77.4)**	**(96)**	**(62.4)**	**–**	**(297)**
Total accumulated surpluses/(deficits)	**(20.8)**	**2 684.5**	**797.3**	**410.6**	**–**	**3 871.6**

19. While current-year deficits were funded through accumulated surpluses from prior years, and while this practice can be sustained in the short term for some segments, such as cost-sharing and trust funds, it cannot be sustained for the business activities of UNDP that are funded through regular resources. Despite enormous challenges, UNDP met its three-month minimum liquidity requirement for regular resources in 2015, maintaining a liquidity reserve of 3.6 months of average expenses, within the minimum threshold of liquidity required by the Executive Board.

20. Through the development of the Programme's strategic plan 2014-2017 and the agenda for organizational change, which is currently being implemented, UNDP has established a path that will address the continuing downturn in revenue through transformational change, enhanced business development and resource mobilization.

21. The corporate restructuring of UNDP began in 2014, with the aim of improving institutional effectiveness through better functional and geographic integration at headquarters and the regional level, in order to meet strategic plan objectives. Expenses incurred in 2015 relating to the structural change are $12.586 million. Note 34 provides an illustration of the impact of the structural change expenses on the statement of financial performance.

C. Budgetary performance

22. The budget of UNDP continues to be prepared on a modified cash basis and is presented in the financial statements as statements V (a) and V (b), comparison of budget and actual amounts (regular resources), and note 7, comparison to budget. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the cash flow statement is also included in note 7.

23. Approved budgets are those that permit budget expenditures to be incurred and are approved by the Executive Board of UNDP. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. The Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-

year period, UNDP allocates those budgets into annual amounts, whose total comprises the four-year approved budget, in order to provide the budget-to-actual comparison of the annual financial statements. In addition to the annual statement V (statement V (a)), comparison of budget and actual amounts (regular resources), at the end of the second year of the two-year period, UNDP also presents a biennial statement V (statement V (b)), comparison of budget and actual amounts (regular resources). As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, other resources are not presented in statements V (a) and V (b). During 2015, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions, in order to ensure improved burden-sharing and greater efficiency. This resulted in overall lower expenditure compared with the annualized 2014-2017 budget approved by the Executive Board. The comparison of utilization against annualized budget levels in 2015 is shown in table III.2.

Table III.2
Budget utilization rates for 2015

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	559.5	89
United Nations development coordination activities	94.2	98
Management activities	167.2	66
Special purpose activities to support operations administered by UNDP	20.3	64
Budget from additional resources for security measures (in accordance with Executive Board decision 2013/28)	3.5	64
Total	**844.7**	**85**

24. The integrated resource plan of UNDP encompasses the integrated budget. The integrated resource plan estimates will be used in the integrated results and resources framework (covering development impact, development outcomes, UNDP outputs and organizational efficiency and effectiveness) of the strategic plan.

D. Financial position

Assets

25. UNDP assets of $6.416 billion (2014: $6.540 billion) were comprised largely of investments of $5.292 billion (2014: $5.348 billion), cash and cash equivalents of $534.0 million (2014: $554.4 million) and receivables of $239.5 million (2014: $220.4 million) (total: $6.066 billion, or 95 per cent). The large majority of investments and cash and cash equivalents are earmarked for cost-sharing and trust funds. The remaining assets balance comprised: advances issued as operating funds to implementing partners of $168.4 million (2014: $243.8 million); property, plant and equipment of $145.5 million (2014: $138.6 million), of which 76 per cent represented management assets and 24 per cent represented project assets; inventory of $19.6 million (2014: $18.2 million), consisting primarily of medical supplies and equipment for programmes being implemented on behalf of the Global Fund to

Fight AIDS, Tuberculosis and Malaria; loans to governments of $7.5 million (2014: $8.1 million); intangible assets of $7.8 million (2014: $7.6 million), consisting of internally developed software and assets under development; and other assets of $1.2 million (2014: $1 million), consisting primarily of dispensary, medical and other receivables.

Cash, cash equivalents and investments

26. As at 31 December 2015, UNDP held cash, cash equivalents and investments of $5.826 billion (2014: $5.902 billion), of which $439.4 million (2014: $526.2 million) were funds provided by donors “held in trust” for multi-donor trust funds. During 2015, UNDP maintained its vigilance of credit risks in the light of continued uncertainty in global financial conditions, in particular with respect to euro areas. In addition to its own funds, UNDP manages investments in separate portfolios on behalf of a number of United Nations agencies. As at 31 December 2015, UNDP managed a total of $7.8 billion in investments for its own programme and for other United Nations entities (the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Population Fund, the United Nations Capital Development Fund and the United Nations Office for Project Services), under service agreements. The investment revenue of UNDP was $41.1 million in 2015 (2014: $38.6 million).

27. UNDP has an Investment Committee comprising senior management, which meets quarterly to review the investment portfolio performance of UNDP and to ensure that investment decisions are in compliance with its established Investment Guidelines.

Receivables

28. As at 31 December 2015, UNDP had receivables of $239.5 million (2014: $220.4 million), which included: receivables due from United Nations agencies of $116.6 million (2014: $0.592 million); contributions receivable pending from donors of $63.4 million (2014: $166.3 million); and the remaining amount of $59.5 million (2014: $53.5 million) was primarily investment receivables of $29.2 million (2014: $32.2 million).

Advances issued

29. As at 31 December 2015, UNDP had outstanding advances of $168.4 million (2014: $243.8 million). Of that amount, $91.6 million was composed of advances for nationally executed projects (2014: $115.5 million), $26.4 million (2014: $33.2 million) had been advanced to United Nations agencies for project implementation and the remaining amount of $50.4 million (2014: $95.1 million) consisted primarily of advances to the United Nations Children’s Fund for medical supplies.

30. In fulfilling its mandate, UNDP transfers cash to executing entities or implementing partners as a cash advance. Advances issued are recorded as assets and converted to expenses once the certified expense reports are received and accepted by UNDP.

31. UNDP monitors programme expenses to ensure they are incurred in compliance with project documents and work plans. Monitoring activities include

field visits, comparisons of expense reports to work plans and narrative reports, monitoring of progress towards outputs and outcomes and prescribed audits. The Office of Audit and Investigations reviews the audit reports covering the audit of projects that are implemented by national institutions or by non-governmental organizations. UNDP also monitors the outstanding balance of funds advanced to governments and non-governmental organizations to ensure that financial reports are received on a timely basis and that appropriate action is taken on audit report recommendations.

Property, plant and equipment and intangible assets

32. As at 31 December 2015, UNDP held property, equipment and intangible assets of $153.3 million (2014: $146.3 million), of which property and equipment were $145.5 million (2014: $138.6 million). Of that amount, $35.8 million (2014: $35.7 million) represented land and buildings; the remaining property and equipment consisted mainly of information technology assets and vehicles. All management and project assets meeting capitalization thresholds and controlled by UNDP were capitalized. Project assets that were not controlled by UNDP are expensed as incurred. Of the total number of items under property, plant and equipment held as at 31 December 2015, 24 per cent represented project assets and 76 per cent represented management assets.

33. Intangible assets held as at 31 December 2015 amounted to $7.8 million (2014: $7.6 million), of which $3.8 million (2014: $5.3 million), or 49 per cent, related to internally developed software, and $3.7 million (2014: $2.2 million), or 47 per cent, related to assets under development.

Liabilities

34. The liabilities of UNDP in the amount of $2.145 billion (2014: $2.315 billion) largely comprised employee benefits of $1.255 billion (2014: $1.413 billion), including after-service health insurance, repatriation and death benefits (all of which are valued by independent actuaries), annual leave and others. The principal employee benefit liability of after-service health insurance is valued at $954.1 million (included in the total employee benefits amount) (2014: $1.142 billion), of which $503.8 million (53 per cent) has been invested. A funding strategy of 15 years has been formulated to fund the gap between the historical liability and the amount invested. The funding strategy will be adjusted, if needed, following the next actuarial valuation.

35. Other than employee benefits, the total liabilities of UNDP also include: payables-funds held in trust of $533.4 million (2014: $613.9 million), which relate primarily to multi-donor trust funds for which UNDP serves as the administrative agent; accounts payable and accrued liabilities of $119.9 million (2014: $139.0 million); funds received in advance and deferred revenue of $181.9 million (2014: $76.9 million); funds held on behalf of donors of $31.2 million (2014: $46.6 million); other liabilities of $9.7 million (2014: $10 million), consisting primarily of unapplied deposits; and advances payable of $12.2 million (2014: $10.1 million).

Net assets/equity

36. Net assets/equity of $4.27 billion reflects amounts received as advance funding from UNDP partners from prior years for activities funded under the integrated resources plan. Net assets/equity includes accumulated surpluses of $3.929 billion and reserves of $341.1 million, of which the operational reserve accounted for $338 million (99 per cent of total reserves). During 2015, net assets/equity was affected primarily by: (a) a deficit of $237.3 million; and (b) a decrease in the value of the liability for after-service health insurance ("actuarial gain") of $267.0 million owing to external economic conditions and changes in actuarial assumptions.

Financial position by segment

37. The financial position of UNDP by segment and UNDP in aggregate, as included in note 6 on segment reporting to the financial statements, is summarized in table III.3.

Table III.3
Summary financial position by segment as at 31 December 2015
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 852.7	2 453.7	1 057.3	1 051.8	6 415.5
Percentage of total UNDP assets	**29**	**38**	**17**	**16**	**100**
Total liabilities	1 571.0	152.4	25.6	396.3	2 145.3
Percentage of total UNDP liabilities	**73**	**7**	**1**	**19**	**100**
Net assets/equity	281.7	2 301.3	1 031.7	655.5	4 270.2
Percentage of total UNDP net assets/equity	**7**	**54**	**24**	**15**	**100**

Summary financial position by segment as at 31 December 2014
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 839.5	2 776.8	825.9	1 097.3	6 539.5
Percentage of total UNDP assets	**28**	**42**	**13**	**17**	**100**
Total liabilities	1 652.7	92.2	25.6	544.8	2 315.3
Percentage of total UNDP liabilities	**71**	**4**	**1**	**24**	**100**
Net assets/equity	186.8	2 684.6	800.3	552.5	4 224.2
Percentage of total UNDP net assets/equity	**4**	**64**	**19**	**13**	**100**

E. Accountability, governance and risk management

38. Accountability and governance of UNDP has four facets: (a) UNDP governing bodies and governance committees: the General Assembly, the Economic and Social Council, the Executive Board and the Fifth Committee; (b) UNDP accountability to its programmatic partners and beneficiaries: donors, programme governments, United Nations partners, implementing partners and project beneficiaries; (c) institutional oversight mechanisms of UNDP: (i) independent external oversight: the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Audit Advisory Committee; (ii) independent internal oversight: the Office of Audit and Investigations, the Ethics Office and the Evaluation Office; and (d) UNDP internal accountability: the Administrator and Associate Administrator, the Executive Office, the Executive Group, the Operations Group, regional and headquarters bureaux, regional centres and country offices.

39. Assurance that all the resources, including financial resources, entrusted to UNDP have been managed efficiently and effectively to achieve the expected development results is embedded in the way in which UNDP exercises stewardship over those resources.

40. UNDP has implemented a sound system of internal controls to ensure that effective risk management is integrated into normal business processes and is aligned to the strategic objectives of the organization. Regarding risk management of cash and investments, the risk management policies of UNDP with relation to treasury operations aim to minimize potential adverse effects on the resources available to UNDP to fund its development activities. The principal objectives of the UNDP risk management approach are: (a) safety, that is, the preservation of capital, provided through investing in high-quality fixed-revenue securities, emphasizing the creditworthiness of the issuers; (b) liquidity, that is, the flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (c) revenue, that is, the maximization of investment revenue within safety and liquidity parameters. UNDP utilizes funds to implement development activities in accordance with its Financial Regulations and Rules and its policies and procedures, which encompass strong risk mitigation and monitoring and assurance mechanisms.

F. Looking forward to 2016 and beyond

41. The overall financial position of UNDP at the end of 2015 was positive. Implementation of the strategic plan 2014-2017 will continue the transformational programme aimed at enabling UNDP to deliver effectively, responsively and with greater cost economy, and to better position UNDP to help countries deliver on the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

Chapter IV

Financial statements for the year ended 31 December 2015

United Nations Development Programme

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 8	424 198	426 775
Cash and cash equivalents — funds held in trust	Note 8	109 782	127 592
Investments	Note 9	2 532 409	2 129 312
Investments — funds held in trust	Note 9	264 929	239 302
Receivables — non-exchange transactions	Note 10	63 376	166 286
Receivables — exchange transactions	Note 11	176 166	54 138
Advances issued	Note 12	168 429	243 817
Loans to governments	Note 15	851	892
Inventories	Note 13	19 572	18 182
Other current assets	Note 14	1 213	997
Total current assets		**3 760 925**	**3 407 293**
Non-current assets			
Investments	Note 9	2 430 017	2 819 521
Investments — funds held in trust	Note 9	64 650	159 260
Loans to governments	Note 15	6 614	7 215
Property, plant and equipment	Note 16	145 492	138 620
Intangible assets	Note 17	7 798	7 646
Other non-current assets	Note 14	8	–
Total non-current assets		**2 654 579**	**3 132 262**
Total assets		**6 415 504**	**6 539 555**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 18	119 879	139 037
Advances payable	Note 19	12 238	10 055
Funds received in advance and deferred revenue	Note 20	173 992	68 247
Funds held on behalf of donors	Note 20	31 212	46 625
Payables — funds held in trust	Note 21	468 727	454 653
Employee benefits	Note 22	230 267	199 828
Other current liabilities	Note 23	9 664	10 014
Provision for restructuring	Note 34	2 472	5 592
Total current liabilities		**1 048 451**	**934 051**

United Nations Development Programme

I. Statement of financial position as at 31 December 2015 (continued)

	Reference	*31 December 2015*	*31 December 2014 (restated)*
Non-current liabilities			
Payables — funds held in trust	Note 21	64 650	159 260
Funds received in advance and deferred revenue	Note 20	7 859	8 687
Employee benefits	Note 22	1 024 344	1 213 278
Other non-current liabilities	Note 23	64	19
Total non-current liabilities		**1 096 917**	**1 381 244**
Total liabilities		**2 145 368**	**2 315 295**
Net assets/equity			
Reserves	Note 24	341 127	352 638
Accumulated surpluses	Note 25	3 929 009	3 871 622
Total net assets/equity		**4 270 136**	**4 224 260**
Total liabilities and net assets/equity		**6 415 504**	**6 539 555**

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

United Nations Development Programme

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated)*
Revenue			
Voluntary contributions	Note 26	4 471 894	4 660 821
Revenue: exchange transactions	Note 27	190 967	195 821
Investment revenue	Note 28	41 144	38 587
Other revenue	Note 29	116 155	122 062
Total revenue		**4 820 160**	**5 017 291**
Expenses[a]			
Contractual services	Note 30	1 999 686	2 113 879
Staff costs	Note 30	941 836	986 815
Supplies and consumables used	Note 30	811 556	842 229
General operating expenses	Note 30	893 305	919 838
Grants and other transfers	Note 30	317 892	330 872
Other expenses	Note 30	71 255	101 300
Depreciation and amortization	Note 30	16 369	10 699
Finance costs	Note 30	5 515	8 668
Total expenses		**5 057 414**	**5 314 300**
Deficit for the year[b]		**(237 254)**	**(297 009)**

[a] Includes expenses of $12.586 million relating to the structural change. See note 34 for details.
[b] Deficit for the year draws down on the unspent accumulated surplus resource balances.

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

United Nations Development Programme

III. Statement of changes in net assets/equity for the year ended 31 December 2015

(Thousands of United States dollars)

	Reserves	*Accumulated surpluses*	*Total net assets/equity*
Balance at 31 December 2014	**352 638**	**3 832 599**	**4 185 237**
Prior-period adjustment (note 5)	–	16 376	16 376
Capitalization of project assets acquired pre-2012 (note 5)	–	22 647	22 647
Balance at 31 December 2014 (restated)	**352 638**	**3 871 622**	**4 224 260**
Changes in net assets/equity			
Operational reserve transfer to accumulated surplus	(11 000)	11 000	–
Reserve for special initiatives transfer to accumulated surplus	(511)	511	–
Funds with specific purposes (note 25)	–	17 050	17 050
Changes in fair value of available-for-sale investments	–	(963)	(963)
Actuarial gains/(losses)	–	267 043	267 043
Deficit for the year	–	(237 254)	(237 254)
Total revenue and expense recognized directly in net assets/equity	**(11 511)**	**57 387**	**45 876**
Balance at 31 December 2015	**341 127**	**3 929 009**	**4 270 136**

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

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated)*
Cash flows from operating activities			
Deficit for the year		(237 254)	(297 009)
Adjustments to reconcile deficit for the year to net cash flows:			
Depreciation and amortization		16 369	10 699
Impairment		632	33
In-kind contributions (donated goods)		(263)	(191)
Amortization of premium/(discount) on investments		40 882	47 957
(Gains)/losses on foreign exchange translation		12 417	20 293
Losses on disposal of property, plant and equipment		2 456	691
Changes in assets			
(Increase)/decrease in receivables: non-exchange transactions		104 881	(30 770)
(Increase)/decrease in receivables: exchange transactions[a]		(204 991)	(40 590)
(Increase)/decrease in advances issued		65 717	72 649
(Increase)/decrease in inventories		(1 390)	(413)
(Increase)/decrease in other current assets		(224)	273
Changes in liabilities, net assets/equity			
(Decrease)/increase in accounts payable and accrued liabilities		(19 012)	12 438
(Decrease)/increase in advances payable		2 183	(6 612)
(Decrease)/increase in funds received in advance and deferred revenue		104 917	(76 964)
(Decrease)/increase in funds held on behalf of donors		(15 413)	27 270
(Decrease)/increase in payables: funds held in trust		(80 536)	61 108
(Decrease)/increase in employee benefits		109 557	73 702
(Decrease)/increase in other current liabilities		(292)	1 526
(Decrease)/increase in provision for restructuring		(3 120)	5 592
(Decrease)/increase in funds with specific purposes		17 050	(5 370)
Cash flows from/(used in) operating activities		**(85 434)**	**(123 688)**
Cash flows from investing activities			
Purchases of investments		(3 190 506)	(4 247 197)
Purchases of investments: funds held in trust		(309 805)	(544 938)
Maturities of investments		3 137 804	3 709 290
Maturities of investments: funds held in trust		376 052	408 979
Interest received		82 050	79 175
Decrease in loans to governments		642	2 704
Purchases of property, plant and equipment		(29 288)	(32 955)
Disposals of property, plant and equipment		5 374	8 267
Purchases of intangible assets		(1 838)	(3 670)
Disposal of intangible assets		88	1 283
Cash flows from/(used in) investing activities		**70 573**	**(619 062)**

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2015 (continued)

	Reference	*2015*	*2014 (restated)*
Cash flows from financing activities			
Finance lease repayment		(13)	(4)
Cash flows from/(used in) financing activities		**(13)**	**(4)**
Increase/(decrease) in cash and cash equivalents, including funds held in trust		**(14 874)**	**(742 754)**
Effect of exchange rate changes on cash and cash equivalents		**(5 513)**	**(8 564)**
Cash and cash equivalents including funds held in trust: beginning of year		**554 367**	**1 305 685**
Cash and cash equivalents including funds held in trust: end of year	Note 8	**533 980**	**554 367**

[a] This amount includes an adjustment for interest received of $82.050 million in cash as well as an adjustment for foreign exchange translation of $(0.925) million.

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

United Nations Development Programme

V. (a) Statement of comparison of budget and actual amounts (regular resources) for the year ended 31 December 2015

(Thousands of United States dollars)

	Approved budget		*Actual expenditure on comparable basis (note 7)*	*Difference: final approved budget and actual expenditure*
	Original	*Final*		
Development activities				
Programme	453 271	453 271	415 611	37 660
Development effectiveness	106 184	106 184	80 540	25 644
Subtotal	**559 455**	**559 455**	**496 151**	**63 304**
United Nations development coordination activities	**94 177**	**94 177**	**92 135**	**2 042**
Management activities				
Recurring	165 454	165 454	108 639	56 815
Non-recurring	1 800	1 800	1 421	379
Subtotal	**167 254**	**167 254**	**110 060**	**57 194**
Special purpose activities				
Capital investments	4 845	4 845	2 817	2 028
Non-UNDP operations administered by UNDP	15 453	15 453	10 177	5 276
Subtotal	**20 298**	**20 298**	**12 994**	**7 304**
Total	**841 184**	**841 184**	**711 340**	**129 844**
Budget from additional resources for security measures (in accordance with Executive Board decision 2013/28)	**3 500**	**3 500**	**2 235**	**1 265**
Grand total	**844 684**	**844 684**	**713 575**	**131 109**

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

United Nations Development Programme

V. (b) Statement of comparison of budget and actual amounts (regular resources) for the biennium 2014-2015

	Final approved budget			*Actual expenditure on a comparable basis (note 7)*			*Difference: final approved biennium budget and biennium actual expenditure*
	2015	*2014*	*Biennium*	*2015*	*2014*	*Biennium*	
Development activities							
Programme	453 271	503 429	956 700	415 611	469 888	885 499	71 201
Development effectiveness	106 184	108 016	214 200	80 540	77 730	158 270	55 930
Subtotal	**559 455**	**611 445**	**1 170 900**	**496 151**	**547 618**	**1 043 769**	**127 131**
United Nations development coordination activities	**94 177**	**90 823**	**185 000**	**92 135**	**88 965**	**181 100**	**3 900**
Management activities							
Recurring	165 454	183 846	349 300	108 639	176 030	284 669	64 631
Non-recurring	1 800	3 200	5 000	1 421	3 150	4 571	429
Subtotal	**167 254**	**187 046**	**354 300**	**110 060**	**179 180**	**289 240**	**65 060**
Special purpose activities							
Capital investments	4 845	4 655	9 500	2 817	2 308	5 125	4 375
Non-UNDP operations administered by UNDP	15 453	14 847	30 300	10 177	13 807	23 984	6 316
Subtotal	**20 298**	**19 502**	**39 800**	**12 994**	**16 115**	**29 109**	**10 691**
Total	**841 184**	**908 816**	**1 750 000**	**711 340**	**831 878**	**1 543 218**	**206 782**
Budget from additional resources for security measures (per Executive Board decision 2013/28)	**3 500**	**3 500**	**7 000**	**2 235**	**2 675**	**4 910**	**2 090**
Total	**844 684**	**912 316**	**1 757 000**	**713 575**	**834 553**	**1 548 128**	**208 872**

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

United Nations Development Programme
Notes to the financial statements 2015

Note 1
Reporting entity

1.1. The United Nations Development Programme (UNDP) was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP partners with entities/people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone.

1.2. UNDP has its headquarters in New York, but works primarily through its offices in nearly 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

1.3. UNDP helps to achieve the eradication of poverty and the reduction of inequalities and exclusion, and assists countries in developing policies, leadership skills, partnering abilities and institutional capabilities and in building resilience in order to sustain development results. UNDP is continuing its work to support the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals, as they help shape global sustainable development efforts for the next 15 years. UNDP helps developing countries attract and use aid and domestic resources effectively and encourages, in all its activities, the protection of human rights, capacity development and the empowerment of women.

1.4. UNDP is politically neutral and its cooperation is impartial. It seeks to conduct its work in a transparent manner and is accountable to all its stakeholders. UNDP has an Executive Board, established by the General Assembly in its resolution 48/162, which is responsible for providing intergovernmental support to and supervision of UNDP. The amended Financial Regulations and Rules of UNDP (Executive Board decision 2011/33), govern the financial management of UNDP.

1.5. The financial statements include only the operations of UNDP, which has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector Accounting Standards

The annual financial statements of UNDP have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

Note 3
Basis of preparation and authorization to submit financial statements for audit

Basis of measurement

3.1. These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

3.2. UNDP applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

3.3. The functional and presentation currency of UNDP is the United States dollar. These financial statements are expressed in thousands of United States dollars unless otherwise stated.

3.4. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The operational rates of exchange approximate market/spot rates.

3.5. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in the statement of financial performance.

3.6. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

3.7. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in the statement of financial performance.

Critical accounting estimates

3.8. Preparing financial statements in accordance with IPSAS requires UNDP 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 those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing 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; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; restructuring provision; and contingent assets and liabilities.

Authorization to submit financial statements for audit

3.9. These financial statements are approved and certified by the Administrator, the Assistant Administrator and Director of the Bureau for Management Services and the Chief Finance Officer/Comptroller of the Bureau for Management Services of UNDP. In accordance with the UNDP Financial Regulations and Rules, these financial statements are authorized to be submitted for audit on 30 April 2016.

Note 4
Significant accounting policies

Financial assets classification

4.1. UNDP classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNDP initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNDP becomes party to the contractual provisions of the instrument.

4.2. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currency are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of UNDP financial asset*
Held to maturity	Investments, excluding after-service health insurance investments
Available for sale	After-service health insurance investments
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange, advances (e.g. to staff) and loans to Governments
Fair value through surplus or deficit	Derivative assets

Held to maturity financial assets

4.3. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNDP has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest rate method. UNDP classifies a substantial portion of its investment portfolio as held to maturity assets.

Available-for-sale financial assets

4.4. Available-for-sale financial assets are those non-derivative financial assets that have been either designated in this category or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through surplus or deficit. They are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition or issue of those assets and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity through the statement of changes in net assets/equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets/equity shall be recognized in surplus or deficit. Fair values used for subsequent measurement are based on quoted market prices from knowledgeable third parties. Interest on available-for-sale financial assets is calculated using the effective interest method and is recognized in surplus or deficit.

Loans and receivables

4.5. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

4.6. Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

4.7. Receivables non-exchange comprises contributions receivable which represent uncollected revenue committed to UNDP by donors based on enforceable commitments which are recognized as revenue. These non-exchange receivables are stated at carrying value less impairment for estimated irrecoverable amounts. Impairments of contributions receivable are considered on a case-by-case basis.

4.8. Exchange receivables represent amounts owed to UNDP for services provided by it to other entities. In exchange, UNDP directly receives approximately equal value in the form of cash.

4.9. Advances issued represents cash transferred to executing entities/ implementing partners (refer to note 36.2 for the definition of executing entities/ implementing partners) as an advance. Advances issued are initially recognized as assets and subsequently converted to expense when goods are delivered or services are rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, funding authorization and certificate of expenditure forms or project delivery reports. Once those certified expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the end of the reporting year, either from the statements submitted by the entities for audit or from the unaudited statements of the entities.

4.10. Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require up-front payment. Prepayments are recorded as a current asset until goods/services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

4.11. UNDP provides advances to staff for up to 12 months for specified purposes in accordance with the Staff Rules and Staff Regulations of the United Nations. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value. The carrying amount is stated less any impairment.

4.12. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities. Loans are carried at the original cost, less any recovery to date. Rent proceeds are applied as repayment of the loan. Subsequent measurement of loans to governments is at amortized cost less any impairment.

Fair value through surplus or deficit

4.13. Fair value through surplus and deficits financial assets are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses recognized through surplus and deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. UNDP classifies derivatives as financial assets at fair value through surplus and deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. At 31 December 2015, UNDP had no open foreign exchange derivative instruments positions in this asset category and did not have embedded derivatives requiring separate accounting at fair value through surplus or deficit. UNDP does not apply hedge accounting treatment for derivatives.

4.14. All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

Inventories

4.15. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Inventories held for sale are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), costs are measured at fair value at the date of acquisition.

Property, plant and equipment

4.16. All items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. It is noted that, on adoption of IPSAS and its transitional provisions, for opening balances, initial capitalization of property, plant and equipment was at fair value. Historical cost includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $1,500 or more per unit.

4.17. UNDP elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

4.18. Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. UNDP has control over assets when it is implementing the project directly.

4.19. Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (refer to the section on “leases” below).

4.20. Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, that is, major components of property, plant and equipment. Assets under construction are not depreciated, as they are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	10-40
Vehicles	12
Information and communications technology equipment	8-20
Furniture and fixtures	15
Heavy machinery and other equipment	20
Leasehold improvements	Shorter of lease term or life of applicable asset

4.21. Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

4.22. Where UNDP sublets premises acquired under a lease, it elects to record subsequent measurement at cost.

Intangible assets

4.23. Intangible assets are carried at historical cost, less accumulated amortization and accumulated impairment loss.

4.24. Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by UNDP are capitalized as an intangible asset. Directly associated costs include the software development staff costs and the portion attributable to relevant overhead. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred. Development costs previously recognized as an expense, for example, research costs, are not recognized as an asset in a subsequent year. The threshold for recognition of internally developed software is $50,000 and for externally acquired software it is $5,000. Research costs are expensed as incurred.

4.25. Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life and at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Software acquired	3-6
Internally developed software	3-6
Trademarks	2-6
Copyrights	3-10
Patents	2-6
Licences and other	2-6

4.26. If there is a binding arrangement that specifies that the contractual period of an asset is shorter than its estimated useful life, then the asset is amortized over the contractual period.

Impairment of non-cash generating assets

4.27. Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, UNDP reviews for impairment during the semi-annual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

4.28. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities classification

IPSAS classification	*Types of financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities and payables — funds held in trust
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

4.29. Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their carrying value.

4.30. Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by UNDP. Liabilities are stated at invoice amounts, less payment discounts at the reporting date. Liabilities are estimated where invoices are not available at the reporting date.

4.31. Advances payable arise when amounts are owed to executing entities/implementing partners. The liability is measured at the amount owed based on incurred expenses reflected in the approved financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports for the year.

4.32. Payables, that is, funds held in trust, represent the receipt of funds by UNDP when providing fund administration services, to be disbursed to participating organizations. When UNDP is appointed as an administrative agent, it provides fund administration services to United Nations system and national government multi-donor trust funds and joint programmes through the Multi-Partner Trust Fund Office. In this role, UNDP is responsible for the receipt of contributions from donors, the disbursement of such funds to participating organizations, the receipt of unspent balances from participating organizations, and the provision of consolidated reporting to donors and stakeholders. Under this arrangement, funds received by UNDP from donors are reflected as cash and cash-equivalent funds held in trust or investment funds held in trust along with a corresponding liability, that is as payables, funds held in trust until they are disbursed to participating organizations.

4.33. Other liabilities include unapplied deposits and other payables such as finance lease payable. Unapplied deposits represent contributions received from donors that have not been applied against contributions receivable for earmarked activities.

Fair value through surplus or deficit

4.34. Fair value through surplus and deficit financial liabilities are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The liabilities are measured at fair value at each reporting date and any resultant fair value gains or losses are recognized through surplus and deficit. UNDP classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. At 31 December 2015, UNDP had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNDP does not apply hedge accounting treatment for derivatives.

Funds received in advance and deferred revenue

4.35. Funds received in advance represent contributions received for future periods specified in donor contribution agreements. The funds are recognized as revenue and applied to the earmarked activities at the beginning of the specified future period. Deferred revenue represents funds received from donors that will be recognized as revenue in future years when conditions are met or the revenue is earned.

Employee benefits

Short-term employee benefits

4.36. Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g., wages and salaries), compensated absences (e.g., paid leave, such as annual leave), other short-term and non-monetary benefits and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

4.37. Post-employment benefits are those payable after completion of employment, but exclude termination payments.

4.38. Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

4.39. For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date. UNDP does not hold any assets corresponding to the definition of a plan asset.

4.40. UNDP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. 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 is 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.

4.41. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating organizations. UNDP and the Pension Fund, in line with the other participating organizations, are not in a position to identify the Programme'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, UNDP has treated this plan as if it were a defined contribution plan, in line with the requirements set out in IPSAS 25, Employee benefits. UNDP contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

4.42. The Regulations of the Pension Fund state that its Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the 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.

4.43. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Fund's Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund's website (www.unjspf.org).

Defined benefit plans

4.44. The defined benefit plans of UNDP include after-service health insurance and certain end-of-service entitlements. The obligation of UNDP in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

4.45. The discount rate is the yield at the reporting date on high-quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized as surplus or deficit in the statement of financial performance in the year in which they arise.

Other long-term employee benefits

4.46. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of home leave and compensation for death and injury attributable to performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

4.47. Termination benefits are recognized as an expense only when UNDP is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Leases

Operating lease

4.48. Leases are classified as operating leases where UNDP is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

Finance lease

4.49. Leases of tangible assets, where UNDP has substantially all the risks and rewards of ownership, are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-to-use arrangements

4.50. Where UNDP has signed an agreement for the right-to-use assets with legal title/ownership of the assets, for example through donated use granted to UNDP at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset’s useful life and the right-to-use term. Without legal title/ownership, an expense is recognized. Revenue is also recognized at the same amount as the asset/expense, except to the extent that a liability is also recognized.

Revenue recognition

Contributions

4.51. Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or in some instances when cash is received in accordance with the Financial Regulations and Rules of UNDP. Depending on the agreements, enforceability occurs upon signature alone, signature and receipt of deposit, when conditions, if any, in contribution agreements are met, or when funds are to be transferred to UNDP and intended to be utilized. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

4.52. Governments make pledges for voluntary contributions towards regular resources, although in some cases the pledged funds are not paid to UNDP. As the probability of inflow is not certain, UNDP does not treat these amounts as contingent assets.

4.53. In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNDP and the fair value of those assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNDP does not recognize or disclose contributions of services in-kind as an asset and revenue as permitted by IPSAS.

Revenue from exchange transactions

4.54. Exchange transactions are those in which UNDP sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. For example:

- Cost-recovery revenue from work performed, such as procurement and payment services by UNDP on behalf of United Nations entities, is recognized when services are performed;
- Revenue from sales of human development reports is recognized when the sale takes place;
- Revenue from commissions and fees for procurement, training, administrative, custodial and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed and/or training takes place.

Expense recognition

4.55. Expenses are recognized when goods and/or services are delivered and/or rendered and accepted by UNDP or as specified below.

4.56. For direct implementation by UNDP and full country office support to national government implementation, expenses are recognized when goods, i.e., non-capital or services, have been received by UNDP.

4.57. For national implementation or NGO implementation, expenses are recognized when funds are disbursed by executing entities and/or implementing partners and reported to UNDP.

4.58. Advances transferred to executing entities and/or implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities and/or implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, that is, financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports. Once these expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of executing entities and/or implementing partners or, when such statements are not available at the reporting year end, from the entities' statements as submitted for audit and/or from unaudited statements.

Commitments, provisions and contingencies

Commitments

4.59. Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which UNDP has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at year end;
- Contracts for the supply of goods or services which UNDP expects to be delivered in the ordinary course of operations;
- Non-cancellable minimum lease payments;
- Other non-cancellable commitments.

Provisions

4.60. A provision is recognized if, as a result of a past event, UNDP has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

4.61. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

4.62. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

Note 5
Capitalization of project assets acquired pre-2012, prior-period adjustment and reclassification of comparatives

Capitalization of project assets acquired pre-2012

5.1. As at 1 January 2015, UNDP had capitalized all project assets acquired pre-2012, thus ending its election to take advantage of the transitional provision provided for under IPSAS 17, Property, plant and equipment. This resulted in the addition of 2,800 individual assets with a carrying amount of $22.6 million to property, plant and equipment in 2015. These additions include motor vehicles with a carrying amount of $19.3 million, information and communications technology equipment with a carrying amount of $2.2 million and buildings, furniture and fixtures and heavy machinery and other equipment with a carrying value of $1.1 million (refer to note 16, "Property, plant and equipment").

Prior-period adjustment

5.2. A prior-period adjustment was recorded in 2015 in the amount of $16.376 million. For that prior-period adjustment, where it has an impact relating to 2014, the 2014 comparative figures for the individual line item were retrospectively restated. The amount of $16.376 million is an adjustment for the delayed submission of a contribution agreement. The effect of the adjustment is as follows: an increase in contributions revenue of $16.376 million in the statement of financial performance; an increase in non-exchange receivables of $16.376 million in the statement of financial position; and an increase in accumulated surpluses of $16.376 million in the statement of changes in net assets/equity.

Reclassification of comparatives

5.3. To improve presentation, $20.566 million was reclassified in the comparatives to accounts payable — funds-held-in-trust for payable for common services. The following tables details the changes in comparative information regarding the capitalization of project assets acquired pre-2012, prior-period adjustment, and reclassification of comparatives:

(Thousands of United States dollars)

	31 December 2014 (audited)	*Capitalization of project assets acquired pre-2012*	*Prior-period adjustment*	*Reclassification*	*31 December 2014 (restated)*
Statement of financial position extract					
Receivables — non-exchange transactions	149 910	–	16 376	–	166 286
Receivables — exchange transactions	56 143	–	–	(2 005)	54 138
Total current assets	**3 392 922**	**–**	**16 376**	**(2 005)**	**3 407 293**
Property, plant and equipment	115 973	22 647	–	–	138 620
Total non-current assets	**3 109 615**	**22 647**	**–**	**–**	**3 132 262**
Total assets	**6 502 537**	**22 647**	**16 376**	**(2 005)**	**6 539 555**
Accounts payable and accrued liabilities	161 608	–	–	(22 571)	139 037
Payables — funds-held-in-trust	434 087	–	–	20 566	454 653
Total current liabilities	**936 056**	**–**	**–**	**(2 005)**	**934 051**
Total liabilities	**2 317 300**	**–**	**–**	**(2 005)**	**2 315 295**
Accumulated surpluses	3 832 599	22 647	16 376	–	3 871 622
Total net assets/equity	**4 185 237**	**22 647**	**16 376**	**–**	**4 224 260**
Total liabilities and net assets/equity	**6 502 537**	**22 647**	**16 376**	**(2 005)**	**6 539 555**

	31 December 2014 (audited)	*Prior-period adjustment*	*31 December 2014 (restated)*
Statement of financial performance extract			
Voluntary contributions	4 644 445	16 376	4 660 821
Total revenue	**5 000 915**	**16 376**	**5 017 291**
Deficit for the year	**(313 385)**	**16 376**	**(297 009)**

Note 6
Segment reporting

6.1. For purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources, UNDP classifies all its activities into four segments: regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities.

Regular resources

6.2. Regular resources are all resources of UNDP that are commingled and untied/unearmarked. These include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue.

Other resources

Cost-sharing

6.3. Cost-sharing is a co-financing funding modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. This modality is used for the direct funding of a specific project, group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

Trust funds

6.4. Trust funds are a co-financing funding modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor. Separate accounting records are kept for, and financial reporting is at the level of, each individual trust fund. Trust funds are required to be reported separately to the Executive Board. Trust funds have a centralized signatory authority and agreements must be authorized by the Associate Administrator at the headquarters level. There are terms of reference governing each trust fund and each is assigned a trust fund manager.

Reimbursable support services and miscellaneous activities

6.5. Reimbursable support services and miscellaneous activities are the resources of UNDP, other than regular resources, cost-sharing and trust funds. Such funds are received for the provision of management and other support services to third parties. Reimbursable support services and miscellaneous activities comprise the following activities: management service agreements; the Junior Professional Officers programme; reimbursable support services; the United Nations Volunteers programme; the reserve for field accommodation; programme support to resident coordinators; the disaster mitigation programme; and extrabudgetary support for special purposes.

6.6. In order to attribute assets to the appropriate segment, UNDP has allocated cash and investments based on the inter-fund balances among the four segments.

Segment reporting: statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total United Nations Development Programme*	
	31 December 2015	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*
Assets										
Current assets										
Cash and cash equivalents	83 421	90 835	179 937	191 054	82 270	63 487	78 570	81 399	**424 198**	**426 775**
Cash and cash equivalents: funds held in trust	109 782	127 592	–	–	–	–	–	–	**109 782**	**127 592**
Investments	553 818	454 071	1 055 478	953 608	475 175	316 433	447 938	405 200	**2 532 409**	**2 129 312**
Investments: funds held in trust	264 929	239 302	–	–	–	–	–	–	**264 929**	**239 302**
Receivables: non-exchange transactions	–	–	58 615	157 862	2 972	4 908	1 789	3 516	**63 376**	**166 286**
Receivables: exchange transactions	166 561	47 554	1 490	1 212	417	341	7 698	5 031	**176 166**	**54 138**
Advances issued	25 051	28 707	110 396	193 454	31 798	18 018	1 184	3 638	**168 429**	**243 817**
Loans to governments	–	–	–	–	–	–	851	892	**851**	**892**
Inventories	1 027	1 411	16 749	15 197	256	86	1 540	1 488	**19 572**	**18 182**
Other current assets	634	628	326	326	43	43	210	–	**1 213**	**997**
Total current assets	**1 205 223**	**990 100**	**1 422 991**	**1 512 713**	**592 931**	**403 316**	**539 780**	**501 164**	**3 760 925**	**3 407 293**
Non-current assets										
Investments	531 907	635 656	1 010 564	1 239 690	458 669	417 415	428 877	526 760	**2 430 017**	**2 819 521**
Investments: funds held in trust	64 650	159 260	–	–	–	–	–	–	**64 650**	**159 260**
Loans to governments	–	–	–	–	–	–	6 614	7 215	**6 614**	**7 215**
Property, plant and equipment	47 328	50 340	20 186	24 253	5 547	5 084	72 431	58 943	**145 492**	**138 620**
Intangible assets	3 576	4 193	–	67	122	122	4 100	3 264	**7 798**	**7 646**
Other non-current assets	1	–	7	–	–	–	–	–	**8**	–
Total non-current assets	**647 462**	**849 449**	**1 030 757**	**1 264 010**	**464 338**	**422 621**	**512 022**	**596 182**	**2 654 579**	**3 132 262**
Total assets	**1 852 685**	**1 839 549**	**2 453 748**	**2 776 723**	**1 057 269**	**825 937**	**1 051 802**	**1 097 346**	**6 415 504**	**6 539 555**

Segment reporting: statement of financial position as at 31 December 2015 (continued)

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total United Nations Development Programme*	
	31 December 2015	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2015*	*31 December 2014 (restated)*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	46 963	75 541	38 014	27 901	9 183	8 735	25 719	26 860	**119 879**	**139 037**
Advances payable	683	439	5 571	3 223	5 505	5 933	479	460	**12 238**	**10 055**
Funds received in advance and deferred revenue	55 445	–	106 095	59 868	428	112	12 024	8 267	**173 992**	**68 247**
Funds held on behalf of donors	19 368	31 208	1 284	1 077	10 451	10 821	109	3 519	**31 212**	**46 625**
Payables: funds held in trust	468 727	434 087	–	–	–	–	–	20 566	**468 727**	**454 653**
Employee benefits	213 805	181 838	44	24	10	6	16 408	17 960	**230 267**	**199 828**
Other current liabilities	6 390	6 946	1 378	139	40	40	1 856	2 889	**9 664**	**10 014**
Provision for restructuring	–	–	–	–	–	–	2 472	5 592	**2 472**	**5 592**
Total current liabilities	**811 381**	**730 059**	**152 386**	**92 232**	**25 617**	**25 647**	**59 067**	**86 113**	**1 048 451**	**934 051**
Non-current liabilities										
Payables: funds held in trust	64 650	159 260	–	–	–	–	–	–	**64 650**	**159 260**
Funds received in advance and deferred revenue	–	–	–	–	–	–	7 859	8 687	**7 859**	**8 687**
Employee benefits	694 991	763 328	–	–	–	–	329 353	449 950	**1 024 344**	**1 213 278**
Other non-current liabilities	–	–	–	–	–	–	64	19	**64**	**19**
Total non-current liabilities	**759 641**	**922 588**	**–**	**–**	**–**	**–**	**337 276**	**458 656**	**1 096 917**	**1 381 244**
Total liabilities	**1 571 022**	**1 652 647**	**152 386**	**92 232**	**25 617**	**25 647**	**396 343**	**544 769**	**2 145 368**	**2 315 295**
Net assets/equity										
Reserves	197 158	207 670	–	–	3 000	3 000	140 969	141 968	**341 127**	**352 638**
Accumulated surpluses/(deficits)	84 505	(20 768)	2 301 362	2 684 491	1 028 652	797 290	514 490	410 609	**3 929 009**	**3 871 622**
Total net assets/equity	**281 663**	**186 902**	**2 301 362**	**2 684 491**	**1 031 652**	**800 290**	**655 459**	**552 577**	**4 270 136**	**4 224 260**
Total liabilities and net assets/equity	**1 852 685**	**1 839 549**	**2 453 748**	**2 776 723**	**1 057 269**	**825 937**	**1 051 802**	**1 097 346**	**6 415 504**	**6 539 555**

Segment reporting: statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Elimination*[a]		*Total United Nations Development Programme*	
	2015	*2014 (restated)*	*2015*	*2014 (restated)*	*2015*	*2014 (restated)*	*2015*	*2014 (restated)*	*2015*	*2014 (restated)*	*2015*	*2014 (restated)*
Revenue												
Voluntary contributions	745 714	834 990	2 571 582	2 824 339	1 051 979	856 662	102 619	144 830	–	–	4 471 894	4 660 821
Revenue from exchange transactions	29	307	828	412	–	4	190 110	195 098	–	–	190 967	195 821
Investment revenue	11 613	10 023	17 305	17 285	6 877	6 116	5 349	5 163	–	–	41 144	38 587
Other revenue	33 332	33 052	9 304	3 239	1 064	1 351	297 963	307 029	(225 508)	(222 609)	116 155	122 062
Total revenue	**790 688**	**878 372**	**2 599 019**	**2 845 275**	**1 059 920**	**864 133**	**596 041**	**652 120**	**(225 508)**	**(222 609)**	**4 820 160**	**5 017 291**
Expenses												
Contractual services	173 181	203 114	1 265 153	1 208 953	480 522	595 278	80 830	106 534	–	–	1 999 686	2 113 879
Staff costs	363 120	392 429	134 949	142 490	69 574	76 615	374 193	375 281	–	–	941 836	986 815
Supplies and consumables	41 630	51 644	680 195	684 067	50 837	44 835	38 894	61 683	–	–	811 556	842 229
General operating expenses	192 108	221 821	633 181	614 109	147 182	152 845	146 342	153 672	(225 508)	(222 609)	893 305	919 838
Grants and other transfers	16 314	23 901	230 755	220 423	68 134	79 872	2 689	6 676	–	–	317 892	330 872
Other expenses	27 254	38 997	33 302	47 732	6 168	10 048	4 531	4 523	–	–	71 255	101 300
Depreciation and amortization	5 865	3 992	3 208	1 216	677	392	6 619	5 099	–	–	16 369	10 699
Finance costs	3 684	3 718	1 496	3 716	123	187	212	1 047	–	–	5 515	8 668
Total expenses	**823 156**	**939 616**	**2 982 239**	**2 922 706**	**823 217**	**960 072**	**654 310**	**714 515**	**(225 508)**	**(222 609)**	**5 057 414**	**5 314 300**
Surplus/(deficit)[b] for the year	**(32 468)**	**(61 244)**	**(383 220)**	**(77 431)**	**236 703**	**(95 939)**	**(58 269)**	**(62 395)**	**–**	**–**	**(237 254)**	**(297 009)**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.
[b] Deficit for the year draws down on the unspent accumulated surplus resource balances.

Note 7
Comparison to budget

7.1. The budget and the accounting basis are different. Statement V, statement of comparison of budget and actual amounts (regular resources), is prepared on the budget basis, that is, a modified cash basis, and statement II, statement of financial performance, is prepared on an accounting basis, that is, an accrual basis.

7.2. The presentation of activities and associated budget expenditures in statement V reflects the cost classification categories approved by the Executive Board of UNDP, that is: (a) development activities: (i) programme; and (ii) development effectiveness; (b) United Nations development coordination activities; (c) management activities: (i) recurring; and (ii) non-recurring; and (d) special purpose activities: (i) capital investments; and (ii) non-UNDP operations administered by UNDP. It is noted that statement II reflects expenses by nature. Also included is a line from a budget for additional resources for security measures, in line with Executive Board decision 2013/28.

7.3. For these reasons, the total actual regular resources budget expenditure differs from total financial accounting expenses.

7.4. Approved budgets are those that permit budget expenditures to be incurred and are approved by the Executive Board of UNDP. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, the other resources are not presented in statement V. The Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-year period, UNDP allocates those budgets into annual amounts, the total of which comprises the four-year approved budget, in order to provide the budget-to-actual comparison of the annual financial statements. In addition to the annual statement V (statement V (a), comparison of budget and actual amounts (regular resources)), at the end of the second year of the two-year period, UNDP also presents a biennial statement V (statement V (b), comparison of budget and actual amounts (regular resources)).

7.5. Statement V shows the comparison between the final approved budget and actual amounts calculated on the same basis as the corresponding budget. Explanations of material differences between the original approved budget and the final approved budget, and between the final approved budget and the actual amounts, are presented below.

7.6. Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2015 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) requirements and implementation of the Programme's strategic plan 2014-2017.

Accordingly, actual amounts/utilization in 2015 against budget levels is as follows:

- Development activities, actual utilization of $496.15 million, representing 88.7 per cent of the annualized approved budget of $559.46 million;
- United Nations development coordination activities, actual utilization of $92.14 million, representing 97.8 per cent of the annualized approved budget of $94.18 million;
- Management activities, actual utilization of $110.06 million, representing 65.8 per cent of the annualized approved budget of $167.25 million;
- Special purpose activities, actual utilization of $12.99 million, representing 64.0 per cent of the annualized approved budget of $20.30 million;
- Budget for additional resources for security measures, actual utilization of $2.24 million, representing 63.9 per cent of the annualized approved budget of $3.5 million.

Actual amounts/utilization against budget levels for the 2014-2015 biennium is as follows:

- Development activities, actual utilization of $1.044 billion, representing 89.1 per cent of the annualized approved budget of $1.171 billion;
- United Nations development coordination activities, actual utilization of $181.1 million, representing 97.9 per cent of the annualized approved budget of $185 million;
- Management activities, actual utilization of $289.24 million, representing 81.6 per cent of the annualized approved budget of $354.3 million;
- Special purpose activities, actual utilization of $29.11 million, representing 73.1 per cent of the annualized approved budget of $39.8 million;
- Budget for additional resources for security measures, actual utilization of $4.9 million, representing 70.1 per cent of the annualized approved budget of $7 million.

7.7. Similar to 2014, during 2015 UNDP revised the annual spending limits, noting the reduced level of voluntary contributions towards regular resources and the negative impact on non-United States dollar contributions due to the stronger United States dollar. This resulted in lower overall budget expenditure compared to the annualized budget for 2015 and the biennial budget for 2014-2015. Regular resources for programmatic and institutional components not protected by decisions of the Executive Board were reduced (see the report of the Administrator on UNDP integrated budget estimates 2014-2017, DP/2013/41).

7.8. Actual net cash flows from operating activities, investing activities and financing activities in statement V as presented on a comparable basis reconcile to the amounts presented in statement IV, cash flow statement, as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual budget expenditure on comparable basis as presented in statement V	**(710 413)**	**(3 162)**	**–**	**(713 575)**
Basis differences	(244)	(348)	–	(592)
Entity differences	625 223	74 083	(13)	699 293
Increase/(decrease) in cash and cash equivalents from statement IV	**(85 434)**	**70 573**	**(13)**	**(14 874)**

7.9. Basis differences include differences between the budget basis (modified cash) and accounting basis (accrual), which result primarily from purchase orders that have been issued but not delivered. Those are included in the budget basis but not in the accounting basis as delivery of goods and the rendering of services has not yet occurred for those undelivered purchase orders.

7.10. Entity differences between statement V and statement IV include other resources, that is, amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities, which are incorporated in statement IV but not in statement V.

7.11. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
United Nations Development Programme		
Cash held in bank accounts	309 592	309 613
Petty cash and project cash	315	375
Money market funds	80 537	132 732
Money market instruments	59 614	–
Bonds	–	10 020
Impairment	(25 860)	(25 965)
Total cash and cash equivalents	**424 198**	**426 775**
Held in trust for multi-donor trust funds		
Cash held in bank accounts	14 420	6 569
Money market funds	51 852	71 023
Money market instruments	43 510	50 000
Total cash and cash equivalents: funds held in trust	**109 782**	**127 592**
Total cash and cash equivalents and funds held in trust	**533 980**	**554 367**

8.1. Cash held in bank accounts includes cash held by UNDP at headquarters and country offices in various currencies. National currencies that have restricted utility for UNDP programme costs are regularly reviewed for impairment.

8.2. The decrease in impairment of $0.105 million recognized in the statement of financial performance (refer to note 29, "Other revenue") relates to the valuation of certain non-convertible currency held by UNDP.

8.3. The exposure of UNDP to credit, market and currency risks and its risk management activities related to its financial assets is disclosed in note 31.

Note 9
Investments

9.1
Total investments, portfolio held to maturity and available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2015	*Purchases*	*Maturities*	*Amortization*	*Realized gains/(losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2015*
Investments								
Current investments								
Money market instruments	539 157	1 224 785	(1 339 200)	229	–	(9)	–	424 962
Bonds	1 589 864	532 933	(1 683 651)	(10 394)	–	–	1 678 602	2 107 354
Bonds: fair value adjustments	291	–	–	–	–	(295)	97	93
Total current investments	**2 129 312**	**1 757 718**	**(3 022 851)**	**(10 165)**	**–**	**(304)**	**1 678 699**	**2 532 409**
Non-current investments								
Money market instruments	–	–	–	–	–	–	–	–
Bonds	2 819 880	1 432 788	(114 953)	(27 981)	–	–	(1 678 602)	2 431 132
Bonds: fair value adjustments	(359)	–	–	–	–	(659)	(97)	(1 115)
Total non-current investments	**2 819 521**	**1 432 788**	**(114 953)**	**(27 981)**	**–**	**(659)**	**(1 678 699)**	**2 430 017**
Total investments held to maturity and available for sale	**4 948 833**	**3 190 506**	**(3 137 804)**	**(38 146)**	**–**	**(963)**	**–**	**4 962 426**

As at 31 December 2015, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (a)
Held to maturity financial assets

(Thousands of United States dollars)

	1 January 2015	*Purchases*	*Maturities*	*Amortization*	*Realized gains/(losses)*	*Reclassification non-current to current*	*31 December 2015*
Investments held to maturity							
Current investments							
Money market instruments	499 964	1 199 785	(1 275 000)	213	–	–	424 962
Bonds	1 522 698	513 325	(1 611 301)	(9 943)	–	1 598 398	2 013 177
Total current investments	**2 022 662**	**1 713 110**	**(2 886 301)**	**(9 730)**	**–**	**1 598 398**	**2 438 139**
Non-current investments							
Money market instruments	–	–	–	–	–	–	–
Bonds	2 470 908	1 293 171	(114 953)	(26 188)	–	(1 598 398)	2 024 540
Total non-current investments	**2 470 908**	**1 293 171**	**(114 953)**	**(26 188)**	**–**	**(1 598 398)**	**2 024 540**
Total investments held to maturity	**4 493 570**	**3 006 281**	**(3 001 254)**	**(35 918)**	**–**	**–**	**4 462 679**

As at 31 December 2015, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (b)
Available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2015	*Purchases*	*Maturities*	*Amortization*	*Fair value increase/(decrease)*	*Reclassification non-current to current*	*31 December 2015*
Investments available for sale							
Current investments							
Money market instruments	39 193	25 000	(64 200)	16	(9)	–	–
Bonds	67 166	19 608	(72 350)	(451)	–	80 204	94 177
Bonds: fair value adjustments	291	–	–	–	(295)	97	93
Total current investments	**106 650**	**44 608**	**(136 550)**	**(435)**	**(304)**	**80 301**	**94 270**
Non-current investments							
Bonds	348 972	139 617	–	(1 793)	–	(80 204)	406 592
Bonds: fair value adjustments	(359)	–	–	–	(659)	(97)	(1 115)
Total non-current investments	**348 613**	**139 617**	**–**	**(1 793)**	**(659)**	**(80 301)**	**405 477**
Total investments available for sale	**455 263**	**184 225**	**(136 550)**	**(2 228)**	**(963)**	**–**	**499 747**

The available-for-sale portfolio represents investments for after-service health insurance. In addition to the above investments, $4.0 million (2014: $44.6 million) in after-service health insurance investments have been classified under cash and cash equivalents.

Total after-service health insurance investments, including cash and cash equivalents, amounted to $503.8 million (2014: $499.9 million).

As at 31 December 2015, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.2
Funds held in trust total investments portfolio

(Thousands of United States dollars)

	1 January 2015	*Purchases*	*Maturities*	*Amortization*	*Reclassification non-current to current*	*31 December 2015*
Investments of funds held in trust						
Current investments						
Money market instruments	95 000	165 000	(195 000)	–	–	65 000
Bonds	144 302	80 302	(173 570)	(1 177)	150 072	199 929
Total current investments	**239 302**	**245 302**	**(368 570)**	**(1 177)**	**150 072**	**264 929**
Non-current investments						
Bonds	159 260	64 503	(7 482)	(1 559)	(150 072)	64 650
Total non-current investments	**159 260**	**64 503**	**(7 482)**	**(1 559)**	**(150 072)**	**64 650**
Total investments of funds held in trust	**398 562**	**309 805**	**(376 052)**	**(2 736)**	**–**	**329 579**

As at 31 December 2015, UNDP did not have any impairment on investments of funds held in trust.

Note 10
Receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Contributions receivable	63 376	166 286
Total receivables: non-exchange transactions	**63 376**	**166 286**

Ageing of receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Less than 6 months	57 135	156 821
Over 6 months	6 241	9 465
Total receivables: non-exchange transactions	**63 376**	**166 286**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

As at 31 December 2015, UNDP did not have any impairment on receivables: non-exchange transactions.

Note 11
Receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Receivables from United Nations entities	116 608	592
Investment receivables	29 159	32 242
Receivables from third parties	29 988	20 743
Receivables from staff	889	1 050
Total receivables: exchange transactions, gross	**176 644**	**54 627**
Impairment[a]	(478)	(489)
Total receivables: exchange transactions, net	**176 166**	**54 138**

Ageing of receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Less than 6 months	168 660	50 093
Over 6 months	7 984	4 534
Total receivables: exchange transactions, gross	**176 644**	**54 627**

Receivables: exchange transactions from United Nations entities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
United Nations Office for Project Services	113 359	–
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	3 184	–
Receivables from other entities for reserve for field accommodation	65	80
United Nations University	–	512
Total receivables — exchange transactions from United Nations entities	**116 608**	**592**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

[a] The decrease in impairment of $0.011 million recognized in the statement of financial performance (refer to note 30, “Expenses”) relates to receivables from staff.

Note 12
Advances issued

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Operating funds issued to governments and non-governmental organizations not yet implemented	91 567	115 509
Operating funds issued to United Nations entities not yet implemented	26 391	33 204
Advances issued: non-exchange transactions	**117 958**	**148 713**
Prepayments	32 229	76 268
Advances to staff	20 268	20 297
Advances issued: exchange transactions	**52 497**	**96 565**
Total advances issued, gross	**170 455**	**245 278**
Impairment[a]	(2 026)	(1 461)
Total advances issued, net	**168 429**	**243 817**

Ageing of advances: non-exchange and exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Less than 6 months	153 196	183 625
Over 6 months	17 259	61 653
Advances issued: non-exchange and exchange transactions, gross	**170 455**	**245 278**

[a] The increase in impairment of $0.565 million recognized in the statement of financial performance (refer to note 30, “Expenses”) relates to advances to staff.

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Medical supplies and equipment	11 745	14 004
Information technology supplies and consumables	355	144
Office supplies	1 359	1 641
Fuel	138	178
Publications	180	309
Human development reports	64	61
Electoral supplies and equipment	153	153
Crisis supplies and equipment	16	6
Other project-related inventories	5 562	1 686
Total inventories	**19 572**	**18 182**

Note 14
Other assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Dispensary, medical and other receivables	1 624	1 408
Impairment[a]	(411)	(411)
Total current other assets	**1 213**	**997**
Non-current		
Security deposit and other receivables	8	–
Total non-current other assets	**8**	**–**
Total other assets	**1 221**	**997**

[a] There is no change to the impairment allowance of $0.411 million, which was already recognized in surplus and deficit in prior years.

Note 15
Loans to governments

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Loans to governments	851	892
Total current loans to governments	**851**	**892**
Non-current		
Loans to governments	6 614	7 215
Total non-current loans to governments	**6 614**	**7 215**
Total loans to governments	**7 465**	**8 107**

15.1. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities.

15.2. As at 31 December 2015, loans to governments consist of loans issued to the Governments of Cabo Verde, the Comoros, Guinea-Bissau and Sao Tome and Principe.

Note 16
Property, plant and equipment

UNDP has two broad categories of property, plant and equipment: project assets and management assets. Project assets, which comprise 24 per cent of property, plant and equipment assets, are utilized in the delivery of UNDP programmes/projects. Management assets, which comprise 76 per cent of property, plant and equipment assets, are used for non-project specific operations at UNDP country offices and headquarters. In accordance with its decision to follow the IPSAS transitional provision allowing for the capitalization of project assets acquired pre-2012 until 2015, UNDP has capitalized project assets acquired pre-2012 effective 1 January 2015 (refer to note 5, “Capitalization of project assets acquired pre-2012, prior-period adjustment and reclassification of comparatives”). As at 31 December 2015, UNDP has a gross carrying amount of $10.93 million of fully depreciated property, plant and equipment that is still in use.

Property, plant and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Furniture and fixtures*	*Information and communications technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Leasehold improvements*	*Total*
Balance at 1 January 2015 (restated)								
Cost	6 625	31 574	7 745	55 570	90 136	13 675	13 510	218 835
Accumulated depreciation	–	(2 345)	(3 810)	(28 520)	(39 974)	(4 198)	(1 368)	(80 215)
Carrying amount at 1 January 2015 (restated)	**6 625**	**29 229**	**3 935**	**27 050**	**50 162**	**9 477**	**12 142**	**138 620**
Year ended 31 December 2015								
Additions	–	700	484	7 186	9 381	2 482	6 634	26 867
Disposals	–	(10)	(195)	(5 034)	(6 647)	(1 838)	(2 374)	(16 098)
Depreciation	–	(813)	(412)	(4 505)	(7 447)	(706)	(888)	(14 771)
Adjustments to cost	–	98	(7)	(73)	93	(220)	2 793	2 684
Adjustments to accumulated depreciation/depreciation	–	14	67	3 708	3 891	588	–	8 268
Recategorization	–	(48)	–	–	–	48	–	–
Impairment	–	–	–	–	(78)	–	–	(78)
Carrying amount at 31 December 2015	**6 625**	**29 170**	**3 872**	**28 332**	**49 355**	**9 831**	**18 307**	**145 492**
Balance at 31 December 2015								
Cost	6 625	32 314	8 027	57 649	92 885	14 147	20 563	232 210
Accumulated depreciation	–	(3 144)	(4 155)	(29 317)	(43 530)	(4 316)	(2 256)	(86 718)
Carrying amount at 31 December 2015	**6 625**	**29 170**	**3 872**	**28 332**	**49 355**	**9 831**	**18 307**	**145 492**

As at 31 December 2015, UNDP recorded impairment losses of $0.078 million.

As at 31 December 2015, assets under construction of $10.98 million are included under leasehold improvements.

Note 17
Intangible assets

(Thousands of United States dollars)

	Software internally developed	*Software acquired*	*Trademarks, copyrights, and licences*	*Assets under development*	*Total*
Balance as at 1 January 2015					
Cost	8 185	119	929	2 203	11 436
Accumulated amortization	(2 925)	(69)	(796)	–	(3 790)
Carrying amount as at 1 January 2015	**5 260**	**50**	**133**	**2 203**	**7 646**
Additions	–	–	297	387	684
Disposals	(78)	(10)	(856)	–	(944)
Amortization	(1 362)	(26)	(210)	–	(1 598)
Adjustments to cost	–	–	–	1 154	1 154
Adjustments to accumulated amortization/depreciation	22	10	824	–	856
Recategorization	–	(7)	7	–	–
Carrying amount as at 31 December 2015	**3 842**	**17**	**195**	**3 744**	**7 798**
Balance as at 31 December 2015					
Cost	8 107	102	377	3 744	12 330
Accumulated amortization	(4 265)	(85)	(182)	–	(4 532)
Carrying amount as at 31 December 2015	**3 842**	**17**	**195**	**3 744**	**7 798**

As at 31 December 2015, UNDP did not have any impairment on intangible assets.

Note 18
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Accruals	34 256	29 549
Payables to United Nations entities	35 249	63 340
Payables to third parties	47 782	43 394
Derivative liabilities	–	274
Payables to staff	2 592	2 480
Total accounts payable and accrued liabilities	**119 879**	**139 037**

Payables to United Nations entities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Payables to United Nations current account	6 657	23 834
World Health Organization	5 744	4 706
United Nations Relief and Works Agency for Palestine Refugees in the Near East	3 174	3 223
Joint United Nations Programme on HIV/AIDS	2 457	2 375
United Nations Capital Development Fund	1 858	6 315
United Nations Entity for Gender Equality and the Empowerment of Women	–	1 417
United Nations Office for Project Services	–	19 469
United Nations Population Fund	12 900	1 857
Payables to other United Nations entities	2 459	144
Total payables to United Nations entities	**35 249**	**63 340**

Note 19
Advances payable

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Operating funds payable to governments and non-governmental organizations	181	135
Operating funds payable to executing entities/implementing partners	12 057	9 920
Total advances payable	**12 238**	**10 055**

Note 20
(a) Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Funds received in advance	165 980	60 334
Deferred revenue: Department of Safety and Security	1 532	2 043
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	6 467	5 863
Deferred revenue: other	13	7
Total current funds received in advance and deferred revenue	**173 992**	**68 247**
Non-current		
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	7 859	8 687
Total non-current funds received in advance and deferred revenue	**7 859**	**8 687**
Total funds received in advance and deferred revenue	**181 851**	**76 934**

(b) Funds held on behalf of donors

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Refunds to donors	31 212	46 625
Total funds held on behalf of donors	**31 212**	**46 625**

Refunds pending to donors comprise unspent funds for completed or terminated projects and, where applicable, interest that has been set aside to be refunded to donors in accordance with contribution agreements and the UNDP Financial Regulations and Rules. The funds will be refunded or reprogrammed upon receipt of instructions from donors.

Note 21
Payables: funds held in trust

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Current		
Multi-donor trust funds	373 518	368 989
Clearing accounts with United Nations entities	70 477	65 098
Payable for common services	24 732	20 566
Total current payables: funds held in trust	**468 727**	**454 653**
Non-current		
Multi-donor trust funds	64 650	159 260
Total non-current payables: funds held in trust	**64 650**	**159 260**
Total payables: funds held in trust	**533 377**	**613 913**

Payables: funds held in trust represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. UNDP manages investments in separate portfolios on behalf of several organizations. As at 31 December 2015, a net balance of $1.007 billion had been disbursed by the Multi-Partner Trust Fund Office to participating United Nations organizations and other partners. Of that balance, a net amount of $32.752 million relates to projects with operational end dates of 31 December 2013 or earlier.

Note 22
Employee benefits

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Annual leave	77 349	76 570
Medical insurance plan	83 094	77 217
After-service health insurance	23 201	22 933
Repatriation entitlements	9 448	9 812
Home leave	8 436	7 264
Termination benefits	1 325	2 968
Contribution payable to the United Nations Joint Staff Pension Fund	25 686	1 275
Death benefits	245	255
Other employee benefits	1 483	1 534
Total current employee benefit liabilities	**230 267**	**199 828**
Non-current		
After-service health insurance	930 920	1 118 577
Repatriation entitlements	88 239	89 127
Home leave	2 974	2 974
Death benefits	2 211	2 600
Total non-current employee benefit liabilities	**1 024 344**	**1 213 278**
Total employee benefit liabilities	**1 254 611**	**1 413 106**

22.1. The contribution payable of $25.7 million to the United Nations Joint Staff Pension Fund was paid in January 2016.

22.2. The liabilities arising from post-employment benefits are determined by independent actuaries and those employee benefits are established in accordance with the Staff Rules and Staff Regulations of the United Nations.

22.3. As at 31 December 2015, liabilities for after-service health insurance, repatriation entitlements and death benefits are determined by the actuarial valuation conducted as at 31 December 2015.

Defined benefit plans

22.4. UNDP provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements, such as repatriation entitlement; and other benefits, such as death benefits.

22.5. The movements in the present value of the defined benefit obligation for those plans are:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Defined benefit obligation as at 31 December 2014	1 141 510	98 939	2 855	1 243 304
Increase of the obligation				
Current service cost	41 624	12 768	270	54 662
Interest cost	44 167	3 229	89	47 485
Actuarial losses on disbursements	–	1 179	–	1 179
Decrease of the obligation				
Actual benefits paid	(12 678)	(11 328)	(138)	(24 144)
Actuarial (gains) from change in assumptions and experience adjustments	(249 351)	(7 100)	(493)	(256 944)
Actuarial (gains) on disbursements	(11 151)	–	(127)	(11 278)
Recognized liability as at 31 December 2015	**954 121**	**97 687**	**2 456**	**1 054 264**

22.6. The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

22.7. The current service cost and interest cost recognized in the statement of financial performance and the statement of financial position are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	41 624	12 768	270	54 662
Interest cost	44 167	3 229	89	47 485
Total employee benefits expenses recognized	**85 791**	**15 997**	**359**	**102 147**

22.8. The actuarial gains/(losses) recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains/(losses) from change in assumptions	249 351	7 100	493	256 944
Actuarial gains/(losses) on disbursement	11 151	(1 179)	127	10 099
Total actuarial gains/(losses) recognized	**260 502**	**5 921**	**620**	**267 043**

22.9. In 2015, of the net actuarial gain of $267.04 million, the actuarial gain relating to after-service health insurance from a change in actuarial assumptions was $249.35 million.

22.10. The following table provides the amounts for the current and previous three periods of the defined benefit obligation and the experience adjustment arising on the plan liabilities:

(Thousands of United States dollars)

	2015	*2014*	*2013*	*2012*
After-service health insurance				
Defined benefits obligation	954 121	1 141 510	858 155	979 122
Experience adjustment on plan liabilities	(35 400)	32 804	(5 826)	(3 518)
Repatriation				
Defined benefits obligation	97 687	98 939	94 019	88 958
Experience adjustment on plan liabilities	1 345	(4 624)	2 445	1 594
Death benefits				
Defined benefits obligation	2 456	2 855	2 448	2 558
Experience adjustment on plan liabilities	(261)	120	(21)	–

22.11. UNDP has invested $503.80 million of the after-service health insurance liability and a funding strategy of 15-years has been formulated to fund the gap between the historical liability and the amount funded.

22.12. The next actuarial valuation will be conducted as at 31 December 2016.

Actuarial assumptions

22.13. The last actuarial valuation for after-service health insurance, repatriation and death benefits was completed as at 31 December 2015. The two important assumptions used by the actuary to determine defined-benefit liabilities are the discount rate and, for after-service health insurance, the health-care cost-trend rate. The principal actuarial assumptions used to determine the defined benefit obligation are as follows:

	2015	*2014*
Discount rate:		
(a) After-service health insurance	4.27 per cent	3.91 per cent
(b) Repatriation benefits	3.71 per cent	3.44 per cent
(c) Death benefits	3.52 per cent	3.30 per cent
Expected rate of medical cost increase for after-service health insurance (varies by medical plan)	4-6.4 per cent	5-6.8 per cent
Per capita medical claim cost (varies by age)	$989-$14 492	$942-$13 569
Salary scale (varying by age and staff category)	4.5-9.8 per cent	5.5-10.8 per cent
Rate of inflation	2.25 per cent	2.25 per cent
Actuarial method	Projected unit credit method	Projected unit credit method

22.14. Other actuarial assumptions used for the valuation for after-service health insurance are: enrolment in plan and Medicare Part B participation, dependents, age difference between spouses, retiree contributions, age-related increase in claims, Medicare Part D Retiree Drug subsidy and Medicare Part B premium.

22.15. Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rate of death — Active employees	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rate of death — Retired employees	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

22.16. The rates of retirement for Professionals with 30 or more years of service hired on or after 1 January 1990 are as follows:

Rate of retirement: Professionals with 30 or more years of service	*At age 55*	*At age 62*
Male	0.16	0.70
Female	0.20	0.80

Sensitivity analysis

22.17. Should the assumptions about the discount rate and medical cost trends described above change, this would have an impact on the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1 per cent	*-1 per cent*
Effect of change in health-care cost trend rates on year-end accumulated defined benefit obligation	203 067	(159 516)
Effect of discount rate change on year-end accumulated defined benefit obligation	(153 366)	198 744
Effect of change in rate of medical costs on combined service and interest cost components of net periodic post-employment medical costs	18 725	(13 994)

United Nations Joint Staff Pension Fund

22.18. 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.

22.19. The financial obligation of UNDP to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations, Rules and Pension Adjustment System of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a 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.

22.20. The actuarial valuation completed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The latest actuarial valuation was conducted as at 31 December 2013.

22.21. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

22.22. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 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 preparation of the present report, the General Assembly has not invoked the provision of article 26.

22.23. During 2015, the contributions of UNDP to the United Nations Joint Staff Pension Fund amounted to $160 million (2014: $167 million). The amounts include the organizational share as well as the contributions made by the participants. Contributions due in 2016, dependent on the staffing levels and changes in the pensionable remuneration, are expected to remain at $160 million.

Termination benefits

22.24. In the course of normal operations, UNDP recognized $1.32 million in termination benefits.

Future implementation of provisions set out in General Assembly resolution 70/244

22.25. The General Assembly, in its resolution 70/244 adopted on 23 December 2015, decided on a series of changes to the conditions of service and future entitlements for all staff serving in the United Nations common system. The significant changes include: (a) the mandatory age of separation for staff recruited before 1 January 2014 would be raised by the organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff; (b) a revised base/floor scale of gross and net salaries for staff in the Professional and higher categories, with effect from 1 January 2016; and

(c) proposals on the common system compensation package, with effect from 1 July 2016. While those decisions do not have an impact on the financial statements for 2015, the implementation of those decisions and their effect employee benefit liabilities in 2016 and in future years is currently under evaluation.

Note 23
Other liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Unapplied deposits	5 665	7 739
Other payables	3 972	2 272
Finance lease	27	3
Total other current liabilities	**9 664**	**10 014**
Non-current		
Finance lease	64	–
Other payables	–	19
Total other non-current liabilities	**64**	**19**
Total other liabilities	**9 728**	**10 033**

The finance lease is for office equipment in one UNDP country office.

Note 24
Reserves

(Thousands of United States dollars)

	31 December 2014	*Movements*	*31 December 2015*
Endowment Fund	3 000	–	3 000
Operational reserve	348 968	(11 000)	337 968
Reserve for special initiatives	670	(511)	159
Total reserves	**352 638**	**(11 511)**	**341 127**

24.1. The Endowment Fund reserve is a contribution of $3.0 million in 1998 from the Government of Japan to strengthen the planning and managerial capacities of Palestinian institutions in order to promote sustainable socioeconomic development. Under the Fund’s mechanism and implementation arrangements, the principal amount will not be available for programming until such time as the Government of Japan and/or UNDP agree to terminate the Fund. However, interest earned on the fund is available for programming.

24.2. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly. The operational reserve is made up of the operational reserve for regular resources and the operational reserve for other resources.

24.3. At its annual session in 1999, the Executive Board approved a change of basis for the calculation of the operational reserve for regular resources, which is the sum of the following components:

(a) Income: the equivalent of 10 per cent of the average of the annual voluntary contributions received over the three most recent years, rounded to the nearest $1 million;

(b) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the three most recent years, rounded to the nearest $1 million;

(c) Liability and structural: the equivalent of 10 per cent of the sum of the income and expenditure components, rounded to the nearest $1 million;

(d) Cash-flow: the equivalent of the cash needs for one month, calculated as one twelfth of the total expenditure of the most recent year, rounded to the nearest $1 million.

24.4. In addition, the Executive Board approved the establishment of an operational reserve for other resource activities. The basis for the calculation of the operational reserve for other resources is the sum of the following components:

(a) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the most recent three years under cost-sharing, trust fund and reimbursable support services and miscellaneous activities, rounded to the nearest $1 million;

(b) Liability and structural: the equivalent of one year of administrative costs, currently estimated at $30 million.

While the reserve calculation for other resources is based on cost-sharing, trust fund and reimbursable support services and miscellaneous activities, the operational reserve for other resources is only presented as part of net assets/equity for reimbursable support services and miscellaneous activities in note 6, “Segment reporting: statement of financial position as at 31 December 2015”.

24.5. The reserve for special initiatives of $0.67 million was first approved by the Executive Board in 2000 to establish a capital reserve as a charge from UNDP general resources. In 2015, $0.511 million was released back to UNDP general resources. The remaining $0.159 million will be held to cover relocation costs such as renovations, furniture, fittings and moving costs.

Note 25
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2015 (restated)	*Movements*	*31 December 2015*
Accumulated surpluses	3 976 517	(225 743)	3 750 774
Funds with specific purposes[a]	68 564	17 050	85 614
Actuarial gains/(losses)	(173 400)	267 043	93 643
Changes in fair value of available-for-sale investments	(59)	(963)	(1 022)
Total accumulated surpluses	**3 871 622**	**57 387**	**3 929 009**

[a] The funds with specific purposes include: security; working capital; information and communications technology; United Nations Volunteers; learning; and personnel and other.

Note 26
Voluntary contributions

(Thousands of United States dollars)

	2015	*2014 (restated)*
Contributions	4 483 072	4 727 834
Government contributions to local office costs	43 380	38 958
Contributions in kind	17 267	18 044
Less: returns to donors of unused contributions	(71 825)	(124 015)
Total voluntary contributions	**4 471 894**	**4 660 821**

26.1. Contributions in-kind primarily comprise donated use of land and buildings of $17.003 million (2014: $17.853 million), as well as donated goods, such as computer equipment and supplies received from donors, of $0.263 million (2014: $0.191 million).

26.2. At 31 December 2015, UNDP had $1.265 billion of contribution agreements signed with donors for which revenue has not been recognized in the financial statements. That amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices) where revenue will be recorded in future accounting periods in accordance with UNDP revenue recognition accounting policy.

Note 27
Revenue: exchange transactions

(Thousands of United States dollars)

	2015	*2014*
Department of Safety and Security	89 112	88 653
Reimbursement for management and support services	48 686	57 643
United Nations Volunteers programme	14 632	13 182
Implementation support services fees	15 367	17 584
Payroll management services fees	6 277	5 270
Procurement handling fees	4 085	2 795
Training fees	3 460	2 655
Rental revenue	2 139	2 916
Multi-Partner Trust Fund Office administrative agent fees	7 069	4 880
Sales and royalties from sale of publications	61	–
Other exchange revenue	79	243
Total revenue from exchange transactions	**190 967**	**195 821**

Note 28
Investment revenue

(Thousands of United States dollars)

	2015	*2014*
Investment revenue	41 144	38 587
Total investment revenue	**41 144**	**38 587**

Investment revenue represents interest plus amortized discount, net of amortized premium, earned on the Programme's investment portfolio and interest earned on bank account balances.

Note 29
Other revenue

(Thousands of United States dollars)

	2015	*2014*
Foreign exchange gains	37 215	32 035
Common services and miscellaneous revenue[a]	76 946	84 601
General management services fees	1 994	5 426
Total other revenue	**116 155**	**122 062**

[a] Of the total amount of $76.946 million, $0.105 million represents a decrease in impairment relating to the valuation of certain non-convertible currency held by UNDP (refer to note 8, "Cash and cash equivalents").

Note 30
Expenses

(Thousands of United States dollars)

	Programme expenses[a] *2015*	*Total expenses* *2015*	*Programme expenses* *2014*	*Total expenses* *2014*
30.1 Contractual services				
Contractual services with individuals	1 233 098	1 294 993	1 290 101	1 359 571
Contractual services with companies	653 730	665 868	693 739	715 414
United Nations Volunteers expenses for contractual services	32 663	38 825	33 186	38 894
Total contractual services	**1 919 491**	**1 999 686**	**2 017 026**	**2 113 879**
30.2 Staff costs				
Salary and wages	197 552	621 984	204 036	657 497
Pension benefits	31 711	106 519	32 898	110 965
Post-employment and termination	17 421	110 971	17 925	112 966
Appointment and assignment	11 182	32 950	10 274	32 984
Leave benefits	7 500	18 291	7 681	19 730
Other staff benefits	27 992	51 121	23 341	52 673
Total staff costs	**293 358**	**941 836**	**296 155**	**986 815**
30.3 Supplies and consumables used				
Maintenance costs for property, plant and equipment and project-related supplies	338 440	351 757	355 145	372 715
Medical, pharmaceutical and agricultural supplies	315 805	320 738	346 105	351 039
Information technology supplies and software maintenance	28 138	35 529	29 732	36 947
Information and communications technology equipment	69 890	73 750	46 522	50 956
Security and office supplies	21 059	25 325	19 965	24 703
Other consumables used	2 562	4 457	3 373	5 869
Total supplies and consumables used	**775 894**	**811 556**	**800 842**	**842 229**
30.4 General operating expenses				
Travel	187 630	222 313	213 205	251 575
Learning and recruitment	194 532	211 866	179 735	198 610
Rent, leases, utilities	77 790	168 041	79 662	183 159
Communications	112 596	136 561	106 532	133 816
Freight	31 038	32 093	33 801	35 298
Professional services	23 628	28 194	22 089	23 936

	Programme expenses[a] 2015	*Total expenses* 2015	*Programme expenses* 2014	*Total expenses* 2014
Security	16 872	34 680	16 476	34 158
Reimbursement	4 837	8 245	8 375	17 049
Contribution to jointly financed United Nations activities	3 979	15 309	3 145	11 001
Contribution to information and communications technology	2 745	12 681	2 130	6 353
Insurance/warranties	6 306	7 339	7 714	8 927
Management service agreement fees	719	719	2 156	2 156
Miscellaneous operating expenses	218 673[b]	15 264[c]	212 723	13 800
Total general operating expenses	**881 345**	**893 305**	**887 743**	**919 838**
30.5 Grants and other transfers				
Grants	311 307	312 541	317 509	319 392
Transfers	2 394	5 351	4 842	11 480
Total grants and other transfers	**313 701**	**317 892**	**322 351**	**330 872**
30.6 Other expenses				
Sundries	33 864	39 383	53 112	59 775
Foreign exchange losses	10 201	28 615[d]	12 885	40 426
Losses on sale of fixed assets and intangible assets	2 091	2 456	694	691
Ex gratia payments[e]	–	169	–	3
Impairment	26	632[f]	35	405
Total other expenses	**46 182**	**71 255**	**66 726**	**101 300**
30.7 Depreciation and amortization				
Depreciation	5 968	14 771	2 090	8 551
Amortization	18	1 598	50	2 148
Total depreciation and amortization	**5 986**	**16 369**	**2 140**	**10 699**
30.8 Finance costs				
Bank charges	1 893	5 515	4 364	8 668
Total finance costs	**1 893**	**5 515**	**4 364**	**8 668**
Total expenses	**4 237 850**	**5 057 414**	**4 397 347**	**5 314 300**

(Footnotes on following page)

(Footnotes to note 30)

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[a] Of the total expenses, $4.238 billion represents programme expenses and the remaining $820 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 36.1, "Total expenses by cost classification" for details.

[b] Of the $218.673 million, $199.684 million is eliminated to remove the effect of internal UNDP cost recovery.

[c] Of the total miscellaneous operating expenses, $6.509 million represents administrative service fees for United Nations agencies.

[d] Foreign exchange losses of $28.615 million include the effect of exchange rate changes on cash and cash equivalents of $5.513 million.

[e] Ex gratia payments were approved and paid by UNDP in accordance with UNDP financial regulation 23.01 and UNDP financial rule 123.01. Payments of $0.187 million were paid in 2015, of which $0.169 million was funded by UNDP and is reflected in the statement of financial performance and in the line item for ex gratia payments in note 30.6. The remaining $0.018 million was funded by common/shared services with other United Nations agencies and is not reportable in the present financial statements.

[f] In 2015, UNDP recognized $0.565 million as impairment relating to advances to staff (refer to note 12, "Advances issued"), $0.011 million as impairment relating to receivables from staff (refer to note 11, "Receivables: exchange transactions"), and $0.078 million as impairment relating to property, plant and equipment (refer to note 16, "Property, plant and equipment").

Note 31
Financial instruments and risk management

Valuation

31.1. The table below presents the fair value hierarchy of the Programme's available-for-sale financial instruments carried at fair value at 31 December 2015.

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets:				
Bonds	499 747	–	–	499 747
Total	**499 747**	**–**	**–**	**499 747**

31.2. The three fair value hierarchies are defined by IPSAS based on the significance of the inputs used in the valuation as:

(a) Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

31.3. UNDP did not have any financial assets recognized at fair value through surplus or deficit at 31 December 2015.

31.4. The risk management policies of UNDP, along with its Investment Policy and Guidelines and Financial Regulations and Rules, aim to minimize potential adverse effects on the resources available to UNDP to fund its activities.

In its operations, UNDP is exposed to a variety of financial risks, including:

- Credit risk: the risk of financial loss to UNDP may arise from the failure of an entity or counterparty to meet its financial/contractual obligations to UNDP;
- Liquidity risk: the risk that UNDP might not have adequate funds to meet its obligations as they fall due;
- Market risk: the risk that UNDP might incur financial losses on its financial assets due to unfavourable movements in foreign currency exchange rates, interest rates and/or prices of investment securities.

31.5. UNDP has an Investment Committee, comprising senior management, which meets quarterly to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established Investment Policy and Guidelines. The principal investment objectives as stated in the UNDP Investment Policy and Guidelines are:

- Safety: preservation of capital, provided through investing in high-quality, fixed-income securities emphasizing the creditworthiness of the issuers;

- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

31.6. The UNDP Financial Regulations and Rules govern the financial management of UNDP. The regulations and rules are applicable to all funds and programmes administered by UNDP and establish the standard of internal control and accountability within the organization.

31.7. There were no significant changes in the UNDP risk management framework in 2015.

31.8. The following tables show the value of UNDP financial assets and financial liabilities outstanding at year end based on the IPSAS classifications adopted by UNDP.

(a) Financial assets classification

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivables*	*Fair value through surplus and deficit*	*31 December 2015 Book value*	*31 December 2014 Book value (restated)*
Cash and cash equivalents	–	–	424 198	–	424 198	426 775
Investments	4 462 679	499 747	–	–	4 962 426	4 948 833
Receivables: non-exchange transactions	–	–	63 376	–	63 376	166 286
Receivables: exchange transactions	–	–	176 166	–	176 166	54 138
Advances issued	–	–	168 429	–	168 429	243 817
Loans to Governments	–	–	7 465	–	7 465	8 107
Total financial assets	**4 462 679**	**499 747**	**839 634**	**–**	**5 802 060**	**5 847 956**

(b) Financial liabilities classification

(Thousands of United States dollars)

	Other financial liabilities	*Fair value through surplus and deficit*	*31 December 2015 Book value*	*31 December 2014 Book value (restated)*
Accounts payable and accrued liabilities	119 879	–	119 879	139 037
Advances payable	12 238	–	12 238	10 055
Payables — funds held in trust	533 377	–	533 377	613 913
Funds held on behalf of donors	31 212	–	31 212	46 625
Other liabilities	9 728	–	9 728	10 033
Total financial liabilities	**706 434**	**–**	**706 434**	**819 663**

31.9. Held-to-maturity financial assets are carried at amortized cost. As at 31 December 2015, the book value of those assets exceeded market value by \$5.5 million (2014: \$(2.2) million). Available-for-sale assets are carried at fair market value based on quoted prices obtained from knowledgeable third parties. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2015, UNDP had no outstanding financial assets recorded at fair value through surplus and deficit.

31.10. As at 31 December 2015, UNDP did not have any financial liabilities recorded at fair value through surplus and deficit.

Analysis of UNDP credit risk

31.11. UNDP is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments and receivables (non-exchange).

31.12. UNDP operates bank accounts in 157 countries, which exposes it to the risk of the collapse of local financial institutions. UNDP has established risk assessment criteria to assess the credit worthiness of financial institutions before new bank accounts are opened. In addition, UNDP, using zero-balance accounts, permits local offices to draw funds in United States dollars and euros from a headquarters-managed master account to periodically replenish local currency accounts. Zero-balance accounts are designed to automatically transfer excess balances to the master account for investment in short-term money market instruments. The arrangement minimizes excess balances in local bank accounts.

31.13. With regard to its financial instruments, the UNDP Investment Policy and Guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the Investment Policy and Guidelines include conservative minimum credit criteria for all issuers, with maturity and counterparty limits by credit rating. The Investment Policy and Guidelines also require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereign, supranational, governmental or federal agencies, and banks.

31.14. UNDP utilizes credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, to categorize and monitor credit risk on its financial instruments. As at 31 December 2015, UNDP investments were in high-quality, fixed income instruments as shown in the table below (presented using Standard & Poor's rating convention).

Concentration by credit rating

(Thousands of United States dollars)

31 December 2015	*AAA*	*AA+*	*AA to AA-*	*A+*	*A*	*Total*
Money market instruments	–	–	235 006	50 000	139 956	424 962
Bonds	2 874 060	996 079	363 190	289 706	14 429	4 537 464
Total	**2 874 060**	**996 079**	**598 196**	**339 706**	**154 385**	**4 962 426**

31 December 2014	*AAA*	*AA+*	*AA to AA-*	*A+*	*A*	*Total*
Money market instruments	–	–	164 191	100 000	274 966	539 157
Bonds	2 630 035	994 178	345 924	408 832	30 707	4 409 676
Total	**2 630 035**	**994 178**	**510 115**	**508 832**	**305 673**	**4 948 833**

Note: Excludes investments classified as cash equivalents and funds held in trust.

31.15. The investment management function is centralized at UNDP headquarters, and country offices are not permitted in normal circumstances to engage in investing. A country office may receive exceptional approval when conditions warrant investing locally under specified parameters.

31.16. The credit risk exposure of UNDP on outstanding non-exchange receivables is mitigated by the Financial Regulations and Rules of UNDP, which require that, for non-regular resources, expenses be incurred after receipt of funds from donors. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk assessment criteria with regard to the obligor are met. In addition, a large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities (as shown in the table below) that do not have significant credit risk.

Receivables: non-exchange transactions by entity type

(Thousands of United States dollars)

Top three outstanding balances

	31 December 2015	*31 December 2014 (Restated)*
Government entities	17 186	60 599
Non-governmental entities	46 190	105 687
Total receivables: non-exchange transactions	**63 376**	**166 286**

Note: Non-governmental entities mainly comprise supranational and international entities.

31.17. The top three donors accounted for 64 per cent of the outstanding non-exchange receivable balances and comprise of one multilateral agency and two donor Governments as shown in the table below. Based on historical payment patterns, UNDP believes that all non-exchange receivable balances are collectable.

Receivables: non-exchange

(Thousands of United States dollars)

No.	*Balance*	*Percentage of total*	*Entity type*
1	32 327	51	Multilateral agency
2	4 483	7	Donor Government
3	3 868	6	Donor Government
Subtotal	**40 678**	**64**	
Grand total	**63 376**	**100**	

Analysis of UNDP liquidity risk

31.18. Liquidity risk is the risk that UNDP might be unable to meet its obligations, including accounts payable, accrued liabilities, refunds to donors and other liabilities, as they fall due.

31.19. Investments are made with due consideration of the Programme's cash requirements for operating purposes based on cash flow forecasting of future funding needs. As shown in the table below, UNDP maintains a portion of its cash and investments in cash and cash equivalents and current investments, which is sufficient to cover its commitments as and when they fall due.

Liquidity analysis

(Thousands of United States dollars)

	31 December 2015	*Percentage*	*31 December 2014*	*Percentage*
Cash balances	284 047	5	284 023	5
Cash equivalents	140 151	3	142 752	3
Total cash and cash equivalents	**424 198**	**8**	**426 775**	**8**
Current investments	2 532 409	47	2 129 312	40
Non-current investments	2 430 017	45	2 819 521	52
Total current and non-current investments	**4 962 426**	**92**	**4 948 833**	**92**
Total investments, cash and cash equivalents	**5 386 624**	**100**	**5 375 608**	**100**

Note: Excludes funds held in trust; investments classified as cash equivalents have a maturity of three months or less from the date of purchase.

Composition of cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Money market funds	80 537	132 732
Money market instruments	59 614	–
Bonds	–	10 020
Cash equivalents	**140 151**	**142 752**

Note: Excludes funds held in trust.

31.20. UNDP further mitigates its liquidity risk through its Financial Regulations and Rules, which prohibit offices from entering into commitments, including purchase commitments, unless a budget already exists. Spending is possible after funds are received and budgets are updated. Spending ability is constantly revised as commitments are made and expenditures incurred. Spending in the absence of a funded budget has to comply with UNDP risk management guidelines.

Analysis of market risk to UNDP

31.21. Market risk is the risk that UNDP is exposed to potential financial losses due to unfavourable movements in market prices of financial instruments including movements in interest rates, exchange rates and prices of securities.

31.22. Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

31.23. A portion (10.1 per cent) of the UNDP investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UNDP to interest rate risk. However, a significant portion (89.9 per cent) of the portfolio is classified as held to maturity, which is not marked to market, and therefore net assets and surplus/deficit reported in the Programme's financial statements are not significantly affected by changes in interest rates.

Classification of investments

(Thousands of United States dollars)

	Book value basis	*31 December 2015*	*31 December 2014*
Held to maturity investments	Amortized cost	4 462 679	4 493 570
Available-for-sale investments	Fair value	499 747	455 263
Total investments		**4 962 426**	**4 948 833**

31.24. UNDP invests in a limited amount of United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2015, UNDP had $123.5 million (2014: $169.10 million) in outstanding floating rate fixed income securities, with maturities ranging from less than one month to two-and-a-half years.

31.25. The table below presents the interest sensitivity of UNDP investments based on the duration of its securities. The sensitivity is limited to the investments classified as available for sale, which are marked to market through net assets/equity and changes in interest rates would therefore have no impact on the UNDP surplus and deficit.

Available-for-sale financial assets interest rate sensitivity analysis

(Thousands of United States dollars)

		Impact on the financial statements	
31 December 2015 Market value	*Sensitivity variation*	*Net assets*	*Surplus and deficit*
499 747	100 basis point increase	(8 418)	–
499 747	50 basis point decrease	4 209	–

Note: Excludes investments classified as cash and cash equivalents.

Foreign exchange risk

31.26. The Programme's transactions are primarily denominated in United States dollars but UNDP is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

31.27. UNDP receives donor contributions primarily in United States dollars and also in a number of major currencies, including the euro, the pound sterling, the Norwegian kroner, the Canadian dollar, the Japanese yen, the Swiss franc and the Australian dollar. In addition, programme country governments make contributions mainly in their national currencies to programmes in their countries. On an ongoing basis, UNDP evaluates its need to hold cash and other financial assets in foreign currencies against its foreign currency obligations.

31.28. UNDP actively manages net foreign exchange exposure in eight major currencies against the United States dollar using foreign exchange forward and option contracts. As of 31 December 2015, there were no open foreign exchange hedging contracts.

(a) Cash and cash equivalents, investments and receivables: non-exchange

	United States dollar	*Euro*	*Venezuelan bolívar fuerte*	*Other*	*31 December 2015 total*	*31 December 2014 total (restated)*
Cash and cash equivalents	274 070	40 537	29 585	80 006	424 198	426 775
Investments	4 962 426	–	–	–	4 962 426	4 948 833
Receivables: non-exchange	20 054	36 252	–	7 070	63 376	166 286
Total cash and cash equivalents, investments and receivables: non-exchange	**5 256 550**	**76 789**	**29 585**	**87 076**	**5 450 000**	**5 541 894**

(b) Foreign exchange sensitivity analysis

(Thousands of United States dollars)

	Currency depreciation		*Currency appreciation*	
	Surplus/(deficit)	*Net assets*	*Surplus/(deficit)*	*Net assets*
Euro (10 per cent change)	(6 981)	–	8 532	–
Venezuelan bolívar fuerte (10 per cent change)	(2 690)	–	3 287	–

Note: The above figures represent the sensitivity of cash and cash equivalents, investments and receivables: non-exchange to changes in foreign exchange rates.

31.29. At 31 December 2015, all UNDP investments were denominated in United States dollars. However, cash and cash equivalents balances were held in several non-United States dollar currencies, primarily in order to support local operating activities in programme countries, where a large portion of payments are made in local currency. UNDP maintains a minimum level of assets in local currencies and, whenever possible, converts excess local currency balances in bank accounts into United States dollars.

31.30. The Programme’s financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors, are carried in the UNDP ledger in United States dollars, although some portion may be refunded in local currency at the donor’s request.

Note 32
Related parties

Key management personnel

32.1. The leadership structure of UNDP consists of an Executive Group of 13 members. The Executive Group is responsible for the strategic direction and operational management of UNDP and is entrusted with significant authority to execute the UNDP mandate. Collectively the Executive Group comprises four tiers: an Under-Secretary-General and Administrator (Administrator); an Under-Secretary-General (Associate Administrator); nine Assistant Secretaries-General (Assistant Administrators); a Special Adviser to the Administrator and the Chief of Staff and Director, Office of the Administrator (ex officio).

Remuneration

(Thousands of United States dollars)

Tier	*Number of positions*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*After-service health insurance, repatriation, death benefit and annual leave liability*
Key management personnel	13	2 855	482	3 337	6 456
Close family members of key management personnel	1	166	–	166	153
Total	**14**	**3 021**	**482**	**3 503**	**6 609**

32.2. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable in accordance with the Staff Regulations of the United Nations and the Staff Rules.

Loans

32.3. Staff advances are available to UNDP staff, including key management personnel, for specific purposes as provided for in the Staff Regulations of the United Nations. As at 31 December 2015, there were no advances issued to key management personnel and their close family members that would not have been made available to all UNDP staff.

United Nations system

32.4. UNDP is engaged in United Nations system initiatives such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results. Each of the participating United Nations entities assumes its share of responsibilities related to planning, implementing, monitoring and evaluating those activities.

32.5. UNDP is a co-sponsoring organization of the Joint United Nations Programme on HIV/AIDS (UNAIDS), an innovative joint effort of the United Nations family to respond in a coordinated manner on the issue of HIV/AIDS. UNDP participates in setting the financial and operating policies of the Programme Coordinating Board of UNAIDS, which is headquartered in Geneva.

Note 33
Commitments and contingencies

Open commitments

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Property, plant and equipment	7 425	6 399
Goods	164 159	159 071
Services	125 037	95 462
Total open commitments	**296 621**	**260 932**

33.1. As at 31 December 2015, commitments of UNDP for the acquisition of various goods and services contracted but not received amounted to $296.621 million.

Lease commitments by term

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Obligations for property leases		
Less than 1 year	59 080	53 220
1-5 years	73 560	84 295
Beyond 5 years	15 302	26 266
Total property leases obligations	**147 942**	**163 781**

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Obligations for equipment leases		
Less than 1 year	39	63
1-5 years	32	58
Beyond 5 years	90	90
Total equipment leases obligations	**161**	**211**

33.2. The above tables represent future lease payment obligations during the contractual term of the leases. Typically, at the inception, the duration of contractual leases for premises entered into by UNDP is between 1 and 5 years.

Contingent assets

33.3. At 31 December 2015, UNDP had a contingent asset for a compound in South Sudan over which there is an ownership dispute. Owing to that dispute, UNDP has not recognized the land and buildings in the compound as property, plant and equipment. The fair value of the land and buildings was last assessed by independent valuators in 2011 at $8.9 million.

33.4. At 31 December 2015, UNDP had $1.265 billion in non-regular resources contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices), revenue from which will be recorded in future accounting periods in accordance with the Programme's revenue-recognition accounting policy. In addition, pledged or expected contributions of $0.659 million for regular resources have not been recognized as revenue in 2015. Those contributions will be recognized in future periods when cash is received in accordance with the revenue-recognition accounting policy.

Contingent liabilities

33.5. In the normal course of operations, UNDP is subject to claims which have been categorized as: (a) corporate and commercial claims; (b) administrative law claims; and (c) other claims.

33.6. As at 31 December 2015, corporate and commercial and administrative law claims totalled $5.508 million. Owing to the uncertainty of the outcome of those claims, no impairment or allowance for loss has been recorded as the occurrence, amount and timing of outflow is not certain. UNDP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

33.7. UNDP is a partner organization with the International Computing Centre, which is based in Geneva. The memorandum of understanding between the two organizations provides for financial responsibility of both partner organizations should any third-party claim or liability arise within certain conditions. As at 31 December 2015, there were no such claims.

Note 34
Structural change

34.1. UNDP corporate restructuring began in 2014, to improve institutional effectiveness through better functional and geographic integration at headquarters and the regional level, in order to meet strategic plan objectives. As at 31 December 2015, a restructuring provision of $2.472 million has been recognized to account for the direct expenses arising from the restructuring that are not associated with the ongoing activities of UNDP. The related outflows are primarily for estimated separation costs, which are expected to be incurred throughout 2016 and may change should the affected staff members obtain continued employment with UNDP or other United Nations agencies. The movement in the provision for restructuring from 31 December 2014 to 31 December 2015 is provided below:

(Thousands of United States dollars)

	31 December 2014	*Amounts used*	*Increases*	*31 December 2015*
Provision for restructuring	5 592	(3 534)	414	2 472

34.2. Expenses in 2015 relating to the structural change, including the above provision, are $12.586 million. Effective implementation of the structural changes includes staff relocation to the regional hubs and shared service centres, separation costs, technical expertise to support implementation and investments in training, capability and technology to support new functions and improved business processes.

34.3. Details of the structural change expenses on statement II, statement of financial performance, are provided below:

(Thousands of United States dollars)

Expenses	*Expenses from statement of financial performance 2015*	*Structural change expenses*	*Total excluding structural change expenses*
Contractual services	1 999 686	(2 408)	1 997 278
Staff costs	941 836	(6 310)	935 526
Supplies and consumables used	811 556	(326)	811 230
General operating expenses	893 305	(3 537)	889 768
Grants and other transfers	317 892	–	317 892
Other expenses	71 255	(3)	71 252
Depreciation and amortization	16 369	(2)	16 367
Finance costs	5 515	–	5 515
Total	**5 057 414**	**(12 586)**	**5 044 828**

Note 35
Events after reporting date

The reporting date for these financial statements is 31 December 2015. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 36
Additional disclosure

36.1
Total expenses by cost classification

(Thousands of United States dollars)

	2015
Development	
Programme	4 237 850
Development effectiveness	179 597
United Nations development coordination	127 748
Management	386 032
Special purpose	64 044
Other	287 651
Elimination[a]	(225 508)
Total expenses	**5 057 414**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

36.2
Programme expenses by executing entity/implementing partner and responsible party

The executing entity/implementing partner is the entity that has management responsibility and accountability for project implementation and results. The executing entity/implementing partner may contract with a responsible party to implement and practically deliver outputs.

36.2 (a)
Programme expenses by executing entity/implementing partner
(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	***Total***
Governments	185 994	1 363 492	513 556	941	2 063 983
International non-governmental organizations	1 405	12 401	1 966	–	15 772
National non-governmental organizations	621	4 177	2 809	–	7 607
Department of Economic and Social Affairs	10	–	190	–	135
Food and Agriculture Organization of the United Nations	21	254	–	–	275
International Atomic Energy Agency	–	–	32	–	32
International Civil Aviation Organization	–	–	13	–	13
International Labour Organization	714	–	–	–	714
International Maritime Organization	–	–	398	–	398
International Monetary Fund	–	32	–	–	32
International Telecommunication Union	–	1 075	–	–	1 075
United Nations Educational, Scientific and Cultural Organization	124	5	6	–	135
United Nations Institute for Training and Research	–	–	620	–	620
United Nations Office for Project Services	1 058	16 875	55 158	19 330	92 421
United Nations Volunteers programme	–	–	–	31 449	31 449
World Health Organization	–	4 187	1 089	–	5 276
United Nations Development Programme	228 055	1 579 741	203 129	6 923	2 017 848
Total programme expenses	**418 002**	**2 982 239**	**778 966**	**58 643**	**4 237 850**

36.2 (b)
Programme expenses by responsible party

"Responsible party" refers to the party responsible for contractual implementation and practical delivery of outputs.

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	***Total***
Governments	167 575	1 307 436	525 648	791	2 001 450
International non-governmental organizations	1 300	114 530	7 373	–	123 203
National non-governmental organizations	2 135	54 523	5 298	–	61 956
Economic Commission for Europe	–	171	–	–	171
Economic and Social Commission for Asia and the Pacific	–	54	–	–	54
Economic Commission for Latin America and the Caribbean	–	29	–	–	29
Food and Agriculture Organization of the United Nations	598	3 023	824	–	4 445
International Atomic Energy Agency	–	–	32	–	32
International Civil Aviation Organization	–	–	13	–	13
International Labour Organization	714	1 839	96	–	2 649
International Maritime Organization	–	–	398	–	398
International Monetary Fund	–	32	–	–	32
International Organization for Migration	–	1 789	1	–	1 790
International Telecommunication Union	–	1 053	–	–	1 053
International Trade Centre	–	380	–	–	380
Joint United Nations Programme on HIV/AIDS	–	25	–	–	25
Office of the United Nations High Commissioner for Refugees	397	2149	–	–	2546
Other United Nations system entities	–	736	–	–	736
United Nations Capital Development Fund	788	–	23	–	811
United Nations Children's Fund	–	5 426	–	–	5 426
United Nations Conference on Trade and Development	–	39	10	–	49
Department of Economic and Social Affairs	246	1 103	10	–	1 359
United Nations Educational, Scientific and Cultural Organization	251	925	285	–	1 461
United Nations Entity for Gender Equality and the Empowerment of Women	–	2 731	37	–	2 768
United Nations Environment Programme	–	390	76	–	466
Total programme expenses	**418 002**	**2 982 239**	**778 966**	**58 643**	**4 237 850**

36.3
Programme expenses by geographical region
(Thousands of United States dollars)

	Africa	*Arab States*	*Asia and the Pacific*	*Europe and Commonwealth of Independent States*	*Latin America and the Caribbean*	*Global and others*	***Total***
Expenses							
Contractual services	302 559	213 505	720 601	191 258	343 552	148 016	1 919 491
Staff costs	82 724	35 877	66 014	10 647	25 151	72 945	293 358
Supplies and consumables used	330 285	55 982	52 279	84 569	232 537	20 242	775 894
General operating expenses	287 820	99 957	165 453	64 961	181 085	82 069	881 345
Grants and other transfers	48 749	45 385	49 501	30 612	80 734	58 720	313 701
Other expenses	13 054	3 207	6 291	4 321	15 349	3 960	46 182
Depreciation and amortization	1 828	664	2 059	720	489	226	5 986
Finance costs	721	530	68	308	167	99	1 893
Total	**1 067 740**	**455 107**	**1 062 266**	**387 396**	**879 064**	**386 277**	**4 237 850**

36.4
Reimbursable support services and miscellaneous activities

36.4 (a)
Statement of financial position

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	***Total***
Assets								
Current assets								
Cash and cash equivalents	54 384	3 699	6 802	7 113	4 421	822	1 329	78 570
Investments	319 394	21 731	39 857	41 776	12 537	4 832	7 811	447 938
Receivables: non-exchange transactions	3	–	–	357	1 429	–	–	1 789
Receivables: exchange transactions	347	–	7 220	62	–	69	–	7 698
Advances issued	682	–	101	401	–	–	–	1 184
Loans to Governments	–	–	–	–	–	851	–	851
Inventories	1 516	–	2	22	–	–	–	1 540
Other current assets	206	–	–	1	–	3	–	210
Total current assets	**376 532**	**25 430**	**53 982**	**49 732**	**18 387**	**6 577**	**9 140**	**539 780**
Non-current assets								
Investments	305 803	20 806	38 161	39 999	12 004	4 626	7 478	428 877
Loans to Governments	–	–	–	–	–	6 614	–	6 614
Property, plant and equipment	50 859	–	1 222	10 273	–	10 077	–	72 431
Intangible assets	4 094	–	–	6	–	–	–	4 100
Total non-current assets	**360 756**	**20 806**	**39 383**	**50 278**	**12 004**	**21 317**	**7 478**	**512 022**
Total assets	**737 288**	**46 236**	**93 365**	**100 010**	**30 391**	**27 894**	**16 618**	**1 051 802**

36.4 (a)

Statement of financial position (continued)

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	***Total***
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	4 617	1 903	6 304	1 346	11 549	–	–	25 719
Advances payable	50	–	–	411	18	–	–	479
Funds received in advance and deferred revenue	6 466	–	–	5 544	–	14	–	12 024
Funds held on behalf of donors	–	–	–	109	–	–	–	109
Employee benefits	16 378	–	4	26	–	–	–	16 408
Other current liabilities	815	–	27	428	549	37	–	1 856
Provision for restructuring	2 472	–	–	–	–	–	–	2 472
Total current liabilities	**30 798**	**1 903**	**6 335**	**7 864**	**12 116**	**51**	**–**	**59 067**
Non-current liabilities								
Funds received in advance and deferred revenue	7 859	–	–	–	–	–	–	7 859
Employee benefits	329 353	–	–	–	–	–	–	329 353
Other non-current liabilities	–	–	64	–	–	–	–	64
Total non-current liabilities	**337 212**	**–**	**64**	**–**	**–**	**–**	**–**	**337 276**
Total liabilities	**368 010**	**1 903**	**6 399**	**7 864**	**12 116**	**51**	**–**	**396 343**
Net assets/equity								
Reserves	115 969	–	–	–	–	25 000	–	140 969
Accumulated surpluses	253 309	44 333	86 966	92 146	18 275	2 843	16 618	514 490
Total net assets/equity	**369 278**	**44 333**	**86 966**	**92 146**	**18 275**	**27 843**	**16 618**	**655 459**
Total liabilities and net assets/equity	**737 288**	**46 236**	**93 365**	**100 010**	**30 391**	**27 894**	**16 618**	**1 051 802**

36.4 (b)
Statement of financial performance

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	***Total***
Revenue							
Voluntary contributions	6 101	4 413	13 622	63 238	15 245	–	102 619
Revenue: exchange transactions	84 810	–	15 012	89 519	–	769	190 110
Investment revenue	4 361	491	385	112	–	–	5 349
Other revenue	277 839	–	12 129	7 992	–	3	297 963
Total revenue	**373 111**	**4 904**	**41 148**	**160 861**	**15 245**	**772**	**596 041**
Expenses							
Contractual services	33 752	6 141	21 540	19 387	–	10	80 830
Staff costs	254 912	–	8 315	99 291	11 477	198	374 193
Supplies and consumables used	19 444	11 427	1 294	6 666	3	60	38 894
General operating expenses	95 128	1 100	11 087	35 780	3 220	27	146 342
Grants and other transfers	2 477	–	15	197	–	–	2 689
Other expenses	2 087	662	491	1 284	–	7	4 531
Depreciation and amortization	5 849	–	146	342	–	282	6 619
Finance costs	176	–	5	29	2	–	212
Total expenses	**413 825**	**19 330**	**42 893**	**162 976**	**14 702**	**584**	**654 310**
Surplus/(deficit) for the year	**(40 714)**	**(14 426)**	**(1 745)**	**(2 115)**	**543**	**188**	**(58 269)**

36.5
Cost-sharing: government and third-party cost-sharing: statement of financial performance
(Thousands of United States dollars)

	Third-party cost-sharing	*Government cost-sharing*	*Total*
Revenue			
Voluntary contributions	1 750 045	821 537	2 571 582
Revenue: exchange transactions	814	14	828
Investment revenue	5 185	12 120	17 305
Other revenue	4 982	4 322	9 304
Total revenue	**1 761 026**	**837 993**	**2 599 019**
Expenses			
Contractual services	854 187	410 966	1 265 153
Staff costs	121 744	13 205	134 949
Supplies and consumables used	430 285	249 910	680 195
General operating expenses	475 999	157 182	633 181
Grants and other transfers	159 795	70 960	230 755
Other expenses	17 886	15 416	33 302
Depreciation and amortization	3 036	172	3 208
Finance costs	1 278	218	1 496
Total expenses	**2 064 210**	**918 029**	**2 982 239**
Deficit for the year	**(303 184)**	**(80 036)**	**(383 220)**
Net assets/equity			
Closing accumulated surpluses as at 31 December 2014	1 796 715	859 693	2 656 408
Prior-period adjustment	16 375	–	16 375
Transfers from/(to) other resources	368	(276)	92
Capitalization of project assets acquired pre-2012	11 058	649	11 707
Closing net assets/equity as at 31 December 2015	**1 521 332**	**780 030**	**2 301 362**

36.6 (a)
Top 10 trust funds: statement of financial position

(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*Trust Fund for the Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Assets					
Current assets					
Cash and cash equivalents	2 014	22 113	262	31 177	6 783
Investments	11 831	129 915	1 541	182 971	39 851
Receivables: non-exchange transactions	2 310	–	–	–	–
Receivables: exchange transactions	12	–	–	163	–
Advances issued	539	8 878	191	12 504	254
Inventories	–	–	–	216	–
Other current assets	–	–	–	1	–
Total current assets	**16 706**	**160 906**	**1 994**	**227 032**	**46 888**
Non-current assets					
Investments	11 328	124 387	1 475	175 185	38 156
Property, plant and equipment	681	1 507	–	1 722	58
Total non-current assets	**12 009**	**125 894**	**1 475**	**176 907**	**38 214**
Total assets	**28 715**	**286 800**	**3 469**	**403 939**	**85 102**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	264	40	41	6 567	–
Advances payable	–	25	–	1 723	–
Funds held on behalf of donors	–	–	–	79	–
Employee benefits	–	–	–	1	1
Other current liabilities	–	–	–	4	–
Total current liabilities	**264**	**65**	**41**	**8 374**	**1**
Total liabilities	**264**	**65**	**41**	**8 374**	**1**

36.6 (a)
Top 10 trust funds: statement of financial position (continued)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*Trust Fund for the Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Net assets/equity					
Reserves	3 000	–	–	–	–
Accumulated surpluses	25 451	286 735	3 428	395 565	85 101
Total net assets/equity	**28 451**	**286 735**	**3 428**	**395 565**	**85 101**
Total liabilities and net assets/equity	**28 715**	**286 800**	**3 469**	**403 939**	**85 102**

36.6 (a)
Top 10 trust funds: statement of financial position (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Thematic Trust Fund on Environment*	*UNDP-Republic of Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation*
Assets					
Current assets					
Cash and cash equivalents	841	4 409	774	5 252	597
Investments	4 936	25 844	4 546	30 850	3 505
Receivables: non-exchange transactions	–	472	325	–	–
Receivables: exchange transactions	8	99	–	2	22
Advances issued	24	2 362	56	1 045	33
Inventories	–	37	–	–	–
Other current assets	–	–	–	40	–
Total current assets	**5 809**	**33 223**	**5 701**	**37 189**	**4 157**
Non-current assets					
Investments	4 726	24 744	4 353	29 537	3 356
Property, plant and equipment	31	1 151	–	13	67
Total non-current assets	**4 757**	**25 895**	**4 353**	**29 550**	**3 423**
Total assets	**10 566**	**59 118**	**10 054**	**66 739**	**7 580**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	241	1 045	–	257	276
Advances payable	176	1 330	–	22	590
Funds received in advance	–	396	–	–	–
Employee benefits	3	3	–	–	–
Other current liabilities	6	–	–	1	–
Total current liabilities	**426**	**2 774**	**–**	**280**	**866**
Total liabilities	**426**	**2 774**	**–**	**280**	**866**

36.6 (a)
Top 10 trust funds: statement of financial position (continued)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Thematic Trust Fund on Environment*	*UNDP-Republic of Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation*
Net assets/equity					
Accumulated surpluses	10 140	56 344	10 054	66 459	6 714
Total net assets/equity	**10 140**	**56 344**	**10 054**	**66 459**	**6 714**
Total liabilities and net assets/equity	**10 566**	**59 118**	**10 054**	**66 739**	**7 580**

36.6 (b)
Top 10 trust funds: statement of financial performance

(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*Trust Fund for the Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Revenue					
Voluntary contributions	9 815	416 076	5 174	480 365	37 460
Investment revenue	–	1 356	25	2 888	594
Other revenue	–	–	–	5	868
Total revenue	**9 815**	**417 432**	**5 199**	**483 258**	**38 922**
Expenses					
Contractual services	9 119	231 614	1 943	175 652	16 499
Staff costs	2	2 586	465	22 934	1 829
Supplies and consumables used	83	180	930	39 238	1 623
General operating expenses	1 674	12 226	778	86 644	4 710
Grants and other transfers	92	577	178	45 337	12 576
Other expenses	244	28	35	4 187	190
Depreciation and amortization	93	140	–	168	8
Finance costs	–	1	1	73	–
Total expenses	**11 307**	**247 352**	**4 330**	**374 233**	**37 435**
Surplus/(deficit) for the year	**(1 492)**	**170 080**	**869**	**109 025**	**1 487**

36.6 (b)
Top 10 trust funds: statement of financial performance (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Thematic Trust Fund on Environment*	*UNDP-Republic of Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation*
Revenue					
Voluntary contributions	8 722	40 724	17 137	11 405	6 578
Investment revenue	115	532	48	490	62
Other revenue	4	72	–	14	–
Total revenue	**8 841**	**41 328**	**17 185**	**11 909**	**6 640**
Expenses					
Contractual services	2 254	26 248	328	6 020	1 604
Staff costs	5 213	19 822	8 992	1 905	711
Supplies and consumables used	194	5 197	553	262	860
General operating expenses	3 844	22 179	1 438	3 171	2 561
Grants and other transfers	347	4 700	–	649	2 207
Other expenses	81	792	61	99	59
Depreciation and amortization	15	112	–	2	7
Finance costs	1	30	–	2	12
Total expenses	**11 949**	**79 080**	**11 372**	**12 110**	**8 021**
Surplus/(deficit) for the year	**(3 108)**	**(37 752)**	**5 813**	**(201)**	**(1 381)**

36.7

All trust funds established by the United Nations Development Programme: schedule of financial performance

(Thousands of United States dollars)

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
Fund Manager: UNDP Africa							
African Peer Review Mechanism of the New Partnership for Africa's Development	786	–	786	6	9	–	801
Belgium Trust Fund for Support to the Elections Project in the Democratic Republic of the Congo	2 859	–	2 859	(53)	–	–	2 806
Belgium Trust Fund for Trade Capacity Development for Poverty Reduction and Human Development for Sub-Saharan Africa	47	–	47	–	(17)	–	30
Canadian International Development Agency/UNDP Trust Fund to Support "Recensement général de la population et de l'habitat" in Senegal	17	–	17	–	–	–	17
Comoros transitional arrangement	106	–	106	–	–	–	106
EEC Trust Fund for Appui institutionnel au CNIDAH, au niveau national et provincial	–	–	–	258	–	–	258
EEC Trust Fund for Election Observation Mission to Nigeria	–	–	–	5	–	–	5
EEC Trust Fund for Support to the National Institute of Statistics of Rwanda	–	–	–	–	(1)	–	(1)
EEC: "Project CHOC Cameroon: Change Habits-Oppose Corruption"	10	–	10	–	–	–	10
EEC: 2005 Census Support Initiatives in Nigeria	465	–	465	–	–	–	465
EEC: Appui à la mise en place des centres de brassage dans le cadre de la réforme du secteur sécuritaire en République démocratique du Congo	3	–	3	–	–	–	3
EEC: Appui à la stratégie nationale de lutte antimines: appui au démarrage de Centre de lutte contre les mines en Casamance	16	–	16	–	–	–	16
EEC: Appui au processus électoral en Mauritanie	39	–	39	(42)	–	–	(3)
EEC: Appui aux élections législatives 2007 (phase 1)	(30)	–	(30)	–	–	–	(30)
EEC: Appui institutionnel au CNIDAH, au niveau national et provincial	1	–	1	–	(1)	–	–
EEC: Capacity Development Component of the Parliamentary Reform Programme III	86	–	86	–	–	–	86
EEC: Capacity support for sustainable management of energy resources with the Economic Community of West African States and the West African Economic and Monetary Union	77	–	77	–	–	–	77

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
EEC: Eritrea Trust Fund for Support to the Mine Action Capacity-building Programme	134	–	134	–	–	–	134
EEC: Mozambique Landmine Technical Survey: Inhambane and Maputo Provinces	(1)	–	(1)	1	–	–	–
EEC: Programme d'appui à la bonne gouvernance au Tchad	68	–	68	–	13	–	81
EEC: Republic of Congo Trust Fund for the project "Collecte et destruction des armes pour le développement"	(24)	–	(24)	(6)	–	–	(30)
EEC: Review of the Constitution of the Republic of Malawi	1	–	1	(1)	–	–	–
EEC: Support for the project "Assessoria técnica para a consolidação das capacidades da CNIDAH", Angola	(1)	–	(1)	1	–	–	–
EEC: Support for deepening democracy in the United Republic of Tanzania	31	–	31	–	–	–	31
EEC: Support for Election Observation in the United Republic of Tanzania	1	–	1	–	–	–	1
EEC: Support for internally displaced persons/expellees/return/ resettlement: health facility in Eritrea	1	–	1	–	–	–	1
EEC: Support for Legislative and Presidential Elections in Niger	1	–	1	–	–	–	1
EEC: Support for Swaziland Gender Programme	(1)	–	(1)	–	–	–	(1)
EEC: Support for the Election Observation Mission to Nigeria in April 2007	214	–	214	–	–	–	214
EEC: Support for the implementation of the integrated drylands development programme	(41)	–	(41)	–	–	–	(41)
EEC: Support to internally displaced persons/expellees/return/ resettlement (food security) in Eritrea	2	–	2	–	–	–	2
EEC: Support to shared funding for the joint governance assessment for Rwanda	(1)	–	(1)	–	–	–	(1)
EEC: Support to the Sustainable Development Poverty Reduction Programme in Ethiopia	2	–	2	(2)	–	–	–
EEC: Supporting Citizen Access to Justice in Mozambique	(204)	–	(204)	–	–	–	(204)
EEC: Sustained Good Governance in Ethiopia through Capacity-building of National Parliament	(22)	–	(22)	22	–	–	–
EEC: Transfer of Knowledge through Expatriate Nationals in Mali	7	–	7	302	(110)	–	199
EEC-Comoros: Appui à la mise en oeuvre de l'accord sur les dispositions transitoires	(274)	–	(274)	–	–	–	(274)
European Commission: Joint Donor Basket Fund to Support Nigeria's 2007 Elections	2 562	–	2 562	–	–	–	2 562
Extension of the Eritrean Landmine Impact Survey	74	–	74	–	–	–	74

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
Finland Trust Fund for National Technical Cooperation Assessment and Programme Activities	151	–	151	1	(80)	–	72
Fonds fiduciaire du Programme des Nations Unies pour le développement concernant l’organisation pour l’harmonisation en Afrique du droit des affaires	(62)	–	(62)	–	–	–	(62)
Humanitarian Information Coordination — Zimbabwe	–	–	–	3	–	–	3
Justice and Security Trust Fund for Liberia	4 253	–	4 253	30	(666)	–	3 617
Support for capacity-building for the National Demining Institute in Mozambique	9	–	9	–	(1)	–	8
Support for the organization of municipal elections in Niger	2	–	2	–	–	–	2
Support to the Malawi tripartite elections — 2004	1	–	1	–	–	–	1
Trust Fund with Norway for Support for Governance in Africa	285	–	285	2	(1)	–	286
UNDP Trust Fund for Angola	30	–	30	–	2	–	32
UNDP Trust Fund for Assistance to Refugee-Related Development Projects in Africa	(59)	–	(59)	(3)	–	–	(62)
UNDP Trust Fund for Demobilization, Reintegration, Rehabilitation and Recovery in Sierra Leone	1	–	1	–	–	–	1
UNDP Trust Fund for Namibia	29	–	29	–	–	–	29
UNDP Trust Fund for Receipt of Payments by Users of the African Project Development Facility	1	–	1	–	–	–	1
UNDP Trust Fund for Rwanda	1	–	1	–	–	–	1
UNDP Trust Fund for Support to the Reform Agenda in Nigeria	451	–	451	–	–	–	451
UNDP Trust Fund for the Mozambique Mine Clearance Programme	295	–	295	2	(6)	–	291
UNDP Trust Fund for the United Nations Educational and Training Programme for Southern Africa	1 054	–	1 054	6	(291)	–	769
UNDP Trust Fund to Combat Poverty and Hunger in Africa	315	–	315	1	(149)	–	167
UNDP/Belgium Trust Fund for Support to the Electoral Process in South Africa	45	–	45	–	–	–	45
UNDP/EEC Trust Fund Agreement for the Africa 2000 Network Programme: Grants in Burkina Faso, Cameroon and Uganda	1	–	1	–	–	–	1
UNDP/Norway Trust Fund for Assistance to the Electoral Process in Mozambique	(370)	–	(370)	–	–	–	(370)
UNDP: “Appui au processus électoral en Guinée”	3	–	3	–	–	–	3
Total Fund Manager: UNDP Africa	**13 447**	**–**	**13 447**	**533**	**(1 299)**	**–**	**12 681**

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
Fund Manager: UNDP Arab States							
Arab Human Development Report	63	–	63	–	(11)	–	52
EC-UNDP: Joint electoral assistance project in Yemen	979	–	979	(556)	(528)	–	(105)
EEC Trust fund for providing operational and logistical support to the Office of the Quartet Representative	–	31	31	–	–	–	31
EEC/Sudan: Post-conflict Community-based Recovery and Rehabilitation Programme	(531)	–	(531)	1 417	(708)	–	178
EEC: Integrated support for decentralization in Albania	89	29	118	(90)	(15)	–	13
EEC: Iraq: Support to Law and Justice	(1)	–	(1)	1	–	–	–
EEC: Programme of Assistance to the Palestinian People Governance Strategy Group Coordinator	203	–	203	–	10	–	213
EEC: Projet d'appui à la décentralisation et aux collectivités locales	1	–	1	(1)	–	–	–
EEC: Somalia: Support for Rule of Law and Security in Somalia	2	–	2	–	–	–	2
EEC: Sudan: Capacity Development for Good Aid Management	46	–	46	–	–	–	46
EEC: Sudan: Promotion of Equality, Tolerance and Peace through the Dissemination of the Comprehensive Peace Agreement and of the Transitional Legal Framework in Southern Sudan	11	–	11	–	(5)	–	6
Information and Communication Technology Trust Fund for Egypt	1 565	–	1 565	99	(609)	–	1 055
Support to Iraq reconstruction	306	–	306	(391)	–	–	(85)
Trust Fund for Poverty Alleviation in the Arab Region	90	–	90	–	(64)	–	26
UNDP: Trust Fund for the Iraq Programme	1	–	1	–	(1)	–	–
UNDP: Trust Fund for the Programme of Assistance to the Palestinian People	29 596	348	29 944	9 814	(11 306)	–	28 452
Total Fund Manager: UNDP Arab States	**32 420**	**408**	**32 828**	**10 293**	**(13 237)**	**–**	**29 884**
Fund Manager: UNDP Asia and Pacific							
Australian Development Assistance Bureau/UNDP Programme Trust Fund	97	–	97	(50)	–	–	47
Cambodia Climate Change Alliance Trust Fund	87	–	87	(88)	–	–	(1)
EEC Trust Fund for preparation of electoral roll with photographs	–	–	–	(49)	49	–	–
EEC/Afghanistan Trust Fund for Access to Justice at District Level	–	–	–	2	(2)	–	–
EEC/EU: China Biodiversity Programme	21	–	21	–	–	–	21
EEC: Counter-narcotics Trust Fund in Afghanistan	5	–	5	(5)	–	–	–
EEC: Afghanistan Trust Fund for Access to Justice at District Level	(2)	–	(2)	–	2	–	–
EEC: Anti-Personnel Mines and Ammunition Stockpile Destruction	1	–	1	(1)	–	–	–

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
EEC: Capacity-strengthening Component of Rural Employment Opportunities for Public Assets	7	–	7	–	–	–	7
EEC: Governance for Equitable Development Strengthening Rule of Law and Civil Society Participation in China	(1)	–	(1)	–	–	–	(1)
EEC: Lao People's Democratic Republic: Saravane Governance, Public Administration Reform and Decentralized Service Delivery Project	8	–	8	–	2	–	10
EEC: Strengthening the Capacity of the National Assembly and Supporting Lao People's Democratic Republic in the International Criminal Court	3	–	3	–	–	–	3
EEC: Support for durable solutions to the protracted refugee situation along the Thai/Myanmar border	321	–	321	(319)	(2)	–	–
EEC: Support for Improving Health, Nutrition and Population in the Chittagong Hill Tracts	172	–	172	–	–	–	172
EEC: Support for the National Initiative for Civic Education	2	–	2	–	–	–	2
EEC: Support for the Restoration of Tsunami-affected Livelihoods — Maldives	38	–	38	–	–	–	38
EEC: Support provincial governance strengthening programme in Solomon Islands	5	–	5	35	(3)	–	37
EEC: Support security sector review in Timor-Leste — capacity development facility	7	–	7	–	–	–	7
EEC: Support strengthening response to internal displacement in Mindanao	1	–	1	–	–	–	1
EEC: Support the justice system — activating village courts in Bangladesh	702	–	702	–	(573)	–	129
EEC: Support to promoting awareness and education on avian influenza in rural communities in Myanmar	12	–	12	(12)	–	–	–
EEC: Trust Fund for Promotion of Development and Confidence-building in Chittagong Hill Tracts	1	–	1	–	–	–	1
Law and Order Trust Fund for Afghanistan	116 354	301	116 655	417 432	(247 352)	–	286 735
Trust Fund for Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic within the Framework of the Vientiane Declaration on Aid Effectiveness	2 560	–	2 560	5 199	(4 330)	–	3 429
UNDP Afghanistan Emergency Trust Fund	(151)	–	(151)	–	–	–	(151)
UNDP/Lao People's Democratic Republic: Trust Fund for Clearance of Unexploded Ordnance	45	–	45	(45)	–	–	–
UNDP-Republic of Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation	(1)	–	(1)	346	–	–	345

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
UNDP/Republic of Korea Trust Fund in Support of the Tumen River Area Development Programme	451	–	451	605	(446)	–	610
UNDP: Counter-narcotics Trust Fund for Afghanistan	5 339	–	5 339	2	–	(5 341)	–
UNDP: Trust Fund for Support to Indonesia's Response to Climate Change	615	–	615	(617)	2	–	–
UNDP: Trust Fund for Support to the 2004 Elections in Indonesia	92	–	92	(92)	–	–	–
Total Fund Manager: UNDP Asia and Pacific	**126 791**	**301**	**127 092**	**422 343**	**(252 653)**	**(5 341)**	**291 441**
Fund Manager: UNDP Bureau for Policy and Programme Support							
EC/UNDP: Collaboration to advance the post-crisis needs assessment and early recovery agendas II	34	–	34	–	–	–	34
UNDP Trust Fund for Support to Capacity Development for Reform	–	–	–	–	2	–	2
UNDP: Thematic Trust Fund for Crisis Prevention and Recovery	93 679	419	94 098	41 328	(79 080)	–	56 346
UNDP: Trust Fund for Crisis, Post-conflict and Recovery Situations	406	–	406	–	–	–	406
UNDP: Trust Fund for Sustainable Social Development, Peace and Support to Countries in Special Situations	2 351	–	2 351	18	–	–	2 369
Capacity 2015 Trust Fund	31	–	31	1	–	–	32
EEC: ACE Electoral Knowledge Network: Practitioners' Network	1	–	1	–	–	–	1
Forest Carbon Partnership Facility	11 919	–	11 919	4 335	(2 916)	–	13 338
Global Capacity Development Facility	181	–	181	1	(14)	–	168
Integrated Framework Trust Fund for Trade-related Technical Assistance to the Least Developed Countries, window 1	10	–	10	–	–	–	10
Integrated Framework Trust Fund for Trade-related Technical Assistance to the Least Developed Countries, window 2	1 041	–	1 041	8	(8)	–	1 041
Multilateral Fund for the Implementation of the Montreal Protocol	83 586	28	83 614	38 922	(37 435)	–	85 101
Netherlands: Trust Fund for Special Action Programme for Public Administration and Management	34	–	34	–	–	–	34
Trust Fund for the Global Environment Facility	286 218	321	286 539	483 258	(374 233)	–	395 564
Trust Fund to Combat Desertification and Drought	3 829	–	3 829	(363)	(1 263)	–	2 203
UNDP Energy account	563	–	563	229	(76)	–	716
UNDP: Thematic Trust Fund for Democratic Governance	13 203	44	13 247	8 841	(11 949)	–	10 139
UNDP: Thematic Trust Fund on Energy for Sustainable Development	645	–	645	3	(46)	–	602
UNDP: Thematic Trust Fund on Environment	66 660	–	66 660	11 909	(12 110)	–	66 459
UNDP: Thematic Trust Fund on Gender	1 911	–	1 911	1 451	(1 820)	–	1 542

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
UNDP: Thematic Trust Fund on Information and Communications Technology	1 910	–	1 910	(72)	(1 067)	–	771
UNDP: Thematic Trust Fund on Poverty Reduction for Sustainable Development	4 587	–	4 587	1 206	(2 062)	–	3 731
UNDP: Thematic Trust Funds on HIV/AIDS	656	–	656	4	(104)	–	556
UNDP: Trust Fund for Public-Private Partnerships for the Urban Environment	291	–	291	(181)	–	–	110
UNDP: Trust Fund for the World Summit on Social Development	3	–	3	–	–	–	3
Total Fund Manager: UNDP Bureau for Policy and Programme Support	**573 749**	**812**	**574 561**	**590 898**	**(524 181)**	**–**	**641 278**
Fund Manager: UNDP Bureau of Management							
Trust Fund for Implementation of UNDP Business Plan Initiatives 2000-2003	90	–	90	–	–	–	90
UNDP 2001 Trust Fund	293	–	293	2	–	–	295
UNDP/Swedish International Development Cooperation Trust Fund for Assistance to UNDP-specific Activities	1	9	10	14	(24)	–	–
Total Fund Manager: UNDP Bureau of Management	**384**	**9**	**393**	**16**	**(24)**	**–**	**385**
Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination							
UNDP Trust Fund for the Developing Countries Afflicted by Famine and Malnutrition	(1)	–	(1)	–	–	–	(1)
Total Fund Manager: UNDP Bureau of Management/ Division for Resource Planning and Coordination	**(1)**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Fund Manager: UNDP Bureau of External Relations and Advocacy							
Fonds d’affectation spécial français	70	–	70	(70)	–	–	–
UNDP Trust Fund for International Partnership	490	–	490	150	(149)	–	491
UNDP Trust Fund for Private Sector in Development	812	–	812	1 002	(979)	–	835
UNDP/Italy: Trust Fund for Anti-Poverty Partnership Initiatives	181	–	181	1	(95)	–	87
UNDP-South Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation	8 096	–	8 096	6 640	(8 021)	–	6 715
Total Fund Manager: UNDP Bureau of External Relations and Advocacy	**9 649**	**–**	**9 649**	**7 723**	**(9 244)**	**–**	**8 128**

Name of trust fund	*Net assets 31 December 2014*	*Adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Transfers from/(to) other resources*	*Closing net assets 31 December 2015*
Fund Manager: UNDP Europe/Commonwealth of Independent States							
EEC (European Community Humanitarian Office) Trust Fund for Humanitarian Aid Action to Enhance Staff Safety and Security of the United Nations and Humanitarian Agencies operating in the North Caucasus-Russian Federation	1	–	1	–	(1)	–	–
EEC: Border Management in Central Asia (phase 7)	3	–	3	–	–	–	3
EEC: Programme supporting integrated border management systems in the South Caucasus	1	–	1	–	–	–	1
EEC: Promoting Integrated Water Management and Fostering Transboundary dialogue in Central Asia	4	–	4	–	–	–	4
EEC: Small and Medium Enterprise Development in the Southeastern Anatolia Region — Turkey	91	–	91	–	(45)	–	46
EEC: Upgrading of local and urban infrastructure in Northern Cyprus (phase II)	285	1	286	–	–	–	286
Europe to Beijing: Gender in Development Trust Fund	–	–	–	–	–	–	–
Russian Federation — UNDP Trust Fund for Development	–	–	–	2 007	–	–	2 007
Trust Fund in Support of Estonia's State Programme for Integration of Non-Estonians into Estonian Society	2	–	2	–	–	–	2
UNDP Trust Fund for Urgent Human Needs in Uzbekistan	310	41	351	1	(211)	–	141
Total Fund Manager: UNDP Europe/Commonwealth of Independent States	**697**	**42**	**739**	**2 008**	**(257)**	**–**	**2 490**
Fund Manager: UNDP Geneva							
UNDP Trust Fund for Advocacy	(1)	–	(1)	–	–	–	(1)
UNDP Trust Fund for Innovative Partnerships with National Governments, Local Authorities, Private Sector, Non-governmental organizations, Academic Institutions and Foundations	10 577	77	10 654	351	(3 032)	–	7 973
Total Fund Manager: UNDP Geneva	**10 576**	**77**	**10 653**	**351**	**(3 032)**	**–**	**7 972**
Fund Manager: UNDP Latin America and the Caribbean							
EC: Strengthening the national capacity for disaster prevention and preparedness in the Dominican Republic	(1)	–	(1)	1	–	–	–
EEC: Barbados/Overseas Territories of the Caribbean Regional Risk Reduction Initiative	(51)	1	(50)	50	(1)	–	(1)
EEC: Ecological and financial sustainable management of the Guiana Shield Eco-region, Guyana	301	–	301	–	(192)	–	109

Name of trust fund	Net assets 31 December 2014	Adjustments	Adjusted opening balance	Revenue	(Expenses)	Transfers from/(to) other resources	Closing net assets 31 December 2015
EEC: Hurricanes Fay, Gustav, Anna and Ike in Haiti — Support to a joint post-disaster needs assessment and recovery planning exercise	1	–	1	–	–	–	1
EEC: Rural electrification programme in the Dominican Republic based on renewable energy sources	383	–	383	(371)	–	–	12
EEC: Support to Prevention of the Diversion of Chemical Precursors for the Scope of Drug Manufacturing in the Andean Countries	221	–	221	(5)	(216)	–	–
International Commission Against Impunity in Guatemala	4 242	–	4 242	17 185	(11 372)	–	10 055
UNDP Trust Fund for Assistance to the Haitian National Police	1	–	1	–	–	–	1
UNDP/Spain: Trust Fund for Integrated and Inclusive Development	2 297	2	2 299	3 395	(2 031)	–	3 663
Total Fund Manager: UNDP Latin America and the Caribbean	**7 394**	**3**	**7 397**	**20 255**	**(13 812)**	**–**	**13 840**
Fund Manager: UNDP Independent Evaluation Office							
Norway Trust Fund for the Independent Evaluation Office of UNDP	1	–	1	–	–	–	1
Total Fund Manager: UNDP Independent Evaluation Office	**1**	**–**	**1**	**–**	**–**	**–**	**1**
Fund Manager: UNDP Technical Cooperation among Developing Countries							
India, Brazil and South Africa Facility	11 958	37	11 995	2 489	(2 592)	–	11 892
Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries	7 057	–	7 057	1 525	(502)	–	8 080
UNDP Trust Fund for the Promotion of South-South Cooperation	4 479	–	4 479	1 486	(2 384)	–	3 581
Total Fund Manager: UNDP Technical Cooperation among Developing Countries	**23 494**	**37**	**23 531**	**5 500**	**(5 478)**	**–**	**23 553**
Grand total trust funds	**798 601**	**1 689**	**800 290**	**1 059 920**	**(823 217)**	**(5 341)**	**1 031 652**

Abbreviations: CNIDAH, Comissão Nacional Intersectorial para Desminagem e Assistência Humanitária; EC, European Commission; EEC, European Economic Commission; UNDP, United Nations Development Programme.