

**United Nations Entity for Gender Equality and the
Empowerment of Women**

**Financial report and audited
financial statements**

for the year ended 31 December 2016

and

Report of the Board of Auditors



United Nations • New York, 2017



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.

Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal	5
I. Report of the Board of Auditors on the financial statements: audit opinion	7
II. Long-form report of the Board of Auditors	10
Summary	10
A. Mandate, scope and methodology	13
B. Findings and recommendations	14
1. Follow-up of previous years' audit recommendations	14
2. Financial overview	14
3. Financial management	17
4. Governance, accountability and business transformation	18
5. Programme and project management	21
6. Asset management	28
7. Human resources and payroll management	29
8. Travel management	30
9. Information and communications technology	31
C. Disclosures by management	33
1. Write-off of losses of cash, receivables and property	33
2. Ex gratia payments	34
3. Cases of fraud and presumptive fraud	34
D. Acknowledgement	34
Annex	
Status of implementation of recommendations up to the year ended 31 December 2015	35
III. Certification of the financial statements	53
IV. Financial report for the year ended 31 December 2016	54
A. Introduction	54
B. Resource mobilization and funding status	54
C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2016	55
1. Implementation of strategic priorities	55
2. Organizational effectiveness and efficiency	58

3. Transparency and accountability	58
4. External audit recommendations	59
D. Financial performance.....	59
V. Financial statements for the year ended 31 December 2016	65
I. Statement of financial position as at 31 December 2016	65
II. Statement of financial performance for the year ended 31 December 2016.....	66
III. Statement of changes in net assets/equity for the year ended 31 December 2016	67
IV. Statement of cash flow for the year ended 31 December 2016	68
V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016	69
Notes to the financial statements	70

Letters of transmittal

Letter dated 28 April 2017 from the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1202 of the United Nations Entity for Gender Equality and the Empowerment of Women, enclosed are the financial statements for the year ended 31 December 2016. These statements have been prepared and signed by the Director of the Division of Management and Administration.

(Signed) Phumzile **Mlambo-Ngcuka**
Executive Director

**Letter dated 30 June 2017 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 Entity for Gender Equality and the Empowerment of Women for the year ended 31 December 2016.

(Signed) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UN-Women as at 31 December 2016, and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UN-Women in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

The Executive Director is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control

as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UN-Women to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UN-Women or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UN-Women to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In our opinion, the transactions of UN-Women 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 the UN-Women and legislative authority.

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

(Signed) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors

Chapter II

Long-form report of the Board of Auditors

Summary

By its resolution [64/289](#), the General Assembly established the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). UN-Women provides guidance and technical support to all Member States, at their request, on gender equality, the empowerment and rights of women and gender mainstreaming. It is mandated to work in consultation with national machineries for women and civil society organizations and to operate as part of the Resident Coordinator system within the United Nations country team by leading and coordinating the team's work on gender equality and the empowerment of women. The Board of Auditors noted that UN-Women spent \$340.04 million against total revenue of \$334.57 million for the year ended 31 December 2016.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2016, in accordance with General Assembly resolution 74 (I) and in conformity with the International Standards on Auditing. The audit was carried out at Headquarters in New York, following interim audit field visits to Cambodia, Viet Nam, Jordan and Rwanda, the Colombia country office and the regional office for Arab States in Egypt.

Scope of the report

The report covers matter that, in the opinion of the Board, should be brought to the attention of the General Assembly. The report has been discussed with the management of UN-Women, 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 present fairly the financial position of UN-Women as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of the 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 the operations of UN-Women under financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined the budget and funding situation, results-based management, accounts and financial management, programme, project and trust fund management, and information and communications technology. The report also includes a brief commentary on the status of implementation of the recommendations of the previous year.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UN-Women for the year ended 31 December 2016. The Board's opinion is reflected in chapter I of the present report.

Overall conclusion

The Board found no significant errors, omissions or misstatements which can affect its opinion on the UN-Women financial statements. Nevertheless, the Board found some deficiencies in the areas of financial management, programme and project management, assets management, human resources and payroll management and information and communications technology (ICT). Also, despite some improvements recorded during the year, the Board continues to note cases of delayed financial closure of projects that have been operationally closed. The Board considers that UN-Women needs to strengthen its efforts to address the underlying causes of identified deficiencies in order to carry out its mandate efficiently and effectively.

Key findings

The Board has identified a number of issues that require consideration by management to enhance the effectiveness of the Entity's operations. In particular, the Board highlights the following key findings:

Lack of follow-up plans on risk mitigation actions

At the six visited field offices, the Board noted lack of documented follow-up plans that could be used by management to effectively monitor and manage the identified key risks before they reach their planned mitigation due dates. The Board considers that risk follow-up plans and mitigation strategies are crucial in forecasting the consequences of risks, ranking the risks and designing a clear mitigation action plan and time frame for addressing them. UN-Women stated that guidance and instructions had been issued for the completion of a standardized template that would be signed off by the risk owner to ensure that the 2017 risk management objectives were achieved and completed in a consistent manner. The Board also noted that the staff in field offices did not have adequate risk management awareness, specifically regarding risk assessment, identification and mitigating actions.

Establishment of field and programme presences

UN-Women does not have any documented policy or guidance note to govern the establishment and operations of field and programme presences. As a result of this, the Board noted that two offices away from headquarters (one country and one regional office) had established five field presences and four programme presences, respectively, without properly documented business cases. This makes it difficult for the Entity to achieve the expected results and to measure the performance of the established field presences.

Inadequate management of user access and gateway protections

A total of three of the 1,407 users of the finance module of the Atlas enterprise resource planning system reviewed by the Board had two active user accounts. Also, 33 of the 117 staff members separated in 2016 still had access to the UN-Women intranet and internal business applications in May 2017, contrary to section 2 of the UN-Women information security policy.

Further, the Board noted that 51 (86 per cent) of the 59 field offices of UN-Women were not part of the corporate-managed gateway protection system and the central ICT function was not aware of the situation in the field offices. This is contrary to section 3.5 of the guidelines on the ICT function in offices away from Headquarters, which requires field offices to receive important information about global ICT changes that may affect them and to make the central ICT function aware of the local situation.

Recommendations

The Board has made several recommendations based on its audit that are contained in the body of the report. The main recommendations are that UN-Women:

Lack of follow-up plans on risk mitigation actions

(a) **Establish follow-up plans for risk mitigation actions to enable the establishment of long-term methodologies, monitoring of actions taken, criteria and risk matrices and a time frame for addressing risks;**

Establishment of field and programme presence

(b) (i) **Develop the policy and guidelines which clearly define the rationale for the establishment of programme presences as well as the management of the programme and field presence; and (ii) develop business cases for the established programmes and field presence so as to suit the current needs and situation;**

Inadequate management of user access and gateway protections

(c) (i) **Finalize the development of and implement formal procedures to grant, revoke and monitor logical access for all ICT systems; (ii) review and remove or disable all user accounts of separated staff; and (iii) strengthen the country offices assessment tool to include country office compliance with ICT standards, compel field offices to provide information about the local situation and details of gateway protection to the Headquarters and assure support to the field from the central ICT function.**

Key facts

1,729	Number of projects funded by core and non-core resources, plus management projects (institutional and regular budgets)
6	Regional offices
47	Country offices
5	Liaison offices
30	Programme presence countries
857 staff	Employed by UN-Women
1,127 non-staff	Non-staff personnel working for UN-Women
\$410 million	Budget for 2016
\$334.57 million	Total revenue
\$340.04 million	Total expenses
\$26.06 million	Reserves as at 31 December 2016
\$319.74 million	Voluntary contributions for 2016
\$69.36 million	After-service health insurance, repatriation benefits and death benefits liability as at December 2016

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2016, 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 ([ST/SGB/2003/7](#) and Amend.1) and 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.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly, in all material respects, the financial position of UN-Women as at 31 December 2016 and the results of its operations and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). That included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies of UN-Women and whether revenue and expenses had been properly classified and recorded in accordance with the financial regulations and rules of UN-Women. 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.

3. The audit was conducted at the Headquarters in New York, following interim audit field visits to Cambodia, Viet Nam, Jordan and Rwanda, the Colombia country office and the regional office for the Arab States in Egypt.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of operations of UN-Women under financial regulation 7.5 of the United Nations and financial rule 1202 of UN-Women. The General Assembly also requires the Board to follow up on previous recommendations and to report accordingly. The Board coordinates with the internal audit unit in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the latter's work.

5. The present report covers matter that the Board considers should be brought to the attention of the General Assembly. The report was discussed with UN-Women and the views of management have been appropriately reflected.

B. Findings and recommendations

1. Follow-up of previous years' audit recommendations

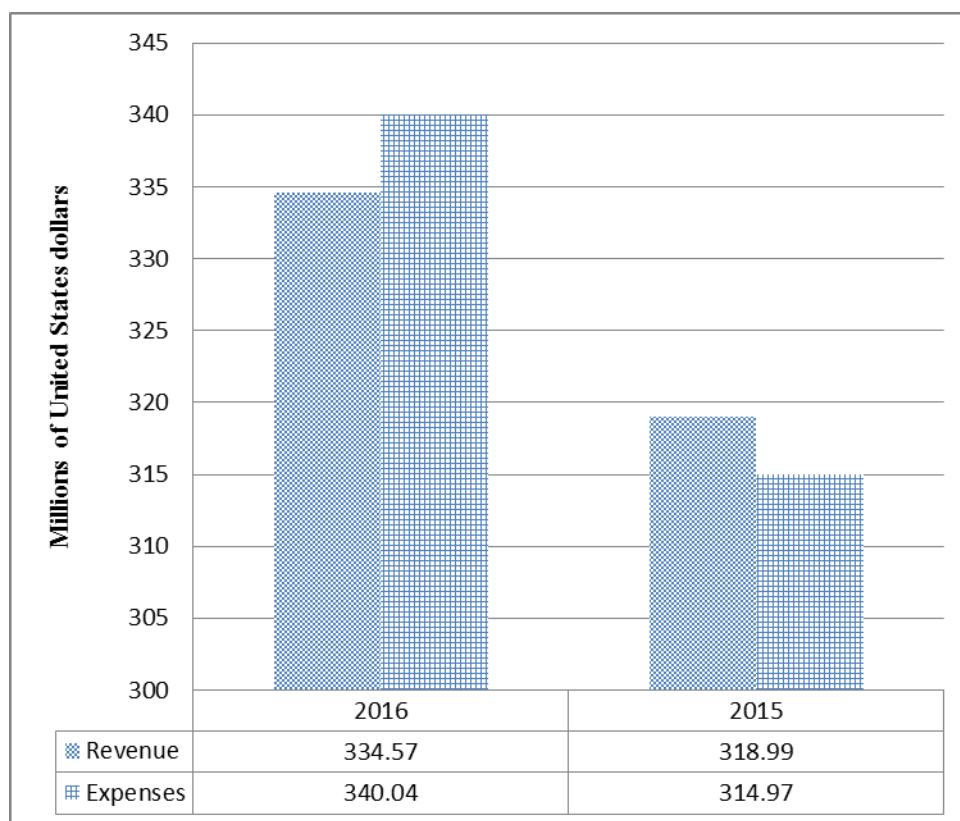
6. Of the 30 recommendations that remained outstanding as at 31 December 2015, 25 (83 per cent) had been implemented and 5 (17 per cent) were under implementation. Although the implementation rate of audit recommendations is satisfactory, the Board urges UN-Women to put more effort into addressing recommendations that have not been fully implemented. Details on the status of implementation of these recommendations are set out in the annex.

2. Financial overview

Financial performance

7. Total revenue during the year under review was \$334.57 million (2015: \$318.99 million) against total expenses of \$340.04 million (2015: \$314.97 million), resulting in a deficit of \$5.47 million (2015: surplus of \$4.02 million). The recorded deficit resulted from timing differences in the recognition of revenues against expenses on other resources, whereby revenue was recognized in a prior year after meeting the recognition criteria, while the corresponding expenses were incurred and accounted for in 2016. A comparison of revenue and expenses for the financial years 2015 and 2016 is illustrated in figure II.I.

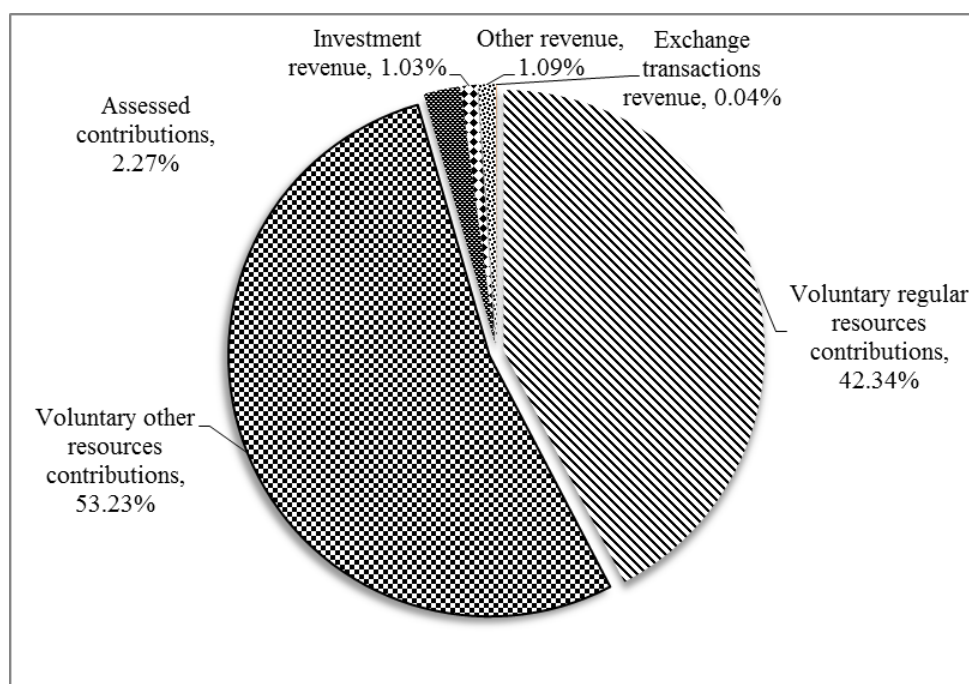
Figure II.I
Financial performance pattern



Source: Board analysis of UN-Women financial statements.

8. Voluntary contributions form a major part of UN-Women revenues. Of the reported revenue of \$334.57 million (2015: \$318.99 million), voluntary contributions amounted to \$319.74 million (2015: \$306.98 million), equivalent to 95.57 per cent of total revenue. UN-Women has recorded a 4.16 per cent increase in voluntary contributions compared with the previous year. Figure II.II illustrates the sources of revenue for 2016.

Figure II.II
Sources of revenue: financial year 2016



Source: Board analysis of UN-Women financial statements for 2016.

Financial position

9. UN-Women had total assets of \$457.49 million and total liabilities of \$109.82 million. Of its total assets, \$272.77 million, equivalent to 59.62 per cent, represented balances in cash, cash equivalents and short-term investments. Current assets amounted to \$331.23 million against current liabilities of \$41.67 million, resulting in net current assets of \$289.56 million. The significant excess of current assets over current liabilities demonstrates good short-term financial strength. Cash and cash equivalents increased by 142 per cent from \$41.7 million in 2015 to \$100.98 million in 2016 owing to a change in the timing of investments. At the end of 2016, UN-Women investment funds managed by the UNDP investment unit were held in cash balances waiting for interest rate movements that would be appropriate for the reinvestment of the funds.

Ratio analysis

10. Table II.1 contains key financial ratios derived from the financial statements, mainly from the statements of financial position and financial performance.

Table II.1
Ratio analysis

	31 December 2016	31 December 2015
Current ratio^a		
Current assets: current liabilities	7.95	8.83
Total assets: total liabilities^b		
Assets: liabilities	4.17	4.95
Cash ratio^c		
Cash plus investments: current liabilities	6.55	7.10
Quick ratio^d		
Cash plus investments plus accounts receivable: current liabilities	6.78	7.50

Source: Board analysis of UN-Women financial statements as at 31 December 2016.

^a A high ratio indicates an entity's ability to pay off its short-term liabilities.

^b A high ratio is a good indicator of solvency.

^c 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 The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

11. The analysis indicates that UN-Women has a good liquidity position and can meet its short-term obligations with its most liquid assets. In 2016, the Board noted a decline in the current ratio owing to a significant increase in current liabilities of 27.4 per cent, compared with a 15.4 per cent increase in current assets. The significant increase in current liabilities is the result of the amount of investment settlement payable on an investment deal that was completed in January 2017 and larger accruals of funds for payment related to security, learning, information and communications technology, audit and reimbursement due to United Nations jointly funded activities. The Entity's cash and investments of \$272.77 million (2015: \$230.81 million) continued to provide a high level of liquidity.

3. Financial management

Deficiencies in management of staff advances

12. UN-Women had outstanding staff advances of \$1.70 million as at 31 December 2016. These staff advances consisted of salary advances of \$115,586, rental advances of \$94,965, travel advances of \$8,081, other staff receivables of \$94,474 and education grants of \$1.39 million.

13. The Board noted deficiencies in management of staff advances in the areas of issuing, recovery and recording. For example, 10 staff members were issued advances of \$121,907 for implementation of programme activities up to five times while they had not accounted for previous advances relating to completed activities. The Board also noted that UN-Women had not commenced deductions from 31 staff who had received advances amounting to \$147,828, contrary to UN-Women regulations for management of advances which require deductions to start at the first end-of-month payday following the month when the advance was granted. The delay ranged from one to 17 months after the time prescribed by the regulations. As at 31 December 2016, no recovery had been made for advances of \$48,793 issued to 14 staff members despite periods of two to nine months having elapsed from the time of issue. Deductions amounting to \$72,289 had been made from 15 staff

members, but the related advances had not been recorded against the respective deductions. In addition, advances amounting to \$22,241 issued to 16 staff members had been outstanding for periods ranging from one to four years.

14. UN-Women stated that, as part of its month-end closure process, field offices were required to review all outstanding advance balances to ensure that advances were being recovered. On a bimonthly basis, the UN-Women Finance Section at Headquarters performs a full reconciliation on the general ledger accounts for staff receivables to ensure that recoveries are established and are being made through the payroll. The Finance Section also reconciles any issues in the chart of accounts to ensure that recoveries are offsetting the correct advance, and follows up with regional and country office payroll sections on items that are not being recovered. While noting the explanations given by UN-Women, the Board did not obtain evidence to confirm that the procedures explained by management function properly. The Board is concerned that such deficiencies pose the risk that the amounts advanced may eventually not be recovered.

15. UN-Women agreed with that Board's recommendation that it comply with advance regulations to ensure that advances are recovered promptly through payroll and corrective actions are taken in a timely manner.

4. Governance, accountability and business transformation

Lack of comprehensive risk mitigation plans

16. In 2016 UN-Women established enterprise risk management procedures to ensure that a wide range of governance, strategic, operational, contextual, programmatic and institutional risks would be identified, analysed and mitigated. In the process, UN-Women also established a computerized risk register in OneApp¹ enterprise risk management system, which offers a portfolio view of the Entity's risks at the global, regional and field office levels.

17. At six field offices visited,² the Board noted that the offices had established key risks through a rigorous and consultative approach with programme colleagues, the United Nations country team and partners. All the identified risks were ranked using the corporate risk register guidance and then posted on the online risk register after review by the risk focal person at Headquarters. However, the Board found that none of the six field offices had documented follow-up plans for the risk mitigation strategies for effective monitoring and management of key risks identified before reaching the planned mitigation due dates.

18. Management stated that UN-Women had issued guidance and instructions for the completion of a standardized template that would be signed off by the risk owner in order to achieve the risk management objectives for 2017 in a consistent manner. UN-Women has also made modifications in OneApp to include the mitigation action due date and mitigating action owner in the risk register in order to facilitate the monitoring of mitigating actions and the time frame for addressing the established risks. Detailed guidelines on how to maintain a risk management plan in a more effective manner were sent to all country offices in 2017.

19. While acknowledging the actions taken by management, the Board is of the view that implementation of the follow-up plans for mitigation strategies are crucial in forecasting the likelihood and consequences of risks, ranking the risks identified and designing a clear mitigation action plan and time frame for addressing the risks.

¹ OneApp is the online tool used to develop various management applications.

² Cambodia, Viet Nam, Jordan, Rwanda, Colombia and the Regional Office for Arab States in Egypt.

The follow-up plans should also ensure that the mitigation actions work effectively in addressing the identified risks.

20. UN-Women agreed with the Board's recommendation that it establish comprehensive follow-up plans for risk mitigation actions to enable the establishment of long-term methodologies, monitoring of actions taken, criteria and risk matrices and a time frame for addressing the established risks.

Absence of standard basic assistance agreements

21. UN-Women is an integral part of the United Nations and as such has privileges and immunities governed by the Convention on the Privileges and Immunities of the United Nations. Paragraph 136 of the UN-Women programme and operations manual, regarding procurement management, requires UN-Women, as a subsidiary organ of the United Nations, to be exempted from direct taxes, such as income tax, and entitled to reimbursement of indirect taxes, such as sales tax and value added tax on purchases.

22. The Board noted that one country office had not claimed reimbursement of sales tax amounting to \$6,502 from various payments adding up to \$42,016 made from January to September 2016. The Board considers that the noted deficiency is mainly caused by the lack of a standard basic assistance agreement between the country office and the host Government.

23. The Board also noted a similar case in another country where the country office was implementing 34 projects with a total budget of \$2.8 million, but it had no standard basic assistance agreement with the Government. In the second case the country office could not transfer or receive resources to or from the Government or its institutions because the agreement, which had been signed on 10 June 2014, had not been ratified by the host country's Parliament. Therefore, the country office could not engage any Government partners for implementation of UN-Women operations in the country.

24. Management informed the Board that UN-Women was finalizing the process of appointing a country office representative for the first country, who would be responsible for signing the standard basic assistance agreement on behalf of UN-Women. In the second country a proposal had been made to renegotiate the terms of the exchange of letters to validate the host country agreement. Management further stated that UN-Women had recently completed an analysis of its geographic footprint and the status of the agreements with the relevant Host Governments. On that basis, UN-Women was in the process of finalizing a protocol for negotiating and concluding host country agreements, which would be disseminated to all offices with the aim of expediting and catalysing the process.

25. The Board is of the view that UN-Women needs to expedite the recruitment of a country representative for the first country and regularly follow up with host countries to formalize host country arrangements.

26. The Board recommends that UN-Women: (a) finalize the appointment of country office representatives and (b) find a means to catalyse the negotiations regarding standard basic assistance agreements, to enable offices to exercise full powers and privileges in raising and using resources for programmes and projects.

Lack of policies and procedures for operating in crisis countries

27. From its review of the programme formulation chapter of the programme and operations manual, 2015, the Board noted that no specific paragraph provided guidance on how UN-Women could fast-track its procedures to facilitate direct

implementation of programmes in fragile or crisis-stricken countries. Further review of the operations of one regional office, which covered three of the four level 3 crisis countries in the region, revealed that UN-Women had no fast-tracking procedures to be used to optimize its operations in fragile or crisis countries.

28. UN-Women stated that during 2016, the Programme Division had conducted a business process review of fast-track initiatives for crisis environments within the available resources and adopted a prioritized/phased approach in developing needed policies and procedures for working in crisis settings. Further, it had completed the rapid response procurement procedures and approved them in January 2017, while fast-track procedures for finance would be approved and released later in 2017.

29. While acknowledging efforts made by UN-Women in the development of the rapid response procurement procedures, the Board noted that these procedures had not been deployed at the time of audit in May 2017. Therefore, UN-Women needs to deploy the developed procedures and expedite the processes to complete the remaining procedures on financial, security, safety and reputational risks to the Entity to provide operational guidance for activities carried out in crisis environments.

30. UN-Women agreed with the Board's recommendation that it develop and disseminate finance policies and procedures for engaging in activities on an urgent basis and in crisis environments.

Assessment of services provided under the service-level agreements not performed regularly

31. The Board noted that UN-Women at the six field offices visited had signed service-level agreements with UNDP for provision of various services. Accordingly, UN-Women reimburses UNDP for the costs incurred in connection with the services rendered in accordance with the universal price list for standard services and the local price list for ad hoc or non-standard services.

32. At the Colombia country office, the Board reviewed the service-level agreement signed on 1 August 2013 and noted that it had no provision requiring assessment of the quality of services delivered. Such an assessment could form the basis for review of the agreement. As such, neither review of the agreement nor assessment of the services rendered had been done by the country office since 2013.

33. At the Rwanda country office, the Board noted that the office had not evaluated the services rendered by UNDP to determine the extent of compliance with the standards agreed to in the service-level agreement signed on 19 November 2015. That was contrary to paragraph 8 of the agreement, which required that the quality and effectiveness of services delivered under the common services arrangement, which included local security, medical care and all services under UN Cares,³ be assessed each year and remedial measures recommended as necessary.

34. UN-Women stated that it had started a review of service-level agreements in different countries and would assess the need for additional clauses on service assessment in that context. On a corporate level, there are areas where UN-Women has already established key performance indicators in service-level agreements with its service providers in areas such as legal services, travel, treasury, benefits and entitlements and global payroll. For the remaining agreements, UN-Women and UNDP will jointly establish key performance indicators to be incorporated by the

³ UN Cares is the programme which aims to reduce the impact of HIV in the United Nations workplace by supporting access to a comprehensive range of benefits like prevention, treatment, care and support for all personnel and their families.

fourth quarter of 2017 in the agreements signed at country-office level. The establishment of the indicators will take into account necessary benchmarks, best practices and capacity constraints at country level.

35. While acknowledging management initiatives, the Board is of the view that the lack of a clause requiring regular review of the Colombia country office agreement and the failure to perform assessment of services rendered under the service-level agreements implies that there is no basis for identifying deficiencies and addressing them to ensure that UN-Women receives the best services.

36. UN-Women agreed with the Board's recommendation that it: (a) review the service-level agreement with UNDP and incorporate a clause on mandatory assessment of the services rendered; and (b) regularly review service-level agreements and assess the services rendered in order to enhance the realization of best value from the services provided.

5. Programme and project management

Weaknesses in the selection and assessment of implementing partners

37. The programme and operations manual requires the screening of potential partners to identify at least three candidate organizations to be shortlisted for capacity assessment. UN-Women offices are required to maintain documents and files that contain justification for the Entity's selection of a specific implementing partner.

38. From the review of the implementing partner selection process at the six field offices visited, the Board noted the following deficiencies:

(a) Four field offices did not perform comparative screening of non-governmental organizations to obtain the best three candidates for assessment. Instead the capacity assessment was applied to one organization which was later selected as implementing partner. Also, the Board noted one case at a country office where an implementing partner was engaged without being assessed and another case where a regional office engaged a partner on the basis of an assessment performed 10 years earlier by a country office in the region, without reassessing the partner's present capacity to deliver. This deficiency poses the risk of engaging a partner that lacks adequate capacities and expertise to implement the projects;

(b) Three field offices did not maintain the mandatory documents for non-governmental organizations reviewed during the capacity assessments. The missing documents included registration documents, written financial and administrative rules and regulations, procurement and subcontracting rules, standard operating procedures and external audit reports;

(c) One country office did not follow the established template for capacity assessment as required by the programme and operations manual. Instead, it used a template that was not detailed enough to include all the mandatory assessment questions. The office applied the assessment template to only one of the 34 implementing partners assessed;

(d) None of the six field offices' assessment reports indicated the overall risk scores of the implementing partners assessed, which would include the risk points and the overall risk assessment. This would have been the basis for either selecting or not selecting the partners.

39. The Board is of the view that inconsistencies noted in the assessment and selection of implementing partners pose the risk of engaging partners with inadequate capacity. This would impede the implementation of projects and consequently the discharge of the Entity's mandate.

40. UN-Women explained that in December 2016 it had finalized the revision of the programme and operations manual, which included development of a call-for-proposals process for an improved rigorous selection of implementing partners. In addition, it had incorporated risk management components in the evaluation of proposals.

41. The Board takes note of the Entity's explanation regarding developments in the programme and operations manual. However, the Board noted that the revised manual had not been applied at the time of audit in May 2017.

42. UN-Women agreed with the Board's recommendation that it: (a) ensure that the selection of implementing partners is strengthened and the requirements of the programme and operations manual regarding the selection process are adhered to; and (b) perform partner risk rating to identify the score for each implementing partner against the tolerable risk levels.

Determination of implementing partners' support costs

43. According to the Entity's cost recovery policy and procedures, UN-Women reimburses expenses and fees incurred by implementing partners in the implementation of programme activities funded by UN-Women from project resources. The applicable rates are negotiated between the parties and specified in the project workplan or project budget. However, the current policy does not provide guidance on the basis or criteria to be used by UN-Women and its implementing partners in determining the support cost rates.

44. The Board reviewed records for 57 non-governmental partners with an annual budget of \$8 million at six UN-Women field offices and noted that the support cost rates allocated to implementing partners ranged from 1.4 to 26.4 per cent of the annual budget, without indicating the basis used to determine those rates. At the Rwanda country office, the Board noted that the support costs were reported as a lump sum amount in the workplans, without indicating the specific activities to be carried out.

45. The Board also noted that, at the Viet Nam country office and the Regional Office for Arab States, a total of \$28,610 was allocated as contingency funds to seven implementing partners with a total budget of \$666,418 without specifying the expenditure codes, contrary to paragraph 4.3 of the cash advance policy, which requires designation of the specific budget and expenditure codes.

46. UN-Women explained that, as part of the overall revision of the programme and operations manual in 2016, steps had been taken to strengthen the guidance and clarify the allowable support costs for implementing partners. UN-Women is carrying out a revision of project cooperation agreements, which will cap the support costs of implementing partners at the current recovery rate of UN-Women in line with its recovery policy.

47. The Board is concerned that a lack of guidelines for charging support costs means that the appropriateness of such charges cannot be confirmed. Also, the absence of guidance for determination of support costs increases the risk of arbitrary rates being used by implementing partners to establish support costs. In addition, the allocation of contingency funds in the budget without specifying the expenditure codes create a risk of the funds being used by implementing partners for ineligible expenditures.

48. The Board recommends that UN-Women: (a) issue a guidance note to field offices for documenting the whole process of determining support cost rates with implementing partners, including the criteria or basis to apply when

negotiating support cost rates; and (b) follow up with the field offices to ensure that budget and expenditure codes are specified for the contingent funds.

Implementation of monitoring, evaluation and research plans

49. A monitoring, evaluation and research plan is essentially a calendar of major monitoring, evaluation and research activities of an office, and builds on the office's monitoring systems and the information contained in its strategic notes. The tool supports the Entity's efforts to strengthen results-based management practices in alignment with the principles set out by the United Nations Development Group.

50. The Board noted that four of the six field offices visited had not completed the monitoring, evaluation and research activities specified in their plans. The four offices had planned to undertake a total of 28 research activities, 11 evaluations and 32 monitoring activities during the period 2014-2016. However, 15 (54 per cent) of the research activities, 6 (55 per cent) of the evaluations and 17 (53 per cent) of the monitoring activities could not be implemented (see table II.2). The Board also noted that the planned start and end dates for the monitoring, research and evaluation activities at the Rwanda country office were not clearly stated, while at the Jordan country office and the Regional Office for Arab States, the dates were not indicated at all. These deficiencies in recording project information make it difficult to follow up on the implementation of planned activities.

Table II.2

Planned activities not performed

<i>Field office</i>	<i>Research activities</i>	<i>Evaluation activities</i>	<i>Monitoring activities</i>
Rwanda	1 out of 1	2 out of 2	–
Cambodia	5 out of 8	–	16 out of 23
Jordan	3 out of 4	1 out of 4	–
Regional Office for Arab States	6 out of 15	3 out of 5	1 out of 9
Total	15 out of 28	6 out of 11	17 out of 32

Source: Field offices' monitoring, evaluation and research plans for 2016.

51. UN-Women explained that the pro rata implementation of planned evaluations had increased from 76 per cent in 2015 to 85 per cent in 2016 and that during 2016 a new training module on the monitoring framework had been designed as part of the results-based management training package to improve monitoring and evaluation skills. UN-Women also attributed the delay in completion of the evaluation activities to changes in the scope of the evaluations that had required significant resources not originally envisaged and explained that some project evaluations had been postponed to 2017 owing to project extensions.

52. While acknowledging the management responses, the Board is of the view that the noted deficiencies are mainly due to the failure to prepare the monitoring, evaluation and research plans in a sufficiently clear and comprehensive manner to ascertain whether the field offices are on track with the planned activities. The Board is concerned that the delay in monitoring, evaluation and completion of research activities may affect the process of collecting information relating to programme planning and weaken the efficiency of programme implementation.

53. The Board recommends that UN-Women: (a) take steps to improve the completion rate of activities under the integrated monitoring, evaluation and research plan in its field offices; and (b) ensure that the monitoring, evaluation

and research plan clearly identifies the activities to be achieved with the proposed funding and sets realistic target dates for starting and completing the activities under the plan.

Establishment of programme and field presences

54. According to the UN-Women regional architecture (UNW/2012/10), as approved by the Executive Board in its decision 2012/4, UN-Women has a decentralized structure with six regional offices, multi-country and country offices, country presences through a senior gender adviser and country presences through a project presence.

55. The Board reviewed the annual workplans and noted that the Regional Office for Arab States had four programme presences, in Lebanon, Libya, the Syrian Arab Republic and Yemen, and the Colombia country office had five field presences, in Cauca, Meta, Antioquia, Nariño and Choco. However, UN-Women had no policy or guidance note that governed the establishment and operations of programme and field presences. The Board also noted that, of the six field offices visited, two (the Regional Office for Arab States and the Colombia country office) had not documented the business cases for their programme and field presences, detailing the budget analysis and sources of funding, the resources required for the presences, the risk assessments performed before their establishment and the exit and sustainability strategies.

56. UN-Women explained that, following the corporate evaluation of the regional architecture, the Programme Division was in the process of developing the country presence assessment tool, which when completed would define the criteria for country presences. Upon completion and acceptance by the executive leadership team, the tool would be rolled out, accompanied by a policy and guidance on its application.

57. While acknowledging the initiatives taken in developing the assessment tool, the Board is of the view that UN-Women may not be able to achieve the expected results and to measure the performance of the programme and field presences owing to lack of policy, guidelines and business cases governing the establishment of programme and field presences.

58. The Board recommends that UN-Women: (a) expedite the development of policy and guidelines that clearly define the rationale for the establishment of programme presences and the management of programme and field presences; and (b) develop business cases for the already established programme and field presences so as to suit the current needs and situation.

Donor reporting

59. According to paragraph 4.6.5 of the chapter of the programme and operations manual on programme, monitoring, reporting and oversight, UN-Women representatives and regional directors are responsible for timely and high-quality reporting to donors on agreements under their authority. In February 2016, UN-Women established an online donor agreement management system to enhance donor reporting and maintain a corporate database for all signed agreements with donors. This database also captures all reporting milestones and issues alerts for upcoming reports due and reports that are delayed.

60. The Board reviewed the status of donor reporting submissions as at May 2017, as listed in the dashboard report dated 2 June 2017, and noted that, out of the 473 reports due to be submitted to donors between 28 February 2015 and 31 December 2016, a total of 68 (14 per cent) had been overdue for periods ranging from 1 to 672

days and 222 (47 per cent) reports had been delayed for periods ranging from 1 to 321 days, while only 183 (39 per cent) had been submitted on time.

61. The Board was informed that UN-Women had concluded a business process review of donor reporting in May 2016 to improve efficiency and timeliness of reporting to donors, both narrative and financial. Webinars had been provided to the field offices focusing on the quality and consistency of the narrative donor reports. UN-Women also stated that it was strengthening the staff resources assigned to financial donor reporting and decentralizing the preparation of donor reports to regional offices, while oversight, review and management remained at headquarters. Financial reporting was being enhanced through the establishment of a virtual global service centre for donor reporting and project closure. The automation of financial donor reports was in progress, with stage one to be rolled out for testing in April 2017 and stage two under development and due for roll-out by August 2017.

62. The Board is of the view that since reporting to the donors is a contractual obligation and forms part of the agreements, delayed and overdue reports may impair the credibility of UN-Women in the eyes of donors and eventually affect future resource mobilization initiatives.

63. UN-Women agreed with the Board's recommendation that it approve and submit reports to donors within the time frame to maintain sound relationships with donors and secure sustainable funding from present and prospective donors.

Delay in closure of projects

64. In its previous report (A/71/5/Add.12, chap. II, para. 42), the Board raised concern over delays in financial closure of projects following operational closure. For the year ended 31 December 2016, the Board continued to note deficiency in this regard; 81 (36 per cent) of 225 operationally closed projects had not been financially closed on time as required by rule 1703 of the financial regulations and rules of UN-Women. As at 31 December 2016, UN-Women had a total of 212 projects (431 as at 31 December 2015) which had not been financially closed after operational closure, involving delays of 11 months to 11 years.

65. UN-Women explained that it had developed a new automated tool, embedded within the enterprise resource planning system, which would consolidate information required to expedite the operational and financial project closure process. It also stated that training on this automated tool would be done in time for its Entity-wide implementation in 2017. In addition, to ensure effective implementation, the unit head position had already been filled and each regional office would create a new position during 2017.

66. While acknowledging the improvements being made in the area of project closure, particularly the development of an automated tool for both operational and financial project closure, the Board awaits the completion and impact of these initiatives, since the persistent delays in the financial closure of projects increase the risk of charging unrelated expenditures to the operationally closed projects. Also, the delay in financial closure of projects might delay the transfer of project assets to beneficiaries as well as the refunding or reprogramming of surplus funds.

67. The Board recommends that UN-Women expedite financial closure of all operationally closed projects within 12 months of operational closure as required by the financial regulations and rules.

Outstanding advances to implementing partners

68. In its previous report (A/71/5/Add.12, chap. II, paras. 10-13), the Board raised concerns on the long-outstanding advances to implementing partners contrary to

paragraph 3 of the programme and operations manual, concerning cash advances to implementing partners. The manual requires the project manager to monitor advances on a systematic basis and to follow up on missing financial reports in a timely manner and requires that advances to partners not remain outstanding for more than six months.

69. Although the Board noted a decrease of the aged advances to \$3.5 million in 2016 (\$5.2 million in 2015), these advances have been outstanding for periods ranging from 7 to 24 months, contrary to the requirements of the programme and operations manual. These advances comprise \$2.7 million issued to implementing partners and \$0.8 million to other United Nations entities. With a considerable amount of advance still outstanding, the Board continued to note delays in the submission of funding authorization and certificate of expenditure forms at four⁴ of the six country offices visited, for periods ranging from 2 to 307 days, and a delay by the Colombia country office in the liquidation of the forms in the Atlas enterprise resource planning system after the forms had been submitted by the implementing partners.

70. UN-Women informed the Board that it had established a working group in mid-2016 for a period of six months to identify issues and solutions to further support the liquidation of advances and monitoring. Further, webinar training had been provided to staff during 2016, including on due diligence policy for write-offs of unrecoverable advances. In line with the Entity's mandate to build the capacity of its grass-roots partners, it had developed a two-day training course for implementing partners on the terms of the agreement and the required reporting and supporting documentation. Those measures had resulted in the significant reduction of aged advances from 2015 to 2016 by 32.7 per cent.

71. While acknowledging the achievements in reducing the aged advances, the Board considers that further improvement is needed and more efforts are required to reduce advances to the minimum acceptable level. The long-outstanding advances increase the risk that funds might be used for unintended activities.

72. UN-Women agreed with the Board's recommendation that it enhance its accountability and monitoring of advances to implementing partners at the project level in order to ensure adequate recovery of such balances as deemed appropriate.

Submission of project audit reports by global auditors

73. Paragraph 3(1) of the audit approach chapter in the programme and operations manual requires project audits to start by the fourth week of February following the audit year, with the final audit reports submitted no later than 30 April. The manual states that the action plans and audit reports are to be uploaded in the designated UN-Women extranet for easy accessibility. The long-term agreement with the global auditor requires the auditors to verify and validate the reported actions taken to address previous years' audit recommendations for the project.

74. At the time of audit (15 May 2017), the Board noted that only 170 (74 per cent) of the 230 implementing partner audit reports for 2016 expenses designated by the audit plan had been uploaded to the UN-Women extranet for audit review, while 60 (26 per cent) of the reports had not been uploaded owing to late finalization of the audits by the global auditor. Delays in the availability of audit reports reduce management and the Board's assurance over the outputs and the expenditure incurred by the implementing partners on projects, and reported in the UN-Women financial statements.

⁴ Jordan, Viet Nam, Colombia and the Regional Office for Arab States in Egypt.

Results of external audit reports on funds advanced to implementing partners

75. From the review of external audit reports uploaded to the UN-Women extranet for 60 projects executed in respect of 170 implementing partners with project expenditure of \$24.4 million, the Board noted that 16 (9 per cent) had an unqualified opinion, 138 (81 per cent) had an unqualified opinion with emphasis of matter, 13 (8 per cent) had a qualified opinion and 3 (2 per cent) had an adverse opinion. The Board noted that \$0.63 million (2.6 per cent) of the audited projects' expenditures were subject to adverse and qualified opinions related to payments to partners with no proof of delivery of goods and services, or expenditures that were ineligible under the terms of the project agreement between UN-Women and the implementing partner. Also, the reports highlighted that emphasis of matter was mainly due to lack of compliance with procedures and policies by implementing partners, inadequate supervision at project level and inadequate monitoring by UN-Women country offices.

Implementation and follow-up of prior years' project audit recommendations

76. The Board reviewed implementation of prior years' project audit recommendations issued by the global auditor and noted that a total of 587 recommendations had been issued during the period from 2012 to 2016. From the status of implementation report extracted from the extranet on 15 May 2017, 320 (55 per cent) had been implemented, 73 (12 per cent) were in progress, 111 (19 per cent) had been withdrawn or were not applicable anymore, 17 (3 per cent) had not been implemented and 66 (11 per cent) did not indicate implementation status. The Board found that verification of the status of implementation of the recommendation as indicated by management had not been done by the global auditor for all audit recommendations; instead, the audit comments on implementation status for 55 (9 per cent) of the 587 recommendations had been given by the UN-Women audit coordinator and the pertinent UN-Women field office. The Board considers that updating recommendation status without the involvement of auditors is a management self-review and may not yield an independent result of assessments.

77. The Board considers that the noted weaknesses are mainly due to lack of a comprehensive computerized system for planning, coordinating and monitoring project audits and not assigning and using an implementing agent code for each partner in the Atlas chart of accounts. Use of an implementing agent code would enable UN-Women to interact with and leverage the already developed and well-tested systems used by sister agencies that are interfaced with Atlas and allow a more efficient computerized system to support project audit planning, coordination and monitoring.

78. The Board is concerned that if issues are not properly addressed they may create a risk of errors and misstatements in the financial statements as well as fraud at the project level. The Board is also of the view that UN-Women needs to enhance the capacity of the Audit Coordination Unit to ensure that it effectively supports the oversight functions in UN-Women.

79. UN-Women stated that as at 13 April 2017, it had already taken action regarding the implementing partner with adverse opinion and received a refund of \$311,790 from that partner, which was 49 per cent of the total amount of \$633,523 cited as the basis for the adverse and qualified opinion. UN-Women stated that it takes seriously negative opinions received from project audits and takes immediate action to address and follow up with all partners the resolution of all audit issues and recommendations.

80. UN-Women further explained that it had started reviewing the use of the implementing agent code during 2017 and that it would be phased in for all new projects, as past advances needed to be liquidated to the same chart of accounts as issuance. Inclusion of the code in the chart of accounts code would allow for easier review of expenditure by partner. Any inaccuracies in the chart of accounts would result in understating expenditure by partner, so that would need to be monitored. The relevant UN-Women components (Finance Section, Programme Division and Information Systems and Telecommunication Office) would review other entities' automations to see if UN-Women could benefit from them once all advances and liquidations fully employed the implementing agent code.

81. **UN-Women agreed with the Board's recommendation that it: (a) consider the use of the implementing agent code in the chart of accounts for Atlas to enhance efficiency and effectiveness; (b) work closely with the global auditors to review the audit process to ensure that project audit reports are submitted in a timely manner; and (c) enhance the capacity of the Audit Coordination Unit to ensure that it supports effectively the oversight function in the organization.**

6. Asset management

Weaknesses in asset handling, controls and disposals

82. According to paragraph 3 of the asset management chapter of the programme and operations manual, asset management involves accurate registration of assets in Atlas and continuous monitoring of the asset register using the asset in-service report. By maintaining accurate and current records, the security of assets is strengthened for both management and external reporting.

83. From physical verification of assets, and the review of the asset certification memo and asset disposal report, the Board identified a number of anomalies that need management intervention for improvement. At the Rwanda country office:

(a) The physical locations of all assets were different from the locations indicated in the in-service report, highlighting that the report had not been updated each time the assets were relocated;

(b) Of the 41 assets verified, 16 (39 per cent), with a total cost of \$23,256 and net book value of \$11,806, had the same tag numbers;

(c) Three vehicles (with identification Nos. 65, 89 and 235) were tagged using the asset identification number instead of their plate numbers as required under paragraph 3.3 of the chapter of the programme and operations manual on asset management;

(d) Assets with a cost of \$21,916 (net book value \$2,108) comprising cameras, desktop computers and working desks were lost but the office had not investigated the loss as required under paragraph 3.5.4.1 of the programme and operations manual.

At the Regional Office for Arab States:

(a) Asset No. 235 acquired by on 28 June 2015 at a cost of \$1,936 was shown in the register as an asset in use since 28 June 2015, although it had never put in use owing to change of needs. The tag number for asset No. 216 was incorrectly recorded as a serial number;

(b) Seventeen (15.7 per cent) of the assets, with total cost of \$193,661 (net book value \$132,864), were inconsistently tagged using Atlas identification instead of alpha-numeric tags;

(c) The assets purchased in 2016 with a cost of \$11,228 and net book value of \$9,438 included a total tax of \$1,019, but the office had not claimed a refund from tax authorities in accordance with the host country agreement, which exempted United Nations entities from such taxes.

84. UN-Women stated that it had provided guidance and training to the Rwanda country office and the Regional Office for Arab States on the disposal procedures, the delegation of authority in line with remaining net book value of the assets and the accounting and treatment of tax. In addition, the Rwanda country office had carried out an additional physical verification exercise for assurance and was in the process of creating physical locations in Atlas. The asset purchased but not used by the Regional Office for Arab States had been acquired to divide space in the new premises for staff and consultants. During the implementation of the proposed layout, changes had been made and the asset was stored for future use. UN-Women plans to take additional capacity-strengthening measures and provide additional resources for increased regular training and capacity-building initiatives at the field offices.

85. The Board is of the view that inconsistent use of tag numbers contrary to the assets guidelines may not serve the oversight and control purposes. Also, for the purpose of control, the location of assets should be presented consistently in both the in-service report and the physical location. Further, the failure to claim taxes means that the country office is not enforcing the requirements of the Convention on the Privileges and Immunities of the United Nations, which provides that all United Nations agencies are exempted from all forms of government taxes, and thus made the tax payment an ineligible part of the cost of the assets. Regarding the case of the unused asset, assets need to be procured during the implementation stage, not shortly after design, to reduce risks of change in layout.

86. **The Board recommends that UN-Women field offices: (a) minimize errors by strengthening the asset management function through improvement of the internal check system; (b) exclude taxes when recording assets in the system and claim a tax refund from the Government; (c) update the assets register with the current physical locations of all presented assets so that they can be traced reliably; and (d) ensure that the write-off of lost assets follows the guidelines of the programme and operations manual by investigating and documenting the results of disposal arrangements.**

7. Human resources and payroll management

Delay in submission and approvals of leave requests

87. UN-Women uses the Atlas eService programme to register, track and monitor leave. Staff members request leave and supervisors approve it through eService, and the leave balance for each staff member is calculated to obtain the leave liability at the end of the year.

88. In its previous report ([A/71/5/Add.12](#), chap. II, para. 70), the Board raised a concern about delays in submission of leave requests by staff members and approval by supervisors. For the year ended 31 December 2016, the Board continued to note similar cases. From its review of all 4,953 annual leave requests approved through Atlas, the Board noted that submission of 696 leave requests to supervisors was delayed by staff members for periods ranging from 1 to 440 days, while 688 requests were submitted for approval after the staff member had already taken annual leaves. Further, approval of 1,476 leave requests was delayed by the supervisor for periods ranging from 1 to 465 days, meaning that staff members took leave without approval from their supervisors.

89. While acknowledging the Entity's efforts to address the shortfall by issuing updates on the leave management process and including most leave types in eService, conducting webinars, disseminating training materials and specific communications to all staff, introducing leave monitors and issuing monthly reminders to users, the Board is of the view that UN-Women needs to ensure compliance with the procedures for ensuring timely submission and approval of leave requests. The Board considers that the delays in submission and approval of leave requests might lead to incorrect leave balances at the end of reporting periods.

90. UN-Women agreed with the Board's recommendation that it ensure compliance with the automated leave management system in place through Atlas to enable timely submission of leave requests by staff members and subsequent approval by supervisors.

Performance assessment delays

91. The human resources chapter of the programme and operations manual requires performance planning for fixed-term and permanent appointment staff to be done in January and February and completed by 28/29 February. The midyear review is to be done in June and July and completed by 31 July, and the annual performance assessment is to be done in December and January, with a final deadline of the end of February.

92. The Board noted that the performance appraisals for all fixed-term and permanent staff at the country offices of Rwanda (six staff members), Cambodia (five), Viet Nam (six), Colombia (nine) and Jordan (seven) and the Regional Office for Arab States (24) for the period from January 2015 to September 2016 were delayed at either the performance planning, midyear review or final review stages for a periods ranging from one to nine months or not performed at all.

93. UN-Women stated that it had launched an online dashboard with real-time statistics in 2016 to facilitate the monitoring of compliance with the performance management and development process. The dashboard coupled with detailed reports on individual compliance enables management to send regular reminders to supervisors and staff regarding adherence to the process and the deadlines for completion of the milestones for performance review.

94. Despite the introduction of the dashboard, the Board noted that the rate of compliance with timelines was still not satisfactory. The Board considers that open dialogue between employees and supervisors is important and increases understanding of challenges faced, strengthens the relationship between staff and supervisors and provides necessary feedback to management for overall performance improvement.

95. The Board recommends that UN-Women ensure that staff performance reviews are done in compliance with the requirements of the programme and operations manual.

8. Travel management

Delay in travel arrangements and liquidation of travel requests

96. Paragraph 2.7 of the duty travel section of the programme and operations manual requires travel requests to be submitted to the headquarters or field unit processing travel at least 15 working days before the date of travel. Paragraph 5 of the same chapter requires the travel claim form to be submitted within two weeks from completion of travel, accompanied by the original air ticket, receipts for all additional claimable charges and mission reports.

97. At five of the six field offices visited, the Board noted that 164 (87 per cent) of 188 travel requests were submitted to the processing unit less than 15 days prior to the date of travel. The Board also noted that liquidation of 137 (39 per cent) out of 349 travel claims was delayed for more than two weeks after completion of the travel. For example, at the Colombia country office, claims for 60 trips were not yet submitted for settlement as at 30 October 2016, making the claims outstanding for periods ranging from 3 to 585 days. In addition, two of the trips authorized at this field office were not in the mission plan.⁵

98. UN-Women stated that in late 2016, it had developed a corporate travel monitoring application in the form of a dashboard. This application captures outstanding travel entries by region and by country, which can be matched down to a specific outstanding activity. The new application serves as an oversight and monitoring tool for better management of the travel function. Furthermore, as part of the monthly certification process, the country offices are required to certify the outstanding travel claims. The Board acknowledges the measures instituted by UN-Women late in 2016 in an effort to improve travel processing.

99. The Board considers that delays in submission and approval of travel requests might lead to last-minute air ticket bookings at higher fares than would have been possible earlier, thus preventing UN-Women from realizing savings that might have resulted from early booking of travel. Moreover, the deficiencies noted were for trips included in quarterly travel plans, not ad hoc travel.

100. The Board recommends that UN-Women field offices: (a) comply with the travel policy requirements so as to make use of the possible savings that may result from early booking of tickets; and (b) introduce enforcement mechanisms to ensure submission of travel claims soon after the completion of travel to enable timely liquidation of travel advances.

9. Information and communications technology

Job descriptions of staff of the Information Systems and Telecommunication Office and inadequate segregation of duties

101. The Information Systems and Telecommunication Office of UN-Women has an organizational structure that defines the Office's hierarchy and authorities. The internal control framework of UN-Women explains that there must be a segregation of duties in order to implement an appropriate level of checks and balances on the activities of individuals.

102. The Board reviewed the organizational structure and job descriptions as well as the actual operations of the Information Systems and Telecommunication Office and noted the following deficiencies:

(a) The responsibilities and technical expertise listed in the job description of the ICT specialist (P-3) in charge of the infrastructure unit are no longer applicable owing to changes in technology and the information technology environment of UN-Women;

(b) The job description of the ICT associate (G-6) shows that the staff member reports to the Chief of the Information Systems and Telecommunication Office, while in reality the staff member reports to the specialist in charge of the infrastructure unit.

⁵ The mission plan is a document that indicates the nature of trips employees are expecting to take, the number of days and expected departure and return dates.

103. Furthermore, the Board reviewed user access provisioning in OneApp and noted that there was no interface which business application owners could use to grant access to users according to the roles in the system. Instead the business application owners submitted requests for granting of user access through email to the system developer in the Information Systems and Telecommunication Office, who had all roles in the system to provide user access through the back end (directly in the database). Also, two of the 770 users reviewed had double accounts. There was no procedure in place to provide guidance on regular review and update of the job descriptions to reflect the technological changes and existing roles and responsibilities.

104. UN-Women stated that it had initiated a review of the job descriptions of staff of the Information Systems and Telecommunication Office and that a system for granting user access in a controlled fashion had been developed and rolled out on 8 June 2017. In addition, the two instances of users with double accounts would be cleaned up and the Information Systems and Telecommunication Office would coordinate with the Human Resources Section to review and update the job descriptions accordingly.

105. The absence of segregation of duties and interface with controls for user access provisioning might result in unauthorized or erroneous changes or modifications of data, user access and programmes which could not be easily detected. Furthermore, the non-availability of updated job descriptions might result in an inadequate ICT controls environment owing to changes in roles and responsibilities emerging from technological changes which are covered by the job description.

106. The Board recommends that UN-Women: (a) review the job descriptions of staff of the Information Systems and Telecommunication Office on a periodic basis to provide complete and clear direction regarding the roles and responsibilities of each staff member in accordance with actual ICT services and support; and (b) develop an interface to be used by business application owners for user access provisioning in OneApp with segregation of duties.

Weakness in ICT asset disposal process

107. Section 5.4.3 of the UN-Women ICT headquarters asset handling work instructions explain that disposal of ICT assets requires documentation of the process for destroying data, the specifications, the processor type, computer memory and the size of the hard disk of the computer followed by handing-over of the equipment and sending the disposal form to Facilities and Administrative Services for physical disposal of the equipment.

108. The Board found that UN-Women disposed of a total of 191 ICT storage devices in February 2016 without documentation of the process of destroying data or a report containing a list of the devices subjected to data wiping prior to disposal. The missing documentation included device detailed information, person who performed data wipe and data wipe date.

109. UN-Women stated that after the ICT equipment wiping process a temporary sticker was placed to identify computers that had been wiped; however, the Board found no report or documentation recording all assets that had been wiped before their disposal. UN-Women also stated that it would implement a new process for documenting data wiping by the third quarter of 2017. As part of ongoing improvements at the Information Systems and Telecommunication Office, early in 2017 UN-Women established a process for destruction of data media at Headquarters and formalized it in the form of a written work instruction.

110. The absence of records including documentation on destroying data limits the ability of management and independent reviewers to evaluate the effectiveness of the wiping process before disposal of assets. If the process of disposal of ICT assets is not properly followed, there is a risk of unauthorized access to information or configuration of network equipment since the assets might be disposed of through donation or sale to staff or other users.

111. The Board recommends that UN-Women: (a) document the processes used to destroy data before disposal of its ICT assets; and (b) record the details of each destroyed data storage device and verify and approve the action taken.

Inadequate management of user access and gateway protections

112. From the review of 1,407 active users of the finance module of the Atlas enterprise resource planning system, the Board noted that three users had double user accounts. Also, 33 of 117 separated staff in 2016 still had access to the UN-Women intranet as at May 2017, including emails, internal sharing of information (SharePoint) and internal business applications.

113. Further, the Board noted that 51 (86 per cent) of 59 field offices were not part of the centralized corporate-managed gateway protection system and the central ICT function was not aware of the situation in those field offices regarding firewalls, intrusion detection and protection systems. This is contrary to section 3.5 of the guidelines on ICT functions in offices away from Headquarters, which requires field offices to receive important information about global ICT changes that may affect them and to make the central ICT function aware of the local situation.

114. UN-Women stated that the access of separated employees to the system resulted from lack of a formal process for managing user access. Such a process could include an enforcement mechanism upon contract termination or change of duties. Also, the absence of centralized gateway protection systems in the field offices and the dearth of information at the central ICT function about the situation in the field resulted from a lack of dedicated staff at Headquarters to coordinate with field offices.

115. The Board considers that the active user accounts for terminated staff pose the risk of unauthorized access to UN-Women information. In addition, duplicate user accounts increase the risk that unauthorized users could modify or delete files created by another user and thus destroy the user history and the related information. Further, lack of a centrally managed protection system could make UN-Women vulnerable to cyberattacks.

116. The Board recommends that UN-Women: (a) finalize the development of and implement formal procedures to grant, revoke and monitor logical access for all ICT systems; (b) review and remove or disable all user accounts of former staff separated from UN-Women; and (c) strengthen the country offices assessment tool to include country office compliance with ICT standards, compel field offices to provide information about the local situation and details of gateway protection to the Headquarters and assure support to the field from the central ICT function.

C. Disclosures by management

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

117. In accordance with regulation 21.1, UN-Women informed the Board that losses of receivables had been written off in the amount of \$447,778.

2. Ex gratia payments

118. In accordance with regulation 20.6 of its financial regulations and rules, UN-Women informed the Board that no ex gratia payments had been made in 2016.

3. Cases of fraud and presumptive fraud

119. UN-Women informed the Board that eight cases of alleged fraud were under investigation as at 31 December 2016, as described further below:

(a) During 2016, 13 cases of fraud were reported to the Office of Audit and Investigations. As at 31 December 2016, five of these cases were closed after an initial assessment, one case was closed as unsubstantiated after an investigation and one case was substantiated (\$1,697) and closed after an investigation. Six cases remained open;

(b) Five cases of fraud reported in 2015 were carried forward in 2016. As at 31 December 2016, one of these cases was closed and substantiated (\$28,360), two were closed as unsubstantiated and two remained open;

(c) One case of fraud reported in 2014 was carried forward in 2016. That case was closed as unsubstantiated in the third quarter of 2016;

(d) One case of fraud reported in 2013 was carried forward in 2016. That case was closed as unsubstantiated in the first quarter of 2016.

120. UN-Women informed the Board that the above-mentioned information was provided on the understanding that the Office of Audit and Investigations had categorized as “fraud and presumptive fraud” those cases with a potential financial impact relating to procurement fraud, theft and embezzlement and entitlements fraud. In 2016, the Board did not identify any cases of fraud, other than those that were reported to the Board and adequately disclosed in the notes to the financial statements.

D. Acknowledgement

121. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and her staff.

(Signed) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors

Annex

Status of implementation of recommendations up to the year ended 31 December 2015

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
1	2012	A/68/5/Add.13 , para. 70	(a) Ensure that the positions held by service contract holders are filled on a timely basis by personnel on staff contracts; (b) assess the current status of staffing at all levels and the impact on the performance of programmes and find a means of creating a database of prospective applicants who can be recruited to fill vacant posts in a timely manner; (c) institute a follow-up process for officers returning from official travel so that they submit travel claim forms within the specified time.	A service contract is a valid contractual modality and will be used for functions that qualify for a service contract. Adequate guidance is provided to offices to ensure appropriate use of service contracts. The service contract user guide (UNDP) was amended effective 1 July 2016 and UN-Women offices are using the new guide which further clarifies the subject of proper use of service contract. Further, the Atlas travel approver functions have been decentralized to the different Sections/ Divisions within UN-Women	The Board verified the guidance issued to the country offices regarding the appropriate use of the service contracts and therefore closes the recommendation.	X			
2	2013	A/69/5/Add.12 , para. 16	Strengthen its resource mobilization activities by expanding and diversifying its resource base through: (a) strengthening and expanding partnerships with bilateral and multilateral donors; (b) developing regionally based fundraising expertise; and (c) approaching socially responsible private sector entities, women's groups and individuals.	Provisional revenue figures for 2016 indicate that UN-Women received \$327,352,866 from existing and new donors, a 4 per cent growth from 2015. The average annual growth rate since 2012 has been 9.5 per cent, the fastest pace of sister agencies albeit from a low base. In 2016, core contributions from Member States amounted to \$141,660,491, and four donors provided	The Board recognizes the efforts of UN-Women to enlarge its donor base and part (b) of the recommendation, which was outstanding as at 31 December 2015, is considered implemented and closed.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				<p>over \$10 million in core funding. UN-Women counted 195 donors in 2016, of which 111 were Member States, 43 were new donors and 26 were returning donors.</p> <p>Non-core funding recently outpaced growth in core resources and has doubled since 2012 and allowed a 40 per cent increase in programme activity over the last two years since 2014.</p> <p>In terms of total contributions, 41 Member States increased their contributions with nine countries at least doubling. Four donors surpassed the \$20 million mark (Sweden, Japan, the United Kingdom and Switzerland) and 10 donors passed the \$10 million mark (the former plus Australia, Finland, Norway, the Multi-Partner Trust Fund, the United States and the Netherlands. Income from sources other than Member States and the United Nations System almost doubled in 2016, reaching \$14 million of which 37 per cent came from direct contributions from corporations and corporate foundations, 33 per cent from national committees and 12 per cent from</p>					

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
3	2013	A/69/5/Add.12 , para. 51	(a) Enhance its monitoring of advances to implementing partners to verify the correct use of the funds for achieving results and expected outputs; and (b) identify problems and implement necessary corrective actions with its partners where there are long-outstanding balances at the end of the period (6 months for implementing partners and 12 months for trust fund grants), including recovery of such balances as appropriate.	foundations. Income from national committees grew from \$1.7 million in 2015 to \$4.6 million in 2016, of which \$2.3 million came through corporate donors to utilize related tax exemptions. UN-Women initiated a working group to improve the process of liquidation of aged advances. As a result, a significant decrease in long-outstanding advances has been observed in 2016. As at 31 December 2016, aged outstanding advances to partners older than 6 months were 34.8 per cent lower than 2015 (2016 \$3.5 million; 2015 \$5.4 million). Webinars to all staff across the organization were provided on risk assessment, funding authorization and certificate of expenditure form and liquidations and due diligence process for write-offs or unilateral liquidations in 2016. Corporate training material for training of partners was finalized in mid-December 2016.	UN-Women enhanced its accountability through establishment of the working group to improve the liquidation process and webinar training was provided across the organization.	X			
4	2013	A/69/5/Add.12 , para. 61	UN-Women agreed with the Board's recommendation that it continuously monitor and perform financial closure of all operationally closed projects within	The automated project closure tool is currently in user testing phase and is on schedule to be released by mid-2017. The updated checklist was released in	The Board recognizes the measures taken with respect to the automated project closure tool and dedication of additional	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			12 months of operational closure as required by its financial regulations and rules.	April 2017. Both of these actions will greatly clarify and assist with the timely closure of projects.	staff for project closure, which led to a decline in the number of projects not closed, including closure of projects that had been outstanding since 2013. While closing the recommendation based on the actions taken and their results, the Board has made a new recommendation for additional measures to fully address the issue of project closure.				
5	2013	A/69/5/Add.12 , para. 72	UN-Women agreed with the Board's recommendation that it provide adequate support to the field offices in order to enhance staff capacities in procurement procedures, including the management of contracting individual consultants and contractors in line with the existing guidelines, and monitor their compliance.	Procurement delivered three regional trainings on the procurement processes including the review and approval procedure of special service agreement contracts. A series of improvements have been implemented including updating the new delegation of authority with specific clarifications and guidance on the use of consultants and contractors and update of the procurement manual on the thresholds for procurement review committee. In April 2017 the entire management of consultants was transitioned from procurement to human resources and the new associate role in human resources to specifically	The Board assessed the implementation level and agreed with the steps taken by UN-Women and closed the recommendation.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
6	2014	A/70/5/Add.12 , para. 15	UN-Women agreed with the Board's recommendation that it ensure that (a) all relevant data are available at the time of the preparation of the annual Workplan; and (b) all field offices establish baselines and targets for all expected outputs, outcomes and indicators in the annual workplans as required by the programme and operations manual.	strengthen the capacity in the area of consultancy management and has been established and recruitment has been finalized. This will also contribute towards strengthening oversight. The 2016 data companion shows that 94 per cent of regional/multi-country/ country strategic notes have baselines and 97 per cent have targets. This shows an improvement from 2015 which was 87 per cent with baselines and 95 per cent with targets.	Despite the achievements reported and noted in the 2016 strategic notes, weaknesses continued to be noted in the visited field offices during the 2016 audit and in some cases the baselines and targets had no identified sources.		X		
7	2014	A/70/5/Add.12 , para. 38	The Board reiterates its recommendation that UN-Women (a) enhance its accountability and monitoring of advances to implementing partners at the project level by verifying the correct use of the funds and the achievement of results and expected outputs; and (b) identify problems and implement the necessary corrective actions with its partners with long-outstanding balances at the end of the period, including recovery of such balances as deemed appropriate.	UN-Women initiated a working group to improve the process of liquidation of aged advances. As a result, a significant decrease in long outstanding advances has been observed in 2016. As at 31 December 2016, aged outstanding advances to partners older than six months were 34.8 per cent lower than in 2015 (2016\$3.5 million; 2015 \$5.4 million). Webinars to all staff across the organization were provided on risk assessment, funding authorization and certificate of expenditure form and liquidations and due diligence process for write-	The Board recognizes the measure taken through the establishment of the working group and provision of webinar training in the organization which reduced the outstanding balance from \$5.4 million to \$3.5 million. Based on actions taken, the Board closes the recommendation. The Board highlighted in the present report actions for UN-Women to ensure further improvements on outstanding advances.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				offs or unilateral liquidations in 2016. Corporate training material for training of partners was finalized in mid-December 2016.					
8	2014	A/70/5/Add.12 , para. 44	The Board recommends that UN-Women (a) enhance its efforts in liquidating the long-outstanding advances with implementing partners; and (b) ensure that adequate monitoring of implementing partners is conducted by the field offices.	This audit recommendation relates specifically to the provision for impairment of advances to partners, which increased from \$3.9 million in 2013 to \$6 million in 2014. The policy for the impairment calculation was revised in 2015 and this resulted in significant reduction in the aged advances.	The Board takes note of the policy introduced on impairment and has verified that the outstanding advances in question were liquidated. The Board noted recurring cases of advances to implementing partners, and therefore, while closing this recommendation based on action taken so far, provided recommendations for additional measures in the present report.	X			
9	2014	A/70/5/Add.12 , para. 50	The Board recommends that UN-Women expedite the process of revising its programme and operations manual so that the existing policies and guidance on the capacity assessment processes of Government partners and the capacity assessment of the financial and administration capacity aspects of an implementing partner are enhanced.	The programme and operations manual revision that includes guidance on the selection of partners is now complete. It includes the use of the call for proposals for non-governmental organizations, academic institutions and registered community-based organizations and improving the capacity assessment tool checklist, as well as guidance for the selection of government partners, other United	UN-Women has finalized and approved the programme and operations manual revision and guidance on the selection of partners.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
10	2014	A/70/5/Add.12 , para. 59	UN-Women agreed with the Board's recommendation that it improve its monitoring and control of special service agreements by developing and maintaining an integrated computerized system at the corporate level, in order to obtain centrally the real-time information for all workforces.	Nations agencies and non-United Nations intergovernmental organizations. The human resources and information technology teams have finalized the development of an integrated personnel validation system which comprises all personnel data, including special service agreements. This system will provide accurate and up-to date data on personnel and in particular, the data related to non-staff personnel contracts will be reviewed and validated regularly by responsible focal points in each office/country office. The roll-out of the system has already started. The human resources and information technology teams have successfully finalized the roll-out of the new personnel validation system to all UN-Women offices.	The recommendation has been implemented.	X			
11	2014	A/70/5/Add.12 , para. 66	The Board recommends that UN-Women (a) work closely with project auditor(s) to ensure that all project audit reports are submitted before 30 April of each calendar year; (b) consider developing a computerized system that will improve on the efficiency and effectiveness of reporting	All the 2014 audit reports have been submitted for the projects/partners included in the 2014 audit plan. UN-Women emphasized to its global auditors that it had complied with the recommendation that the 2015 project/partner audit reports be submitted on or before 30 April 2016.	Any delays in submission of audit reports for the succeeding year were exceptionally allowed because the global auditors had requested a delay in relation to the original schedule for audit.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			and monitoring the status of implementation of the project audit recommendations; and (c) work closely with the implementing partners to address the weaknesses identified in the project audit reports, with emphasis on those partners with repeating errors or findings.	Action plans for the implementation of audit recommendations were submitted using the SharePoint system. The results of the audits of partners are used as one of the inputs for the training of partners.					
12	2014	A/70/5/Add.12 , para. 72	UN-Women agreed with the Board's recommendation that it review and test its disaster recovery plan and thereafter implement a comprehensive disaster recovery plan that will accommodate the entire information system.	The disaster recovery plan has been fully updated and disaster recovery plan tests have been conducted.	The recommendation has been implemented.	X			
13	2014	A/70/5/Add.12 , para. 79	UN-Women agreed with the Board's recommendation that it (a) review and update its change management standard and establish system development life cycle standards as an integrated standard document that reflects all required processes; (b) review its information system acquisition, development and implementation processes and strengthen related standards and guidelines for each stage of the process; and (c) improve information	A new change control system has been implemented. A new project document management system has been implemented in the intranet subsite for projects of the Information Systems and Telecommunication Office. "Standard on information technology change management" has been revised.	The Board acknowledges the management initiatives and regards the recommendation as implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			and communications technology project management and change management by strengthening the formulation of project proposals or change requests.						
14	2015	A/71/5/Add.12 , para. 13	The Board recommends that UN-Women: (a) enhance clarity on the due diligence process for writing off unrecoverable advances; (b) ensure that project managers prioritize long-outstanding advances as a financial risk area; and (c) enhance training for staff and implementing partners on understanding the terms and conditions of signed project cooperation agreements, the use of funding authorization and certificate of expenditure forms and the policy on cash advances and other transfers to partners.	UN-Women has provisions in the programme and operations manual for write-off of unrecoverable advances including due diligence procedures. Accountability for long-outstanding advances has been included in the key performance indicators for the Programme Division as part of the new Bureau annual management plan. UN-Women took a number of corrective actions in 2015, such as recurrent staff webinar training on policies and the funding authorization and certificate of expenditure form use; training visits to 10 country offices, train the trainers in five regional offices; high priority on addressing the liquidation of long-outstanding partner advances; policy amendment on cash advances and transfers to partners to include due diligence on liquidation of unrecoverable advances; and implementation of an	The Board acknowledges the management effort and the regards the recommendation as implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
15	2015	A/71/5/Add.12 , para. 18	The Board recommends that UN-Women ensure that (a) field-based evaluation plans are prepared in a realistic manner so that cancellations or postponements in crisis situations are minimized or avoided; (b) it finds a way to address the challenge of sourcing qualified national consultants so that an adequate number of planned field-based evaluations are carried out; and (c) the approved evaluation plans of country offices are fully implemented.	<p>automated aged partner advance reports in 2016 available for all offices and sections, which will enhance follow-up.</p> <p>(a) The Independent Evaluation Office, in coordination with regional offices and the Programme Division, has worked to improve the relevance of evaluation topics. Implementation of planned evaluations has been monitored through the global accountability and tracking of evaluation use system while quarterly status updates are made available to field offices through the global evaluation oversight dashboard. Further, a global evaluation plan has been developed to facilitate better coherence and track implementation of planned evaluations in a more systematic manner.</p> <p>(b) The Independent Evaluation Office in 2015 launched a publicly accessible gender evaluation consultant database (http://evalconsultants.unwomen.org) aiming to connect qualified consultants with UN-Women offices in need of gender-responsive evaluation expertise.</p>	The Board acknowledges the way evaluations were planned in 2016 and the increasing implementation trend of planned evaluations, and regards the recommendation as implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				(c) Implementation of planned evaluations in 2016 has shown steady improvement over previous year (71 per cent in 2014, 76 per cent in 2015, 84 per cent in 2016). The trend for the last three years shows a positive trajectory towards the target of 95 per cent in 2017 (2016 annual report of the evaluation function to the Executive Board). In line with the different systems established and the overall progress noted in all key performance indicators for the evaluation function, we consider the three proposed actions as implemented.					
16	2015	A/71/5/Add.12 , para. 22	The Board recommends that UN-Women strengthen asset management controls in the field by: (a) continuing training on the management of assets to address the deficiencies identified; (b) provide central oversight reviews on a monthly basis of asset management reports to ensure that serial numbers are correctly entered; and (c) investigate why Atlas module software controls could not prevent the occurrence of duplicate serial numbers within the same business unit.	Training materials and standard operating procedures are continuously provided to asset focal points, procurement associates and other users. Monthly reconciliation of the interface files, system journal entries and a monthly review of the asset register are being conducted. UN-Women has significantly reduced the number of assets without serial numbers by reviewing the asset register on a monthly basis centrally and following up with all country offices to update	Part (a) of the recommendation is considered implemented while parts (b) and (c) are still under implementation. The related deficiencies continued to be noted in the 2016 audit cycle. Further, still there are assets in the register with no serial numbers.		X		

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				serial numbers in the Atlas asset register. UN-Women continues to work with the country offices to ensure that all assets are updated accordingly.					
17	2015	A/71/5/Add.12 , para. 26	UN-Women agreed with the recommendation of the Board that it revisit and review the current programme and operations manual to reflect the changes in the practical application of the useful life policy for leasehold improvements.	The asset management programme and operations manual was revised to reflect the application process of the policy with respect to the capitalization and accounting of leasehold improvements. This was approved by the Director of the Division of Management and Administration on 12 September 2016.	The programme and operations manual regard to leasehold improvements was reviewed and finalized. The recommendation has been implemented.	X			
18	2015	A/71/5/Add.12 , para. 31	UN-Women agreed with the recommendation of the Board that it improve the capacity assessment procedures for engaging implementing partners by obtaining, reviewing and retaining the relevant documents (in accordance with the assessment criteria) so as to avoid the possibility of engaging implementing partners with inadequate capacity.	The programme and operations manual revision that includes guidance on the selection of partners is now complete. It includes the use of the call for proposals for non-governmental organizations, academic institutions and registered community-based organizations and improving the capacity assessment tool checklist, as well as guidance for the selection of government partners, other United Nations agencies and non-United Nations intergovernmental organizations.	The Board acknowledges management effort to revise and complete the programme and operations manual on the selection part of partners and therefore closes the recommendation.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
19	2015	A/71/5/Add.12 , para. 36	The Board recommends that UN-Women expedite the revision of the programme and operations manual and the related business process review, so that the inconsistencies and ambiguous language in annex D of the manual (programme and project formulation) are addressed and cleared up in a timely manner.	The upcoming revision of the programme and operations manual and related business process review in 2017 will clear up these inconsistencies to avoid ambiguity in future. Based on the comments received, the Programme Division and the Division of Management and Administration Legal have been reviewing the programme and operations manual revision through a dedicated task force. Once this task force finishes its work the revised programme and operations manual will be issued.	The revision of the programme and operations manual with regard to project documents is yet to be finalized.		X		
20	2015	A/71/5/Add.12 , para. 41	The Board recommends that UN-Women ensure that country offices strengthen their internal controls over all funds advanced to implementing partners to ensure that the funds are utilized exclusively for UN-Women projects.	The Mozambique country office, along with other country offices, works closely with partners to ensure that funds are utilized exclusively for UN-Women and that advances are issued in line with project agreements. Webinars provided to all staff across the organization on risk assessment, the funding authorization and certificate of expenditure form and liquidations, and due diligence process for write-offs or unilateral liquidations in 2016.	Training was provided across UN-Women offices and the anomaly was not noted during the 2016 audit cycle.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
21	2015	A/71/5/Add.12 , para. 45	The Board recommends that UN-Women: (a) financially close all operationally closed projects within 12 months of the month in which they are operationally completed or terminated; and (b) ensure that the appropriate staff resources are available and an automation tool is developed so as to expedite the financial closure of projects.	The automated project closure tool is currently in user testing phase. The updated checklist for project closure was released in April 2017. Both of these actions will greatly clarify and assist the timely closure of projects. Temporary additional staff resources have been provided and recruitment is under way for permanent staff resources.	The Board recognizes the measures taken with respect to the automated project closure tool and dedication of additional staff for project closure, which led to a decline in the number of projects not closed, including closure of projects that had been outstanding since 2013. While closing the recommendation based on the actions taken and their results, the Board has made a new recommendation for additional measures to fully address the issue of project closure.	X			
22	2015	A/71/5/Add.12 , para. 50	The Board recommends that UN-Women improve the quality of the data maintained in Atlas regarding the status of projects.	UN-Women provides dashboard for use by all offices to ensure accuracy of status of projects in Atlas. Review of accuracy was conducted by the project closure working group, which included each regional office.	The weaknesses in status of projects data were noted in the current audit and thus the implementation is yet to be completed.		X		
23	2015	A/71/5/Add.12 , para. 56	The Board recommends that UN-Women further improve its integrated budget and enhance its results-based budgeting in line with the harmonization requirements of UNDP, UNFPA and UNICEF.	UN-Women remains committed to improving its results-based budgeting presentation in the formulation of the integrated budget 2018-2019. It will be possible to leverage information available from the new	The Board is waiting for the review of the new integrated budget 2018-2019.		X		

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
24	2015	A/71/5/Add.12 , para. 60	The Board recommends that UN-Women: (a) ensure that clear instructions on the preparation of annual workplans are sent to the field offices; and (b) expedite the initiation of an improved project planning and budgeting process, which will facilitate effective utilization of the annual allocated funds for better project execution.	<p>results management system subject to the requirements of harmonization with the other funds and programmes (UNDP, UNFPA and UNICEF).</p> <p>The Entity's integrated budget 2018-2019 has been formulated in a results-based budgeting presentation format with links to the outcomes of the strategic plan.</p> <p>UN-Women has developed corporate results management system training modules which have been used by the various regional offices and country offices to provide training to programme personnel during 2015.</p> <p>Where budget revisions or rephasals are required, a process will be outlined with the need for clear justification and approvals.</p> <p>A communication from the Director of the Division of Management and Administration on rephasals of core allocations with inputs from the Programme Division on non-core-budget rephasals was sent on 14 October 2016</p>	The recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
25	2015	A/71/5/Add.12 , para. 64	UN-Women agreed with the recommendation of the Board that it ensure that the field offices use proper staffing modalities and that holders of service contracts do not perform core functions.	A service contract is a valid contractual modality and will be used for functions that qualify for a service contract. Adequate guidance is provided to offices to ensure appropriate use of service contracts. The service contract user guide (UNDP) was amended effective 1 July 2016 and UN-Women offices are using the new guide which further clarifies the subject of proper use of service contract.	The Board has verified that United Nations-Women has provided guidance to all field offices on proper staffing modalities and that the new policy provides situations in which service contracts can be applied to functions of continued nature (especially if the function is attached to a particular programme).	X			
26	2015	A/71/5/Add.12 , para. 68	UN-Women agreed with the recommendation of the Board that it comply with the policy regarding the timely performance of reviews and ensure that performance planning, midyear reviews and final reviews for fixed-term appointments in all field offices are carried out in compliance with the requirements of the programme and operations manual.	The human resources and information technology teams have launched a compliance monitoring dashboard; the human resources team sends regular reminders regarding the performance management and development process and deadlines and provides training to staff. UN-Women is also developing new training materials which will be shared widely with managers and personnel.	The Board takes note of the measures taken and improvement in the country offices sampled in 2015. The Board closes this recommendation to acknowledge management initiatives, but provides additional recommendations for further management actions to ensure that the identified deficiencies are fully addressed.	X			
27	2015	A/71/5/Add.12 , para. 73	The Board recommends that UN-Women set up a mechanism which enables timely submissions of leave requests by staff members and subsequent approval by supervisors.	UN-Women has strengthened the leave management system over the last few years. The method of tracking has been transitioned from all manual processes to	An online tool for leave requests and approvals is in place and the recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				integrated online processes now as part of Atlas eService. UN-Women instructed the leave focal points to advise their units and managers to submit and approve leave request before payroll freeze cycles.					
28		A/71/5/Add.12 , para. 78	UN-Women agreed with the Board's recommendation that (a) the ICT Board conduct meetings on a periodic basis, as stipulated in its terms of reference, to provide direction and decisions on ICT investments and the use of ICT resources across the organization; (b) review the membership of the ICT Board to ensure that senior management from all or at least the major business process owners throughout the organization are represented; and (c) review and evaluate the function and performance of the ICT Board regularly so as to ensure its effectiveness and facilitate improvement.	The new ICT governance policy, ICT Board terms of reference and ICT coordination group terms of reference have been published in the programme and operations manual.	No weakness was reported in 2016 and the recommendations have been addressed.	X			
29		A/71/5/Add.12 , para. 82	UN-Women agreed with the recommendation of the Board that it: (a) develop an awareness training programme on information security, based on a needs assessment; and (b) conduct mandatory awareness training on information	A new security awareness training programme was developed and made mandatory for all staff.	Training was conducted and the recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendations of the Board	UN-Women response	Board's assessment	Status after audit verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
30	2015	A/71/5/Add.12 , para. 87	security for all staff to ensure that they understand the various information security risks. The Board recommends that UN-Women: (a) ensure that the ICT strategy developed for 2016 contains elements that include a timetable for achieving the expected outcomes, success metrics and a description of how major risks will be managed or mitigated during the implementation of the strategy; and (b) review the ICT strategic road map on a periodic basis.	New ICT strategy approved by the senior management team on 26 September 2016.	The recommendation has been implemented.	X			
Total						25	5		
Percentage						83	17		

Chapter III

Certification of the financial statements

Letter dated 27 April 2017 from the Director of the Division of Management and Administration of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1201, I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements for the year ended 31 December 2016.

I 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 and include certain amounts that are based on the 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. The internal auditors continually review the accounting and control systems;

The management provided the internal auditor with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and internal auditors are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UN-Women, in accordance with the service level agreements currently in force.

(Signed) Moez **Doraid**

Director
Division of Management and Administration
United Nations Entity for Gender Equality
and the Empowerment of Women

Chapter IV

Financial report for the year ended 31 December 2016

A. Introduction

1. The Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) has the honour to submit the financial report for the year ending 31 December 2016, together with the audited financial statements and the report of the Board of Auditors. This submission is made in compliance with regulations 12.1 and 26.2 of the Financial Regulations and Rules of UN-Women. The annual financial statements cover all the resources for which the Executive Director is responsible.

2. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and were transmitted to the Board of Auditors on 27 April 2016. The Advisory Committee on Administrative and Budgetary Questions has received the financial statements of UN-Women for 2016, as required by financial rule 1202. The Board of Auditors has given its opinion and report on the 2016 financial statements, both of which are also submitted to members of the Executive Board.

3. The pursuit of gender equality, the empowerment of women and girls and the realization of their human rights are objectives in themselves as well as prerequisites and drivers for sustainable development, peace and security and human rights and humanitarian action. UN-Women has completed its sixth year of operating as a composite entity since its creation by the General Assembly in resolution [64/289](#). The Assembly, the Economic and Social Council and the Commission on the Status of Women provide guidance for the normative functions of UN-Women; the Assembly and the Executive Board provide guidance for its operational activities.

B. Resource mobilization and funding status

4. Since its inception in 2011, UN-Women has continued to strive towards the critical level of \$500 million per annum, and resource mobilization remains a corporate organizational priority. Resource mobilization projections were articulated in the Entity's updated strategic plan for 2014-2017 and established in the institutional budget for 2016-2017 at the level of \$880 million for the biennium. For 2016, the resource mobilization projections were set at \$410 million, \$180 million for regular resources (unearmarked/core) and \$230 million for other resources (earmarked/non-core).

5. UN-Women is funded mainly by voluntary contributions (97.67 per cent in 2016), comprising regular resources and other resources to finance its operational activities. Assessed contributions (2.33 per cent in 2016) are received from the United Nations Secretariat to contribute to the normative functions of UN-Women.

6. Voluntary contributions in 2016 comprised \$141.7 million in regular resources (2015: \$136.1 million) and \$178.1 million in other resources (2015: \$170.9 million). Although budget projections for 2016 totalling \$410 million did not materialize, with shortfalls in regular resources of \$38.3 million and in other resources of \$51.9 million, voluntary contributions grew by \$12.8 million (\$5.6 million in regular resources and \$7.2 million in other resources) compared with the previous year.

7. UN-Women focused its efforts in 2016 on deepening its partnership base. The number of Member States contributing to UN-Women in 2016 stood at 108. The top

20 government donors increased their contributions to core resources over their 2015 contributions. Four Member States (Finland, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland) contributed over \$10 million to core resources. Ten Member States contributed over \$10 million in total (regular resources and other resources combined).

8. In order to secure the Entity's cash inflows, Member States are requested to pay early in the financial year, so that operations funded by regular resources can be effectively implemented. For programme activities funded by other resources, timely payments by Member States will ensure that project implementation commences and proceeds as planned.

9. Resource mobilization and fundraising activities are continuously intensified, guided by a strategic partnership and resource mobilization strategy that: (a) targets traditional and non-traditional donors, including the private sector and foundations; (b) builds partnerships and access to donor funds at the programme country level; (c) widens and deepens the donor base, including encouraging double digit (over \$10 million) regular resource pledges to enhance the sustainability and predictability of regular resources funding; and (d) utilizes diverse communications platforms to broaden outreach to the general public.

10. UN-Women appeals to all its stakeholders to contribute a higher level of resources, commensurate with the strong political will expressed by Member States in support of UN-Women, thus enabling it to better deliver on its mandate to attain its minimum capitalization target of \$500 million per annum.

C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2016

1. Implementation of strategic priorities

11. UN-Women continued to support the strengthening and implementation of global norms and standards for gender equality and women's empowerment in 2016. The Political Declaration adopted at the fifty-ninth session of the Commission on the Status of Women on the occasion of the twentieth anniversary of the Fourth World Conference on Women (see [E/2015/27-E/CN.6/2015/10](#), chap. I, sect. C, resolution [59/1](#)) and the fifteenth-anniversary review of the implementation of Security Council resolution [1325 \(2000\)](#), together with the adoption of Council resolution [2242 \(2015\)](#) on women and peace and security, provided important road maps for the work of UN-Women.

12. Building on that foundation, the 2030 Agenda for Sustainable Development, with its emphasis on gender equality and women's empowerment as a stand-alone goal and reflected throughout the agenda, reinvigorates efforts to end gender inequality by 2030. In addition, commitments contained in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the Paris Agreement on climate change emphasize the importance of gender equality and women's empowerment for sustainable change. There is also greater recognition of the importance of women's engagement in humanitarian action, including in the outcome documents of the World Humanitarian Summit.

13. The year 2016 represented the third year of implementation of the UN-Women strategic plan 2014-2017 and its six impact areas within the context of increased demand: (a) women lead and participate in decision-making at all levels; (b) women, especially the poorest and most excluded, are economically empowered and benefit from development; (c) women and girls live a life free from violence; (d) peace and security and humanitarian action are shaped by women's leadership and participation;

(e) governance and national planning fully reflect accountability for gender equality commitments and priorities; and (f) a comprehensive and dynamic set of global norms, policies and standards on gender equality and women's empowerment is in place and is applied through action by Governments and other stakeholders at all levels.

14. Based on those priorities, UN-Women delivered programme support in 107 countries in 2016. Programme expenditures reached a record level of \$254 million, a 13 per cent increase over 2015 (\$225 million). Total programme expenditure in the field was 13 per cent higher in 2016 than in 2015, demonstrating improvements in business processes and operational effectiveness.

15. At the end of the third year of its strategic plan, the performance of UN-Women against its targets, including targets revised in the midterm review, is positive. In total, 71 per cent of development targets have been achieved or on track. Despite resource constraints, performance is strong at the outcome and output levels, with 79 and 76 per cent achieved or on track, respectively

16. UN-Women continued to advocate and raise the visibility of gender perspectives in intergovernmental processes and outcomes, produce and disseminate knowledge, convene stakeholders and provide policy analysis and expertise building on regional and national experiences. Special focus was given to ensuring that norms and standards advanced the gender-responsive implementation of the 2030 Agenda for Sustainable Development. UN-Women supported the inclusion of gender perspectives in major intergovernmental outcomes, including the "New Urban Agenda" adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), held in Quito from 17 to 20 October 2016, the Political Declaration of the Comprehensive High-level Mid-term Review of the Istanbul Programme of Action for Least Developed Countries for the Decade 2011-2020 (see General Assembly resolution [70/294](#)), the Political Declaration on HIV and AIDS (General Assembly resolution [65/277](#), annex) and the New York Declaration for Refugees and Migrants (see General Assembly resolution [71/1](#)).

17. UN-Women participated in preparations for the 60th session of the Commission on the Status of Women, including the drafting the Secretary-General's report on the priority theme and the holding of informal consultations. UN-Women convened regional preparatory meetings in Africa, the Asia-Pacific region and Latin America and a global multi-stakeholder forum. A record number of over 120 government ministers and deputy or vice ministers, 1,825 officials and parliamentarians from capitals and more than 4,200 civil society representatives participated in the session. UN-Women facilitated the holding of almost 200 side events and convened the first-ever Youth Forum with more than 300 young leaders from over 65 countries, which adopted a Youth Declaration conveyed to the Commission by a young woman leader during the opening of the session.

18. UN-Women played a central role in supporting Member States in the full, effective and accelerated implementation of the Beijing Declaration and Platform for Action and the gender-responsive implementation of the 2030 Agenda for Sustainable Development. Together with other entities of the United Nations system, UN-Women supported Governments in 70 countries in integrating gender perspectives in their development plans, budgets, institutions and statistical systems in support of the Sustainable Development Goals.

19. In 2016, UN-Women in collaboration with partners contributed to major achievements towards gender equality and women's empowerment. Across all areas, UN-Women contributed to the adoption or amendment of 72 laws to strengthen women's rights in 61 countries. It trained 4,000 aspiring and elected women leaders in 51 countries and supported eight countries in adopting temporary special

measures for women's political participation. Women's economic empowerment was strengthened through more effective policy frameworks in nine countries, with a combined female population of over 168 million, and more than 311,000 practitioners accessed knowledge and good practices at EmpowerWomen.org. More than one billion women and girls benefited from strengthened legislation to address violence against women and girls in 24 countries and over 2.4 million practitioners accessed expert knowledge at endVAWnow.org.

20. The year 2016 saw dramatically increased recognition of the importance of prioritizing women's needs and agency in peace and security and humanitarian response, including at the World Humanitarian Summit. Seventy per cent of United Nations-supported peace agreements included provisions improving security and status for women and girls, many of which drew on advocacy and technical support from UN-Women. The proportion of women military experts deployed to United Nations peacekeeping missions doubled. Through its humanitarian action, UN-Women delivered support for economic empowerment and skills-building to more than 125,000 women and girls and managed 66 safe spaces and 38 multipurpose centres.

21. In 2016, UN-Women continued its progress in rolling out its 12 flagship programme initiatives designed to: (a) achieve greater programmatic focus by consolidating a large number of small-scale, short-duration projects into a small number of larger transformative programmes; (b) fully leverage the Entity's unique composite nature, its three functions and multi-stakeholder partnerships; (c) generate economies of scale to reduce operational transaction costs; and (d) access high-quality non-core funding to complement core resources. In 2016, 38 per cent of field offices immediately aligned their work plans to flagship programme initiatives. Design and operational kits, including template project documents, were developed to assist UN-Women offices in developing and operationalizing flagship programme initiatives. A community of practice was initiated for each initiative. The Entity's results management system was updated to track and report on flagship programme initiatives. Leadership development training was also provided to 117 staff to equip them with skills to build partnerships and formulate initiatives.

22. UN-Women continued to lead, coordinate and promote the accountability of the United Nations system on gender equality and women's empowerment in 2016. Over 90 per cent of United Nations entities and departments report on the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, with the proportion of ratings meeting or exceeding requirements up by 7 per cent in 2016. UN-Women developed two online courses on gender markers to track resources dedicated to gender equality. The number of entities meeting requirements in this area increased by five in 2016. UN-Women leveraged its presence in inter-agency mechanisms to strengthen gender perspectives in system-wide processes, including as chair of the Global Migration Group and through its participation in the Inter-Agency Support Group on the Convention on the Rights of Persons with Disabilities and the Inter-Agency Network on Youth Development. UN-Women continued its efforts to promote gender parity in the United Nations system with the launch of an online platform for web-based reporting on representation, appointments, flexible work arrangements and other areas. It participated in the development, field testing and finalization of the new United Nations Development Assistance Framework (UNDAF) guidance and its companion manuals. Overall, 63 per cent of the Frameworks now feature gender-specific results and 90 per cent of those launched in 2016 feature at least one gender equality outcome.

2. Organizational effectiveness and efficiency

23. Organizational effectiveness and efficiency have continued to show significant progress. After six years of operations, UN-Women continues to improve systems for performance management and reporting, financial accountability, audit, human resource management, risk management and operational infrastructure, and has a strong independent evaluation function. In 2016, it received a fifth consecutive unqualified audit report, confirming that the financial statements are in accordance with IPSAS and that transactions tested as part of the audit have in all significant respects been in accordance with the financial regulations and rules of UN-Women.

24. In line with the Entity's results-based management standards, an independent assessment of the quality of field-level plans and reports showed steady improvement, from 64 to 67 per cent for strategic notes and from 60 to 65 per cent for annual reports. The results management system was linked to the Entity's enterprise resource planning system, enabling real-time tracking of budgets, expenditures and funding gaps and providing data on linkages between results and resources. Headquarters units also started planning through the results management system, providing for the first time an organization-wide overview of workplans. Data across all systems are now linked and accessible through dashboards, establishing an integrated system for planning, management and results reporting. The Entity's adoption of cloud technologies and online meeting facilities resulted in significant savings. An estimated 6,970 tons of carbon dioxide and about \$5 million were saved by using online meeting facilities instead of travel.

25. The business process re-engineering initiative significantly improved and streamlined fast-track procedures for humanitarian response, project design and donor reporting. The donor agreement management system was established as a repository of donor agreements and a central tool for donor reporting. Some 116 procurement staff were certified through a programme between UN-Women and the Chartered Institute of Procurement and Supply. UN-Women delivered anti-fraud training for managers and staff. Strategic procurement sourcing through long-term agreements led to a reduction in costs associated with solicitation by 50 per cent globally. UN-Women rolled out its cost-recovery policy through webinars, training sessions and guidance to offices.

26. The Entity's first corporate risk register was completed in 2016. The 100 per cent submission rate to the enhanced online security compliance survey resulted in an exceptional rating of 97 per cent with the country-level minimum operating security standards. UN-Women developed a global workforce database and validation system to improve audit compliance and reporting. A new performance management dashboard provides compliance statistics for all units. New programmes were introduced to support leadership development and mentoring. A values and competencies framework was launched. The first round of staff rotations was successfully completed.

27. The Entity's visibility in the media continued to increase with 18,000 media reports featuring UN-Women. Social media followers increased from 3 million to 5 million, with platforms available in 14 languages. International Women's Day and the Commission on the Status of Women generated record visibility, with coverage in 100 countries and over 5,000 media reports.

3. Transparency and accountability

28. UN-Women upgraded to the latest version of the International Aid Transparency Initiative (IATI) standard and increased the quality and depth of data released to the IATI registry.

29. In line with the corporate evaluation plan, two corporate evaluations and one meta-analysis of evaluations managed by UN-Women were completed. Thirty-six decentralized evaluations took place, with 83 per cent resulting in “good” or “very good” assessments. The submission of management responses reached 94 per cent and 94 per cent of committed actions in management responses were implemented.

30. As chair of the United Nations Evaluation Group, UN-Women led Group to include a stand-alone norm on human rights and gender equality in its updated norms and standards. UN-Women continued to be a leader in EvalPartners and co-chaired EvalGender+, a global partnership to strengthen gender-responsive evaluations.

31. The Audit Advisory Committee of UN-Women reported to the Executive Board at its annual session in 2016 and provided independent feedback to Member States. The Committee has met regularly with senior management and contributes to the promotion of a culture of governance. Its members assist the Executive Director in her oversight duties. In its 2016 report, the Committee commended UN-Women on receiving an unqualified audit opinion from the Board of Auditors for the fifth consecutive year since its inception. The financial reporting for UN-Women continues to improve, and refinements continue to be made as necessary. The Committee also commended UN-Women on the increase of its non-core resource portfolio in 2016, but noted the ongoing challenges regarding resource mobilization in 2016.

32. In 2016, UN-Women published seven internal audit reports on its public website that had been issued by the Office of Audit and Investigations. The publication of internal audit reports enhances the transparency of the Entity’s activities for donors and Member States. In its 2016 report, the Office of Audit and Investigations provided its opinion that, based on the scope of work undertaken, the adequacy and effectiveness of the governance, risk management and control in the audits issued in 2016 were in aggregate satisfactory, which meant that they were generally established and functioning well. As at 31 December 2016, the implementation rate of internal audit recommendations was 98 per cent, which exceeded the target of 90 per cent.

4. External audit recommendations

33. The management of UN-Women is committed to taking action to address the implementation of the external audit recommendations issued by the Board of Auditors. For the financial year 2015, 4 of the 17 recommendations issued by the Board were implemented and 13 are under implementation. For the financial year 2014, 4 of the 12 recommendations were implemented and 8 are under implementation.

D. Financial performance

34. As total revenue for UN-Women was \$334.6 million and total expenses were \$340.0 million, the Entity recorded a deficit of \$5.5 million for the year ended 31 December 2016, compared with a surplus of \$4 million for 2015.

Financial performance by funding source

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2016</i>	<i>2015</i>
Total revenue	146 090	193 468	7 615	(12 604)	334 569	318 988
Total expenses	142 441	201 541	8 663	(12 604)	340 041	314 974
Surplus/(deficit) for the year	3 649	(8 073)	(1 048)	–	(5 472)	4 014

35. The increase in voluntary contributions from donors in 2016 of \$12.74 million was represented by an increase in regular resources of \$5.56 million and an increase in other resources of \$7.18 million. Regular resource contributions benefited from increased contributions from 10 major donors.

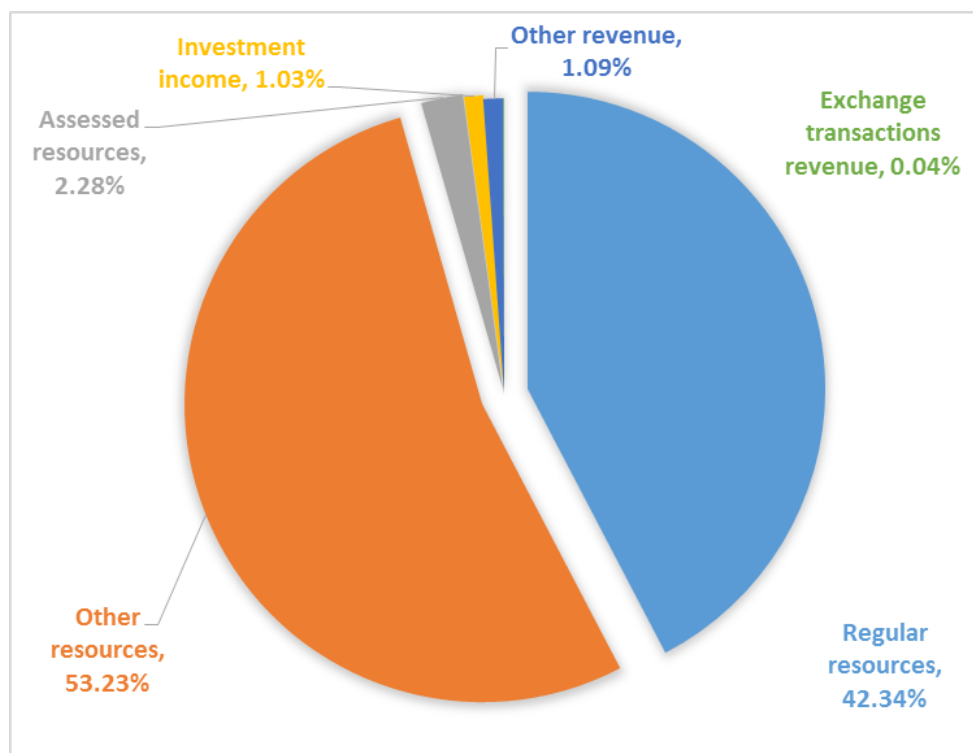
Revenue analysis

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2016</i>	<i>2015</i>
Contributions	141 660	178 078	7 615	–	327 353	314 485
Investment revenue	1 251	2 181	–	–	3 432	2 840
Other revenue	3 179	13 061	–	(12 604)	3 636	1 543
Exchange transactions revenue	–	148	–	–	148	120
Total	146 090	193 468	7 615	(12 604)	334 569	318 988

36. The total revenue for 2016 includes revenue received and receivable, in accordance with IPSAS. UN-Women recognizes regular resource revenue when funds are received from the donor. UN-Women recognizes other resource revenue from non-exchange transactions when written confirmation in the form of a signed donor agreement is received from a donor. Revenue is recognized in the financial statements in the period to which they relate. The matching principle of revenue and expense does not apply for non-exchange transactions.

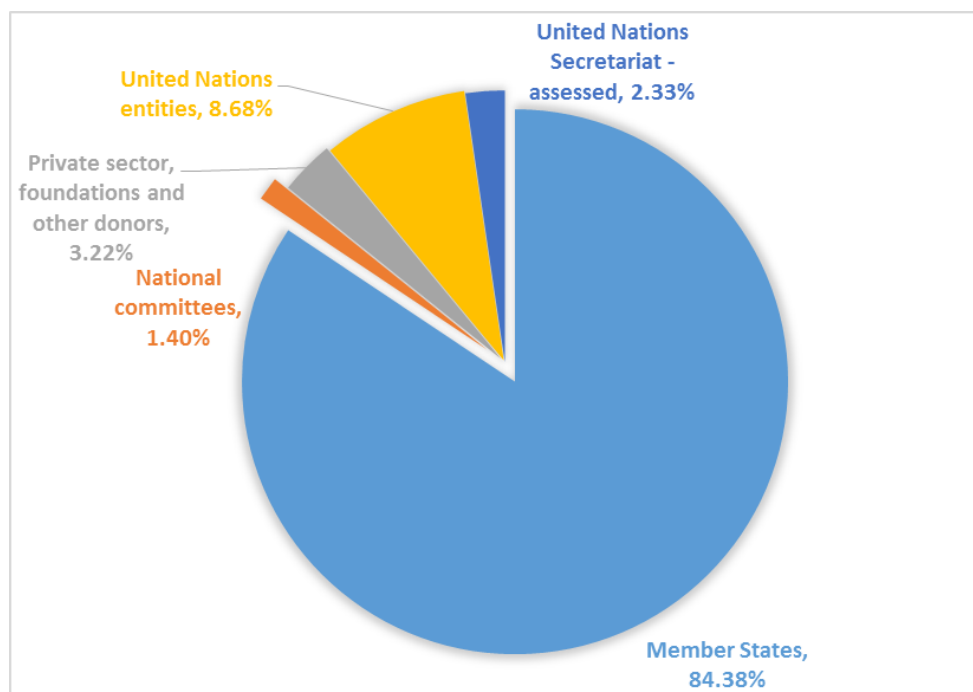
Figure IV.1
2016 revenue by nature



37. Of the total revenue of \$334.6 million (2015: \$319.9 million), contributions accounted for \$327.3 million (2015: \$314.5 million) and comprised:

- (a) Voluntary regular resources of \$141.7 million, or 42.34 per cent of all contributions (2015: \$136.1 million, or 42.3 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;
- (b) Voluntary other resources of \$178.1 million, or 53.23 per cent (2015: \$170.9 million, or 53.58 per cent), which are earmarked for specific programmes and projects;
- (c) Assessed resources from the United Nations regular budget of \$7.6 million, or 2.28 per cent (2015: \$7.6 million, or 2.35 per cent), which fund the normative and intergovernmental work of UN-Women (see figure IV.1).

Figure IV.2
2016 contributions by donor type



38. Figure IV.2 shows the breakdown of contributions revenue for 2016 by donor type, as follows:

(a) UN-Women revenue is mostly sourced from government and intergovernmental agencies, which contributed \$276.2 million, or 84.38 per cent (2015: \$253.9 million, or 80.73 per cent), of the revenue;

(b) United Nations entities contributed \$28.4 million, or 8.68 per cent (2015: \$39.4 million, or 12.3 per cent);

(c) The private sector, national committees, foundations and other donors contributed \$15.1 million, or 4.62 per cent (2015: \$13.6 million, or 4.3 per cent);

(d) Assessed revenue from the Secretariat contributed \$7.6 million, or 2.33 per cent (2015: \$7.5 million, or 2.3 per cent);

Expenditure analysis

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2016</i>	<i>2015</i>
Employee benefits	73 072	33 127	8 072	–	114 271	111 110
Contractual services	22 204	68 607	16	–	90 827	79 974
Grants and other transfers	63	9 318	–	–	9 381	11 019
Supplies and maintenance	1 327	7 525	68	–	8 920	8 126
Operating costs	30 917	58 470	286	(12 604)	77 069	71 000
Travel	11 637	19 468	197	–	31 302	27 314
Depreciation and amortization	2 146	763	3	–	2 912	2 385
Finance costs	57	128	–	–	185	110
Other expenses	1 018	4 135	21	–	5 174	3 936
Total	142 441	201 541	8 663	(12 604)	340 041	314 974

39. In accordance with IPSAS, the total expenses for 2016, \$340.0 million (2015: \$314.9 million), and represent expenses incurred, both paid and payable. Of the total expenses, regular resources represent \$142.4 million, or 41.9 per cent (2015: \$149 million, or 47.3 per cent), other resources (after reduction for elimination items) represent \$188.9 million, or 55.6 per cent (2015: \$157.3 million, or 50 per cent), and assessed expenses represent \$8.7 million, or 2.5 per cent (2015: \$8.6 million, or 2.7 per cent). The other resource expenses for the year include programme and project delivery during the year from unspent 2015 budgets, as well as current-year budgets.

Financial position by funding source

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
Total assets	167 232	286 760	3 497	457 489	449 181
Total liabilities	73 590	30 519	5 709	109 818	90 669
Total net assets/equity	93 642	256 241	(2 212)	347 671	358 512

40. Total net assets/equity by segment (see note 5 to the financial statements) comprise:

(a) Regular resources, the cash required to fund operations for the first few months of the new financial year while UN-Women awaits new voluntary contributions from donor Governments, funds for employee benefits and liabilities;

(b) Other resources, the unspent budgets for earmarked projects and programmes, which will be expensed in future periods in accordance with donor agreements;

(c) Other items in relation to the financial position by segment as at 31 December 2016, including:

(i) Current assets of \$331.2 million exceeding current liabilities of \$41.7 million by \$289.5 million, indicating that the liquidity of UN-Women is very strong (current assets ratio of 7.9:1; 2015: 8.8:1), with regular resources representing \$117.3 million and other resources \$211.4 million;

- (ii) Investments and cash and cash equivalents amounting to \$387.1 million (2015: \$381.4 million), with cash and short-term investments of \$272.6 million for less than 12 months and \$114.4 million for long-term investments;
- (iii) Accounts receivable or unpaid voluntary contributions agreements amounting to \$9.9 million (2015: \$13.1 million), of which 100 per cent are from other resources for earmarked projects and programmes. The consequence of unpaid voluntary contributions for other resources is that the implementation of projects and programmes is delayed;
- (iv) Employee benefits (contractual obligations to employees, both current and retired) in the amount of \$78.75 million (2015: \$74.5 million). The main liability relates to after-service health insurance of \$55.4 million (2015: \$46.7 million), which has been funded in the amount of \$40 million, or 72.2 per cent (2015: \$35.3 million, or 75.5 per cent). The portion of the liability for after-service health insurance for the category of active employees not yet fully eligible is \$35.6 million, or 64.2 per cent of the total accrued liability for after-service health insurance;
- (v) Reserves include operational reserves of \$24.9 million and field accommodation reserves of \$1 million, as approved by the Executive Board in its decision 2012/8.

Chapter V

Financial statements for the year ended 31 December 2016

United Nations Entity for Gender Equality and the Empowerment of Women

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Reference	31 December 2016	31 December 2015
Assets			
Current assets			
Cash and cash equivalents	Note 6	100 979	41 741
Investments	Note 7	171 792	189 067
Accounts receivable	Note 8	9 929	13 130
Advances	Note 9	38 224	39 354
Other assets	Note 10	10 226	3 715
Inventories	Note 11	76	93
Total current assets		331 226	287 100
Non-current assets			
Investments	Note 7	114 414	150 543
Property, plant and equipment	Note 12	11 547	11 299
Intangible assets	Note 13	291	237
Other assets	Note 10	11	2
Total non-current assets		126 263	162 081
Total assets		457 489	449 181
Liabilities			
Current liabilities			
Accounts payable	Note 14	9 491	10 584
Employee benefits	Note 15	10 606	16 312
Other liabilities	Note 16	21 576	5 624
Total current liabilities		41 673	32 520
Non-current liabilities			
Employee benefits	Note 15	68 145	58 149
Total non-current liabilities		68 145	58 149
Total liabilities		109 818	90 669
Net assets		347 671	358 512
Net assets/equity			
Accumulated surplus/(deficit)	Note 17	321 607	332 612
Reserves	Note 18	26 064	25 900
Total net assets/equity		347 671	358 512

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

United Nations Entity for Gender Equality and the Empowerment of Women
II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	<i>Reference</i>	<i>2016</i>	<i>2015</i>
Revenue			
Voluntary contributions	Note 19	319 738	306 980
Assessed contributions	Note 20	7 615	7 505
Investment revenue	Note 21	3 432	2 840
Other revenue	Note 22	3 636	1 543
Exchange transactions revenue	Note 23	148	120
Total revenue		334 569	318 988
Expenses			
Employee benefits	Note 24	114 271	111 110
Contractual services	Note 24	90 827	79 974
Grants and other transfers	Note 24	9 381	11 019
Supplies and maintenance	Note 24	8 920	8 126
Operating costs	Note 24	77 069	71 000
Travel costs	Note 24	31 302	27 314
Depreciation and amortization	Note 24	2 912	2 385
Finance costs	Note 24	185	110
Other expenses	Note 24	5 174	3 936
Total expenses		340 041	314 974
Surplus/(deficit) for the year		(5 472)	4 014

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

United Nations Entity for Gender Equality and the Empowerment of Women
**III. Statement of changes in net assets/equity for the year ended
31 December 2016**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2016</i>	<i>2015</i>
Net assets/equity at the beginning of the year		358 512	345 647
Movement during the year			
Current year surplus/(deficit)		(5 472)	4 014
Refunds to donors	Note 17	(2 213)	(3 303)
Transfer from accumulated surplus	Note 17	–	(1 100)
Transfer to operational reserve	Note 18	–	1 100
Changes in fair value of available-for-sale investments	Note 18	164	–
Actuarial gains/(losses)	Note 17	(3 320)	12 154
Net assets/equity at the end of the year		347 671	358 512

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

United Nations Entity for Gender Equality and the Empowerment of Women

IV. Statement of cash flow for the year ended 31 December 2016

(Thousands of United States dollars)

	<i>Reference</i>	<i>2016</i>	<i>2015</i>
Cash flows from operating activities			
Net surplus/(deficit) for the year		(5 472)	4 014
Investment revenue	Note 21	(3 432)	(2 840)
Unrealized (gain)/loss on foreign exchange		(2 492)	2 061
Depreciation and amortization expense	Note 24	2 912	2 385
(Increase)/decrease in accounts receivable		3 201	(4 817)
(Increase)/decrease in other assets		(5 224)	4 246
(Increase)/decrease in inventories		16	115
(Increase)/decrease in advances		1 130	(2 390)
Increase/(decrease) in accounts payable		(1 094)	4 754
Increase/(decrease) in employee benefits		4 290	1 300
Increase/(decrease) in other liabilities		15 951	2 920
(Gains)/losses on sale of property, plant and equipment		25	60
Refunds to donors	Note 17	(2 213)	(3 303)
Actuarial gains/(losses)	Note 17	(3 320)	12 154
Net cash generated from operating activities		4 278	20 659
Cash flows from investing activities			
Purchases of property, plant and equipment		(3 150)	(5 840)
Purchases of intangible assets		(121)	(272)
Proceeds from sales of property, plant and equipment		34	18
Purchases of investments — held to maturity	Note 7.1	(185 005)	(278 473)
Maturities of investments — held to maturity	Note 7.1	276 402	287 874
Interest received		1 944	611
Dividend received		193	—
Investments — available for sale	Note 7.2	(37 993)	—
Change in fair value of available-for-sale investments	Note 18	164	—
Net cash generated from investing activities		52 468	3 917
Net (decrease)/increase in cash and cash equivalents		56 746	24 576
Cash and cash equivalent at beginning of year		41 741	19 226
Effect of exchange rate changes on cash and cash equivalents		2 492	(2 061)
Cash and cash equivalent at end of year	Note 6	100 979	41 741

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

United Nations Entity for Gender Equality and the Empowerment of Women
V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016

(Thousands of United States dollars)

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual expenditure on comparable basis</i>	<i>Difference between final budget and actual amounts</i>
Regular budget activities	7 615	7 664	8 660	(996)
Development activities:				
Programme	336 640	290 040	265 106	24 934
Institutional budget:				
Development effectiveness	26 800	25 484	21 151	4 333
United Nations coordination	13 585	13 821	12 153	1 668
Management activities	53 100	50 511	43 071	7 440
Evaluation	3 175	3 369	2 333	1 036
Total	440 915	390 889	352 474	38 415

The accompanying notes are an integral part of these financial statements; see also note 26.

United Nations Entity for Gender Equality and the Empowerment of Women

Notes to the financial statements

Note 1

Reporting entity

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established by the General Assembly in its resolution [64/289](#) of 2 July 2010 and became operational in January 2011. Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards the elimination of discrimination against women and girls; the economic empowerment of women; the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security.

UN-Women is mandated to support intergovernmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global norms and standards. The Entity mobilizes political will and resources to help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it, and to forge successful partnerships with civil society. Furthermore, UN-Women has been assigned the mandate to hold the United Nations system accountable for its own commitment on gender equality through the system-wide action programme.

UN-Women is governed by its Executive Board, which consists of representatives of its Member States. The Executive Board guides the strategic direction and policies of the Entity to ensure that all operational aspects of the activities of UN-Women are executed effectively by the Executive Director and Under-Secretary-General.

UN-Women is headquartered in New York and is expanding its presence at the regional and country levels. The roll-out of the regional architecture, with 6 regional offices, 6 multi-country offices and 47 country offices, is designed to ensure that UN-Women has the presence and field capacity to deliver against its mandate. UN-Women also has programme presence in 30 countries to pursue its goals of achieving gender equality and the empowerment of women. UN-Women serves the donor community with liaison offices in Brussels, Copenhagen, Tokyo, Abu Dhabi and Geneva.

Note 2

Significant accounting policies

(a) Basis of preparation and authorization for issue

Authorization for issue

In accordance with financial regulation 12.1 of UN-Women, the Executive Director is responsible for the financial statements of the Entity. The Director, Division of Management and Administration, has certified that, to the best of his knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules. On 28 April 2017, the Executive Director authorized these financial statements to be submitted for audit.

Statement of compliance with the International Public Sector Accounting Standards

The financial statements of UN-Women have been prepared on an accrual and going concern basis in accordance with the International Public Sector Accounting

Standards (IPSAS). Where an IPSAS pronouncement does not address a particular issue, the appropriate International Financial Reporting Standard has been applied.

Basis of recognition of revenue and expenses

Under the accrual basis of accounting, revenue and expenses (except for non-exchange transactions) are recognized in the financial statements in the period to which they relate.

Revenue

Voluntary contributions for regular resources are recognized on a cash basis at the time that funds are received. Cash received relating to future financial years is recognized as deferred income at year-end.

Voluntary contributions for other resources are recognized as revenue when written confirmation is received from a donor during the financial year, based on the fair value of the benefit received unless any stipulation defers this recognition. Multi-year agreements are apportioned by calendar year over the period of the agreement and recognized when conditions are met.

Assessed contributions are issued as an annual allotment from the United Nations regular budget and are assessed and approved for a two-year budget period. The amount of those contributions is then apportioned between the two years and recognized on a monthly basis.

In-kind contributions, except services, that directly support approved operations and activities, which have budgetary impact and can be reliably measured, are recognized at fair value as expense and contribution. Those contributions include use of premises and utilities.

In-kind contributions of services are not recognized, but the estimated cost saving is disclosed.

Donated property, plant and equipment are valued at fair market value and recognized as fixed assets and contribution. The donated right to use an asset is valued at the fair market value of the right to use. The excess of the fair market value of the right to use over any sums actually paid is shown as contribution income together with a matching expense. When transferred assets are received as contributions in-kind and conditions requiring their return upon non-performance are disclosed in the agreements, a liability is initially recognized. When these conditions are satisfied, the revenue is recognized. When restrictions are disclosed in the agreements which do not require their return, the revenue is recognized upon confirmation of contributions.

Revenue from exchange transactions is recognized when it is probable that future economic benefits or service potential will flow to UN-Women and those benefits can be measured reliably. Revenue should be measured at the fair value of the consideration received or receivable. When the consideration is cash or in a monetary amount, measurement shall be at this amount.

Expenses

Expenses are recognized when goods are delivered and services are rendered. Project expenses are recognized once UN-Women receives a financial report from the partner in order to evidence the completion of activities.

Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position, which is evidenced by the recognition of assets when there is sufficient control and of

liabilities when the criteria to recognize liabilities exist. As a consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), which is carried forward to the accumulated surplus or deficit. Accumulated surplus represents the unexpended portion of contributions to be utilized for future operational requirements of UN-Women.

(b) Foreign currency transactions

The functional and reporting currency of UN-Women is the United States dollar. Where transactions have been made in currencies other than the United States dollar, the amounts are translated into United States dollars at the prevailing United Nations operational rates of exchange at the date of the transaction. Monetary assets and liabilities in currencies other than the United States dollar are translated into the United States dollar at the prevailing United Nations operational rate of exchange in effect at the reporting date. Non-monetary assets and liabilities denominated in a currency other than the United States dollar that are measured at historical cost are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses, both realized and unrealized, resulting from such transactions are accounted for in the statement of financial performance.

(c) Financial instruments

Financial instruments are recognized when UN-Women becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and UN-Women has transferred substantially all the risks and rewards of ownership.

Financial assets classification

UN-Women 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. UN-Women 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 UN-Women becomes party to the contractual provisions of the instrument.

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

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 in which they arise.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UN-Women 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 method. UN-Women classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors.

Loans and receivables

Cash and cash equivalents include cash, short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change 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.

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.

Accounts receivable are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UN-Women will not be able to collect all amounts due according to the original terms of the receivable.

Advances and other receivables are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. Advances represent cash advance payments to partners contracted in the context of programme execution. These advances are recognized at fair value as a receivable. The expense is recognized in the statement of financial performance once UN-Women receives a financial report from the partner to evidence completion of activities. Advances also include payments on behalf of United Nations agencies and staff members are also issued cash advance payments which are recognized at fair value as receivables. The expense is recognized when the advance is liquidated through a claim or repayment of the advance. Other receivables represent prepayments on contracts where goods or services are yet to be delivered or rendered.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit 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 United Nations Development Programme (UNDP) investment guidelines. UN-Women 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. UN-Women does not apply hedge accounting treatment for derivatives.

(d) Inventories

Inventories held for distribution at no charge are stated at the lower of cost and current replacement cost. As there is no related revenue for inventory distributed, the expense is recognized when the goods are distributed. No-charge publication materials that would be defined as inventory are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications must also have longevity where their content remains relevant and valid for more than a 12-month period to be defined as inventory. Publications produced by partners and held for distribution or used by them are not considered to be under the control of UN-Women and therefore are not inventory. No-charge publication materials and campaign brochures prepared by UN-Women for only advertising and promotional information purposes are not inventory. These items normally do not have longevity and are generally used within a 12-month period, as they are produced for a one-off event or purpose, and therefore the value of any remaining materials on hand at year-end would be significantly depreciated. Accordingly, the cost of publication material and campaign brochures used for advertising and promotional information is recognized as an expense when incurred.

Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories acquired through a non-exchange transaction (e.g., donated goods) is measured as their fair value at the date of acquisition. As at 31 December 2016, UN-Women did not have any inventories held for sale and had not acquired any inventory through a non-exchange transaction.

(e) Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment losses. The capitalization threshold for property, plant and equipment for which UN-Women has control is a total cost of at least \$1,000 per unit. Depreciation is provided for property, plant and equipment over the estimated useful life of each asset using the straight-line method, except for land, which is not subject to depreciation. Historic cost includes expenditure directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to UN-Women and the cost can be measured reliably. The estimation of the useful life of the asset is a matter of judgment based on the experience of UN-Women with similar assets. Therefore, the useful life of an asset may be shorter than its economic life. Repair and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

UN-Women is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if the Entity can exclude or regulate the access of third parties to the asset. This can be the case when UN-Women is

implementing a project directly. Project assets that are not controlled by UN-Women are expensed as incurred. Leasehold improvements are recognized as assets, valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term. Impairment reviews are undertaken for all assets at least annually.

The estimated useful life ranges in years for property, plant and equipment classes are set out in the table below.

<i>Class</i>	<i>Estimated useful life</i>
Land	Not applicable
Buildings	
Permanent	50
Temporary	10
Furniture and fixtures	8
Communications and information technology equipment	5-6
Vehicles	7
Machinery and equipment	5
Security equipment	5

(f) Intangible assets

Under IPSAS, intangible assets with a finite life are carried at cost less accumulated amortization and any impairment loss. Intangible assets are capitalized provided they have a useful life of more than one year and a cost exceeding \$5,000 for externally acquired and a cost exceeding \$100,000 for internally generated. Amortization is provided on a straight-line basis on all intangible assets of finite life in accordance with its useful life. Where the intangible asset has an indefinite useful life, it will not be amortized but will be reviewed for impairment by comparing its recoverable service amount with its carrying amount.

The estimated useful life ranges in years for intangible asset classes are set out in the table below.

<i>Class</i>	<i>Estimated useful life</i>
Externally acquired	5
Internally developed	5
Copyrights and patents	3

(g) Leases

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The value of the future lease payments within the current lease term is disclosed in note 28.

Leases where the lessee retains a significant portion of the risks and rewards inherent to ownership are classified as finance leases. UN-Women has not entered into any finance leases.

(h) Employee benefits

UN-Women recognizes the following employee benefits:

- (a) Short-term employee benefits, which fall due wholly within 12 months after the end of the accounting period in which employees render the related service;
- (b) Long-term employee benefits, which are due to be settled beyond 12 months after the employees render the related service and include:
 - (i) Post-employment benefits (see Pension and After-Service Health Insurance below);
 - (ii) Other long-term employee benefits;
 - (c) Termination benefits.

Short-term employee benefits are measured at their nominal value based on accrued entitlements at current rates of pay. These benefits may include, at year-end, remuneration, accrued annual leave, home leave liability and other short-term benefits.

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

UN-Women 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 shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UN-Women and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Entity'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, UN-Women has treated this plan as if it were a defined contribution plan in line with the requirements of International Public Sector Accounting Standard 25. The contributions of UN-Women to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

The after-service health insurance plan extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff based on certain eligibility requirements. The after-service health insurance plan is a defined benefit plan.

Other long-term employee benefits are employee benefits that do not fall due wholly within 12 months after the end of the financial period and include long-term compensation in the event of death, injury or illness.

Termination benefits generally include indemnities for voluntary redundancy and are expected to be settled within 12 months of the reporting period.

(i) Financial liabilities

Other financial liabilities

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

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 are delivered or services are rendered and accepted by UN-Women. Liabilities are stated at invoice amounts less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred income, representing funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are liabilities that are 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 again at each reporting date, and any resultant fair value gains or losses are recognized through surplus and deficit.

UN-Women 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. 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 2016, UN-Women 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. UN-Women does not apply hedge accounting for derivatives.

(j) Provisions and contingent liabilities

Provisions are made for future liabilities and charges where UN-Women has a present legal or constructive obligation as a result of past events, it is probable that UN-Women shall be required to settle the obligation and a reliable estimate can be made of the obligation.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UN-Women and the liability can be reliably estimated.

(k) Commitments

Commitments are future expenses to be incurred by UN-Women on contracts entered into by the reporting date and that the Entity has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UN-Women in a future period, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position but is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

Note 3**Change in accounting policy**

UN-Women amended its revenue recognition policy for non-exchange transactions for regular resources so that revenue will be recognized on a cash basis at the time that funds are received. For multi-year regular resources contributions, revenue is recognized in the financial statements for the period to which the funds relate in accordance with the payment schedule in the agreement. In the absence of a payment schedule, revenue will be recognized equally over the period of the agreement. Letters of exchange/pledges are not legally enforceable documents and as such the probability of inflow is not certain. UN-Women no longer recognizes pledges as regular resources revenue. This policy was applied prospectively from 1 January 2016.

Note 4**Critical accounting estimates and judgments**

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgment. The areas where estimates, assumptions or judgment are significant to the financial statements of UN-Women include, but are not limited to, post-employment benefits obligations, provisions, financial risk on accounts receivable and advances, accrued charges, contingent assets and liabilities, and degree of impairment of accounts receivable, advances, investments and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are recognized in the period in which they became known.

Note 5**Segment reporting**

Segment reporting is required to evaluate an entity's past performance and to make decisions about an entity's future allocation of resources. UN-Women reports the following segments:

- (a) The regular resources segment reflects the operations of voluntarily donated funds to UN-Women to be used to achieve the mandate of UN-Women at the discretion of the Executive Director of UN-Women;
- (b) The other resources segment represents earmarked voluntarily donated funds to UN-Women for specific projects;
- (c) The assessed resources segment represents sums assessed on Member States and transferred to UN-Women by the General Assembly.

Inter-segment transactions are disclosed in the segment reporting but eliminated in the statement of financial position and statement of financial performance.

Statement of financial position by segment as at 31 December 2016

(Thousands of United States dollars)

	2016			Total	31 December 2015
	Regular resources	Other resources	Assessed resources		
Assets					
Current assets					
Cash and cash equivalents	36 891	63 242	846	100 979	41 741
Investments	66 502	103 636	1 654	171 792	189 067
Accounts receivable	10	9 919	–	9 929	13 130
Advances	4 233	33 969	22	38 224	39 354
Other assets	9 596	630	–	10 226	3 715
Inventories	76	–	–	76	93
Current assets	117 308	211 396	2 522	331 226	287 100
Non-current assets					
Investments	41 800	71 655	959	114 414	150 543
Property, plant and equipment	7 824	3 707	16	11 547	11 299
Other assets	9	2	–	11	2
Intangible assets	291	–	–	291	237
Non-current assets	49 924	75 364	975	126 263	162 081
Total assets	167 232	286 760	3 497	457 489	449 181
Liabilities					
Current liabilities					
Accounts payable	3 889	5 456	146	9 491	10 584
Employee benefits	6 782	3 075	749	10 606	16 312
Other liabilities	19 343	2 233	–	21 576	5 624
Current liabilities	30 014	10 764	895	41 673	32 520
Non-current liabilities					
Employee benefits	43 576	19 755	4 814	68 145	58 149
Total liabilities	73 590	30 519	5 709	109 818	90 669
Net assets	93 642	256 241	(2 212)	347 671	358 512
Net assets/equity					
Accumulated surplus/(deficit)	69 769	254 047	(305)	323 511	322 800
Current year surplus/(deficit)	3 649	(8 073)	(1 048)	(5 472)	4 014
Operational reserves	25 064	–	–	25 064	24 900
Field accommodation reserve	1 000	–	–	1 000	1 000
Actuarial gains/(losses)	(7 033)	–	–	(7 033)	(3 713)
IPSAS reserve	1 193	12 480	(859)	12 814	12 814
Refunds to donors	–	(2 213)	–	(2 213)	(3 303)
Total net assets/equity	93 642	256 241	(2 212)	347 671	358 512

Total net assets/equity in accordance with the statement of financial position by segment includes:

(a) Regular resources: the cash required to fund operations for the first few months of the new financial year while UN-Women waits for new voluntary contributions from donor Governments;

(b) Other resources: the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements.

UN-Women costs for acquisitions of property, plant and equipment and intangible assets from both regular and other resources are summarized in the table below.

(Thousands of United States dollars)

	2016			2015
	Regular resources	Other resources	Total	
Property, plant and equipment	1 928	1 342	3 270	5 654
Intangible assets	121	–	121	272
Total	2 049	1 342	3 391	5 926

Statement of financial performance by segment for the year ended 31 December 2016

(Thousands of United States dollars)

	2016					2015
	Regular resources	Other resources	Assessed resources	Elimination	Total	
Revenue						
Contributions	141 660	178 078	7 615	–	327 353	314 485
Investment revenue	1 251	2 181	–	–	3 432	2 840
Other revenue	3 179	13 061	–	(12 604)	3 636	1 543
Exchange transactions revenue	–	148	–	–	148	120
Total revenue	146 090	193 468	7 615	(12 604)	334 569	318 988
Expenses						
Employee benefits	73 072	33 127	8 072	–	114 271	111 110
Contractual services	22 204	68 607	16	–	90 827	79 974
Grants and other transfers	63	9 318	–	–	9 381	11 019
Supplies and maintenance	1 327	7 525	68	–	8 920	8 126
Operating costs	30 917	58 470	286	(12 604)	77 069	71 000
Travel costs	11 637	19 468	197	–	31 302	27 314
Depreciation and amortization	2 146	763	3	–	2 912	2 385
Finance costs	57	128	–	–	185	110
Other expenses	1 018	4 135	21	–	5 174	3 936
Total expenses	142 441	201 541	8 663	(12 604)	340 041	314 974
Surplus/(deficit) for the period	3 649	(8 073)	(1 048)	–	(5 472)	4 014

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the Executive Board of UN-Women in its decision 2013/2 of 8 February 2013, with effect from 1 January 2014 (7 per cent in prior years). These indirect costs charged have been recognized during the year as an increase in support cost income, and at year-end those amounts comprised the elimination items.

Note 6

Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Cash in bank accounts	7 503	1 439
Petty cash	31	31
Money market, term deposits and commercial paper	93 445	40 271
Total	100 979	41 741

Cash and cash equivalents comprise balances held by field offices, money market account balances, term deposits and commercial paper with terms of less than three months. Cash required for immediate disbursement is maintained in cash and bank accounts. Money market and deposit accounts are available at short notice. Cash and cash equivalents relates to both regular resources and other resources.

Note 7

Investments

(Thousands of United States dollars)

	Closing balance 31 December 2016	Closing balance 31 December 2015
Current investments		
Investments — held to maturity	171 792	189 067
Investments — available for sale	—	—
Total current investments	171 792	189 067
Non-current investments		
Investments — held to maturity	76 421	150 543
Investments — available for sale	37 993	—
Total non-current investments	114 414	150 543
Total investments	286 206	339 610

Investments include held-to-maturity and available-for-sale financial assets that are managed by UNDP and available-for-sale assets that are held and managed by external investment managers.

UN-Women had no impaired investments during the year. The exposure of UN-Women to credit risk, market risk and currency risks, and its risk management activities related to financial assets, including investments, are discussed in note 25.

The Entity's cash and cash equivalents and investments include funding for after-service health insurance, repatriation and death benefits in the amount of

\$44.7 million, in accordance with note 14, operational reserve, in the amount of \$24.9 million, and field accommodation reserve, in the amount of \$1 million, in accordance with note 18. Investments relate to both regular resources and other resources.

7.1

Investments — held-to-maturity financial assets

(Thousands of United States dollars)

	<i>Closing balance 31 December 2015</i>	<i>Purchases</i>	<i>Maturities</i>	<i>Amortization</i>	<i>Unrealized gains/ losses</i>	<i>Reclassification non-current to current</i>	<i>Closing balance 31 December 2016</i>	<i>Fair value</i>
Current investments								
Money-market instruments	—	90 004	(60 000)	(2)	—	—	30 002	30 002
Bonds and notes	189 067	39 047	(214 102)	(1 451)	—	129 229	141 790	141 714
Subtotal	189 067	129 051	(274 102)	(1 453)	—	129 229	171 792	171 716
Non-current investments								
Bonds and notes	150 543	55 954	—	(847)	—	(129 229)	76 421	76 357
Subtotal	150 543	55 954	—	(847)	—	(129 229)	76 421	76 357
Total investments held to maturity	339 610	185 005	(274 102)	(2 300)	—	—	248 213	248 073

Held-to-maturity financial assets are carried at amortized cost calculated by using the effective interest method. As at 31 December 2016, the fair value of those assets was higher than the book value by \$0.1 million. Fair values are based on quoted market prices from reputable vendors. The average yield on investments for 2016 was 0.88 per cent (2015: 0.67 per cent).

7.2

Investments — available-for-sale financial assets

(Thousands of United States dollars)

	<i>Closing balance 31 December 2016</i>	<i>Closing balance 31 December 2015</i>
Non-current investments		
Equities	22 912	—
Equities — fair value adjustments	423	—
Bonds	15 128	—
Bonds — fair value adjustments	(470)	—
Total non-current investments	37 993	—
Total available-for-sale investments	37 993	—

Available-for-sale financial assets represent investments managed by external investment managers for after-service health insurance (see notes 7 and 25).

Note 8
Accounts receivable

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Contributions receivable	9 929	13 216
Less: allowance for impairment of receivables	—	(86)
Total accounts receivable	9 929	13 130

Contributions receivable represents uncollected revenue committed to UN-Women by donors. The allowance for impairment on receivables is calculated based on an aged analysis of the outstanding balance.

Note 9
Advances

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Advances provided to United Nations agencies	6 841	4 757
Advances provided to other partners	30 343	33 693
<i>Shown by fund type:</i>		
Regular resources (unearmarked)	2 353	3 791
Other resources (earmarked)		
Cost-sharing	17 249	15 969
Trust Fund to End Violence against Women	7 630	10 065
Fund for Gender Equality	3 111	3 868
Less: Allowance for impairment of advances to partners	(666)	(833)
Subtotal	36 518	37 617
Advances to staff	1 706	1 737
Total advances	38 224	39 354

Advances from non-exchange transactions relates to transfers made to partners in connection with programme execution, and to staff. Such advances are recognized as an asset and are stated at historical cost less an allowance for impairment.

Advances to partners are reduced and expenses are recognized when certified expense reports are received from partners. As at 31 December 2016, approximately 95.1 per cent of the total outstanding advances provided to partners are aged less than 12 months and relate to implementation of programmatic activities.

Advances to staff include salary and rental advances and prepaid education grants, which are generally settled within a 12-month period.

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Current assets		
Interest receivable and accrued interest	1 295	2 229
Derivative assets	60	–
Receivable from United Nations agencies		
United Nations Development Programme	6 973	–
United Nations Population Fund	25	–
Miscellaneous accounts receivable	1 873	1 486
Subtotal	10 226	3 715
Non-current assets		
Security deposit	11	2
Subtotal	11	2
Total other assets	10 237	3 717

Miscellaneous accounts receivable includes value added tax/sales tax, rental reimbursement due from the United Nations, security deposit on rental premises, miscellaneous receivables due and expenditure paid in advance.

Note 11
Inventories

(Thousands of United States dollars)

	31 December 2016	31 December 2015
No-charge technical publications	76	93
Total inventories	76	93

Note 12
Property, plant and equipment

(Thousands of United States dollars)

	Building	Communication and information technology equipment	Furniture and fixtures	Vehicles	Heavy machinery/ equipment	Security equipment	Leasehold improvements	Total
At 31 December 2015								
Cost	1 632	7 423	948	6 971	1 087	511	1 995	20 567
Accumulated depreciation	(178)	(3 945)	(392)	(3 592)	(510)	(249)	(402)	(9 268)
Net book value	1 454	3 478	556	3 379	577	262	1 593	11 299
Movements year to 31 December 2016								
Additions	15	1 222	108	1 296	85	187	356	3 269
Receipt accrual	–	(8)	17	(53)	–	23	–	(21)

	Building	Communication and information technology equipment	Furniture and fixtures	Vehicles	Heavy machinery/ equipment	Security equipment	Leasehold improvements	Total
Cost adjustments	—	(42)	(3)	23	(10)	1	(68)	(99)
Transfers	—	(24)	—	—	(3)	27	—	—
Transfers — accumulated depreciation	—	8	—	—	—	(8)	—	—
Retirements	—	(460)	(23)	(194)	(26)	(7)	(14)	(724)
Retirements — accumulated depreciation	—	423	10	194	24	6	10	667
Depreciation	(114)	(1 090)	(123)	(857)	(185)	(102)	(373)	(2 844)
Closing net book value as at 31 December 2016	1 355	3 507	542	3 788	462	389	1 504	11 547
At 31 December 2016								
Cost	1 647	8 111	1 047	8 044	1 133	742	2 270	22 994
Accumulated depreciation	(292)	(4 604)	(505)	(4 256)	(671)	(353)	(766)	(11 447)
Net book value	1 355	3 507	542	3 788	462	389	1 504	11 547

Assets are reviewed annually to determine if there is any impairment in their value, and as at 31 December 2016, UN-Women did not have any impairment on property, plant and equipment. UN-Women holds fully depreciated property, plant and equipment which is still in use, with a cost of \$2.4 million as at 31 December 2016.

Note 13 Intangible assets

(Thousands of United States dollars)

	Externally acquired software	Total
At 31 December 2015		
Cost	269	269
Accumulated amortization	(32)	(32)
Closing net book value as at 31 December 2015	237	237
Movements year to 31 December 2016		
Additions	121	121
Amortization	(67)	(67)
Closing net book value as at 31 December 2016	54	54
At 31 December 2016		
Cost	390	390
Accumulated amortization	(99)	(99)
Net book value	291	291

Note 14**Accounts payable**

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Payables to third parties	6 865	4 817
Payables to United Nations agencies		
United Nations Development Programme	–	3 184
United Nations Office for Project Services	–	172
United Nations Capital Development Fund	–	4
United Nations Population Fund	115	71
Accruals	2 511	2 336
Total accounts payable	9 491	10 584

Payables to third parties are related to amounts due for goods and services for which invoices have been received. Payables to United Nations agencies represent expenditure incurred on behalf of UN-Women which are settled in the following year.

Accruals represents estimates for the value of goods or services received, for which invoices have not yet been received and for which the liability has occurred and can be reasonably estimated.

Note 15**Employee benefits**

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Current employee benefits		
Accrued annual leave	7 981	7 480
Accrued home leave	1 413	1 363
After-service health insurance	399	315
Repatriation benefits	792	1 164
Death benefit	21	20
Other employee benefits	–	5 970
Subtotal	10 606	16 312
Non-current employee benefits		
After-service health insurance	55 353	46 376
Repatriation benefits	12 577	11 564
Death benefit	215	209
Subtotal	68 145	58 149
Total employee benefits	78 751	74 461

(a) Current employee benefits

The current portion of employee benefits includes annual leave and home leave calculated in accordance with the United Nations Staff Rules and Regulations. Also included are the current portions of accrued after-service health insurance,

repatriation benefits and death benefits, as determined by actuarial valuation. Other employee benefits in 2015 represented accruals for learning and security costs and are disclosed in 2016 under note 16 as other accruals.

(b) Non-current employee benefits

The non-current portion of employee benefits includes the non-current portions of after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

Actuarial valuations

The actuarial valuation for after-service health insurance, repatriation benefits and death benefits was prepared for the purpose of providing results for financial disclosure and reporting as at 31 December 2016 in accordance with IPSAS 25: Employee benefits.

After-service health insurance

UN-Women provides end-of-service medical benefits for its eligible former staff members and their dependants in the form of insurance premiums for the medical and accident insurance plan. Eligible former staff members are 55 years of age and older and have 5 or more years of service for staff hired before 1 July 2007, or 10 or more years of service for staff hired on or after 1 July 2007 of contributory health insurance coverage prior to retirement.

The non-current portion of after-service health insurance of \$55.4 million includes an obligation for active staff — not yet fully eligible amounts to \$35.6 million, which represents active employees who are not yet eligible as of the valuation date and are determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of \$40 million as at 31 December 2016, and a funding plan for providing 8 per cent commenced from 1 January 2014. The majority of the assets held to support the plan are separately invested in an after-service health insurance investment account by external fund managers (see notes 7 and 25).

The present value of the defined benefit obligations for post-employment medical insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows.

Repatriation benefits

UN-Women provides end-of-service repatriation benefits (grant and travel and shipment of personal effects) for its eligible staff members and their dependants upon separation. Eligible staff are international appointments who have been separated from active service after qualifying service of one year or longer, who resided at the last duty station outside their country of nationality and have not been summarily dismissed or separated from service on grounds of abandonment of post.

The non-current portion of repatriation benefits of \$12.6 million includes an obligation for active staff — not yet fully eligible amounts to \$11.2 million, which represents active employees who are not yet eligible as of the valuation date and which is determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of \$4.4 million as at 31 December 2016, and a funding plan for providing 3.75 per cent commenced from 1 January 2014. The

assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

Death benefits

Death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child. Staff members on full-time continuous service, on fixed-term, or continuing or permanent appointment are eligible to receive death benefits provided that the staff members are married or have dependent children at their death. No benefit is payable in the case of staff members who are unmarried and/or without recognized dependent children. The plan is fully funded to the amount of \$0.2 million as at 31 December 2016 and the assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

The movement in the present value of the defined benefit in accordance with the actuarial valuation was as follows:

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Death benefit</i>
Restated net defined benefit obligation at the beginning of the year	46 691	12 727	229
Increase of the obligation			
Service cost	4 201	1 157	17
Interest on obligation	2 097	468	8
Actuarial loss/(gain)	3 092	225	3
Decrease of the obligation			
Benefit payments	(329)	(1 208)	(21)
Net recognized liability at the end of the year	55 752	13 369	236

The annual expense amounts recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>
Service cost	4 201	1 157
Interest on obligation	2 097	468
Total expenses recognized	6 298	1 625

Actuarial assumptions

The end-of-service liabilities were valued with the Citigroup Pension Discount Curve. Actuarial valuations were performed using the full discount curves, and once the results were obtained, single equivalent discount rates per scheme were determined for disclosure purposes. The single equivalent discount rates determined for each scheme are: after-service health insurance 4.28 per cent; repatriation grant 3.71 per cent; and death benefits 3.47 per cent. A review was conducted by the

actuary of a number of sources and the long-term rate of inflation assumption was based on 2.22 per cent. Other actuarial assumptions were:

Health-care cost trend rates (varies by medical plan)	4-6%
Salary increase rate (varies by age and staff category)	4-9.8%
Per capita claim cost (varies by age)	\$1 052-\$15 419

Benefits under the after-service health insurance plans are attributed in proportion to the years of service from date of hire until full eligibility date, in accordance with the straight-line basis method. Repatriation benefits are attributed based on the benefit formula. Benefits under the death benefit plan are attributed in proportion to the years of service from the date of hire until full eligibility date, in accordance with the straight-line basis method.

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:

<i>Rates of death — Pre-retirement</i>	<i>At age 20</i>	<i>At age 69</i>
Male	0.00065	0.00906
Female	0.00034	0.00645
<i>Rates of death — Post-retirement</i>	<i>At age 20</i>	<i>At age 70</i>
Male	0.00072	0.01176
Female	0.00037	0.00860
<i>Rate of retirement — Professionals with 30 or more years of experience</i>	<i>At age 55</i>	<i>At age 70</i>
Male	0.16	1.00
Female	0.20	1.00

If the assumptions described above were to change, in accordance with the actuarial report, this would have an impact on the measurement of defined benefit obligations and current service and interest costs as shown in the table below.

(Thousands of United States dollars)

	<i>Change</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Death benefits</i>
Impact of change in assumptions		55 752	13 369	236
Discount rate sensitivity to end-of-year liability				
Increase of discount rate by	1%	(11 924)	(1 395)	(19)
As a percentage of end-of-year liability		-21%	-10%	-8%
Decrease of discount rate by	(1%)	15 657	1 605	21
As a percentage of end-of-year liability		28%	12%	9%
Effect of change in assumed health-care cost trend rates				
Effect on year-end accumulated post-employment benefit obligation				
Increase of health-care cost trend rate by	1%	16 166	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(11 954)	Not applicable	Not applicable

	<i>Change</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Death benefits</i>
Effect on combined service and interest cost components on net				
Increase of health-care cost trend rate by	1%	2 530	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(1 819)	Not applicable	Not applicable

The best estimate of contributions expected by UN-Women to be paid for the next 12 months for after-service health insurance is \$0.3 million, and for repatriation benefits, \$1.2 million.

United Nations Joint Staff Pension Fund

The Regulations of the Pension Fund 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.

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

The actuarial valuation performed 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 next actuarial valuation will be conducted as at 31 December 2017.

At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 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.

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 Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.

During 2016, the Entity's contributions paid to the Pension Fund amounted to \$14.1 million (in 2015, \$13.1 million).

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed by visiting the UNJSPF at www.unjspf.org.

(c) Future changes to employee benefits

The General Assembly adopted resolution 70/244 on 23 December 2015, deciding on a series of changes to the conditions of service and future entitlements for all staff serving in the United Nations common system, including UN-Women. The significant changes include: (a) raising the mandatory age of separation for staff recruited before 1 January 2014 to 65 years, to be implemented 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 2017; and (c) proposals on the United Nations common system compensation package with effect from 1 July 2016. While these decisions do not have an impact on the 2016 financial statements, the implementation of those decisions will be reflected in the 2017 actuarial valuation of employee benefit liabilities.

Note 16

Other liabilities

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Deferred income	1 340	2 781
Funds received in advance	930	1 740
Investment settlement payable	10 229	–
Other accruals	6 558	121
Other payables	2 519	982
Other current liabilities	21 576	5 624

Deferred income represents funds received in advance for future years from multi-year donor agreements, which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Funds received in advance represents funds held on behalf of donors pending conditions of allocation or payment.

Investment settlement payable represents a trade that was completed in January 2017. Other accruals represents funds accrued for payments relating to security, learning, information and communications technology, audit and reimbursements due to United Nations jointly funded activities. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies and other liabilities.

Note 17

Accumulated surplus or deficit

The movement in the accumulated surplus or deficit during the year is shown below.

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Accumulated surplus/(deficit) at the beginning of the year	332 612	320 847
Current-year surplus/(deficit)	(5 472)	4 014
Transfer to operational reserve	–	(1 100)

	31 December 2016	31 December 2015
Refunds to donors	(2 213)	(3 303)
Actuarial gain/(loss)	(3 320)	12 154
Accumulated surplus/(deficit) at the end of the year	321 607	332 612

(a) IPSAS reserve

The accumulated surplus includes a balance of \$12.8 million relating to IPSAS reserves. There were no adjustments to the IPSAS reserves during the year.

(b) Refunds to donors

Refunds to donors represents funds returned to donors in accordance with agreements after the completion of activities for projects and programmes. In 2016, refunds to donors included: (a) \$0.8 million to the Government of Spain relating to other resources which were converted into a regular resources contribution in the same year; and (b) \$0.5 million to UNDP and \$0.3 million to the United Nations Multi-Partner Trust Fund (administered by UNDP) relating to other resources.

(c) Actuarial gains or losses

Actuarial losses relating to after-service health insurance and repatriation benefit obligations in the amount of \$3.3 million are accounted for using the “reserve recognition” approach and are recognized through net assets in the statement of financial position and in the statement of changes in net assets in the year in which they occur (see note 15).

**Note 18
Reserves**

The movement in the reserves during the year is shown below.

(Thousands of United States dollars)

	31 December 2016	Movements	31 December 2015
Operational reserve	24 900	–	24 900
Field accommodation reserve	1 000	–	1 000
Changes in fair value of available-for-sale investments	164	164	–
Total reserves	26 064	164	25 900

(a) Operational reserve

UN-Women maintains an operational reserve of \$24.9 million, the purpose of which is to guarantee the financial viability and integrity of the agency. The reserve is fully funded and held in irrevocable and promptly available liquid assets which are included in the pool of investments of UN-Women. The elements to be compensated for and covered by it shall be limited to downward fluctuations or shortfalls in resources: uneven cash flows; increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UN-Women has made commitments for programming. No increase was made to the operational reserve in 2016.

(b) Field accommodation reserve

A reserve for field office accommodation, of \$1 million, was established in accordance with Executive Board decision 2012/8. With the establishment of regional offices and the ongoing potential for increased participation in United Nations common premises, UN-Women may incur additional costs to finance its share. UN-Women can make drawdowns from the reserve, which will be replenished from the accumulated surplus on an annual basis.

Note 19

Voluntary contributions

(Thousands of United States dollars)

	2016	2015
Contributions	318 254	305 895
Contributions in-kind	1 484	1 085
Total voluntary contributions	319 738	306 980

In-kind contributions representing rent provided by Governments and United Nations agencies amounted to \$1.5 million. In-kind services provided to UN-Women during the year amounted to \$8.6 million (2015 \$1.7 million) and are not recorded as income in these financial statements, in accordance with the accounting policies of UN-Women.

Note 20

Assessed contributions

(Thousands of United States dollars)

	2016	2015
Assessed contributions	7 615	7 505
Total assessed contributions	7 615	7 505

Assessed contributions are issued as an annual allotment from the United Nations regular budget.

Note 21

Investment revenue

(Thousands of United States dollars)

	2016	2015
Interest revenue	5 797	6 533
Amortization on investments	(2 365)	(3 693)
Total investment income	3 432	2 840

Amortization on investments relates to the net bond income balance from amortizing of premiums (debit) and discounts (credit). These premiums and discounts are part of the initial purchase price of bonds and, in observance of accrual accounting principle, are amortized to maturity or call. A debit has resulted because the average bond portfolio during 2016 was overwhelmingly composed of premium bonds.

Note 22**Other revenue**

(Thousands of United States dollars)

	2016	2015
Currency exchange gains	3 601	1 365
Miscellaneous revenue	35	178
Fees and support services	12 604	11 529
Less elimination	(12 604)	(11 529)
Total other revenue	3 636	1 543

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the UN-Women Executive Board in its decision 2013/2, with effect from 1 January 2014 (see note 5).

Note 23**Exchange transactions revenue**

(Thousands of United States dollars)

	2016	2015
Exchange transactions revenue	148	120
Total exchange transactions revenue	148	120

Revenue from exchange transactions represents the delivery of products and training for gender equality courses, to other United Nations entities, Governments, civil society organizations and the general public.

Note 24**Expenses**

(Thousands of United States dollars)

	2016	2015
Employee benefits		
Salary and wages	79 207	74 697
Pension benefits	14 177	13 170
Post-employment and termination benefits	8 729	10 193
Leave benefits	2 024	2 789
Other employee benefits	10 132	10 255
Related agency costs	2	6
Subtotal	114 271	111 110
Contractual services		
Contract services with individuals	62 346	52 816
Contract services with companies	26 757	25 879
United Nations Volunteers costs	1 724	1 279
Subtotal	90 827	79 974

	2016	2015
Grants and other transfers		
Grants	9 381	11 019
Subtotal	9 381	11 019
Supplies and maintenance		
Maintenance and non-capitalized property	6 219	5 131
Maintenance and non-capitalized information technology and communications equipment	107	137
Maintenance and non-capitalized software and licences	900	1 163
Consumables	1 694	1 695
Subtotal	8 920	8 126
Operating costs		
Communication costs	16 715	15 015
Learning and recruitment costs	26 562	23 863
Support services paid to United Nations agencies	7 273	8 570
Insurance/warranties	147	140
Rent, leases, utilities	16 485	15 587
Professional services	2 276	1 652
Freight costs	96	115
Other operating costs	4 977	4 655
General management costs	2 538	1 403
Subtotal	77 069	71 000
Travel costs		
Tickets	13 692	11 984
Daily subsistence allowance	14 828	12 452
Other	2 782	2 878
Subtotal	31 302	27 314
Depreciation and amortization	2 912	2 385
Finance costs		
Bank charges	185	110
Subtotal	185	110
Other expenses		
Stationery and other project expenses	4 068	5 376
Currency exchange losses	1 109	3 426
Losses on property, plant and equipment	25	60
Impairment and prior and current period write-offs	(28)	(4 926)
Subtotal	5 174	3 936
Total expenses	340 041	314 974

Allowance for impairment of advances to partners under “other expenses” is a negative balance in 2016 owing to the reduction in the allowance for 2015.

Note 25
Financial risks

The investment activities of UN-Women are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UN-Women. Investments are registered in the name of UN-Women with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

- (a) Safety — preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers;
- (b) Liquidity — flexibility to meet cash requirements through investments in highly marketable fixed-income securities and through structuring maturities to align with liquidity requirements;
- (c) Income — maximization of investment revenue within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UN-Women receives a detailed monthly and quarterly investment performance report from UNDP which shows the composition and performance of the investment portfolio. The Director of Management and Administration and Chiefs of Accounts and Budget meet with the UNDP Treasury each quarter to review the investment portfolio performance of UN-Women and provide updated cash flow projections.

In 2016, UN-Women outsourced a portion of the investment management of its after-service health insurance funds. This was done to ensure an adequate level of investment return given the longer-term nature of the liabilities. As at 31 December 2016, this portfolio was mainly classified as available for sale. Holdings include cash and cash equivalents, equities and fixed-income securities.

The external investment managers are governed by the after-service health insurance investment guidelines. The guidelines ensure that all of the investment activities reflect the best conditions of security, accountability and social responsibility while operating in full compliance with the highest standards of quality, efficiency, competence and integrity. These guidelines are reviewed and approved on a periodic basis by the after-service health insurance investment committee, of which UN-Women is a member. The investment committee meets regularly and receives monthly reports from the external investment managers.

UN-Women is susceptible to a variety of financial risks arising from financial instruments to which the Organization is exposed, including:

- (a) Credit risk — the possibility that third parties may not pay amounts when due;
- (b) Liquidity risk — the likelihood that UN-Women might not have adequate funds to meet its current obligations as they fall due;
- (c) Market risk — the possibility that UN-Women might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

The tables below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	<i>Held to maturity</i>	<i>Available for sale</i>	<i>Loans and receivables</i>	<i>Fair value through surplus or deficit</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
Cash and cash equivalents	–	–	100 979	–	100 979	41 741
Investments	248 213	37 993	–	–	286 206	339 610
Accounts receivable	–	–	9 929	–	9 929	13 130
Advances	–	–	38 224	–	38 224	39 354
Other assets	–	–	10 177	60	10 237	3 715
Total financial assets	248 213	37 993	159 309	60	445 575	437 550

Held-to-maturity financial assets are carried at amortized cost and as at 31 December 2016, the market value of those assets was lower than book value by \$0.1 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2016, available-for-sale assets were carried at fair market value based on quoted prices obtained from knowledgeable third parties. UN-Women had no outstanding balances of financial assets classified as fair value through surplus or deficit.

The tables below show the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	<i>Other financial liabilities</i>	<i>Fair value through surplus or deficit</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
Accounts payable	9 491	–	9 491	10 584
Other liabilities	21 576	–	21 576	5 624
Total financial liabilities	31 067	–	31 067	16 208

As at 31 December 2016, UN-Women had no outstanding financial liabilities recorded at fair value through surplus or deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

Credit risk

UN-Women is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments, receivables from contributions, advances and other receivables.

UN-Women operates bank accounts in five currencies and in four countries, the United States of America, the United Kingdom of Great Britain and Northern Ireland, Sweden and Norway. For other currencies, UN-Women uses the bank accounts of UNDP and relies upon the risk management processes of UNDP. UN-Women is exposed to default risk of those financial institutions.

With regard to its financial instruments, the UNDP investment 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 guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns,

supranationals, governmental or federal agencies, and banks. Investment activities are carried out by UNDP and UN-Women offices are not authorized to perform investment activities.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2016, the financial investments of UN-Women were in investment grade instruments, as shown in the table below (presented using Standard & Poor's rating convention).

Credit ratings of investments under UNDP management

(Thousands of United States dollars)

31 December 2016	AAA	AA+	AA-	AA	A+	A	Total
Term deposit	–	–	40 000	–	19 000	–	59 000
Money-market instruments	–	–	–	–	15 002	–	15 002
Bonds and notes	115 020	6 530	51 424	32 620	12 617	–	218 211
Total	115 020	6 530	91 424	32 620	46 619	–	292 213

31 December 2015	AAA	AA+	AA-	AA	A+	A	Total
Bonds and notes	158 883	88 919	38 650	–	43 166	9 992	339 610
Total	158 883	88 919	38 650	–	43 166	9 992	339 610

Credit ratings of investments under external investment managers

(Thousands of United States dollars)

31 December 2015	AA+	AA-	A+	A	BBB+	BBB	US Treasury	Not Rated	Total
Bonds and notes	263	208	326	368	1 222	231	1 954	10 086	14 658
Total	263	208	326	368	1 222	231	1 954	10 086	14 658

For other resources, the Financial Regulations and Rules of UN-Women require that expenditure be incurred only after receipt of funds from the donor, thereby considerably reducing the financial risk to the organization with regard to contributions receivable.

Liquidity risk

Liquidity risk is the risk that UN-Women will encounter difficulty in meeting its obligations associated with accounts payable, other liabilities and promised transfers of cash to programmes. UN-Women does not have significant liquidity risks, as its operations and investments are managed in accordance with its budget and with due consideration of cash requirements for operating purposes.

Investments are made with due consideration to cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UN-Women maintains a portion of its cash and investments in cash and cash equivalents (26 per cent) and current investments (44 per cent) sufficient to cover its commitments as and when they fall due, as shown in the table below and in notes 6 and 7.

(Thousands of United States dollars)

	31 December 2016	Percentage	31 December 2015	Percentage
Cash balances	7 534	2	1 470	1
Cash equivalents	93 445	24	40 271	10
Total cash and cash equivalents (net)	100 979	26	41 741	11
Investments				
Current investments	171 792	44	189 067	50
Non-current investments	114 414	30	150 543	39
Total current and non-current investments	286 206	74	339 610	89
Total investments cash and cash equivalents	387 185	100	381 351	100

Market risk

Market risk is the risk that UN-Women is exposed to potential financial losses owing to unfavourable movements in market prices of financial instruments, including movements in interest rates, exchange rates and prices of securities.

Interest rate risk

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.

A portion (13.3 per cent) of the Entity's investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UN-Women to interest rate risk. However a significant portion (86.7 per cent) of the investment portfolio is classified as held-to-maturity, which is not marked-to-market. Changes in interest rates do not have an impact on held-to-maturity book carrying values, and therefore changes in interest rates will have no significant impact on net assets and surplus or deficit reported in the financial statements.

UN-Women invests in 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 2016, UN-Women had no outstanding floating rate fixed-income securities.

Equity price risk

In 2016 UN-Women held equity investments in its externally managed portfolio of after-service health insurance funds. The table below presents the price sensitivity of equity investments to a 5 per cent change in equity prices. The sensitivity pertains to equity investments classified as available-for-sale, which are marked to market through net assets/equity; changes in their prices would therefore have no impact on the UN-Women surplus or deficit.

(Thousands of United States dollars)

31 December 2016 market value	Sensitivity variation	Impact on the financial statements	
		Net assets	Surplus or deficit
23 335	5 per cent increase	1 167	–
23 335	5 per cent decrease	(1 167)	–

Foreign exchange risk

UN-Women 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.

UN-Women receives donor contributions primarily in United States dollars, but also in a number of major currencies, including pounds sterling, the euro, the Swedish krona and the Norwegian krone. On an ongoing basis, UN-Women evaluates its need to hold cash and other assets in foreign currencies against its foreign currency obligations during the quarterly meetings with the UNDP Treasury. UN-Women has commenced a hedging strategy from March 2015.

At 31 December 2016, all investments of UN-Women were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, representing 98.5 per cent of total cash balances.

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options to manage the Entity's foreign exchange exposure. These derivatives are marked-to-market with gains or losses recognized in surplus and deficit in the statement of financial performance. At 31 December 2016, UN-Women had open derivative positions; see note 10.

Other price risk

UN-Women is exposed to price risk arising from movement in the prices of financial instruments which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 26**Budget reconciliation**

The statement of comparison of budget and actual amounts (statement V) is prepared in the same format as the original approved institutional budget for 2016-2017, with the additional inclusion of assessed contributions (regular budget activities). As the financial statements are prepared in accordance with IPSAS and the budget is prepared on the modified cash basis, the reported financial results (actual) are adjusted to provide for a comparison to the budget as presented in the statement of comparison of budget and actual amounts. The main changes between the IPSAS financial results and the results on a budget basis relate to difference in the treatment of cost of assets and treatment of cash advances to partners and staff members.

The integrated budget is prepared and presented on a biennial basis. The year 2016 represents 50 per cent of the integrated budget for the biennium 2016-2017.

(a) Regular budget activities — assessed contributions 2016

For the biennium 2016-2017, there is a total variance showing overexpenditure of \$1 million owing to after-service health insurance reserve contributions, which UN-Women is required to make under its end-of-service liabilities funding plan, while the assessed budget only provides for a pay-as-you-go basis.

(b) Development activities — voluntary contributions 2016

(i) Programme

The original budgets were based on the original estimates used in the 2016-2017 integrated budget, which was based on total projected resources of \$880 million in voluntary contributions for the biennial period. Total voluntary contributions originally budgeted for 2016 were \$380 million.

Total programme variances are \$24.9 million, split between regular and other resources as follows:

(a) Programme expenditures from regular resources are \$3.8 million lower than the budget. For programmatic activities, budgets are updated throughout the year, taking into account the most recent estimates of expenditure, in line with project deliverables and authorized spending limits composed of available resources and expected funding receipts. The budgets are also aligned to the extent possible with the annual workplans. The differences between the planned and actual expenditures are to be expected, as project scope, deliverables and milestones are subject to change over the course of the year. There is also the possibility to carry unspent funds over into the following year, depending on the overall level of available regular contributions. Actual delivery rates for the core programme averaged 87 per cent;

(b) Programme expenditures from other resources are \$21.1 million lower than the budget. The total budget for programme activities funded from donor contributions may reflect the total expected revenue for the year. Furthermore, project deliverables are also subject to change and unspent project resources are carried forward into the following year. The delivery rate averaged 79 per cent. A number of programmes also budget over a multi-year period but show expenses only for the current year, in particular the global trust funds. That reduces spending against total budget and hence increases the variance.

(ii) Institutional budget (development effectiveness, United Nations coordination and management activities)

The institutional budget comprises the following classifications: development effectiveness; United Nations development coordination; and management activities, including change management. The original institutional budget for 2016 was prepared during the formulation of the 2016-2017 integrated budget based on total projected staff costs and full utilization of non-staff costs, while the final 2016 budget reflects updated staff pro forma costs. Any variance is due mostly to lower actual staff costs than pro forma costs and post vacancies. The delivery rate for the institutional budget was 84 per cent. Any unspent budgets at the end of 2016 roll forward to 2017 and hence can still be fully utilized in the last period of the biennium.

Basis adjustments

The budget is prepared on a modified cash basis and the financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In

order to reconcile the budgetary result with the cash flow statement, the non-cash elements are removed as basis differences. The principal adjustments that have an impact on the reconciliation between the budget and the statement of financial performance are as follows:

- Capital expenditures capitalized and depreciated over their useful life under accrual accounting (generally recorded as current year expenses in the budget);
- Under accrual accounting, employee benefit liabilities are reported in the statement of financial position, and movements in liabilities have an impact on the statement of financial performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

Timing differences

There are no timing differences in the reconciliation.

Presentation differences

Presentation differences are those differences in the format and classification schemes used in the statement of cash flow and in the statement of comparison of budget and actual amounts. As such, the presentation differences in the reconciliation relate to revenue.

Reconciliation: budgetary result with net cash flow

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Total</i>
Actual amount on comparable basis, as presented in the budget and actual comparative statement	(352 474)	–	(352 474)
Basis differences	22 183	52 468	74 651
Presentation differences	334 569	–	334 569
Actual amount in statement of cash flow	4 278	52 468	56 746

Note 27

Related party transactions

Governing bodies

UN-Women is governed by an Executive Board on the basis of General Assembly resolution [64/289](#), which stipulates in paragraph 57 (b) that the Assembly, the Economic and Social Council and the Executive Board of the Entity shall constitute the multi-tiered intergovernmental governance structure for the operational activities and shall provide operational policy guidance to the Entity. The Executive Board comprises 41 members (elected from five regional groups and one contributing group), who do not receive any remuneration from UN-Women.

The Executive Board of UN-Women also engages with the Executive Boards of other United Nations operational entities in an effort to harmonize approaches to operational activities. Those engagements also provide opportunities for sharing experiences and coordinating programme work on gender equality and gender mainstreaming throughout the United Nations system. The work of the Executive Board is guided by its rules of procedure.

Key management personnel

Key management personnel are the Executive Director, two Assistant Secretaries-General and six senior Directors, as they have the authority for planning, directing and controlling the activities of the Entity and executing the mandate of UN-Women.

(Thousands of United States dollars)

<i>Number of individuals</i>	<i>Compensation and post adjustment</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration 2016</i>	<i>Outstanding advances</i>	<i>Outstanding loans</i>
9	1 690	36	689	2 415	25	–

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as allowances, grants and subsidies; and employer pension and health insurance contributions. Advances are those made against entitlements in accordance with staff rules and regulations. As at 31 December 2016, after-service health insurance, repatriation and death benefits for key management personnel included in employee benefits liabilities amounted to \$3.2 million, as determined by actuarial valuation.

Note 28

Commitments and contingencies

(a) Open commitments

As at 31 December 2016, commitments of UN-Women for the acquisition of various goods and services contracted but not yet received amounted to \$6.6 million.

(b) Lease commitments

As at 31 December 2016, UN-Women had future obligations for minimal lease payments as presented in the table below.

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Obligations for property leases:		
Within 12 months	8 001	7 680
1-5 years	21 656	24 272
Beyond 5 years	242	1 347
Total property lease obligations	29 899	33 299

The typical contractual leases of UN-Women are between 1 and 10 years, but some of the leases permit early termination within 30, 60 or 90 days. The lease for headquarters at the Daily News Building allows for termination seven years after commencement where UN-Women has no other office within the United States and makes a cancellation payment of \$3.2 million. Leases often include provisions that allow for multiple renewals and are at rates considerably lower than the existing market rates. The aggregate difference between the leases at contract rates and their respective market rates is recognized as contribution-in-kind revenue.

(c) Legal or contingent liabilities

As at 31 December 2016, UN-Women had no contingent liabilities.

Note 29**Events after the reporting date**

The reporting date of UN-Women is 31 December of each year. The date of certification and transmittal of the financial statement is 30 April of the year after the financial year-end. On the date of signing these financial statements, there had been no material event, favourable or unfavourable, that had occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the present statements.

