General Assembly
Official Records
Seventy-first Session
Supplement No. 5

A/71/5 (Vol. I)

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

Volume I
United Nations

United Nations • New York, 2016

Note

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

ISSN 0257-0815

[28 September 2016]

Contents

Chapter		Page
	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	9
	Summary	9
	A. Mandate, scope and methodology	17
	B. Findings and recommendations	18
	C. Financial performance and management	20
	D. Managing resources	23
	E. Managing the estate	45
	F. Managing the workforce	60
	G. Procurement and contract management	71
	H. Managing partners	79
	I. Enterprise risk management	89
	J. Managing the risk of fraud	92
	K. Business transformation	94
	L. Interim follow-up on the handling of information and communications technology affairs	97
	M. Management disclosures	105
	N. Acknowledgement	106
	Annexes	
	I. Status of implementation of recommendations (volume I)	107
	II. Status of implementation of recommendations (information and communications technology affairs)	137
III.	Certification of the financial statements	149
IV.	Financial report for the year ended 31 December 2015	150
	A. Introduction	150

B. International Public Sector Accounting Standards sustainability 150

C. Overview of the financial statements for the year ended 31 December 2015 151

D. United Nations General Fund and related funds 169

E. Capital master plan 172

F. Liquidity 172

G. Looking forward to 2016 and beyond 173

Annexes

I. Supplementary information required by the Financial Regulations and Rules of the United Nations 174

II. Other supplementary information 175

V. Financial statements for the year ended 31 December 2015 179

I. Statement of financial position as at 31 December 2015 179

II. Statement of financial performance for the year ended 31 December 2015 181

III. Statement of changes in net assets for the year ended 31 December 2015 182

IV. Statement of cash flows for the year ended 31 December 2015 183

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015 185

Notes to the 2015 financial statements 186

Letters of transmittal

Letter dated 31 May 2016 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial statements of the United Nations for the year ended 31 December 2015, which I hereby approve. The financial statements have been certified by the Controller as correct in all material respects.

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

(*Signed*) **BAN** Ki-moon

Letter dated 17 October 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

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

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

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the operations of the United Nations as reported in volume I, which comprise the statement of financial position as at 31 December 2015 (statement I), the statements of financial performance (statement II), changes in net assets (statement III), cash flows (statement IV) and comparison of budget and actual amounts (statement V) for the year ended 31 December 2015, and the notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations 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 United Nations 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 the operations of the United Nations as reported in volume I.

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

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

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

17 October 2016

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations for the year ended 31 December 2015. The audit included an examination of financial transactions and operations at Headquarters in New York, the offices at Geneva, Vienna and Nairobi and other entities, including country offices and projects. The Board has also reported separately on other major business transformation projects of the United Nations.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The global implementation of Umoja across the Secretariat in 2015 was a major undertaking. It posed major challenges, placed extraordinary and unforeseen demands on staff and had a significant impact on large areas of the Organization. While the system provides greater visibility of financial information and consistency in business processes and helps to enforce compliance with the Financial Regulations and Rules of the United Nations, many users were ill-prepared for the changes the new systems would bring. Some processes, such as travel and donor reporting, particularly programmatic donor reporting, were insufficiently tested and caused major difficulties for departments. Some payments to staff, suppliers and partners were delayed and the absence of well-developed business intelligence reports hampered departments' ability to manage and control their budgets and operations effectively. More broadly, the Organization must strengthen its change management capability to develop and implement new ways of working.

In recent years, the Administration has implemented a number of major improvement initiatives, such as accrual accounting (in accordance with IPSAS), the global field support strategy and Umoja. The level of intervention needed on those initiatives has consumed a great deal of effort and resources and has placed a very high demand on a core group of key staff. The initiatives provide the opportunity to transform the Secretariat into a more modern business administration and deliver significant improvements in the way activities are controlled and delivered. However, the Administration is not yet making full use of the new platforms to support improved management decision-making and deliver the promised financial and service delivery improvements.

The overall financial position of the Organization as at 31 December 2015 remains sound, but it was again necessary to exhaust the reserves of the Working Capital Fund to ensure that operations could be maintained throughout 2015. Approximately 98 per cent of the regular budget was consumed in 2015. However,

difficulties in budgetary forecasting owing to unforeseen reductions in staff post adjustments late in the year, coupled with the additional workload related to the Organization’s deployment of Umoja, resulted in an underspend of $120 million. The unexpected and significant underspend reinforces the need to continue to improve financial management and to develop a more sophisticated and detailed understanding of the costs of United Nations operations. The Administration also needs to continue to strengthen core business processes in human resources management, finance and procurement and accelerate progress in implementing results-based management, enterprise risk management and counter-fraud measures.

Key findings

On financial performance

The financial health of the United Nations as a whole remains sound, as it has sufficient assets overall to meet both short-term and longer-term liabilities. A surplus of $12.1 million is reported in 2015 (2014: deficit of $348.2 million), with total revenue of $5,625.2 million (2014: $5,837.1 million) and expenses of $5,613.1 million (2014: $6,185.3 million). For the regular budget, actual expenditure incurred was $2,854.7 million against a final budget of $2,974.7 million, resulting in a $120 million underspend.

Net assets have increased by $815.1 million, from $1,683.7 million as at 31 December 2014 to $2,498.8 million as at 31 December 2015, owing mainly to changes in assumptions on the valuation of employee benefit liabilities (75 per cent) and by an increase in cash and cash equivalents (25 per cent). Overall, employee benefit liabilities were reduced by $605.9 million, from $4,786.2 million in 2014 to $4,180.3 million in 2015. These liabilities are matched by large assets, such as property, plant and equipment holdings, with a net value of $3,216.1 million (2014: $3,322.5 million) and total cash and investments of $2,968.1 million (2014: $2,656.8 million). However, these assets are not held to cover the employee liabilities, and the unfunded after-service liabilities will, over time, begin to consume increasing portions of the regular budget.

Much of the $2,968.1 million in cash and investments balances held are “restricted” because they relate to balances on project trust funds and staff insurance fund reserves. They are not therefore available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary, leading to it being exhausted of funds as at the end of 2015.

On the preparation of financial statements

The Secretariat presented the 2015 financial statements for audit on 31 May 2016, two months later than the date prescribed in the Financial Regulations and Rules of the United Nations. A fundamental requirement of sound financial management and control is the ability to prepare timely and good quality financial statements to allow the General Assembly to confirm that funds have been applied for the purposes intended. The Secretariat assessed the risks arising from the need to prepare the 2015 financial statements using data from legacy systems, mainly the Integrated Management Information System, and also from Umoja. In the outcome of the analysis, it was concluded that the financial statements could be presented on

31 May 2016. The late presentation of the 2015 financial statements significantly delayed the audit and reporting timetable. Weaknesses in the accounts preparation procedures, unexpected complications, such as problems in running Umoja batch processes, a very complex audit trail of manual accounting adjustments and excessive delays in providing supporting documentation, further delayed completion of the audit. The Administration believes that since Umoja will be the source of most of the information for the 2016 financial statements, the accounts preparation process will be smoother. However, the Board is concerned that the delays experienced in 2015 will recur in 2016 unless fundamental improvements are made to the accounts preparation procedures to ensure the application of consistent processes, proper staff training and rigorous management review of the draft financial statements.

On managing resources

The Administration does not have an agreed plan to fully implement and embed results-based management, and limited progress has been made. The current approach focuses almost exclusively on servicing the intergovernmental reporting requirements to Member States, and while this is essential, the Secretariat is not developing an understanding of the actual results achieved at all levels of the Organization. Managing and delivering the results mandated and funded by the General Assembly is a primary purpose of the United Nations, but the Secretariat is failing to apply a consistent organizational performance framework. Although some improvements have been made in the reporting of planned versus actual achievements, the Administration has informed the Board that it does not intend to develop a plan to fully implement results-based management until after completion of the design of the budget modules in Umoja Extension 2. The Board also found that evaluation of programme results is carried out unevenly across the Organization, and that the Administration needs to make better use of funds requested for monitoring and evaluation.

While the Administration monitors expenditure and budget performance, the frequency of central monitoring could be improved and strengthened, in particular with regard to the implementation of Umoja, to reduce the risk of significant underspends in future. Some departments complained that they lacked reliable budget reports during a large part of 2015. The monitoring of spending against budgets is performed primarily by executive offices. The Administration informed the Board that the impact of unforeseen reductions in staff costs in some locations and the additional workload related to the deployment of Umoja contributed to the underspend reported in 2015. The implementation of Umoja and the absence of reliable business intelligence reports showing total spending against budgets hampered the ability of departments to track budgets effectively during 2015. The Administration also failed to take full account of known reductions in planned expenditure when revising budget forecasts in the second budget performance report.

On managing partners

While improvements have been made in the design and application of controls around implementing partners working with the Office for the Coordination of Humanitarian Affairs, the Secretariat needs to improve and

embed these new procedures. The Board has commented in the past on the need to ensure that an effective assurance framework is in place to ensure that funds are used for the purposes intended. The legal framework around the granting of funds to partners relies on informal memorandums issued by the Secretariat and should be introduced formally into the Financial Regulations and Rules. The different processes and assurance frameworks for managing partners across the Organization should also be reviewed, with the aim of ensuring greater consistency in the approaches. Although the Office for the Coordination of Humanitarian Affairs has responded positively to the Board's earlier concerns and has implemented a much improved and comprehensive new assurance framework, the framework is not yet uniformly applied or embedded across country offices. In particular, the Office needs to improve the collation and analysis of data on the results of reporting, monitoring and audit activities performed during the year to confirm that there is sufficient assurance that funds have been applied for the purposes intended.

On managing the estate

The Administration has started to introduce a more strategic approach to managing its global estate. The challenge now is to ensure that this leads to improved performance and efficiencies. Historically, there has been limited understanding of the size and composition of United Nations land and buildings and consideration of whether the global estate best meets the business needs of the Organization. The Office of Central Support Services has worked with estates managers across the eight major United Nations locations to modernize and optimize estates management. Recent initiatives include conducting the strategic capital review; implementing the real estate management module in Umoja; introducing flexible workplace strategies in New York; and producing guidelines for managing capital projects.

The continued absence of an agreed and documented global estates strategy and the lack of key performance benchmarks and data on occupancy rates are significant gaps that need to be addressed if the Administration is to ensure that the estate is of the correct size, distribution and composition to deliver mandates cost-effectively. Effective management of the $3.6 billion in land and buildings owned by the United Nations will also be a vital component in the success of future initiatives, such as the global service delivery model.

On managing the workforce

It is vital that the United Nations make best use of its key resource, its workforce. It has, however, made limited progress against the Board's previous concerns about the lack of strategic workforce planning. Key human resources performance indicators are not being achieved, and management continues to be hampered by a lack of accurate, timely and reliable information. The Administration has not yet produced workforce plans in response to the Board's previous recommendations. Performance indicators were not achieved across a range of human resources functions, and performance has worsened in some areas, including the time taken to recruit staff. There are also delays in the time taken to process medical clearances and disciplinary cases. While there has been an improvement in the timely completion of staff performance appraisals, 21 per cent of non-field staff and 10 per cent of field staff did not have a completed appraisal six months after year-end. Although Umoja is now in place, significant weaknesses remain in the management information available to support the tracking of staff movements, vacancies and expenditure linked to staff mobility.

On procurement and contract management

Procurement processes designed to improve value for money are not performed consistently, meaning that contracts are not always subject to adequate competition or performance management. The Board reviewed a sample of contracts open in 2015 and identified examples in which competitive bidding processes were waived without documented justification and of contracts with no provision to deal with delayed delivery, thus hindering or preventing the United Nations from recovering any losses incurred. The review also identified contracts with multiple amendments and large increases in contract values as a result of poor planning. In one case, a vendor was awarded $190 million of business over a 13-year period without being subject to competition. A number of contracts also had values that were well in excess of likely expenditure. The reliability of data entered into Umoja on purchase order status needs to be improved, as business intelligence reports revealed errors.

On enterprise risk management

The Administration is continuing to develop its approach to enterprise risk management, but progress has been slow and further work is required to embed enterprise risk management in departments' day-to-day work. Effective enterprise risk management allows the Organization to identify, assess and mitigate risks that may affect its ability to deliver mandates and achieve its objectives. The Administration continues to make progress in some areas, in particular through the use of high-level working groups to develop plans to manage the six critical risks. However, the development of risk action plans is behind schedule, and very slow progress has been made in embedding enterprise risk management throughout the Organization. All six of the strategic risks continue to be assessed as "highly likely" or "expected" to occur, and their impacts would be "significant" or "critical". There is no overall plan or timetable in place to embed enterprise risk management, and departments lack adequate resources and skills to support its implementation. Although it had committed to embed enterprise risk management within existing resources, the Administration believes that full implementation will require additional resources, but has yet to assess the level and type of resources required.

On managing the risk of fraud

The Administration continues to make insufficient progress in response to the Board's previous concerns and recommendations on strengthening measures to counter fraud. The Organization has not yet conducted a comprehensive fraud risk assessment or developed a counter-fraud strategy. Fragmented policies and procedures relating to fraud have been summarized in a fraud policy framework document, and administrative instructions are being updated. However, little substantive progress has been made in recovering losses from fraud, and those staff members caught defrauding the Organization rarely face criminal prosecution and often appear to suffer relatively light punishment.

On business transformation

The Administration has demonstrated strong commitment to reform and has made significant progress in implementing transformation initiatives. There is now an opportunity to use the new systems and the capabilities they provide to transform the Secretariat into a more modern and cost-effective business administration. In recent years, the Administration has implemented a number of centrally driven initiatives, such as IPSAS, Umoja, the global field support strategy and revised strategies and approaches to the management of information and communications technology (ICT), procurement, human resources and estates. These initiatives have often made a difficult start, running late and over budget, and have required significant intervention by senior management to get back on track. They have also placed a major burden on core groups of key staff, which is unlikely to be sustainable in the longer term.

The Administration needs to support departments in developing the skills, capability and methodologies to make best use of the new systems and tools available to achieve real financial and service delivery benefits and improve the cost-effective delivery of mandates. The Administration has not yet developed a baseline of current operational performance or adopted a formal methodology for achieving continuous improvement.

On progress in managing information and communications technology affairs

Although the majority of the Board's recommendations on ICT affairs remain under implementation, important progress has been made since the Board's most recent report, in December 2015 (A/70/581). In particular, the Secretary-General's bulletin on the organization of the Office of Information and Communications Technology (ST/SGB/2016/11) has been issued, and there is more collaborative work between the Office and the Department of Field Support to implement the new ICT strategy. The two departments are developing a revised five-year forecast of ICT costs and are coordinating their efforts in areas such as information security and infrastructure management. For the strategy to be implemented effectively, revised policies and procedures, which are currently only in draft form, need to be issued formally along with the necessary delegations of authority. Project management disciplines around strategic ICT projects have been strengthened, and the Office needs to continue to assess the realism of the current timeline for implementing the strategy. Once the new procedures are in place, all heads of business units will need to work closely with the Chief Information Technology Officer to implement the strategy, particularly in such areas as the consolidation of ICT resources.

Recommendations

The Board has made recommendations throughout the report. The main recommendations are as follows:

(a) **To ensure the timely preparation of high-quality financial statements for the year ending 31 December 2016, the Board recommends that the Secretariat:**

(i) **Carry out a review of the lessons learned from the 2015 financial statements preparation exercise;**

(ii) **Prepare more detailed accounts closure and preparation instructions and ensure that uniform processes and documentation standards are applied by all entities contributing to volume I of the 2016 financial statements;**

(iii) **Ensure that finance staff at Headquarters exercise greater central control and oversight of the preparation of the financial statements and that management review at all levels is sufficiently robust to identify material misstatements before the financial statements are presented for audit;**

(iv) **Derive the 2016 financial statements from the prime books of record to the fullest extent possible, making minimal use of spreadsheet accounting;**

(b) **The Board recommends that the Administration improve budget monitoring and control by:**

(i) **Developing comprehensive reports that allow departments to monitor expenditure against budgets on a regular basis;**

(ii) **Ensuring that central, periodic monitoring of expenditure against budgets is strengthened and that the Office of Programme Planning, Budget and Accounts seeks explanations from departments when spending is not in line with expectations;**

(iii) **Ensuring that known reductions in expenditure are fully considered alongside known increases in expenditure when preparing the first and second performance reports;**

(c) **The Board reiterates its previous recommendation that the Administration establish how and under what time frame it will be able to more closely link budget consumption with what was delivered in terms of outputs and outcomes, and set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources;**

(d) **The Board recommends that the Administration set out a detailed plan for how it can make best use of current resources to improve evaluation across the Secretariat, including the level and types of reviews it needs to undertake and the skills and capacity required to perform them, and how it can learn lessons from existing approaches to cost-effectively support staff in performing self-evaluations through, for example, training staff in standard evaluative tools and techniques;**

(e) **The Board recommends that the Administration consider how best to improve the consistency of estates management by: (i) developing a global estates strategy; or (ii) defining a standard approach to developing local estates strategies, ensuring that the impacts of wider business transformation initiatives on future estates requirements are taken into account;**

(f) **The Board recommends that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group as proposed, to improve the performance of entities that did not achieve targets on staff recruitment times, vacancy rates and completion of performance appraisals;**

(g) **The Board recommends that the Procurement Division perform a comprehensive review to ensure data integrity and to strengthen data input controls in Umoja and explore how to strengthen performance measurement tools for vendors, for end-to-end process costs and for quality and staff performance under Umoja Extension 2;**

(h) **The Board recommends that the Administration develop a common principles-based assurance framework for the management of partners that specifies the key procedures to be performed by all entities. To facilitate the development of the common framework, the Secretariat should conduct an end-to-end review of the project management life cycle, including consultations with key stakeholders and a review of all current practices;**

(i) **To ensure that the shortcomings in the present systems are addressed, the Board recommends that the Administration conduct a comprehensive review of the functionality of existing grants management systems and the information needs of users and other stakeholders before finalizing the scope of Umoja Extension 2.**

Follow-up of previous recommendations

Of the 63 extant recommendations, 6 (9 per cent) have been fully implemented, 22 (35 per cent) are under implementation, 32 (51 per cent) have not been implemented, 1 (2 per cent) has been overtaken by events and 2 (3 per cent) have been closed by the Board (see table II.1). Overall, the Board considers that the priority given to implementing Umoja in 2015 has consumed resources to the extent that the Administration has not made sufficient progress in implementing its recommendations, particularly in relation to areas of long-standing concern to the Board, such as counter-fraud measures, enterprise risk management, business transformation, financial management and accounts preparation. The Administration should take the opportunity to review the overall status of outstanding recommendations with the Board and develop an action plan to implement them within an appropriate timescale.

Key facts

$5.625 billion	Total revenue
$5.613 billion	Total expenses
$12.1 million	Surplus for the year
$7.731 billion	Assets
$5.232 billion	Liabilities
$2.499 billion	Total net assets
Over 41,000	United Nations staff
$2.565 billion	Employee salaries, allowances and benefits

A. Mandate, scope and methodology

1. The United Nations, founded in 1945, provides the main forum for its 193 Member States to meet and take collective measures through its principal organs: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice and the Secretariat. Under the Charter of the United Nations, the Organization can take action on a wide range of vital and complex issues. That has led to its evolution into an organization comprising a headquarters in New York made up of multiple departments and offices, as well as entities (many with their own governance structures and systems) and offices away from Headquarters and projects across the globe. The United Nations employs over 41,000 staff to deliver its mandates.

2. The financial statements for the operations of the United Nations as reported in volume I encompass the full range of activities, entities and programmes falling under the auspices of the Secretariat and include all funds other than those of peacekeeping operations, United Nations escrow accounts, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals, which are reported separately.

3. The 2015 financial statements were prepared under the International Public Sector Accounting Standards (IPSAS) and comprise five separate primary statements supported by explanatory notes.

4. The Board of Auditors has audited the financial statements of the United Nations for the financial year ended 31 December 2015 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter 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.

5. The Board conducted the audit at Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to visiting operations, projects and offices in Jordan, the Sudan and Bangkok. The Board coordinated its work with the Office of Internal Oversight Services (OIOS) to avoid unnecessary overlap of effort and to determine the extent of reliance that could be placed on its work. The Board's report was discussed with the Administration, whose views have been appropriately reflected.

Scope

6. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations as at 31 December 2015 and the results of its operations and cash flows for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. 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 the Board considered necessary to support its audit opinion.

7. The Board also reviewed the operations of the United Nations under financial regulation 7.5, focusing on areas of fundamental importance to the capability, effective management and reputation of the United Nations, in particular financial performance and management (see sect. C below), managing resources (sect. D), managing the estate (sect. E), managing the workforce (sect. F), procurement and contract management (sect. G), managing partners (sect. H), enterprise risk management (sect. I), managing the risk of fraud (sect. J), business transformation (sect. K) and an interim follow-up on the handling of information and communications technology (ICT) affairs (sect. L).

B. Findings and recommendations

Follow-up of previous recommendations

8. As at 30 June 2016, of the 63 extant recommendations, 6 (9 per cent) have been fully implemented, 22 (35 per cent) are under implementation, 32 (51 per cent) have not been implemented, 1 (2 per cent) has been overtaken by events and 2 (3 per cent) have been closed by the Board (see table II.1).

9. In the recommendation that has been overtaken by events (see A/70/5 (Vol. I), chap. II, para. 21), the Board recommended that the Secretariat: (a) prepare a detailed and achievable timetable for preparing the 2015 financial statements; (b) ensure sufficient finance staff with the required skills are available; (c) integrate key Umoja activities into the planning of and timetable for the preparation of the accounts; and (d) perform an effective management review of the draft financial statements before their submission to the Board. As noted in the present report, many of these activities did not occur, but as the overall recommendation relates to the production of the 2015 financial statements, it has now been overtaken by events.

10. Of the two recommendations closed by the Board:

(a) One relates to the inclusion of consideration of wider aspects of United Nations operations in subsequent phases of the global service delivery model (see A/70/5 (Vol. I), chap. II, para. 192) as the General Assembly, in its resolution 70/248 A, stressed that the development of the global service delivery model should be limited to the provision of administrative support services;

(b) One relates to the Administration setting out how it will address the key lessons on business transformation identified by the Board in an earlier report (see A/67/5 (Vol. I), chap. II, para. 183). In the Board's view, given the time that has elapsed since the Board made this recommendation, its more recent recommendations on managing business transformation are more relevant.

11. Of the 32 unimplemented recommendations:

(a) Eight relate to the United Nations approach to managing the risk of fraud, reflecting the limited progress made;

(b) Eight relate to financial management and accounting, reflecting the high demands placed on the Office of Programme Planning, Budget and Accounts in producing the delayed IPSAS-compliant financial statements while supporting concurrently the implementation of Umoja;

(c) Seven relate to human resources management, reflecting proposals that have yet to be approved in addition to support for the implementation of Umoja;

(d) Three relate to the limited progress made in implementing and embedding enterprise risk management and results-based management as strategic management processes;

(e) Two relate to managing reform, reflecting the limited progress made in assessing the change management capability available and implementing a formal approach to continuous improvement;

(f) Two relate to special political missions, one relates to the sharing of information on implementing partners and one relates to the Department for General Assembly and Conference Management.

12. Overall, the Board considers that the Administration has made insufficient progress in implementing its recommendations, particularly in relation to the areas of long-standing concern detailed above, and expects to see more urgent progress made. The Board also notes a significant difference in the status of implementation of its recommendations reported by the Secretariat and that judged by the Board. Most differences are explained by the Secretariat categorizing recommendations as "in progress" when the Board considers them "not implemented". This reflects that the Board does not accept that preparatory activities, such as holding a meeting or drafting high-level informal plans, is evidence that substantive implementation is in progress. Annex I provides a more detailed summary of the action taken in response to the Board's previous recommendations, and a summary is provided in table II.1 below.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
Total	**6**	**22**	**32**	**1**	**2**
Percentage	9	35	51	2	3

Source: Board of Auditors.

C. Financial performance and management

Preparation of the financial statements

Delayed presentation of the financial statements

13. A fundamental requirement of sound financial management and control is the ability to prepare timely and good quality financial statements to allow the General Assembly to confirm that funds have been used for the purposes intended. The Secretariat recognized the risks arising from the need to prepare the 2015 financial statements using data from legacy systems, mainly the Integrated Management Information System (IMIS), and also from Umoja. It carried out an analysis in which it concluded that, realistically, the financial statements could be presented on 31 May 2016, two months later than prescribed in the Financial Regulations and Rules of the United Nations.

14. The Board noted the Administration's plans and amended the audit timetable. In November 2015, the Board wrote to the Administration to express its concern and emphasize the importance of providing detailed guidance to Secretariat entities to ensure a smooth and disciplined closure of the 2015 accounts. The Board further recommended that the Office of Programme Planning, Budget and Accounts exercise strong central oversight and control of the accounts closure process. The Board maintained a close and constructive dialogue with the Administration during the accounts preparation phase and raised a number of concerns during this period regarding the significant delays and slippage in planned activities.

15. The timetable for providing key supporting documentation to the Board, such as transaction listings and data downloads, was not achieved, and documentation was often not of auditable quality. These problems caused many weeks of delay in completing the audit. Management's review of the financial statements and financial report also lacked sufficient rigour to rectify material misstatements within the draft financial statements, which then had to be corrected during audit.

Complex audit trail

16. To compile the 2015 financial statements, accounting information from multiple sources, including both the IMIS legacy systems and Umoja, was handled in a number of complex spreadsheets without following any consistent or documented procedures and with little central control over the changes made. The process was so complex and inadequately documented that an excessive amount of

audit effort was required before the Board was satisfied that the financial statements had been correctly extracted from the underlying accounting records.

17. In practice, the financial statements are derived from a series of accounting spreadsheets manually prepared and maintained outside the prime books of record. Some data from the IMIS legacy systems were manually excluded when preparing the financial statements, rather than reversing the transactions, as would normally have occurred. In addition, the Board noted 32,000 high-value manual journal entries made in the period to 31 May 2016, which were posting transactions back into 2015. The gross value of these entries was $10.7 billion.

18. To ensure that the statements were presented fairly, it was necessary to make audit adjustments to the draft financial statements of over $1.7 billion in gross terms. The adjustments decreased the surplus by $64.6 million and net assets by $3.1 million. Examples of material adjustments to the draft financial statements included reductions in assessed contributions of $61.3 million, an adjustment to employee liabilities of $77.5 million, an $85.6 million adjustment to employee salaries, allowances and benefits and a $137.3 million adjustment to self-insurance claims and expenses. Virtually every number in the first draft financial statements required an amendment of some sort. The scale of the amendments required that the revised draft financial statements be recertified by the Controller and formally transmitted to the Board for audit on 23 September 2016.

19. The Board is concerned that, for the second consecutive year, the Secretariat was unable to ensure a smooth and disciplined process for the preparation of annual financial statements. Moreover, it is likely that the excessive delays experienced in 2015 will recur for the 2016 financial statements unless fundamental improvements are introduced to ensure the application of consistent processes, proper staff training and rigorous management review of the draft financial statements.

20. **To ensure the timely preparation of high-quality financial statements for the year ending 31 December 2016, the Board recommends that the Secretariat:**

(a) **Carry out a review of the lessons learned from the 2015 financial statements preparation exercise;**

(b) **Prepare more detailed accounts closure and preparation instructions and ensure that uniform processes and documentation standards are applied by all entities contributing to volume I of the 2016 financial statements;**

(c) **Ensure that finance staff at Headquarters exercise greater central control and oversight of the preparation of the financial statements and that management review at all levels is sufficiently robust to identify material misstatements before the financial statements are presented for audit;**

(d) **Derive the 2016 financial statements from the prime books of record to the fullest extent possible, making minimal use of spreadsheet accounting.**

21. The Administration informed the Board that the situation it faced in 2015 was extraordinary. The need to prepare financial statements using information from multiple sources and unexpected complications, such as the failure of Umoja batch accounting processes and consequent reliance on labour-intensive manual processes, contributed to the unprecedented delays and difficulties experienced. The Administration considers that the preparation of the 2016 financial statements will

relieve some of the challenges faced in 2015, since Umoja will be the source of most of the information for the whole year, and also because the Secretariat expects to produce the financial statements using an automated solution. However, there would be other challenges, such as the implementation of Umoja cluster 5 functionality, which could put the process at risk.

Financial overview

22. For 2015, an overall surplus of $12.1 million was reported for volume I of the financial statements (2014: a deficit of $348.2 million was reported), with total revenue of $5,625.2 million (2014: $5,837.1 million) and expenses of $5,613.1 million (2014: $6,185.3 million). For the regular budget, actual expenditure incurred was $2,854.7 million against a final budget of $2,974.7 million, an underspend of $120 million.

23. Overall, net assets have increased by $815.1 million, from $1,683.7 million as at 31 December 2014 to $2,498.8 million as at 31 December 2015. This increase mainly reflects actuarial gains on the valuation of employee benefit liabilities of $810.1 million. These gains arose predominantly because of changes in assumptions made by the actuary when valuing the liabilities. For example, there was a reduction from 5 per cent to 4 per cent in the trend rate for non-United States of America health-care costs, and other experience adjustments were made by the actuary. Overall, employee benefit liabilities were reduced by $605.9 million, from $4,786.2 million in 2014 to $4,180.3 million in 2015. These liabilities, however, are matched by large assets, such as property, plant and equipment holdings, with a net value of $3,216.1 million (2014: $3,322.5 million), and total cash and investments of $2,968.1 million (2014: $2,656.8 million).

24. Much of the $2,968.1 million in cash and investment balances held are "restricted" as they relate to balances on project trust funds and in staff insurance fund reserves. They are not therefore owned by or available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary in 2015, and as at the end of the year the balance of the Working Capital Fund was exhausted (as is evidenced by the level of cash and investment holdings in the regular budget and related funds segment, shown in note 5 to the financial statements).

25. The financial report prepared by the Secretariat and presented in chapter IV provides a comprehensive overview of the financial position of the United Nations. Overall, although the general fund drew down the entire Working Capital Fund balance, the financial health of the United Nations as a whole remains sound, as it has sufficient assets to cover its liabilities.

26. The Board has examined a range of key financial ratios (see table II.2), which also confirm that the Organization has sufficient assets overall to meet both short-term and longer-term liabilities.

Table II.2
Financial ratios

Description of ratio	*31 December 2015*	*31 December 2014 (restated)*	*1 January 2014*
Current ratio[a]			
Current assets: current liabilities	2.89	2.72	2.53
Total assets: total liabilities[b]			
Assets: liabilities	1.48	1.29	1.63
Cash ratio[c]			
Cash + short-term investments: current liabilities	1.77	1.50	1.41
Quick ratio[d]			
Cash + short-term investments + accounts receivable: current liabilities	2.57	2.35	2.20

Source: Board analysis of United Nations financial statements (volume I) for 2015.

[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.

D. Managing resources

27. Sound financial management practice demands that managers use money well and that resources reach front-line activities rather than being tied up in administrative or low-value activities. The Board also emphasized that having a deeper understanding of and greater insight into the costs of the activities performed will enable the Administration to better analyse, benchmark and manage its costs (see A/70/5 (Vol. I), chap. II, para. 36).

28. The present section provides an update on how the Administration manages financial resources, including the regular budget, programme support costs and results-based management. The section also includes a commentary on financial and asset management in the former United Nations Mission for Ebola Emergency Response (UNMEER).

Regular budget

29. While the United Nations has introduced accruals accounting for the financial statements, its budget remains on a cash basis. Consequently, a reconciliation of the accruals-based expenditure to the cash-based regular budget out-turn is reported in statement V and note 6 to the financial statements and compares, at a summary level, to the information previously reported in the statement of appropriations.

30. The original budget for the biennium 2014-2015 was approved by the General Assembly in its resolution 68/248 A at $5.53 billion and subsequently revised,

through resolution 70/240 A, to $5.81 billion in December 2015 on the basis of the Secretary-General's second performance report on the programme budget for the biennium (A/70/557) and the associated report of the Advisory Committee on Administrative and Budgetary Questions (A/70/619). The final appropriation reflected changes in activities approved during the biennium, which increased the allotment by $291 million, less savings of $82 million arising from differences between assumed and actual rates of inflation and foreign exchange, plus an additional $69 million arising from the difference between the actual salary and common staff costs compared with the standard costs used in the original estimates and the difference between the actual vacancy rates and those originally assumed.

31. Alongside the variances arising from the actual expenditure against budget assumptions, the second performance report provides details of additional authorized commitment authorities and unforeseen and extraordinary expenditures. The report provides a commentary on these changes, and while some of the explanations provided are readily understandable, such as the reasons for the decrease of $2.1 million of consultant costs under section 3, Political affairs, other explanations are less helpful, as they are generic in nature. For example, the reasons given for the increase of $9.9 million in other staff costs under section 34, Safety and security, is attributed by the Administration to higher-than-anticipated overtime costs without explanation of what gave rise to the unforeseen increase in overtime.

32. Variances also arose owing to the realignment of the budgeted categories, or "objects", for expenditure recorded in Umoja. For example, in section 33 of the budget, the requested reduction to the appropriation for contractual services of $38.3 million largely related to a corresponding increase in the appropriation for improvement of premises of $33.8 million. In this regard, the Administration should ensure that its budgeting codes and financial reporting categories are fully aligned to eliminate the need to reallocate budgets for comparative purposes. This would then allow a direct comparison between approved appropriations and expenditure incurred, enabling greater visibility of real variances between budget and actual expenditures.

33. The Administration informed the Board that during the transitional period in which both IMIS and Umoja were in use concurrently, it was not practical to make a complete switch to one coding scheme until a new budget period was fully executed within Umoja. However, this will be addressed as part of the budget formulation project and will be specifically included in instructions for future bienniums once the new functionality has been deployed and the legacy budget system (the Budget Information System) has been decommissioned.

34. Major changes to activities during the biennium included additional appropriations for:

(a) UNMEER ($75.7 million);

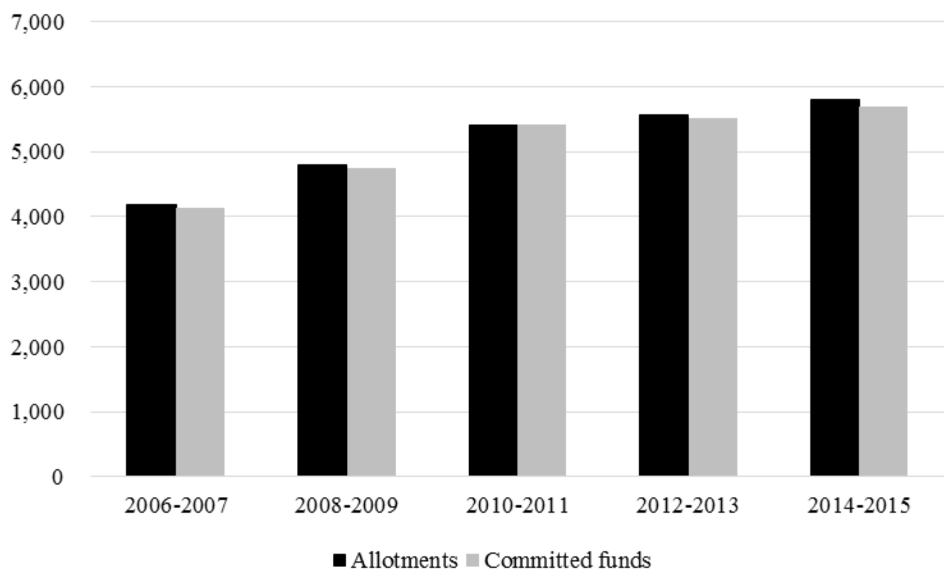
(b) Exceptional support to supplement the voluntary financial resources of the Extraordinary Chambers in the Courts of Cambodia for 2015 ($12.1 million);

(c) The regular budget share for additional Umoja project costs to 31 December 2015 ($5.5 million).

35. The steady increase in the size of final allotments for the United Nations regular budget is depicted in figure II.I below. Personnel costs (relating to staff, United Nations Volunteers and other non-military personnel) is the biggest cost area of the United Nations and has increased from $2.6 billion (60.7 per cent of the total budget) in 2006-2007 to $4.1 billion (70.0 per cent) in 2014-2015. This represents an increase in the amount of $1.5 billion (58.6 per cent). The Board analysed staff costs in its previous report (A/70/5 (Vol. I) and Corr.1) and noted that operating in high-cost locations such as Geneva and New York was a contributory factor to the increasing cost base of the Organization.

36. The Board also found that the Administration had limited tools to carry out a comprehensive expenditure analysis of staff-cost data and was constrained by limitations in the completeness, accuracy and integration of the databases of the Office of Human Resources Management.

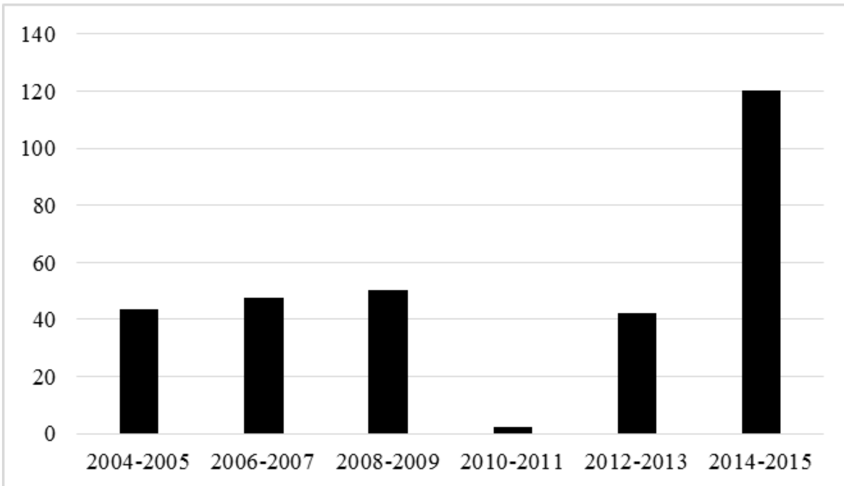
Figure II.I
Regular budget final allotments and corresponding expenditures by biennium
(Millions of United States dollars)



Source: Board analysis of Administration's data.

37. For the biennium 2014-2015, actual expenditure against the budget was $5.69 billion (see note 6 to the financial statements), resulting in an underspend of $120 million. This variance is exceptionally large when compared with the out-turn reported in previous bienniums (see figure II.II). Prior to 2014-2015, the largest reported underspend in the previous four bienniums was an underspend of $50.5 million, in 2008-2009.

Figure II.II
Budget underspends, 2004-2005 to 2014-2015
(Millions of United States dollars)



Source: Board analysis of budget out-turn data.

38. As has been the case for the past five bienniums, Political affairs reported the largest underspend in 2014-2015, at $66.9 million (2012-2013: $11.5 million variance), and accounted for 56 per cent of the total underspend. The Administration explained that the large variances in 2014-2015 were driven mainly by movement in post adjustment multipliers, events in two countries reflecting high vacancy rates, and the cancellation of proposed activities at the request of host Governments or in response to a deteriorating security situation.

39. The financial impact of these events was not, however, taken into account in the proposed changes to appropriations requested in the second performance report. The second performance report was based on actual expenditure for the first 21 months of the biennium and therefore such a large underspend should have been anticipated. In previous bienniums, the forecast out-turn reported in the second performance report had been highly accurate. In its previous report, however, the Board also noted a consistent pattern of underspends against final appropriations by special political missions and the absence of any comprehensive reliable data to support a thorough analysis of the budgets and costs incurred by those missions. The Board reinforces the need to continue to improve financial management and to develop a more sophisticated and detailed understanding of the costs of United Nations operations.

40. International and regional cooperation for development (parts IV and V of the programme budget) also contributed to the underspend by $11.8 million (2012-2013: $6.7 million variance) and $13.9 million (2012-2013: $7.1 million variance), respectively. These variances were due primarily to vacancies of posts and a reduction in the expenses of experts, achieved by combining trips. Similarly, it is unclear why the financial impact of the above was not reflected in the second performance report.

Budget monitoring

41. Each biennium, the Administration "recosts" the budget to adjust for changes in rates of exchange and inflation and variances between the standard costs used in the budget and actual expenditure. Any unforeseen or extraordinary expenses are also identified. The Board also noted that significant variances between the figures used for the initial and final appropriations for the budget for 2014-2015 were due to changes in salaries and post adjustments.

42. The detailed monitoring of budget utilization is the responsibility of relevant Executive Officers and Heads of Administration. During the reporting period, offices could use reports from various information systems, including the Budget Information System, IMIS and Umoja, to obtain details on allotments, commitments and expenditure. However, this information was not "real-time", up-to-date information owing to the need to consolidate information from the eight instances of IMIS, Umoja and other external offices, such as the International Court of Justice. The Board considers that these deficiencies may also have contributed to the Administration's failure to foresee the large underspend in 2015.

43. The Administration has informed the Board that it is not aware of any underspend resulting from the lack of information in Umoja. However, with the implementation of a new system, during a period of stabilization users do not have a full understanding of how to extract and read various data from the new system, and some time would be required before users fully understand how the system works. The Administration also informed the Board that during 2016 it has developed more comprehensive management information to assist in the monitoring of the regular budget. These new reports include a summary of expenditure by area, details on open commitments for current and previous bienniums, post vacancies and any negative balances where funds committed exceed the authorized allotment. The Office of Information and Communications Technology and the Umoja team are also collaborating with process owners to develop and enhance additional reports identified as required.

44. Although budget performance and expenditures against budget were monitored in various ways during 2015, the Board believes that the frequency of monitoring should be improved and strengthened, particularly with regard to availability of data in Umoja at the global level.

45. **The Board recommends that the Administration develop comprehensive reports that allow departments to monitor expenditure against budgets on a monthly basis.**

46. **The Board also recommends that the Administration ensure that central, periodic monitoring of expenditure against budgets is strengthened, and that the Office of Programme Planning, Budget and Accounts seek explanations from departments when spending is not in line with expectations.**

47. **The Board further recommends that known reductions in expenditure be fully considered alongside known increases in expenditure during preparation of the first and second performance reports.**

Income budgets

48. The final programme budget for the biennium 2014-2015 (see General Assembly resolution 70/240) includes income estimates for the biennium related to staff assessment, general income and services to the public totalling $574.7 million. IPSAS requires a comparison of all publicly available budgets with the actual amounts expended, which includes anticipated revenues and receipts expected to arise in the budget period. However, in statement V, the Administration only compares out-turn of expenditures against the regular budget. Inclusion of all budget income estimates within this budget statement would enhance the transparency of the financial information and comply more fully with the requirements of IPSAS. The Administration informed the Board that it was not possible to present this information in 2015 as the information was not fully available in Umoja.

49. **The Board recommends that the regular budget income estimates and out-turn be fully disclosed in statement V of the financial statements to ensure compliance with IPSAS requirements and to enhance the information available to Member States.**

Unliquidated obligations

50. The reported expenditure for the biennium 2014-2015 includes open commitments, or “unliquidated obligations”, totalling $164.9 million (3 per cent of the total expenditure for the biennium). These obligations reflect the expected costs of goods and services received in the financial period but not yet paid and obligate funds expected to be required to settle any other outstanding legal obligation of the financial period. After 12 months, any remaining balances of obligations are cancelled. When examining unliquidated obligations, the Board found that the Administration had not provided detailed guidance to its offices and departments on how to determine whether an obligation should be retained or cancelled at the end of the budget period.

51. In the 2015 closure instructions, it was recognized that “generally, a commitment should only be maintained if a valid contract was in place at 31 December 2015 and the goods and services were delivered or were expected to have been delivered by year-end”. This statement clearly implies that the unliquidated obligation should relate to goods and services received during the period of the budget. However, the guidance goes on to state “or if the obligating event occurred prior to year-end”, which implies that a purchase order signed on 31 December for the delivery of goods and services in 2016 can also be charged against the 2014-2015 budget.

52. While it is consistent with rule 105.8 of the Financial Regulations and Rules, the Board considers that the existing guidance on unliquidated obligations is open to differing interpretations and allows for goods and services planned for delivery in 2016 to be charged against the budget for 2014-2015 (provided a contract is entered into by 31 December 2015). The Board considers that this allows scope for departments to manipulate budgets and to raise obligations at year-end to consume surplus funds rather than surrender amounts that could not be spent in the biennium.

53. The Board examined a sample of 30 unliquidated obligations totalling $26 million (16 per cent of outstanding obligations) of the total amount of $164.9 million of unliquidated obligations, and found three errors:

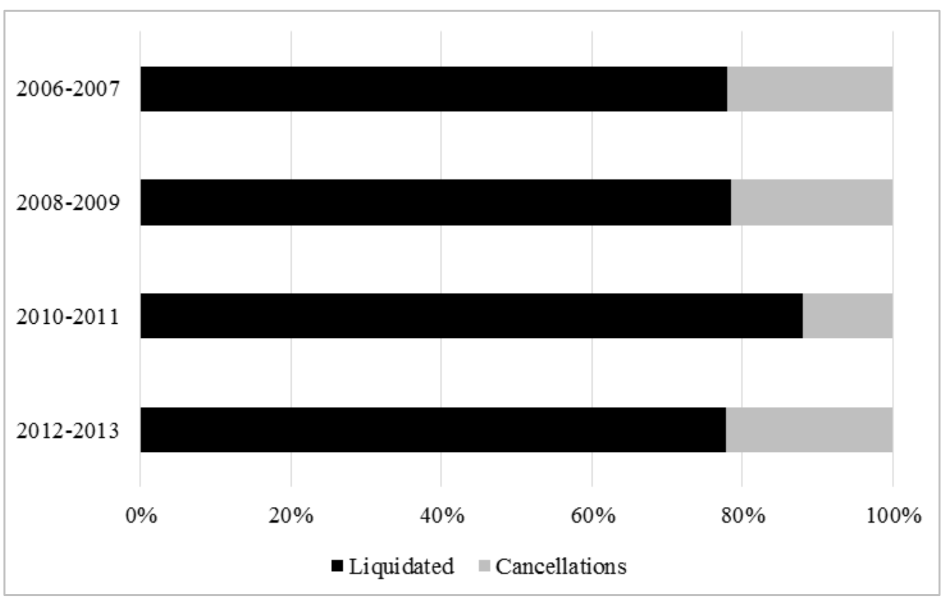
(a) In one case (amounting to $309,000), the purchase order was not approved until 2016, so no obligation existed as at 31 December 2015;

(b) In two cases (totalling $8,300), the activities were cancelled prior to year-end and no obligation therefore existed.

54. Furthermore, in August 2016, seven months after year-end, of the $164.9 million of unliquidated obligations, approximately $96 million had been disbursed and $7 million cancelled, leaving $62 million undisbursed. The Board found 1,700 individual commitments with a total value of $17 million which recorded no activity from 1 January 2016. Such a high level of unutilized commitments eight months after year-end indicates that many of these unliquidated obligations may not be valid or required in 2016.

55. The Board examined the level of cancellations since 2006-2007 and found that, in three of the four bienniums where information was available, the Administration had cancelled 22 per cent of unliquidated obligations recorded at the end of the biennium (see figure II.III). The regular cancellation of such a significant proportion of unliquidated obligations indicates that there is considerable scope to improve the way in which they are validated at year-end, and also suggests that it is highly likely that a significant proportion of unliquidated obligations for the biennium 2014-2015 will be unutilized. Where obligations are overstated at the end of the biennium and subsequently cancelled, the release of the associated credits to Member States is delayed.

Figure II.III
Cancelled unliquidated obligations, 2006-2013



Source: Board analysis of the Administration’s data.

56. **The Board recommends that the Administration improve scrutiny of open commitments at year-end by providing more detailed guidance on how staff should establish the need to retain them.**

57. **The Board also recommends that the Administration review open commitments during the year, in particular at year-end, to challenge any that appear to be retained unnecessarily.**

United Nations Mission for Ebola Emergency Response

58. On 31 May 2016, the Advisory Committee on Administrative and Budgetary Questions requested that the Board conduct an examination of UNMEER. The Board offered to review some aspects of UNMEER operations in its 2015 report and to cover remaining areas in 2016. UNMEER was established on 19 September 2014 to work with others to support the Governments of the affected countries in stopping the Ebola outbreak.

Appropriations and expenditure

59. In April 2016, the Administration reported a final appropriation under section 27, Humanitarian assistance (Office for the Coordination of Humanitarian Affairs), of $75.7 million for the Mission. Separate appropriations for a further $4.5 million were created for the Office of the Special Envoy on Ebola and for six departments, including the Department of Peacekeeping Operations, the Office of Legal Affairs, the Department of Safety and Security and three offices within the Department of Management, to provide backstopping support.

60. In total, UNMEER-related appropriations included in volume I of the financial statements were $80.17 million, and reported expenditure was $79.85 million (see table II.3). The expenditure incurred related predominantly to staff costs and general operating expenses; for example, these categories accounted for 78.9 per cent of the total for the Office for the Coordination of Humanitarian Affairs under section 27 of the budget.

61. UNMEER spent 99.6 per cent of the appropriation, reporting an underspend of $332,300. Staff costs and general operating expenses accounted for the majority of the expenditure incurred. Some residual backstopping costs were not separately tracked after the implementation of Umoja, as the Administration did not create separate fund commitments in the new system for the six departments providing backstopping. However, the Board concludes that the amounts involved are unlikely to be significant on the basis of the small charges incurred by these departments up to October 2015.

Table II.3
United Nations Mission for Ebola Emergency Response appropriations and expenditure
(Thousands of United States dollars)

Budget section	*Final appropriation*	*Expenditure*
27, Humanitarian assistance (OCHA)	75 708.3	75 743.4
27, Humanitarian assistance (Office of the Special Envoy on Ebola)	2 572.4	2 326.1
5, Peacekeeping operations	648.0	624.9
8, Legal affairs	53.4	52.5
29B, Office of Programme Planning, Budget and Accounts	116.6	116.7
29C, Office of Human Resources Management	593.5	557.6
29D, Office of Central Support Services	375.3	324.0
34, Safety and security	105.0	105.0
Total	**80 172.5**	**79 850.2**

Source: Administration data.
Abbreviation: OCHA, Office for the Coordination of Humanitarian Affairs.

62. In his report on the future of United Nations peace operations (A/70/357-S/2015/682), the Secretary-General recognized that the administrative framework for peace operations was often slow, cumbersome and averse to risk. He identified the need for standing administrative measures for start-up and crisis situations, drawing on exceptional measures approved in such situations as the Ebola crisis response, which covered:

(a) The fast-tracking of temporary designations within 24 hours to enable staff to perform functions in the management of financial, human and physical resources;

(b) Budget and finance, with the Controller delegating authority to qualified finance officers to reallocate funds in certain circumstances; for certifying and approving; for the acceptance of voluntary contributions; and to reduce the overhead charge on non-reimbursable loans;

(c) Procurement and property management, including authorizing the Director of the Procurement Division to enter into contracts not exceeding an initial cumulative value of $10 million and various delegations of authority;

(d) Human resources management, with various delegations aimed at filling vacant positions quickly.

Disposal and gifting of property

63. For UNMEER, a special delegation of authority was provided to the Special Representative of the Secretary-General for UNMEER that permitted the disposal of United Nations property, including gifting in the best interests of the United Nations, without reference to a property survey board. This authority was subdelegated to the Director of Mission Support. However, all disposals authorized under these delegations were required, post facto, to be presented to the Headquarters Property Survey Board.

64. The Secretary-General reported that the value of equipment disposals upon liquidation of the Mission was $22.4 million. Assets with a cost of $11.0 million were transferred to other missions and Secretariat entities, and those with a cost of $10.6 million were gifted to third parties, such as other United Nations entities, Governments and implementing partners. Assets costing $818,000 were written off. However, in 2015, the Administration reported to the Board that it had written off UNMEER assets with a cost of $11 million, and other assets were treated as transfers and therefore were not formally written off. The assets gifted included 520 vehicles, with a cost of $11.9 million. Given the relatively high number of asset disposals, the Board analysed the assets transferred to the Mission and reviewed the procedures applied to subsequently dispose of them.

65. The Mission received assets from strategic deployment stock or reserves totalling $2.2 million and received 638 assets (value: $15.2 million) from other missions, including 520 vehicles. An analysis of the assets received from other missions and by type of asset is shown in tables II.4 and II.5. In addition, the Mission procured assets with a value of $3.6 million.

66. In its detailed analysis, the Board found that many of the vehicles received were at the end of their useful lives; for example, 233 vehicles were fully depreciated and, on average, all vehicles had only 7.6 per cent of their residual value remaining when received by the Mission.

Table II.4
Analysis of assets received from other missions

Mission	*Cost (thousands of United States dollars)*	*Depreciated value (thousands of United States dollars)*	*Number of assets*
African Union-United Nations Hybrid Operation in Darfur	9 827.1	939.2	449
United Nations Interim Force in Lebanon	1 283.6	68.4	61
United Nations Disengagement Observer Force	1 192.3	177.2	50
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo	401.6	229.0	17
United Nations Support Office for the African Union Mission in Somalia	118.9	93.2	14
United Nations Operation in Côte d’Ivoire	433.9	296.4	13
United Nations Mission for the Referendum in Western Sahara	333.5	150.8	12
United Nations Mission in South Sudan	270.3	21.1	10
United Nations Multidimensional Integrated Stabilization Mission in Mali	1 282.4	1 126.7	8
United Nations Logistics Base	31.4	22.5	4
Total	**15 175.0**	**3 124.5**	**638**

Source: Board analysis of UNMEER asset records.

Table II.5
Analysis of assets received from other missions

Asset category	*Cost (thousands of United States dollars)*	*Depreciated value (thousands of United States dollars)*	*Number of assets*
Communications and IT equipment	3 291	2 219	118
Vehicles	11 884	905	520
Total	**15 175**	**3 124**	**638**

Source: Board analysis of UNMEER asset records.
Abbreviation: IT, information technology.

67. In 2014, 66 vehicles with a depreciated value of $83,000 were donated to third parties, and a further 448 (depreciated value: $492,000) were gifted in 2015. In view of their low value, the Board is satisfied that the assets gifted and donated were generally at the end of their life. The Board found, however, that approval for many of the disposal actions occurred post facto, and that formal approval had not been obtained from the Director of Mission Support or the Special Representative at the actual time of the handover or gifting of the vehicles. For example, 40 vehicles were gifted to a Government on 18 November 2014, but the formal approval to gift the assets was not sought until 23 December 2014. On 19 February 2015, the Mission submitted a report for the post facto approval of the Headquarters Property Survey Board for the 2014 disposals as required under the relevant dispensation. The Board has confirmed that the assets gifted in 2015 were presented to the Property Survey Board for post facto approval.

68. **The Board recommends that the Administration confirm that the Headquarters Property Survey Board was presented with information concerning the UNMEER assets gifted to other organizations in 2015, and that post facto approval was obtained as required.**

Programme support costs

Background

69. As part of the Board's continuing examination of costing practices in the Secretariat, it has examined the recovery of overhead costs through the charging of programme support costs.

70. In its report on agency support costs of October 1980 (A/35/544 and Corr.1), the Advisory Committee on Administrative and Budgetary Questions recommended a uniform agency support cost charge at the rate of 13 per cent of annual project expenditures, which the General Assembly subsequently approved. The underlying principle was to recover additional expenses incurred in supporting activities financed from extrabudgetary contributions and to ensure that any additional cost was not borne by assessed funds or other core resources.

Support cost rates

71. The Administration has been considering how best to manage programme support costs for many years, and the actual rates chargeable on different activities have varied over time. However, in 2012, the Controller established a range of rates depending on the type of activity. The rates were:

(a) Three per cent for pass-through funds, where the project was to be implemented by a third party;

(b) Seven per cent for joint United Nations implemented activities;

(c) Thirteen per cent for activities implemented by the Secretariat.

72. At the time the rates were established, they were not based on the known cost of supporting programme delivery, but it was anticipated that Umoja functionality would facilitate the computation of such indirect costs in the future. The revised rates did, however, recognize that different activities impose different costs on the Organization, which addressed the inflexibility of the use of a single rate that had existed, with some exceptions by special arrangement, since 1980.

73. The underlying principle that the programme support charges recovered the incremental cost of supporting activities was maintained. Incremental costs could then be divided into two basic categories:

(a) Direct costs that can be readily and directly attributed to activities;

(b) Indirect costs, such as Headquarters support functions, that cannot be unequivocally traced to specific activities.

74. The Board found that Secretariat departments treat such costs differently. For example, while the country-based pooled funds of the Office for the Coordination of Humanitarian Affairs required separate classification of direct and indirect costs, there was no detailed supporting guidance on the costs to be included within the classifications. This resulted in similar costs being classified differently, limiting the usefulness of the information.

75. During its examination of Office for the Coordination of Humanitarian Affairs projects, the Board found that the nature of costs included within project budgets varied significantly and that some partners included a relatively high proportion of "support" staff, including senior management, logistics and cleaning staff, and general office running costs, whereas others did not. For example, one project examined had costs related to the Chief of Mission, the head of the sub-office and clerical assistants for functions such as human resources, finance, administration and cleaning totalling $32,700, whereas another project with the same partner had no management costs but included administration staff costs totalling $14,200. As a result, indirect costs ranging from 5 to 20 per cent were included in the Office's project budgets in addition to programme support costs of 7 per cent. There was limited evidence that the Office assessed the reasonableness of the budgets before approving them.

76. The Office informed the Board that budgets are reviewed at the country office level, with the support of technical experts from clusters with contextual knowledge of the country where the project is implemented to assess whether costs are

reasonable. At Headquarters, the Office ensures due diligence and verifies overall budget coherence. As some emergency projects are implemented by partners whose support costs are already covered, there is no requirement to include these costs, while for others, this is not the case. This type of flexibility was considered important in the context of humanitarian emergencies.

77. The Board found that the Office of the United Nations High Commissioner for Human Rights charged some directly attributable costs (for example, transactional charges) to programme support, whereas the Office for the Coordination of Humanitarian Affairs, in response to reducing programme support charges from 13 to 7 per cent, charged indirect costs, such as office rental, proportionately to its projects. The Board also found inconsistencies between departments in cost classification; for example, monitoring and evaluation was classified by the Mine Action Service as personnel costs, whereas the country-based pooled funds classified them as general operating costs. The Board also found that programme support costs were not charged to 1,000 grants recorded in Umoja. The Administration considers that the fact that programme support costs were not charged is not indicative of an oversight, as there could be many explanations. In some cases, the Controller grants exceptional waivers of programme support costs and, in other cases, negotiations with donors on contribution agreements are ongoing and the support cost rate may not be finalized.

78. Such inconsistencies arise because there is no standard definition of cost classification or system of cost control and the Administration has not developed a methodology to allocate costs to activities accurately and consistently. Until such structures are developed, Umoja will not provide visibility of whether the rates charged do in fact fully recover additional costs. In some cases, the rates charged may be too high, resulting in an excessive charge to donors for implementing activities. However, over time, retained balances of programme support have grown. The General Assembly approved revised requirements for the funding of Umoja, which included increasing the extrabudgetary component by $8.5 million to $88.6 million (see resolution 69/274 A, sect. VI, para. 22). Significant contributions came from surplus balances of programme support costs retained by the Office for the Coordination of Humanitarian Affairs ($11.0 million) and the Department of Economic and Social Affairs ($24.8 million), and the balance came from the pooled fund for general programme support ($52.7 million).

79. During 2015, a revised policy for the administration of programme support accounts financed from extrabudgetary funds was implemented with the aim of harmonizing the existing procedures and strengthening the control environment. The main change was to establish a central account for programme support costs rather than maintaining separate accounts for offices such as the Office for the Coordination of Humanitarian Affairs and the Department of Economic and Social Affairs.

Delivering results (results-based management)

80. The Board performed a review of the implementation of results-based management using three case study departments: the Department of Economic and Social Affairs, the Department for General Assembly and Conference Management

and the Department of Public Information, as well as relevant documentation and information systems, focusing on:

(a) Progress in implementing results-based management;

(b) Managing by results;

(c) Measuring and reporting results;

(d) Results-based budgeting;

(e) Evaluation.

Objectives of results-based management

81. Results-based management is a management strategy applied by organizations to help them to make best use of their resources and achieve their planned objectives. When used effectively, results-based management links an organization's inputs, activities and outputs with the outcomes and results expected. It is particularly relevant to organizations for which profit is not a key measure of performance. Organizations that implement results-based management are generally seeking to improve the transparency of performance to stakeholders. Information on the results achieved can be used by management to make adjustments to improve performance and by governing bodies to hold management to account for its use of resources.

82. In 2006, the General Assembly, in its resolution 60/257, endorsed a benchmarking framework for implementing results-based management in the Secretariat. Results-based management extends results-based budgeting, which was introduced by the Secretariat in the biennium 2002-2003, by extending the focus from the budgeting and resource allocation stages of the management cycle to also include performance monitoring and evaluation, which then feed back into planning for the next management and financial cycle. Seven years after the benchmarking framework had been endorsed, the Secretariat presented a revised framework for results-based management, which was endorsed by the Assembly in its resolution 67/253. The Assembly recognized in the resolution, however, that the framework required further development.

83. The Secretariat has not stated or documented its objectives for results-based management. By contrast, the programme performance monitoring and reporting manual (2015) describes the aims of results-based budgeting as being:

(a) To enable Member States to assess the effectiveness, impact and relevance of programmes in terms of achievement of actual results, thereby addressing concerns over a lack of qualitative assessment of programme delivery;

(b) To improve the design of programmes and to ensure that the Secretariat will work towards achieving results (in the sense of changes and benefits to end users and beneficiaries), and not only towards producing outputs or implementing activities;

(c) To help to determine the most appropriate use of resources.

Progress in implementing results-based management as a strategic process

84. The Department of Management has overall responsibility for the design and implementation of results-based management as a strategic management process. Its progress in implementing results-based management is reported to Member States in the Secretary-General's annual accountability report. Figure II.IV shows the results-based management process designed by the Department of Management. The overall design contains the following key elements consistent with good practice:

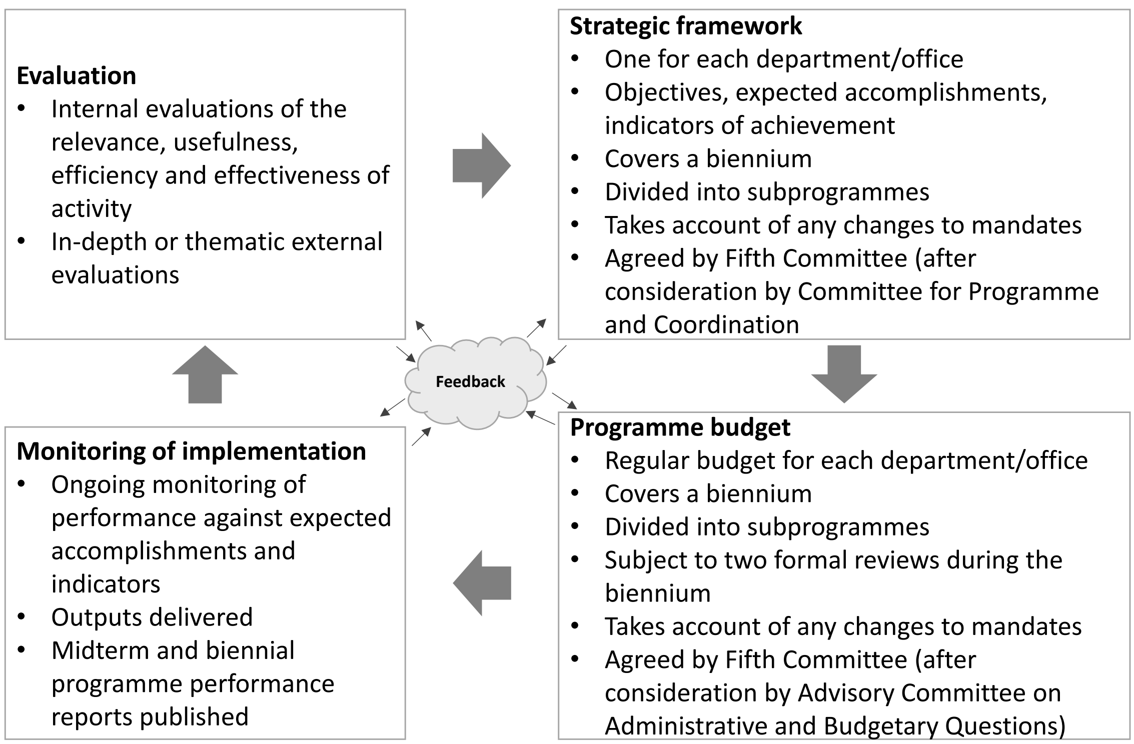
(a) Setting the strategic framework to establish the results expected and the indicators of performance;

(b) Developing the programme budget for the biennium;

(c) Monitoring implementation throughout the biennium to enable management to adjust activities (within the authority delegated to them);

(d) Evaluating results, including progress in achieving intended accomplishments, to develop lessons to be learned for the next strategic framework.

Figure II.IV
The results-based management process

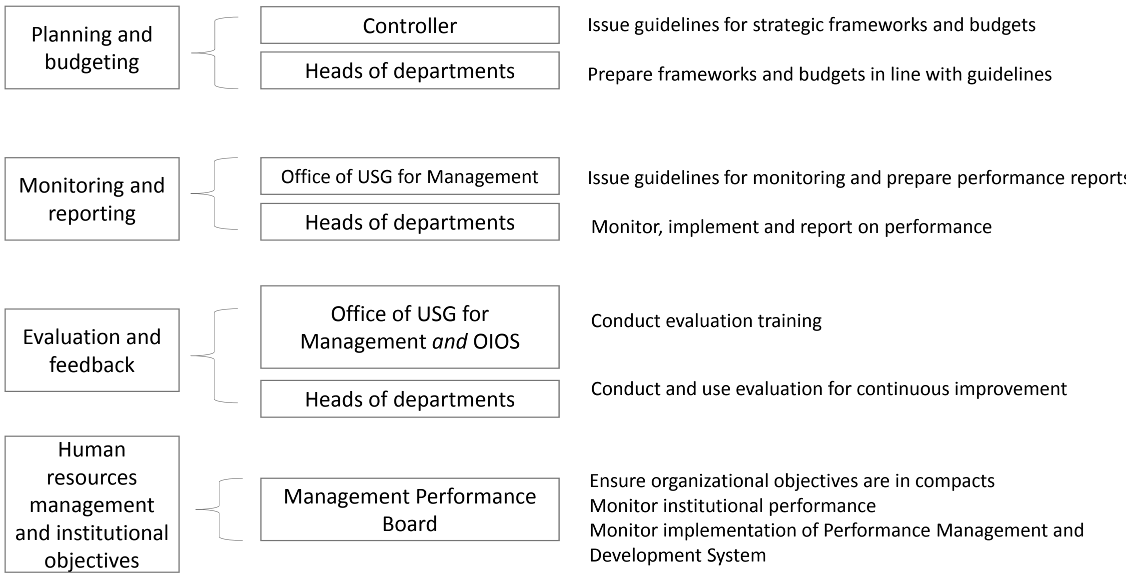


Source: Second progress report on the accountability system in the United Nations Secretariat (A/67/714) and interviews with the Department of Management.

85. Individual stages of the results-based management process are delegated to "process owners" (see figure II.V). For example, the Controller is responsible for the planning and budgeting process and the Office of the Under-Secretary-General

for Management is responsible for the monitoring and evaluation process, although the actual evaluations are performed by departments and external evaluations are performed by OIOS.

Figure II.V
Roles and responsibilities for results-based management



Source: Figure III of document A/67/714 and interviews with the Department of Management.
Abbreviation: USG, Under-Secretary-General.

86. In 2012, the General Assembly requested that results-based management be implemented in phases (see resolution 67/253). In response, the Department of Management convened a working group, which made nine recommendations to be implemented by 2017 (see A/68/697). The Administration has made good progress on three recommendations: training on logical frameworks; training on programme monitoring and reporting; and production of a results-based management manual.

87. The remaining six recommendations are set out below. There appeared to be only limited progress reported against the recommendations, which are as follows:

(a) The Secretary-General should lead a high-level advocacy campaign to emphasize to senior managers and staff the need to focus more on achieving clearly defined results;

(b) The Management Performance Board should emphasize the joint assessment of institutional performance and the performance of individual senior managers;

(c) The Department of Management, in coordination with "process owners", should provide guidelines and training on results-based management and linking staff workplans and organizational objectives;

(d) Heads of departments and "process owners" should provide training courses on evaluation methodologies and techniques;

(e) The Department of Management should develop an e-learning tool on results-based management;

(f) The Umoja Steering Committee should consider requesting the working group to confirm the results-based management business requirements for the design of Umoja Extension 2.

For example, although in the fourth progress report on the accountability system (A/69/676) it was described how the Department of Management had trained approximately 20 staff in evaluation methodologies, there is no reference to this training in the fifth progress report (A/70/668), except to note a lack of available resources. Similarly, there is no reference in either progress report to the Secretary-General's advocacy campaign.

88. **The Board recommends that the Administration assess the current status of implementation of the nine recommendations of the working group and report on progress made in the next annual progress report on accountability.**

89. The Administration has not developed a detailed plan to implement results-based management, as recommended by the Board in 2014 (see A/69/5 (Vol. I), chap. II, para. 29). The Administration did not initially accept this recommendation but reversed its position in response to the General Assembly's request for a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management (see resolution 69/272). In December 2015, in the Secretary-General's fifth progress report on accountability (A/70/668), it was stated that the Secretariat was continuing to lay the foundation for the effective implementation of results-based management. The Administration also stated that following the completion of the design of Umoja Extension 2, the Secretariat would be in a position to develop a more detailed plan for implementing results-based management. The design of Umoja Extension 2 is not due to restart until 2017 at the earliest (see A/70/158). In the Board's view, the development of Umoja Extension 2 should be an important milestone in the implementation of results-based management, but should be part of a wider and more detailed implementation plan of the type requested by the Assembly.

90. **The Board reiterates its previous recommendation that the Administration establish how and under what time frame it will be able to more closely link budget consumption with what was delivered in terms of outputs and outcomes; and with this as the aim, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.**

Managing by results in the Secretariat

91. The Department of Management is accountable for the design and implementation of results-based management, but each department is accountable for delivering results and demonstrating best use of funds. Monitoring progress on a frequent basis is critical to management's ability to take corrective action when it is needed and to increase the chances of successfully achieving the results mandated by Member States. Individual departments may develop their own internal performance measurement frameworks to help to understand and monitor performance during the year. However, current information systems and reporting

processes focus primarily on producing annual reports to Member States and do little to help managers to assess whether they are on target to deliver expected results.

92. Performance is recorded centrally using three measures: expected accomplishments, indicators of achievement and outputs. Table II.6 shows performance implementing outputs by budget area over the past decade, as reported by the Committee for Programme and Coordination. For the biennium 2014-2015, the Administration reported an overall average of 94 per cent delivery of mandated outputs. Overall policymaking, direction and coordination reports the highest performance (98 per cent), and Safety and security the least (68 per cent). This is due to the termination of 41 outputs, accounting for 32 per cent of the programmed and carried-forward quantifiable outputs of the Department of Safety and Security. Although performance by individual departments varies, overall the Secretariat has maintained a broadly similar level of performance across the past decade of around 90 per cent.

Table II.6
Delivery of mandated outputs by budget section (2006-2015)
(Percentage)

Budget section	*2006-2007*	*2008-2009*	*2010-2011*	*2012-2013*	*2014-2015*
Overall policymaking, direction and coordination	94	90	90	89	98
Political affairs	77	80	80	85	94
International justice and law	86	84	82	89	90
International cooperation for development	91	91	92	92	96
Regional cooperation for development	93	91	94	93	95
Human rights and humanitarian affairs	90	90	92	91	92
Public information	98	98	94	77	97
Common support services	95	95	94	99	97
Internal oversight	92	92	88	99	94
Jointly financed administrative activities and special expenses	–	–	–	–	–
Capital expenditures	–	–	–	–	–
Safety and security	50	71	75	70	68
Development Account	–	–	–	–	–
Staff assessment	–	–	–	–	
Total implementation rate	**89**	**89**	**90**	**91**	**94**

Source: Board analysis of reports of the Committee for Programme and Coordination.

Measuring and reporting results

93. For results-based management to be effective, it is essential that the Secretariat use a well-rounded set of performance measures that relates to and reflects the main expected accomplishments of a department. The measures also need to be helpful to managers trying to understand current performance, without being excessive in

number to avoid unnecessary effort. Performance also needs to be readily measurable and achievable over time to demonstrate progress.

94. The strategic frameworks of the 29 programmes contain a high number of measures. For the biennial programme plan and priorities for the period 2016-2017 (A/69/6/Rev.1), there are 208 objectives, 594 expected accomplishments and 1,076 indicators of achievement. This is a large and potentially resource-intensive number of measures to set, monitor and evaluate. A small minority of programmes have low numbers of measures. For example, one of the areas of highest expenditure (part B, Peacekeeping missions, of programme 4, Peacekeeping operations) has two objectives, three expected accomplishments and four indicators. The Department of Management (programme 25, Management and support services) has 36 objectives, 103 expected accomplishments and 170 indicators, the most of any department. Overall, programmes have an average of 37 indicators. Guidance produced by the Department of Management suggests that there should be no more than two indicators for each accomplishment. However, 6 of the 29 programmes average more than two indicators for each accomplishment. Similarly, the guidance suggests that there be no more than three accomplishments for each objective, but 10 programmes average more than three for each objective.

95. Target levels of performance against indicators of achievement need to be sufficiently challenging. The Board's review of a sample of three subprogrammes in three case study departments (the Department of Economic and Social Affairs, the Department for General Assembly and Conference Management and the Department of Public Information) found that overall, departments achieved the target for 44 of the 55 indicators (80 per cent). The Department of Economic and Social Affairs hit its targets more frequently (94 per cent) than the Department for General Assembly and Conference Management (80 per cent) and the Department of Public Information (77 per cent). However, many of the Department for General Assembly and Conference Management's targets left no margin for falling short of top performance (for example, most targets were to achieve 100 per cent of all deadlines and to receive zero complaints from Member States).

96. The Department for General Assembly and Conference Management stated that because performance against some of its indicators relies on the same staff, it can be difficult to achieve all targets. For example, the Department provides conference services to regional groupings of Member States, but views the meetings as extra workload for staff who must also support "as required" and "calendar" meetings. The Department's view is that with a fixed level of resources and an increasing number of meetings, servicing more meetings of regional groupings would be at the expense of the target for "as required" and "calendar" bodies, thereby affecting reported performance.

97. In 2015, the Administration reported some improvement in whether expected accomplishments and indicators of achievement were results-oriented for the period between 2006-2007 and 2016-2017 (see A/70/80). Accomplishments that met the requirement increased from 72 per cent to 80 per cent. For indicators, it rose from 59 per cent to 64 per cent. Recognizing that there is room for further improvement, the Secretary-General proposed focusing on improving the indicators for five programmes in 2018-2019 and to improve the remainder "from the biennium 2020-2021 onwards".

98. The Board reviewed a sample of nine subprogrammes. Although only indicative, the review found expected accomplishments and indicators of expected achievement were well designed, results-focused and of improved quality compared with the Board's audit in 2010-2011. However, there remains scope to strengthen them further. For example, the expected accomplishment of the Department of Economic and Social Affairs under section 9, Economic and social affairs, that "the programme of work is effectively managed" does not fit the Department of Management's expectation that accomplishments should represent desired outcomes in terms of benefits to end users as a consequence of outputs produced.

99. **The Board recommends that the Administration accelerate its current process of strengthening the performance measures used by departments to measure and report results.**

100. Departments stated that setting the right indicators could be challenging. Early in 2016, the Department of Management coordinated a series of workshops with five departments and promulgated a manual designed to support the development of strategic frameworks for 2018-2019. Senior managers consulted by the Board stated that both exercises were useful.

101. To track progress over time, departments need to specify consistently the achievement expected and the indicators used to assess performance. As this analysis is not performed routinely, the Board reviewed a sample of three subprogrammes in three departments. The review covered four bienniums (2010-2011 to 2016-2017) and found:

(a) Reasonable continuity in the use of expected accomplishments over time, with 23 of the 29 accomplishments (79 per cent) used for the whole period (see table II.7);

(b) Less continuity in the indicators used, with only 28 of the 92 indicators (30 per cent) used for the whole period (see table II.8).

102. Although there may be good reason for discontinuing expected achievements or introducing new ones, for example, changes in the mandate or earlier achievement of expected accomplishments, this level of change can make it difficult to evaluate a department's performance over time. More widely, the Administration has implemented the Board's previous recommendation to revise the performance measurement and reporting framework to ensure that annual budget reports provide a clear comparison of actual and planned performance of missions (see A/70/5 (Vol. I), chap. II, para. 163). Although made in the context of special political missions, the Administration has implemented this recommendation by improving the reporting framework in budget submissions to include planned versus actual performance for prior periods.

Table II.7
Continuity in use of accomplishments in case study departments, 2010-2011 to 2016-2017

Department	*Total number of accomplishments used within period*	*Accomplishments used throughout period*	*Accomplishments added during period*	*Accomplishments discontinued during period*
DESA	12	10	–	2
DGACM	9	6	1	2
DPI	8	7	–	1
Total	**29**	**23**	**1**	**5**

Source: Board analysis.
Note: The results cover a sample of subprogrammes (three in each department) and not the full set of subprogrammes.
Abbreviations: DESA, Department of Economic and Social Affairs; DGACM, Department for General Assembly and Conference Management; DPI, Department of Public Information.

Table II.8
Continuity in use of indicators of achievement in case study departments, 2010-2011 to 2016-2017

Department	*Total number of indicators used within period*	*Indicators used throughout period*	*Indicators added during period*	*Indicators discontinued during period*
DESA	37	9	11	17
DGACM	20	11	6	3
DPI	35	8	15	12
Total	**92**	**28**	**32**	**32**

Source: Board analysis.
Note: The results cover a sample of subprogrammes (three in each department) and not the full set of subprogrammes.
Abbreviations: DESA, Department of Economic and Social Affairs; DGACM, Department for General Assembly and Conference Management; DPI, Department of Public Information.

103. The Secretariat has limited access to good-quality and timely performance information to support the reporting of results. The Department of Management uses the Integrated Monitoring and Documentation Information System to produce this information on the basis of data input by departments and offices using a variety of data sources. The System was originally designed to track the delivery of outputs in the Department of Economic and Social Affairs and was not intended to support the implementation of results-based management across the Secretariat. Staff interviewed by the Board stated that using the Integrated Monitoring and Documentation Information System is labour-intensive and requires departments to manually input performance information generated by other means. The Board was also informed that the system is not user-friendly and that this had contributed to a high turnover of staff fulfilling that role in departments. The Department of Management estimates that it will continue to train over 200 people each year to use

the Integrated Monitoring and Documentation Information System until it is replaced by Umoja Extension 2.

Results-based budgeting

104. Although achieving results is of primary importance, it should be proportionate to cost. It is important to link performance to expenditure, especially when deciding how best to allocate resources and target areas for improvement. To address this, results-based budgeting was introduced to the Secretariat in 2002-2003 following the General Assembly's endorsement of the gradual and incremental introduction of results-based budgeting (see resolution 55/231).

105. The use of results-based budgeting in the Secretariat is problematic, as information on the performance achieved in the previous biennium is not available when Member States are asked to approve the budget for the next biennium. For example, for the biennium 2016-2017, departments submitted their proposed strategic frameworks to the Department of Management in January 2014 for consideration by the Committee for Programme and Coordination in June 2014 and approval by the Fifth Committee in December 2014. Departments did not prepare their budgetary proposals for the biennium 2016-2017 until January 2015. These were then considered by the Advisory Committee on Administrative and Budgetary Questions in June 2015 and approved by the Fifth Committee in December 2015. Under this process, the most recent performance information available to Member States when approving the budget for 2016-2017 was from the biennium 2012-2013.

106. Although perhaps the easiest to monitor, the use of outputs as a performance measure could be misleading, and the link between expenditure and outputs can be difficult to demonstrate. Outputs vary considerably in terms of cost and how they contribute to achieving results. For example, the Interpretation Service in New York of the Department for General Assembly and Conference Management is vital to supporting the work of Member States and employs the equivalent of 130 staff out of a total of 1,830 staff budgeted for in the biennium 2014-2015. However, translation services are counted as only one unit of output, in contrast to the rest of the Department, whose services deliver some 2,000 outputs between them.

Evaluation

107. Evaluation of the contribution made by programmes to the expected results is a key part of the results-based management cycle. Departments are expected and funded to carry out self-evaluations and to apply lessons learned from external evaluations carried out by OIOS. The programme performance monitoring and reporting training manual states that departments should typically devote between approximately 2 and 5 per cent of total programme resources to monitoring, self-assessment and analysis. The Board can find no supporting rationale for these percentages and notes that the $50.8 million appropriated for evaluation and monitoring for the entire Secretariat in the biennium 2014-2015 and the $61.2 million requested in the biennium 2016-2017 represent only 1 per cent of the total budget for those periods.

108. In 2015, OIOS reported that while evaluation had improved in the Secretariat, capability was concentrated in a small number of entities and that previous gaps persisted, including uneven coverage, insufficient resources, inadequate staff

competencies and limited buy-in from senior management and staff (see A/70/72). The Administration stated that OIOS resources are not sufficient to allow an external evaluation of all programmes on a regular basis.

109. Although there is not a prescribed model to follow, some departments have nonetheless undertaken self-evaluations. For example, the Department of Public Information has a long-established evaluation unit that completes one major evaluation of a communication initiative a year and also supports other staff to perform their own self-evaluations. The work of the unit, at a proposed cost of $1.6 million in the biennium 2016-2017, is used to brief managers and to inform senior-level decision-making.

110. By contrast, the Department of Management has no established evaluation unit. This is despite the five main offices comprising the Department having proposed a combined monitoring and evaluation budget for the biennium 2016-2017 of $5.6 million to perform activities such as the ethical behaviour self-assessment survey or the survey of senior managers' compacts. In 2015, the Department completed two of three planned self-evaluation pilots (on mobile phones and compliance with performance management), concluding that "self-evaluations should be conducted by skilled practitioners who are dedicated solely or in part to this purpose rather than lay people with limited training whose time is fully occupied with non-related tasks" (see A/70/668, para. 21).

111. Overall, when considering the issues noted above by the Secretariat in general, and by OIOS in particular, the Board considers that the Administration needs to make better use of funds requested for monitoring and evaluation.

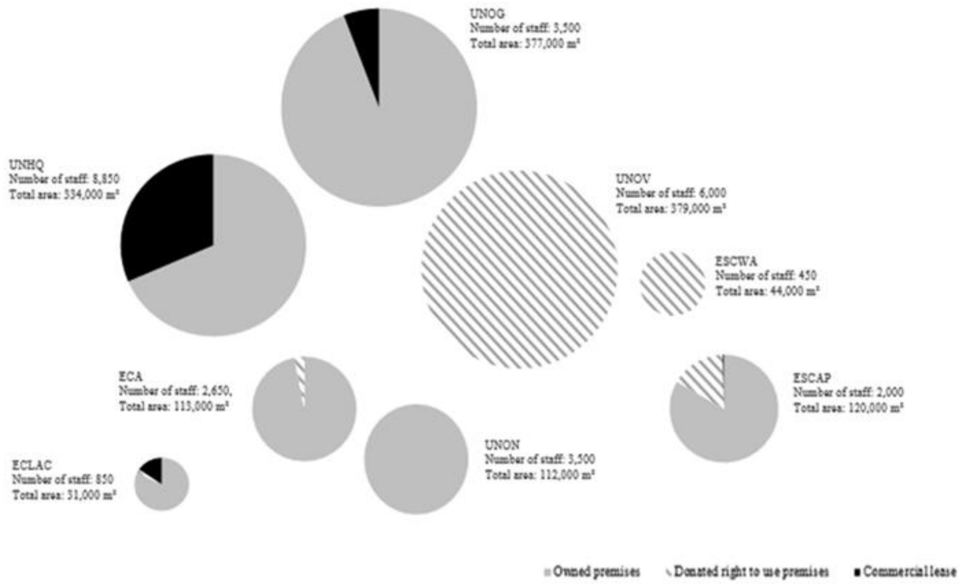
112. **The Board recommends that the Administration set out a detailed plan for how it can make best use of current resources to improve evaluation across the Secretariat, including the level and types of reviews it needs to undertake, the skills and capacity required to perform them, and how it can learn lessons from existing approaches to cost-effectively support staff to perform self-evaluations through, for example, training staff in standard evaluative tools and techniques.**

E. Managing the estate

Size and importance of the estate

113. The United Nations estate is a high-value, global operation consisting of some 1.5 million square metres of (office and conference) space: this represents an increase from 1 million square metres in 1990. There are 123 owned buildings and 35 leased buildings, accommodating 17,840 Secretariat staff and 9,960 other United Nations staff in 30 cities across the world. Historically, there has been limited understanding of the global estate, but improvements have been made following the strategic capital review and the introduction of the Umoja real estate management module. Figure II.VI shows that three quarters of the total area occupied by the United Nations is based in the large offices in Vienna, Geneva and New York, which accommodate two thirds of United Nations staff.

Figure II.VI
Size and distribution of the global estate



Source: Administration's data.
Notes:

1. Total area aggregated from building floor areas measured in terms of gross external/internal area.
2. Number of staff includes staff of the Secretariat, as well as specialized agencies, funds, programmes and other United Nations-affiliated entities.
3. Segmentation based on total area leased (donated right to use or commercial) or owned.

Abbreviations: ECA, Economic Commission for Africa; ECLAC, Economic Commission for Latin America and the Caribbean; ESCAP, Economic and Social Commission for Asia and the Pacific; ESCWA, Economic and Social Commission for Western Asia; UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

114. Strategic management of the global estate is critical to the Organization's ability to achieve its objectives. In addition to delivering best value for money from a significant asset, a well-managed estate enables the United Nations to provide a safe, fit-for-purpose and productive environment for staff and delegates. Conversely, a poorly managed estate can result in:

(a) Higher than necessary direct property costs owing to low utilization rates or unnecessarily locating operations in expensive cities;

(b) Limited flexibility to relocate operations in response to emerging needs by "tying" the Organization to fixed locations;

(c) Reduced effectiveness of staff and delegates through premises that are not "fit for purpose" owing to poor configuration of space to match business needs;

(d) Placing staff and delegates at risk through premises that are unsafe or in such poor condition as to represent an unhealthy and unpleasant environment to work in.

Previous work by the Board

115. The Board's previous reports on the financial statements as reported in volume I, its annual reports and the lessons learned paper on the capital master plan and its coverage of the strategic heritage plan contain findings and recommendations relevant to wider management of the estate. The current status of extant recommendations is included in the relevant reports, but previous recommendations have included the need to:

(a) Develop a global estates strategy;

(b) Improve information on the condition and value of the estate;

(c) Define an approach to long-term asset management;

(d) Make the best use of office space through flexible workplace strategies;

(e) Commence independent project assurance of capital projects;

(f) Develop a United Nations approach to managing major projects.

116. The Board has reviewed progress made in strengthening estates management by analysing information on the size and composition of the estate, assessing the role of the Office of Central Support Services and surveying estates managers in eight key locations: United Nations Headquarters in New York; three offices away from Headquarters, namely, the United Nations Office at Nairobi, the United Nations Office at Geneva and the United Nations Office at Vienna; and four regional economic commissions, namely, the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic Commission for Africa (ECA), the Economic and Social Commission for Western Asia (ESCWA) and the Economic and Social Commission for Asia and the Pacific (ESCAP).

Characteristics of the estate

117. The characteristics of the estate vary from duty station to duty station, affecting the priorities facing estates managers as a result of factors including:

(a) **Ownership**. Premises can be owned, commercially leased, leased to other organizations or donated by host countries;

(b) **Age and condition**. Premises range between relative new builds to properties over 50 years old; some properties have undergone extensive renovation programmes, while others are awaiting renovation;

(c) **Host country support**. In addition to donating properties outright, host countries can offer other types of support, including preferential loans to finance construction projects and payment of commercial rents or operating costs.

118. Although the first two factors are common to any global estate, the involvement of host countries can introduce additional factors that United Nations estates managers need to take into account. Recent examples of support from host countries include the provision of interest-free loans or funding for capital projects or operating costs, and free or subsidized office accommodation.

Value of the estate

119. The Administration estimates that as at 31 December 2015, the total gross replacement cost of its buildings is $3.57 billion, with an additional $182 million relating to infrastructure assets. Table II.9 shows that the most costly buildings are found in the newly renovated Headquarters in New York (50 per cent) and in Geneva (30 per cent).

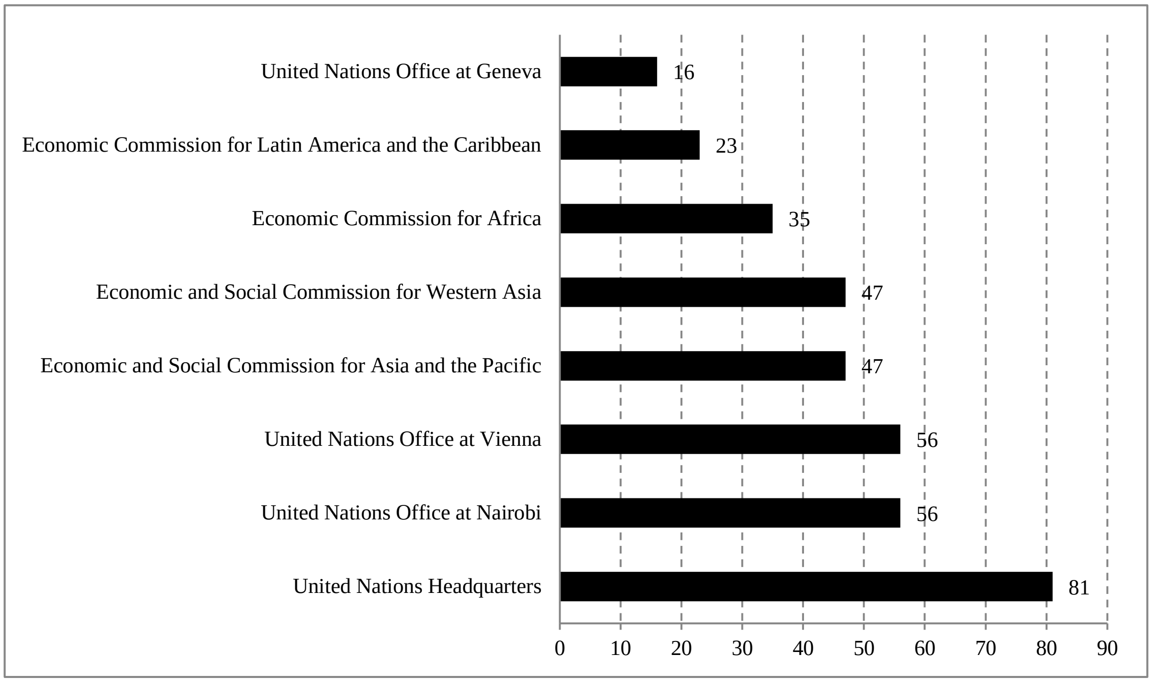
Table II.9
Value of buildings as reported by the Administration
(Millions of United States dollars)

Location	*Gross replacement cost*
United Nations Headquarters (New York)	1 768
United Nations Office at Geneva	1 079
Economic Commission for Africa	277
Economic and Social Commission for Asia and the Pacific	142
United Nations Office at Vienna	137
United Nations Office at Nairobi	101
Economic Commission for Latin America and the Caribbean	62
Economic and Social Commission for Western Asia	0.2
Total	**3 565**

Source: Administration's data.
Notes:
1. Does not add up owing to rounding.
2. Replacement cost value as at 31 December 2015.

120. Figure II.VII shows that as at 31 December 2015, the "book value" (estimated value less accumulated depreciation) as a proportion of value of owned buildings across the duty stations ranges from 16 to 81 per cent. A low book value often reflects significant maintenance costs or sizeable capital investment at some point in the future. Conversely, the high net book value for Headquarters reflects the ongoing $2.3 billion investment to modernize the campus through the capital master plan.

Figure II.VII
Net book value as a percentage of the replacement value (as at 31 December 2015)
(Percentage)



Source: Board analysis of the Administration's data.
Note: Percentages reflect overall book value of duty stations; book value of individual buildings within a campus can vary widely.

121. Duty stations also lease space to other United Nations organizations. For example, the Administration is forecasting $31 million of rental income in 2016, with Headquarters generating $14 million, followed by Nairobi ($8.3 million) and ESCAP ($3.8 million). Pursuant to General Assembly resolution 41/213, duty stations are required to charge tenants market rates. In New York, the Secretariat charges tenants $96 per square foot annually, of which $75 is rent and $21 maintenance. The Board notes that this is higher than the $53 average cost per square foot that the Secretariat pays its own commercial landlords. However, there is no standard approach or requirement for duty stations to revise rental rates on the basis of market conditions; the New York rates were revised in 2015 for the first time in six years.

122. **The Board recommends that the Administration ensure that the rental charge is an accurate representation of current market rates in each location.**

Understanding performance

123. Effective estates management requires reliable and up-to-date information. The present section details progress to date and further improvements that could be made to enable performance benchmarking across duty stations.

Quality of information

124. The Administration's understanding of the estate is increasing, but the quality of data could be improved. Umoja provides a single, central database of property assets that is accessed easily by duty stations. However, a comparison of Umoja data and the information supplied to the Board during its audit highlighted inconsistencies in the reported size of the estate. For example, the Administration informed the Board that the size of the main building of ECLAC was 14,650 m^2, whereas Umoja records the size as 18,306 m^2, a variance of 25 per cent. Table II.10 shows that there are issues with the consistency and completeness of data for buildings across the United Nations estate.

Table II.10
Variance in data on building sizes contained in Umoja and the Administration's global overview
(Percentage)

Duty station	*All buildings*	*Owned buildings*	*Leased buildings*
ECA	-1	–	-48
ECLAC	-4	15	-95
ESCAP	208	447	-10
ESCWA	–	–	–
UNOG	-6	–	–
UNON	–	–	–
UNOV	–	–	–
UNHQ	15	10	28

Source: Board analysis of the Administration's data.
Notes:
1. The "Global overview" is an internal management document that provides a snapshot of ownership and lease arrangements. Previous iterations have provided content for progress reports on the strategic capital review.
2. Umoja does not have leased data for UNOG and UNOV.
3. For ESCAP, the high variance for owned buildings reflects a suspected data input error.
4. For ECLAC, owned buildings are recorded in Umoja as both gross external and gross internal area.

Abbreviations: UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

125. Data inconsistencies can arise after implementing an enterprise resource planning system, and it can take time to develop the skills and capabilities to use the new information available. The Board is concerned by the size of the variances in the data held on estates. The variances could reflect underlying errors in either data source, but it is critical that the data in Umoja be accurate if they are to be seen as credible and useful to estates managers.

126. **The Board recommends that the Administration review the completeness of data in the Umoja real estate module and ensure that adequate controls are in place to assure data quality.**

Utilization rates

127. The Administration does not routinely track space utilization, that is, how many staff actually use the space in each location at any one time. Without information on utilization, it is difficult for management to assess whether the size and cost of the estate is appropriate or whether assets are being used effectively. The Umoja real estate management module does not yet include utilization rates or distinguish between office and conference space. Although only limited information is available, analysis indicates wide differences in the amount of space per United Nations staff member across locations (see table II.11). The extent of these differences suggests that space could be better used in a number of locations. For example, the estimated amount of space per staff member ranges from 32m^2 in the United Nations Office at Nairobi to 108 m^2 in the United Nations Office at Geneva. The Office at Nairobi hosts the same number of staff as the Office at Geneva in an area approximately a third of the size.

Table II.11
Estimated average space per United Nations staff member across duty stations

Duty station	*Total area (m^2)*	*Number of United Nations staff*	*Space per staff member (m^2)*
ECA	113 000	2 650	42.6
ECLAC	31 000	850	36.5
ESCAP	120 000	2 000	60.0
ESCWA	44 000	450	97.8
UNHQ	334 000	8 850	37.7
UNOG	377 000	3 500	107.7
UNON	112 000	3 500	32.0
UNOV	379 000	6 000	63.2

Source: Board analysis of the Administration’s data.
Notes:
1. Area includes conference space and visitor facilities.
2. United Nations staff numbers include specialized agencies, funds and programmes.
3. Leased accommodation in economic commissions includes sub-offices.

Abbreviations: UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

128. Table II.12 shows that estimated capital expenditure per staff member and per square metre also vary between duty stations and across bienniums.

Table II.12

Capital expenditure on accommodation per staff member and per square metre for the bienniums 2012-2013 and 2014-2015

(United States dollars)

	2012-2013		*2014-2015*	
	Expenditure per staff member	*Expenditure per m^2*	*Expenditure per staff member*	*Expenditure per m^2*
UNHQ	2 600	70	1 900	49
UNOG	5 400	50	17 100	158
UNOV	600	10	600	9
UNON	1 600	49	1 900	58
ECA	1 100	27	2 400	56
ECLAC	2 800	77	3 000	82
ESCAP	1 600	27	1 300	22
ESCWA	900	9	13 000	133

Source: Board analysis of section 33 of the programme budget.

Notes:

1. Excludes renovation projects or capital expenditure outside of section 33.
2. Assumes that staff numbers and area of estates are static across the bienniums.
3. Expenditure per staff rounded to nearest $100.

Abbreviations: UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

129. In the absence of agreed space standards across the estate, the Administration uses local space standards to define space efficiency, leading to differences between duty stations. For example, the capital master plan implemented office space guidelines that resulted in an average workspace of 20.4 m^2 for staff in the Secretariat building. In Geneva, the latest space occupancy data as at May 2016 indicate an average workspace for staff of 22.4 m^2. In ESCAP, it is 24.0 m^2 per staff member. These standards compare favourably and even appear generous when compared to standards enjoyed by some public bodies.

130. The Administration needs to improve urgently its understanding of utilization rates. Only Headquarters in New York has undertaken a comprehensive, point-in-time space utilization study by observing the percentage of time that desk space was occupied across owned and leased buildings. The analysis found that on average, 38 per cent of assigned work spaces were being utilized during the day at Headquarters and that peak utilization rose only to 48 per cent. This level of utilization represents an opportunity to drive further value by reducing the need for expensive rental accommodation in Manhattan. If the findings were replicated elsewhere, the Organization could make significant savings across the globe.

131. **The Board recommends that the Administration perform utilization studies across the main locations of the Secretariat to identify the required size and composition of the estate to better support future requests for funding.**

132. The Administration informed the Board that the functionality to track utilization rates is included in the scope and requirements of Umoja Extension 2.

The Board notes that while this will provide a single repository, the data will still need to be collected as recommended.

Cost management

133. In its previous report, the Board concluded that the Administration should develop appropriate data analytics, costing methodologies and approaches to gain a deeper understanding of its underlying costs. The Board considers that the Administration should use this information to ensure that it benchmarks and measures costs in a way that promotes increased cost consciousness, improved value for money and a culture of continuous improvement in financial management practices. No such measures or benchmarks are used to manage the costs of the United Nations estate.

134. There is no standard approach to reporting operating costs of the estate across different duty stations, making it challenging for stakeholders to use the information currently presented to compare costs on a like-for-like basis. For example, New York provides the most comprehensive breakdown, including separation of the cost of rent, maintenance, minor alterations and cleaning. The offices at Geneva and Vienna group these categories into a single "general operating cost". While Headquarters and offices away from Headquarters report utilities as a separate cost item, the economic commissions do not generally provide a breakdown.

135. **The Board recommends that the Administration establish standard cost categories for use by each duty station to improve transparency and enable reporting of "cost of the estate per staff member" at each location.**

136. In contrast to operating costs, there is an established and consolidated format for capital expenditure in duty stations. Construction, alteration, improvement and major maintenance are reported in section 33 of the programme budget. This includes works that substantially alter or improve facilities and infrastructure; repair and replace installations or systems; or maintain facilities and services in good working order. However, some duty stations capture maintenance activities in capital expenditure, and others in operational budgets. For Headquarters, for example, section 33 includes recurring expenditure, such as plumbing, maintenance, carpentry and painting. It reports electrical maintenance in both the operational budget for Headquarters ($2.4 million) and in section 33 ($1.8 million). Garden maintenance for the United Nations Office at Nairobi is included in the operational budget, whereas for Headquarters it is included in section 33. The Administration did not provide an explanation for these differences in approach.

137. **The Board recommends that the Administration establish a standard format for proposing maintenance budgets to improve comparability across duty stations.**

Energy efficiency

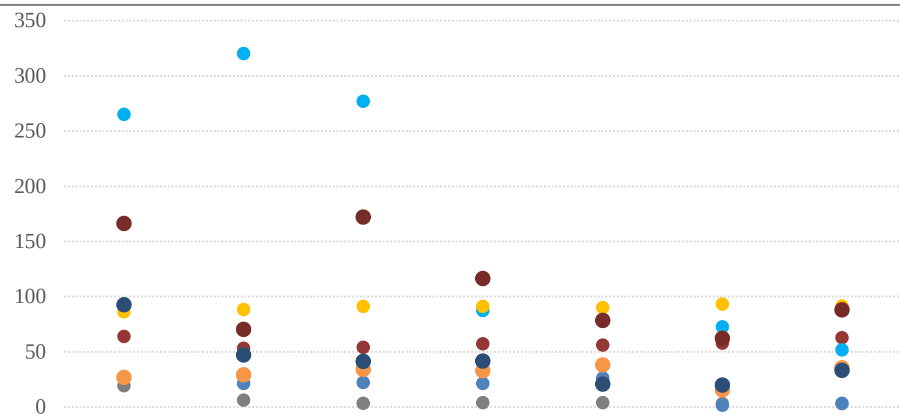
138. There is no requirement to report centrally on energy efficiency, although it is a benefit usually articulated in proposals for capital projects. All duty stations have undertaken or plan to undertake works to deliver better energy efficiency and, as part of the initiative for a climate-neutral United Nations, collect annual data on greenhouse gas emissions across the estate. Figure II.VIII shows that since 2008,

there has been an overall downward trend in greenhouse gas emissions reported. ESCAP and the United Nations Office at Geneva have reported significant reductions in recent years. There have been upward trends reported in the United Nations Office at Nairobi and ESCWA.

Figure II.VIII

Trends of duty stations' facility-related emissions per surface area, 2008-2014

(Carbon dioxide equivalent, kg CO_2 eq./m^2)



	2008	2009	2010	2011	2012	2013	2014
● ECA	19	6	3	4	4	3	3
● ECLAC	64	53	54	57	56	58	63
● ESCAP	265	320	277	87	77	72	52
● ESCWA	86	88	91	91	90	93	91
● UNOG	26	21	22	21	26	1	3
● UNON	27	29	34	33	38	15	35
● UNOV	92	47	41	41	20	20	33
● UNHQ	166	70	172	116	78	62	88

Source: United Nations Environment Programme, Moving towards a climate neutral UN (2009 to 2015 eds.).

Abbreviations: UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

Benchmarking performance

139. Overall, the adoption of IPSAS, the strategic capital review and the introduction of the Umoja real estate management module have improved the Administration's understanding of the size, value and condition of the estate. However, the Administration needs to develop a consistent set of key metrics to manage performance and enable benchmarking. Although particular characteristics might require local flexibility, a common performance scorecard of key metrics applied globally and consistently would improve the transparency and comparability of performance across the estate.

140. Common metrics used by other organizations include: utilization rates; energy efficiency; the cost of the estate as a percentage of organizational running costs; the cost of the estates function per total full-time equivalents at each location; the

number of critical incidents; the number of professionally qualified estates managers; and user satisfaction. Only the United Nations Office at Geneva provided evidence that it surveyed users on the appearance and cleanliness of different types of rooms, the quality of repairs and maintenance services and the quality of space management. ESCAP informed the Board that it was preparing a campus-wide survey.

141. **The Board recommends that the Administration design a common set of performance metrics to help to benchmark performance across each duty station.**

142. Performance measures reported to Member States are inconsistent and do not allow for comparative analysis or performance benchmarking across duty stations. Although Headquarters and offices away from Headquarters use the same expected accomplishment, "enhanced quality and timeliness of facilities services", it is not measured consistently. The United Nations Office at Nairobi measures the number of malfunctions, whereas all other locations measure turnaround times. The target for turnaround times also varies between Headquarters (75 per cent), Geneva (96 per cent) and Vienna (99 per cent). There is no formal reporting for regional economic commissions.

143. **The Board recommends that the Administration design a common set of performance measures to improve consistency of reporting to Member States.**

Strengthening estates management

144. In 2011, the Secretariat engaged external consultants to assess the governance, policies and procedures for estates management as part of a readiness assessment for implementing IPSAS at Headquarters. The consultants found that a lack of uniform policy had led to: inconsistency in policies and processes across duty stations; poor-quality data; inadequate systems; and inconsistent definitions of asset manager functions.

145. The Office of Central Support Services is responsible for: (a) providing technical guidance and advice for the planning and implementation of construction projects; and (b) establishing policy, guidelines and procedures for property management. In practice, duty stations have freedom in each location to best organize themselves and manage performance of the estate. In recent years, the Office has worked successfully with estates management functions in the eight major United Nations locations to improve consistency across duty stations. The Office has created a single property management framework, which includes training and certification on reporting fixed assets and real estate valuation. It has also issued a new administrative instruction for the management of property (ST/AI/2015/4) and established the Inter-Agency Network of Facilities Managers which includes other organizations such as the World Bank. The Network holds an annual conference to discuss facilities management concerns, and also performed a limited benchmarking exercise in 2012 and 2016.

146. More widely, the Office of Central Support Services has taken forward a number of well-received initiatives intended to improve estates management, including:

(a) Developing thinking on long-term asset management, including the strategic capital review;

(b) Strengthening the management of capital projects by producing guidelines for managing capital projects, and initiating independent project assurance.

Long-term asset management and the strategic capital review

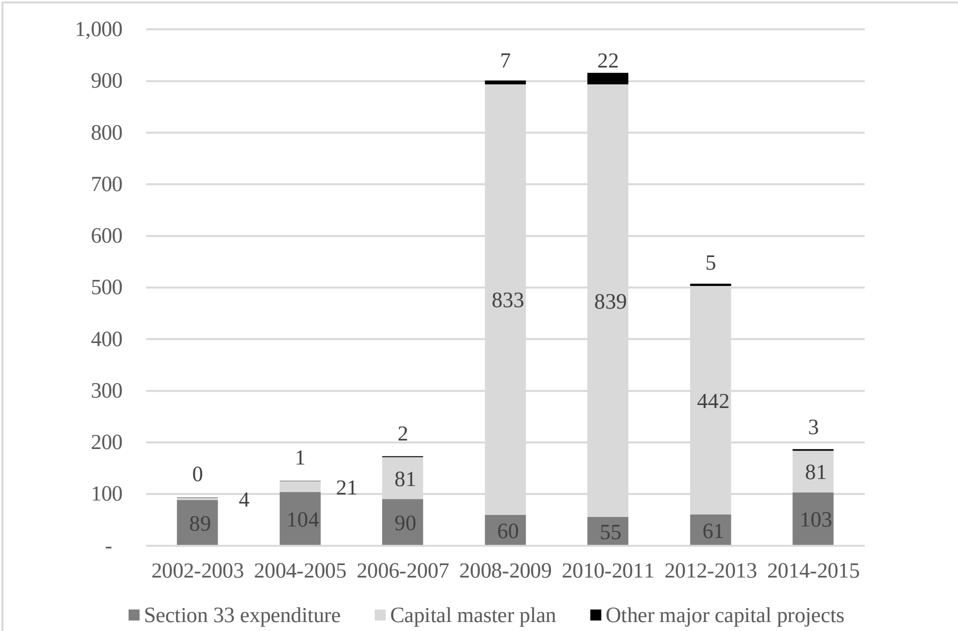
147. Unlike most organizations with large real estate portfolios, until now the United Nations has not followed a recognized whole-life asset management approach to maintaining the estate. Instead, it adopted a mainly reactive “run to fail” policy, investing only when the building or plant and machinery required essential maintenance and repairs. A notable example is Headquarters in New York, which deteriorated and fell out of line with legislative standards, normal industry practice and its users’ needs to such an extent that it required $2.3 billion of investment in the capital master plan.

148. The strategic capital review was the first step to developing a long-term asset management plan for the global estate by developing a fuller picture of its condition and likely capital maintenance requirements. Duty stations surveyed by the Board were supportive of the review and the role of the Office of Central Support Services in coordinating it, viewing it as a fundamental planning tool. Three of the duty stations surveyed identified the review as the de facto local estate plan. The United Nations Office at Nairobi used the review process to hold consultation workshops with clients and departments to determine current and future business needs. The Administration has performed life-cycle replacement analysis, proposing its first 20-year rolling capital programme at an average cost of $130 million per biennium. Analysis of section 33 of the regular budget[1] shows that this is a significant increase from the historical average of $80 million per biennium since 2002-2003 (see figure II.IX). The historical average represents an annual reinvestment rate of 1.4 per cent against gross replacement cost, compared to good practice of 2-3 per cent.[2] This has led to postponed maintenance, resulting in the deterioration of buildings, the requirement for emergency repairs and the need for periodic large-scale construction projects. Capital expenditure reported in section 33 does not reflect the total capital budget as it excludes large-scale, multi-year projects such as the strategic heritage plan and the renovation of Africa Hall. When these costs are included, total capital investment in 2014-2015 increases by $84 million to $187 million, although the life-cycle maintenance costs for these buildings was included in the strategic capital review’s $130 million estimate.

[1] Section 33 includes two main categories: (a) alterations and improvements, that is, projects that would substantially alter or improve facilities or infrastructure (excluding major projects); and (b) major maintenance, that is, projects to maintain facilities and infrastructure such as heating and air conditioning, plumbing and painting.

[2] Good practice cited in the report of the Secretary-General on the strategic capital review (A/69/760).

Figure II.IX
Capital investment in the estate
(Millions of United States dollars)



Source: Board analysis of budget submissions.

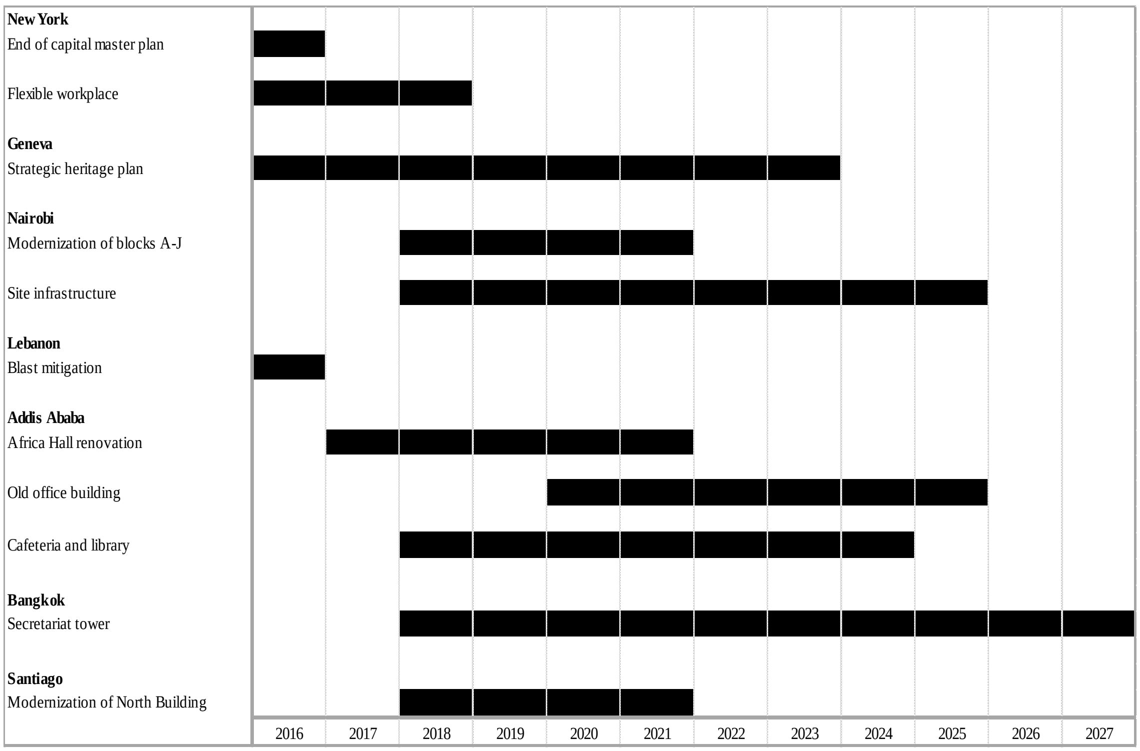
149. The strategic capital review provides the Administration with an informed estimate of likely costs of long-term capital requirements, but long-term funding arrangements are not yet in place to meet those costs. The Board's paper on lessons learned from the capital master plan details options ranging from a separate multi-year capital reserve "sinking fund" to a run-to-fail approach (see A/71/5 (Vol. V), annex I). In 2016, the Administration stated that it was no longer pursuing the option of a capital reserve fund in the light of General Assembly resolutions pursuant to which any potential proposal with budgetary implications stemming from the strategic capital review should follow the procedures set out in the Financial Regulations and Rules of the United Nations. The Financial Regulations and Rules require the Administration to present proposals as part of the regular budget process of no more than two years or present stand-alone proposals separate from the programme budget.

150. It is not uncommon for international organizations to have a dedicated fund for managing and investing in estate management; for example, the World Health Organization operates a real estate fund, and the World Meteorological Organization operates special accounts: the building fund, to finance future requirements, and the new building maintenance reserve, to supplement maintenance funds. The Board notes that the Vienna International Centre campus has a common fund for financing major repairs and replacements of buildings, facilities and technical installations. The budget for the fund is based on a five-year forecast of needs that is financed 50 per cent by contributions from the host Government and 50 per cent by contributions from the four organizations using the campus.

Delivering capital projects

151. It is not unusual that an estate of the age, scale and composition of that held by the United Nations requires a continuous programme of capital works to maintain and upgrade properties. Figure II.X shows that the Secretariat has a significant pipeline of capital works across all duty stations, including: the ongoing capital master plan; the strategic heritage plan in Geneva; the renovation of Africa Hall in Addis Ababa; and modernization works in Santiago, Bangkok and Nairobi.

Figure II.X
Future construction activity by duty station (2016 onwards)



Source: Administration's data.
Note: Excludes alterations and improvement projects under section 33 (capital expenditures) of programme budget.

152. The role of Headquarters in coordinating and supporting overseas construction projects continues to be enhanced. In its resolution 63/263, the General Assembly, requested the Secretary-General to clearly outline the interaction between the Secretariat in New York and other duty stations for construction and long-term renovation projects. In 2009, the Secretary-General proposed a dedicated resource to provide guidance and advice to local project teams through the planning and construction of major facilities-related projects at offices away from Headquarters (see A/64/6 (Sect. 28D)/Add.1). In response to concerns over cost and time overruns in capital projects, the General Assembly has repeatedly mandated an enhanced role for the Office of Central Support Services in the delivery of construction projects across the global estate. Most recently, in its resolution 70/248 A, the Assembly

emphasized that the Office should be active in providing central oversight and supervision of capital projects, including risk management.

153. The Overseas Property Management Unit of the Office of Central Support Services is the unit responsible for improved oversight of construction projects. In 2010, the Unit was involved in ongoing construction works that totalled $48 million, which by 2016 had increased to over $900 million. The Board is concerned that the Unit may no longer have the requisite level of resources available to fulfil its mandate. Only four posts are allocated to oversee and provide assurance of the pipeline of projects described above.

154. **The Board recommends that the Administration review the current resource model for the Overseas Property Management Unit and determine whether it has the capacity and skills to fulfil current and future levels of demand.**

155. The Board has highlighted previously that the United Nations does not have a defined approach to delivering major projects, including capital projects (see A/68/5 (Vol. V)). In response, the Overseas Property Management Unit has developed guidelines for the management of large-scale construction projects. The 130-page guidelines were issued in January 2016 to assist project teams in providing effective project management by defining:

(a) Organizational processes across each phase of the project life cycle;

(b) Roles and responsibilities, including those outside of the United Nations, throughout the phases;

(c) Best practice and lessons learned from previous construction projects.

156. In the Board's view, the guidelines are a positive development. If adopted by project teams, they could make a valuable contribution to improving the management of capital projects by addressing some of the long-held concerns highlighted in the Board's reports on the capital master plan. Such concerns included the need to maintain costed risk registers; and the use of contingency, including a documented and controlled procedure that includes authorization, monitoring and reporting. However, at the time of audit, the guidelines were advisory, with no administrative instruction to enforce their use.

157. **The Board recommends that the Administration formalize use of the Overseas Property Management Unit project management guidelines on all major construction projects.**

Global estates strategy

158. The Board has recommended previously that the Administration implement an overall strategy for the use of office space (see A/63/5 (Vol. I), chap. II, paras. 196-201). In the absence of a global strategy, the Board requested each duty station to provide its local estates management strategy. None of the duty stations could provide a strategy. They instead referenced the strategic capital review, host agreements or renovation plans, such as the strategic heritage plan, as informing their local approach to estate management.

159. The Board remains of the view that developing an estates strategy merits serious consideration. Understanding current staff numbers, their office needs and

the appropriate mix between workspaces and meeting space under the current operating model is important. The Administration needs to define in advance how wider business transformation initiatives, in particular those with an organizational redesign element such as the global service delivery model, will have an impact on the future staffing model and estates requirements.

160. **The Board recommends the Administration consider how best to improve the consistency of estates management by: (a) developing a global estates strategy; or (b) defining a standard approach to developing local estates strategies, ensuring that the impacts of wider business transformation initiatives on future estates requirements are taken into account.**

F. Managing the workforce

161. Effective workforce management plays a critical role in an organization's ability to achieve its objectives. In addition to delivering the right skills for the right job at the right time, organizations should provide opportunities for staff members to learn and develop skills as their careers progress and organizational priorities change, and manage and incentivize staff performance. Organizations also need to be able to deploy staff flexibly and measure how effectively staff are utilized.

162. The Office of Human Resources Management is responsible for providing human resources support to some 41,000 staff throughout the Secretariat. To assess the effectiveness of workforce management in the United Nations, the Board examined the Office's performance in achieving its objectives; the management of disciplinary cases; the implementation of the young professionals programme; staff mobility; staff medical services; and the Human Resources Information Systems Section.

Human resources management scorecard and performance

163. The human resources management scorecard contains strategic and operational indicators of performance. It replaced the human resources action plan as the key human resources management monitoring tool and links to senior managers' compacts that commit heads of departments and offices to specific organizational objectives, including human resources management. Scorecard indicators are monitored by the Management Committee on a semi-annual basis. The scorecard is designed to support global monitoring of delegated authority and track the impact of improvement initiatives, targeting cross-cutting issues.

164. The Board's review of the 2015 mid-cycle human resources management scorecard found that the Management Committee monitors only the 41 non-field and 39 field entities where senior managers' compacts are in place. The remaining 10 non-field and 12 field entities are not monitored by the Committee. The Administration told the Board that all 80 entities with scorecards are monitored centrally or through semi-annual reviews. The reviews are carried out by the Performance Review Group chaired by the Assistant Secretary-General for Human Resources Management. They are also attended by the human resources business owners in the Office of Human Resources Management and the Field Personnel Division of the Department of Field Support responsible for advising entities on the policies and procedures to be followed for each indicator. The Administration also told the Board that no Performance Review Group meetings had been held since late

in 2013 because of other urgent priorities, such as the implementation of Umoja and new mobility arrangements. The Office is reviewing its plans to resume the Performance Review Group as a mechanism to track progress on human resources indicators in the compact and the human resources strategy more broadly.

165. Using data drawn from the HR Insight tool, the Board reviewed entities' performance against strategic indicators during 2015 and compared it with performance in previous periods. The data indicated that the majority of key targets examined were not achieved (see table II.13). Performance had also worsened in the time taken to recruit staff. Although there has been an improvement in the timely completion of staff performance appraisals, the 100 per cent target has not been achieved. Completing performance appraisals provides important feedback to individuals and management on the evaluation of staff competence and reinforces the accountability of staff for meeting the organizational goals set for them. The Office of Human Resources Management did not give any specific reasons for failure to achieve the 100 per cent compliance target, other than to state that a variety of factors had to be considered, including staff turnover, sick leave and emergency situations such as evacuations.

Table II.13

Performance against strategic indicators for departments, offices away from Headquarters and regional commissions[3]

Target/indicator	*Target*	*2014*	*2015*
Average days to recruit staff	143[a]	145	163
No entities meeting staff recruitment time target	31	10	6
Performance appraisals completed by 30 June of following year (non-field)[b]	100 per cent	68 per cent	79 per cent
Performance appraisals completed by 30 June of following year (field)[b]	100 per cent	88 per cent	90 per cent

Source: Administration's data from HR Insight.

[a] The Administration considers that the staff recruitment target of 143 days measures more steps in the recruitment process than are covered by the 120-day target. However, even against an adjusted target of 143 days, the 2015 average of 163 days falls well short of the target.

[b] All staff members (up to and including D-2) in appointments for at least one year.

[3] The entities covered are the Department of Economic and Social Affairs, the Department of Field Support, the Department for General Assembly and Conference Management, the Department of Management, the Department of Peacekeeping Operations, the Department of Political Affairs, the Department of Public Information, the Department of Safety and Security, the Office for the Coordination of Humanitarian Affairs, the Office for Disarmament Affairs, the Office of the United Nations High Commissioner for Human Rights, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, OIOS, the Office of Legal Affairs, the Office of the Special Adviser on Africa, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, the Peacebuilding Support Office, the United Nations Conference on Trade and Development, the United Nations Environment Programme, the United Nations Human Settlements Programme, the United Nations Office on Drugs and Crime, the Office of the United Nations Ombudsman and Mediation Services, ECA, the Economic Commission for Europe, ECLAC, ESCAP, ESCWA, the United Nations Office at Geneva, the United Nations Office at Nairobi and the United Nations Office at Vienna (excludes tribunals). The annual period is from 1 January to 31 December.

166. **The Board recommends that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group as proposed, to improve the performance of entities that did not achieve targets on staff recruitment times, vacancy rates and completion of performance appraisals.**

Management of disciplinary cases

167. In its resolution 67/255, the General Assembly noted with concern that many disciplinary cases had not been concluded within a reasonable time frame. The Assembly urged the Secretary-General to intensify efforts to complete disciplinary cases in a timely manner and to eliminate the remaining backlog of cases as soon as possible.

168. There are no indicators to monitor how long disciplinary cases have been open. However, at the end of December 2015, there were 82 open disciplinary cases, and a further 33 cases were waiting for a decision from the Office of Human Resources Management on whether to initiate disciplinary procedures. Of the 82 open cases, 27 had been open for more than six months. Timings were not available for the 33 cases that were waiting for a decision from the Office.

169. **The Board recommends that the Administration develop indicators for the handling of disciplinary cases. These indicators should cover: (a) the proportion of referrals that lead to a case being initiated; (b) the length of time between referral and case initiation; (c) overall case durations; and (d) case outcomes. The indicators should be used to support improvements in the processes for referring and handling cases.**

Young professionals programme

170. In March 2011, the General Assembly approved a new young professionals programme (see resolution 65/247). The programme is a recruitment initiative for professionals to start a career as an international civil servant with the United Nations Secretariat. The maximum age limit is 32 years. Successful candidates are placed on a roster for a period of up to two years and are considered for vacant posts as they arise.

171. Since the young professionals programme started in 2011, two cycles for the 2011 and 2012 applicant examinations have been completed, with 70 (2011) and 59 (2012) successful candidates appointed. The successful candidates from the 2013 and 2014 examinations were still being placed at the time of audit. As of March 2016, 51 successful 2013 candidates and 23 successful 2014 candidates had been placed.

Member State representation

172. In 2014, 54 unrepresented or underrepresented Member States participated in the young professionals programme. Examinations were conducted for six occupational groups, and 107 successful candidates were placed on the roster. In 2015, 41 Member States participated in the examination, but the results of the examinations were not available at the time of audit.

173. The Board analysed data from the Office of Human Resources Management on the young professionals programme and observed the following:

(a) Between the young professionals programme examinations starting in 2011 and the 2014 exams, there were a total of 365 candidates. There was one successful candidate from an unrepresented Member State and 248 successful candidates from underrepresented Member States;

(b) Fifteen per cent of the positions at P-1 and P-2 levels in field operations can be used to place successful candidates from the young professionals programme. Taking P-2 posts as an example, there were 227 P-2 posts in field stations as at 30 June 2015, which equates to 34 posts that could be used to place candidates from the programme. From 1 July 2014 to 30 June 2015, a total of 76 successful candidates from the programme were placed on the roster for a P-2 post in field operations. The high number of people on the roster compared with the number of posts available means that a backlog of candidates is being created.

174. Efforts by the Office of Human Resources Management in recent years to attract more applicants for young professionals programme examinations have not yet delivered improved outcomes. There has been no significant increase in representations from unrepresented and underrepresented countries since 2013. However, the Office considered that the analysis should take into account the fact that the chances of success are low for all candidates from the programme. The overall chances of success, in terms of the ratio of successful candidates from programme examinations (2013 and 2014) for unrepresented and underrepresented Member States, were very similar (1:394, or 0.25 per cent, compared with 116:38,811, or 0.3 per cent). The Office also stated that its outreach efforts increased the number of applicants from unrepresented and underrepresented Member States, but that the success rate of those applicants is the result of factors outside of its control.

175. In 2013 and early in 2014, the Office of Human Resources Management undertook outreach visits in 16 countries (Barbados, Brazil, Canada, China, Czechia, Jamaica, Japan, Norway, Oman, Poland, the Republic of Korea, South Africa, Trinidad and Tobago, the United Kingdom of Great Britain and Northern Ireland and the United States of America). Most of the outreach activities were therefore in developed countries.

176. The Office stated that not all Governments accommodated outreach visits and that limited human and financial resources were dedicated to outreach activities. The Office had tried to maximize the impact of outreach by visiting "multiplier countries" to reach out to potential candidates from a large number of developing countries, and that visits to Angola and the Gambia were made during 2015. The Office also noted that vacancies for P-1 and P-2 posts were minimal. A new staffing policy introduced in 2010 did not give any preference for individuals recruited at the P-1 or P-2 levels for appointment in P-3 posts, creating some stagnation at the P-2 level.

177. The Office further stated that the young professionals programme is one of the ways in which staff at all levels of the Secretariat are drawn from as wide a geographical basis as possible. The number of positions filled through the

programme is much smaller than the total number of jobs available openings in any given period.

178. The Board observes that there has been no significant increase in representation from unrepresented and underrepresented Member States since 2013. On this basis, the Office of Human Resources Management needs to assess its current approach to identify opportunities to improve its effectiveness.

179. **The Board recommends that outreach services specifically cover unrepresented countries and underrepresented countries to increase the number of selections from these locations.**

Staff selection and managed mobility system

180. The staff mobility and career development framework — now renamed the staff selection and managed mobility system — aims to develop a global, dynamic and adaptable workforce to deliver United Nations mandates effectively.

181. The Secretary-General’s first and second annual reports on mobility (A/69/190/Add.1 and A/70/254) updated the General Assembly on progress. Both annual reports identified that IMIS did not contain information on staff roles and functions. The Administration stated that it was not possible to obtain baseline data on changes in position when there was no change of duty station, but that such tracking of staff movements was planned under Umoja. However, the required functionality was complex and would take some time to develop and implement. At the time of audit, there was no capability to obtain baseline data on changes in position[4] when there is no change of duty station.

182. The Board has previously identified the importance of integrating the requirements of the new managed mobility system into Umoja. However, the Administration did not incorporate several important features pertaining to the mobility framework prior to its implementation in January 2016. For example, it was identified in the Secretary-General’s first progress report that:

(a) Information on vacancy rates by job network was not available. The required report was still unavailable at the time of audit, but the Administration told the Board that it was working with the Umoja project team to develop it;

(b) Umoja would provide enhanced tracking of mobility expenditure. However, the Administration has not set up Umoja to provide that information. The Office of Human Resources Management informed the Board that the necessary changes to the chart of accounts are planned to be included in a list of future requirements for Umoja.

183. The Board is concerned that these features were not included in the design of Umoja, particularly given the long lead times for implementation of both the mobility framework and Umoja.

[4] Pursuant to paragraph 56 of General Assembly resolution 67/255, mobility would mean “a change in position that involves one change or a combination of changes in role, function, department or duty station or a move from the Secretariat to, or to the Secretariat from, an agency, fund or programme of the United Nations system”.

Staff movement

184. The Office of Human Resources Management told the Board that the managed mobility system was being introduced to address the lack of significant change in the trend of movements between duty stations. In this regard, the Board notes that there was no appreciable difference in the percentage of staff movement between duty station categories in 2014-2015 compared to 2010-2012.

185. In the managed mobility system, staff are encouraged but not required to express interest in a different duty station classification from their current duty station. There is therefore no certainty that the mobility system, as currently constituted, will result in any significant change to the pattern of movements between duty station categories. It may be difficult for the Administration to fully realize the benefits envisaged. These benefits include improving the ability of the Organization to deliver its mandates, helping to ensure that the right people are in the right position at the right time and allowing the staff and the Organization to benefit systematically from the opportunities that mobility could provide.

186. **The Board recommends that the Office of Human Resources Management: (a) analyse the additional capabilities required of Umoja to better implement the mobility framework, incorporating features such as the capture of baseline data on movements, even when there is no change in duty station, the capture of the vacancy rate by job network, enhanced tracking of expenditure and the putting in place of checks and validations to ensure that the recording of information by all entities is consistent, within a definite time frame; and (b) monitor the trend of movements between duty station categories and try to increase movement between different categories to better realize the organizational goals linked with mobility.**

187. More fundamentally, as noted in annex I, the Administration has made no progress in addressing the Board's previous recommendation that it develop a medium- to long-term strategic workforce strategy and operational workforce plans informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills (see A/69/5 (Vol. I), chap. II, para. 164). Understanding when staff should move on the basis of business need is fundamental to implementing staff mobility effectively.

Learning, Development and Human Resources Services Division

188. The Board reviewed the performance of the Learning, Development and Human Resources Services Division against the objectives set out for the biennium 2014-2015. The Division had met or exceeded targets in two out of six objectives: increasing the percentage of staff benefiting from five days of training in a year; and improving implementation of staff emergency preparedness plans. However, targets for the remaining four objectives, which included increasing the number of training and learning opportunities undertaken by individual staff members, had not been met (see table II.14). The Board notes that for one objective, covering the satisfaction of departments and offices with the Division, no data were available to measure its achievement. The Division told the Board that it would carry out a survey in 2016 to assess satisfaction levels.

Table II.14
Learning, Development and Human Resources Services Division: achievement of objectives

Indicator of achievement	*Objective*	*Target*	*Achievement*
(a) (i)	Increase in the total number of training and learning opportunities undertaken by individual staff members	59 460	58 030
(a) (ii)	Increased percentage of staff members benefiting from the minimum target of five days' training per year	60 per cent	89 per cent
(b) (i)	Increased number of staff members participating in career development and staff support programmes offered through career resource centres	4 500	2 762
(b) (ii)	Increased percentage of participating staff members who recognize the positive contribution of career development and staff support programmes	88 per cent	76 per cent: career development services (data stated to be available only for 2014)
			83 per cent: young professionals programme orientation programme
(b) (iii)	Increased percentage of departments and offices expressing satisfaction with advice and support provided by the Learning, Development and Human Resources Services Division	75 per cent	Information not available. There was no mechanism to capture satisfaction levels.
(c)	Improved implementation of staff emergency preparedness plans and training programmes by departments/offices	200-250 staff members annually	511

Source: Board analysis of the Administration's data.

189. Against outputs to be achieved during the biennium 2014-2015, the Division had exceeded its targets in 11 out of 31 programmes, in terms of the number of persons serviced. However, targets had not been met for several other outputs, such as:

(a) Organizational development programmes to strengthen leadership and management at the departmental/office level;

(b) Team-based programmes to support teams in working more effectively in areas of communication, increased trust and collaboration, planning, problem-solving and decision-making;

(c) Continued expansion of the online learning environment through the United Nations e-learning portal, among other things.

190. In total, the Division did not achieve its targets for 17 out of 31 (55 per cent) of programmes. The Division stated that this was due to a number of factors, including that:

(a) As part of implementing the new learning and career support strategy and the need to ensure better alignment of the programmes with organizational priorities, programmes deemed irrelevant had been cancelled and methodologies changed from face-to-face learning to online options. Some programmes were therefore discontinued, and many were temporarily put on hold;

(b) The budget document was prepared years ahead of the period of implementation. The Division stated that if it had focused instead on achieving targets that had been set three years prior, it would have continued to only partially address the changing learning needs of staff.

191. The Division stated that although many targets in the programme budget for the biennium 2014-2015 had not been met, it had developed a new strategy, new programmes and tools, and coordination mechanisms that would enhance learning options for staff in the short and long term. Information on achievement of targets for two programmes was not available at the time of audit. Authority for the remaining programme had been delegated to the executive offices.

192. The Board acknowledges the constraints and achievements of the Division during the biennium. However, it does not agree that underachievement of objectives can be explained by implementation of the new learning and career development strategy. The programme budget for the biennium clearly stated that a new strategy would be developed, apart from laying down the objectives and outputs. The planned development of the new strategy should not have been at the cost of achievement of other objectives and outputs.

193. Such large scale underachievement of targets defeats the purpose of programme budgeting. It weakens the effectiveness of the budgeting mechanism as a management control. The reasons cited for underachievement in the majority of the programmes are indicative of weaknesses in the planning process. Furthermore, as the goals are also shifted, it is not possible for management to objectively assess the performance of the Division with reference to achievement of targets. The Division asserted that changing goals did not result in an inability to assess performance against targets but agreed that more planning could have been done to assess progress against new goals. It stated that this planning was affected by staff turnover at the Director and Chief levels in 2014-2015.

194. The Division had not carried out any analysis to assess the impact of its failure to achieve many of its targets. It had undertaken no outcome analysis for any of the programmes. In the absence of an outcome analysis, there is no objective and measurable means of understanding the impact of the Division's various programmes, or of its underachievement of targets. The Division informed the Board that discussions were held among the Chiefs and the Director about the Division's performance in 2014-2015 against the objectives, expected accomplishments and indicators of achievement. It was agreed that, going forward, the Division would need to make sure that there was enough survey data to analyse and report upon. No written notes of the discussions were available for review by the Board.

195. During 2014 and 2015, around 2,800 people had taken part in career development and staff support programmes. Survey questionnaires were sent out to only 263 participants in December 2014. Only 113 people (4 per cent of all participants) responded to the survey. On the basis of that survey, the Division concluded that 76 per cent of individual staff surveyed recognized the positive contribution of career development and staff support services.

196. The Division told the Board that better tracking of people participating in training was possible following the movement to the learning management system in Inspira. The Division also informed the Board that it was working on standardizing and automating the survey process to have consistent data on some metrics, such as satisfaction levels, across all programmes. However, the Board notes that standardization of surveys had yet to be implemented in Inspira, and that the Division had no target date for the streamlining of surveys on the learning management system.

197. One of the objectives in the programme budget for the biennium 2014-2015 was to increase to 75 per cent the percentage of departments and offices expressing satisfaction with advice and support provided by the Division. However, the Division informed the Board that there was no mechanism in place to capture satisfaction levels, but that surveys would be conducted in 2016.

198. **The Board recommends that the Learning, Development and Human Resources Services Division: (a) consider more focused inputs while preparing the budget to ensure better compliance in terms of achievement of targets; (b) identify causes for underachievement and take suitable corrective action to ensure achievement of targets for all objectives and outputs specified in the programme budget; (c) make efforts to increase the sample sizes for surveys to obtain feedback and implement the standardized surveys early, which will generate more reliable data to support conclusions therefrom; (d) put in place a mechanism to evaluate the impact of services offered and of the underachievement of targets; and (e) ensure that performance on all parameters set out in the programme budget are measured, documented and reported upon.**

Medical Services Division

199. The Board reviewed the performance of the Medical Services Division against the objectives set out for the biennium 2014-2015, and found that the Division had not achieved any of its six targets.

Survey to assess satisfaction from medical services

200. The Division conducted three surveys during the biennium 2014-2015 to assess staff satisfaction with United Nations medical services against a target level of 95 per cent.

201. The surveys found that 94.76 per cent of staff (out of 1,431) who accessed care from the Division's New York clinic were satisfied with the services provided. Only 47.62 per cent of staff (out of 585) in Ebola virus disease-affected duty stations in Ghana, Guinea, Liberia, Mali and Sierra Leone, and 72.33 per cent of staff (out of 67) who accessed care from the United Nations clinic in Nigeria, were satisfied with the services provided. The satisfaction level target (95 per cent) was therefore achieved in only one of the three clinics surveyed. The Board notes also that the surveys were general in nature and did not seek specific feedback on reasons for dissatisfaction.

202. The Board notes that in paragraph 7.5 (b) of the Secretary-General's bulletin on the organization of the Office of Human Resources Management (ST/SGB/2004/8), it is stated that one of the core functions of the Division is to formulate and review United Nations medical standards, policies and guidelines and ensure coordination and monitoring of system-wide implementation. However, the Division stated that it did not have operational responsibility for clinics operated by the United Nations Development Programme (UNDP), to which the above comments relate, but that it was attempting to steer UNDP towards service improvements.

Medical clearance

203. Medical clearance is a requirement for recruitment, change of duty stations and assignments under staff regulations. The target response time for receiving medical clearance in 2014-2015 was within five days.

204. The target was not achieved in 2014. Some 77 per cent of cases (3,780 out of 4,920) exceeded the response time, ranging from 6 to 524 days. In 2015, 64 per cent of cases (4,323 out of 6,785) took more than five days, and the time taken ranged to up to 321 days. Over 2014-2015 as a whole, medical clearance was provided within five days for around only 31 per cent of cases.

205. The Medical Services Division informed the Board that a key area of modernization was the introduction of a new method to standardize and streamline medical clearances. Introduction of a rapid screening mechanism (replacing a full physical), allowing for "weeding out the well", was aimed at increasing the speed of clearances. The Division stated "that this proved effective in reducing delays to mobilize staff". While acknowledging this development, the majority of medical clearance cases are still not cleared within five days, and more needs to be done to achieve the performance target.

206. The Division stated that the delays were due mostly to non-submission of full documentation before the case was ready for the Division to process and that it was moving towards simplifying medical clearances by reducing the complexity and cost of documentation to be provided. A complete review of the entire medical clearance process was under way. A pre-employment clearances service improvement group was set up in 2015 and was conducting an end-to-end review,

including of requirements for clearance, the processes and changes to the Division's software systems. The estimated timeline for implementing the new systems was September 2016.

Medical evacuation records

207. The administrative instruction on medical evacuation (ST/AI/2000/10) requires the head of department or office to maintain written records of each medical evacuation, stating details of the employee or dependant being evacuated, along with the other details of evacuation. Heads of departments or offices were to forward the relevant statistics to the United Nations Medical Director for review, and the Medical Director was to provide the heads of departments or offices with comments and advice as and when necessary. The Medical Director was to provide on an annual basis all relevant offices at Headquarters with statistics on medical evacuations and any comments deemed necessary.

208. The Board requested information on medical evacuations for the years 2014 and 2015. The Medical Services Division informed the Board that the data (date of receipt, response and actual evacuation) were recorded in its computer system in free text format, and that manual review of each case would be required to determine the dates requested. The Division has taken note of the shortcoming and informed the Board that it was introducing modifications to ensure that the data would be more easily available for reporting in the future.

209. As reliable data on medical evacuation cases were not readily available, the Board was unable to assess the performance of the Medical Services Division with respect to medical evacuation cases. The Board was also unable to provide any assurance on the Division's compliance with administrative instructions on medical evacuation or to review statistics and comments on medical evacuation provided to the relevant offices at Headquarters.

210. The Division accepted that this was an area of deficiency and told the Board that it had requested an internal audit in 2015. The audit confirmed the Division's own findings and resulted in recommendations for improved procedures. In addition to the internal audit that the Division requested, the Division had also convened a medical evacuation service improvement group. Like the medical clearances service improvement group, this group was conducting a system-wide review of medical evacuation, including recommendations for changes to the computer system to address reporting issues noted by the Board.

Performance against strategic goals

211. In the report of the Secretary-General entitled "Overview of human resources management reform: towards a global, dynamic and adaptable workforce for the United Nations", it is stated that in 2013, the Medical Services Division had developed a strategic plan with three fundamental goals: (a) to achieve a measurable reduction in preventable staff harm; (b) to achieve a measurable reduction in expenditure on health-related issues; and (c) to achieve a measurable improvement in staff satisfaction (see A/69/190, paras. 87 and 88).

212. The Board sought to assess the Division's performance in achieving those goals. The Division informed the Board that the goals were peak objectives and that

every strategic initiative was contributing in some way to the overarching goals. The Board found that:

(a) The Division had introduced several measures towards reducing expenditure. These included: introduction of simplified clearance processes; rigorous travel clearance and follow-up procedures for Ebola; and health risk mitigation plans for the Zika virus. These measures contributed to reduced exposure for the Organization to medevac and compensation claims. The Division has also introduced a guide to health care in the United States and intervention by the Staff Counsellor's Office for stress management;

(b) The Division was unable to provide any information on the measured reduction in preventable staff harm or measured improvement in staff satisfaction. The Division told the Board that it was moving the system towards measurable outcomes but the data did not yet exist. It was reviewing a software module that would allow injured staff or their managers to report a workplace injury directly into the computer system (EarthMed), which would establish baseline data for preventable staff harm.

213. During the biennium, the Division was also to increase the number of duty stations with a medical component in mass casualty cases appropriate to local risks. However, the Board was unable to comment on the Division's performance against this parameter as no information was provided for audit.

214. **The Board recommends that the Medical Services Division: (a) design survey questionnaires to seek specific feedback suggestions for improvements; (b) put in place well-defined protocols and adequately train staff to ensure that avoidable delays owing to deficient documentation are reduced to the minimum, enabling faster medical clearances; and (c) define parameters to measure achievement of the goals related to its strategic activities.**

Human Resources Information Systems Section

215. As of May 2014, the Human Resources Information Systems Section was merged with the Office of Information and Communications Technology. Component 5 of section 29C of the programme budget for the biennium 2014-2015 set out the objectives and expected outputs for the Section. The Board reviewed the performance of the Section against its objectives and outputs. It found that the average number of hours to respond to requests for Section support by the Inspira Support Centre was reduced to 15 hours against a target of 24 hours.

216. Furthermore, Inspira modules pertaining to managed mobility, staff selection, recruitment, performance management, learning, reporting and enhanced operational and management reporting had been implemented. The Administration stated that the programme budget for the biennium 2014-2015 had stipulated 100 per cent implementation of all modules, but that the general human resources administration had still to be completed.

G. Procurement and contract management

217. Procurement is the process of awarding and managing vendors to deliver goods and services in line with business requirements and plays a critical role in enabling organizations to achieve their objectives. Good procurement can bring improvements in the quantity and quality of goods and services, better management of risk and the avoidance of service failure and generate financial savings.

218. The Procurement Division is responsible for procurement actions for the United Nations Secretariat at Headquarters and in field missions and offices away from Headquarters, and for other organizations seeking procurement support services. The Division's role commences from the receipt of requisitions. Procurement actions are regulated by the Financial Regulations and Rules, the United Nations Procurement Manual and policies and guidelines issued by the Secretary-General.

219. During 2015, the Division handled 593 active contracts with not-to-exceed values totalling $8.67 billion, including 106 contracts awarded in 2015 with not-to-exceed values totalling $723.58 million. Table II.15 shows the 593 active contracts by commodity group, along with their not-to-exceed values. The Board audited 23 major contracts with not-to-exceed values totalling $1.29 billion and performed data analysis of contracts and purchase orders to assess physical progress, timely delivery and utilization of planned financial resources.

Table II.15
Distribution of active contracts in 2015 among commodity groups

Commodity group	*Number of contracts*	*Total not-to-exceed value (millions of United States dollars)*	*Not-to-exceed value (percentage)*
Architecture, engineering and construction-related services	48	2 037.71	23.51
Air transportation services	71	1 205.90	13.91
Electronic data processing equipment and maintenance services	46	897.65	10.35
Motor vehicles/parts and transportation equipment	38	636.05	7.34
Prefabricated buildings	8	369.47	4.26
Management services	31	157.92	1.82
Telecommunications equipment and services	14	111.89	1.29
Others	337	3 252.56	37.52
Total	**593**	**8 669.15**	**100.00**

Source: United Nations procurement database (as at 11 February 2016).
Notes: "Others" includes security equipment and services, travel and related services, training, electrical apparatus, building management and maintenance, computer and information technology-related services, advertising, marketing and meetings and related services.

Unjustified use of waivers

220. During the Board's review of contract awards, it identified a number of cases where use of a waiver of the requirement for competitive bidding did not appear justified.

(i) End point security solutions for the Office of Information and Communications Technology

221. In October 2015, the Office of Information and Communications Technology asked the Procurement Division to help it to buy proprietary software, maintenance support and related implementation services for an advanced end point security solution. The Office identified the preferred vendor. The solution was intended to be deployed initially to "end point" computers, including both desktops and laptops, of Secretariat users at Headquarters and offices handling sensitive information.

222. The Office estimated an initial requirement of 3,000 licences with a total estimated cost of around $810,000 over five years, including annual maintenance. The Office prepared a "standardization" case for the vendor. In November 2015, the Office was considering a global system contract with the vendor, and on 13 November 2015, the Procurement Division stated that it intended to create a global umbrella agreement enabling other United Nations organizations to order licences for the products.

223. In December 2015, the Procurement Division asked the Assistant Secretary-General for Central Support Services to approve a waiver for the award. It did so on the grounds that there was a need to standardize the requirement (in accordance with financial rule 105.16 (a) (ii))[5] and that the vendor had created a proprietary technology with unique capabilities. The immediate requirement from the Office of Information and Communications Technology was revised to 3,500 licences at a total estimated cost of $900,500 over five years. The Office also identified an additional requirement of 46,500 licences over the five-year contract period at an estimated further cost of $8.97 million.

224. The Procurement Division, in conjunction with the Office of Information and Communications Technology, recommended engaging in direct negotiations with the vendor to establish a system contract up to December 2020. On 17 December, the Assistant Secretary-General for Central Support Services approved the award of the contract, which was executed on 30 December 2015 with a not-to-exceed amount of $6.27 million for an initial three years, with the option to extend it for another two years to 2020. Many aspects of this procurement exercise concern the Board:

(a) Neither the Office of Information and Communications Technology nor the Procurement Division documented the reasons for selecting the vendor rather than posting a request for expression of interest. This is contrary to section 9.10 of the Procurement Manual;

[5] The Under-Secretary-General for Management may determine that using formal methods of solicitation is not in the best interests of the United Nations when there has been a previous determination or there is a need to standardize the requirement.

(b) The statement of work given by the Office on 5 November 2015 stated a requirement for only 3,000 licences. Within just over a month, the estimated quantity had been increased to 50,000: 3,500 immediately and 46,500 over a five-year contract period;

(c) The longer-term requirement for up to 46,500 licences appears to have been calculated without any study of users handling sensitive information or the total number of users in the Secretariat. As at 30 June 2015, there were only 41,081 known users, while the required quantity is projected to be 46,500 licences. Any volume discounts obtained could be offset by the additional cost of buying more licences than needed;

(d) The possibility of new solutions coming to market that better met United Nations needs was ignored during the procurement process.

225. The Procurement Division informed the Board that according to estimates made by the Office of Information and Communications Technology and provided to the Division, the estimate of potential future users represents the entire United Nations Secretariat population of 50,000 ICT users. The initial estimates were made to cover only core and critical users. The contract was established for an initial period of not less than three years to align it with the standardization period approved by the Architecture Review Board. According to the Office, and as noted in the minutes of the Architecture Review Board, a shorter-term contract would not yield an optimal return on investment in the technology. The standardization process is used to define technologies that are in the best interests of the Organization. It involves comparing alternate technologies and is done outside the procurement process. As the product was standardized, an exemption to competitive bidding was granted by the Assistant Secretary-General for Central Support Services in a memo dated 15 December 2015.

226. While noting the decision to standardize this product, the Board remains concerned that the procurement action did not result in effective competition or market testing. The very large increase in estimated users within such a short space of time resulted in an estimated number of users well in excess of the current staffing level. The report of the Secretary-General entitled “Composition of the Secretariat: staff demographics” (A/70/605) clearly shows staff strength to be approximately 41,000: this is less than 50,000. As the security solution is understood to be an off-the-shelf product, it does not require extensive engineering, testing and deployment, and there is no evidence of any correspondence with other vendors providing similar security solutions or any consideration of similar products. Using the waiver process on the grounds of the need to standardize the technology around the product of this one vendor denied other vendors the opportunity to offer similar technologies and to compete for the contract.

(ii) Multiple extensions of contracts

227. During its review, several instances of multiple extensions of existing contracts were noted by the Board.

Messenger services

228. A contract awarded in 2009 for the provision of messenger services for Headquarters outlying buildings and travel and transportation was intended to last for an initial period of three years, with an option to extend two additional periods of up to one year each. However, in practice the contract had been extended up to April 2016 through 28 separate amendments, with the final one being issued on 22 December 2015. The amendments extended the contract approximately 18 months beyond the period allowed for in the original contract. The total not-to-exceed value also increased from an initial amount of $1.08 million to $3.4 million.

Information and communications technology equipment

229. A $41.89 million contract for computer hardware, signed in December 2004 for an initial period of three years with an option to extend for two years, was repeatedly amended to extend the contract up to 2017 without any fresh solicitation. The last extension was made in December 2014 for three years to 31 December 2017. The not-to-exceed value of the contract increased from $41.89 million to $192.31 million (360 per cent) during this period.

230. In July 2010, the Headquarters Committee on Contracts asked the Procurement Division to provide an overall plan and timeline for the new solicitation. In response, the Division informed the Committee that it had not been determined that a new solicitation would be undertaken. A consultant had been asked to undertake a review of the weaknesses and successes of the current contract. The second phase of the consultant’s study was to undertake a market survey to compare the selected vendor’s offer with those available from two other leading vendors. In August 2010, the Committee recommended an extension of the contract for one plus one year to allow sufficient time to organize a new solicitation.

231. In August 2012, the Procurement Division informed the Headquarters Committee on Contracts that it had confirmed that the existing vendor provided high-quality and solid equipment with aggressive discounts. The Division believed that the solutions offered also represented best possible value from a total cost of ownership perspective. As a result, no fresh solicitation was made and the existing contract was extended for another eight years. The contract was also extended to cover peacekeeping operations and led to another 30,000 items of equipment being purchased from the vendor.

232. The Procurement Division stated that the contract is a direct agreement with the manufacturer and affirmed that the vendor provides the highest possible discounts to the Organization when making contract amendments and that the contracts are only extended on the basis of Office of Information and Communications Technology and Department of Field Support needs. However, the Board notes that in 2011, the strategy adopted by the Office of Information and Communications Technology and the Department of Field Support was to gradually migrate from desktop computers to less expensive virtual desktop infrastructure within five years and that this was inconsistent with the long-term agreement entered into.

233. The average duration of a long-term agreement in the Secretariat is five years. The Board is concerned that in this case a single vendor has been awarded

$190 million of business over a 13-year period without the contract being subject to formal international competition. While long-term agreements offer a number of advantages in terms of reduced administrative costs, fixed prices and the ability to leverage volume discounts, there are also risks that need to be managed. Long-term agreements of this nature may produce overdependence on a single supplier or "lock" the Organization into long-term contacts at uncompetitive prices.

234. The Administration informed the Board that in this instance, the above-mentioned long-term agreement falls under the standardization policy (see ST/AI/2005/10) promulgated by the Under-Secretary-General for Management and is not a typical long-term agreement.

235. **The Board recommends that the Procurement Division review long-term agreements beyond five years to assess whether it would be appropriate to seek fresh solicitations or to make additional agreements with other leading vendors at competitive prices.**

Poor vendor performance

236. The Board reviewed a contract for website design and development. The Department of Public Information asked the Procurement Division to identify a vendor and award the contract before the end of 2013. An expression of interest was posted in February 2013. Bids were invited on 14 June 2013 from 36 companies from 14 countries, with a closing date of 13 August 2013. The Procurement Division noted during its comparison of the total cost of required services that all price bids were within a comparable range, except for the selected vendor, which was almost half the price of the others. The contract with the selected vendor was signed on 15 April 2014.

237. Paragraph 2.2 of the contract allowed eight months for the completion of website development by the contractor. The vendor was also to provide compulsory maintenance services for one year after the website was operational, with an option to extend maintenance services for a maximum of four additional periods of one year each. Although the contract contained detailed timelines for payments to the vendor, there was no provision in the contract to deal with delayed delivery by the contractor.

238. The "release value" for the contract was incorrectly recorded in Umoja as $1.07 million. This was due to the incorrect inclusion of a purchase order for $962,500 relating to another contract. There were also discrepancies between the rates quoted by the vendor in its bid and the rates awarded in the contract. For example, the cost for "conceptualization and development of a new web-based content management system" was increased by $17,600 from $69,855 to $87,455. The Procurement Division accepted that inadvertently the $17,600 was added to $69,855 and then included as a separate deliverable as well.

239. There were also considerable delays in completion of the website development work and requests for price increases to complete the work. In total, payments of $107,136 were made under this contract, but the work was not completed. No performance bond was requested from the contractor even though the bid price was considerably lower than other vendors. The Procurement Division stated that it does not normally redeem a performance bond for this type of contract, where payments

are made upon acceptance of the deliverables. Nevertheless, in view of this case, the Division told the Board that it will consider applying performance bonds in the future.

240. When extremely low bids are received, the Procurement Division needs to consider whether there is a risk that the vendor may have submitted it to ensure that it wins the contract and will then need to make subsequent requests to increase the cost. On this contract, $107,136 was paid, but the work was not completed. In the absence of provisions for damages relating to the delay in deliverables, it may be difficult for the Organization to recover its losses on this contract. Additional costs will also be incurred to engage a new vendor.

241. **The Board recommends that, in cases where exceptionally low bids are accepted, appropriate performance security clauses and key performance indicators for the vendor are automatically included in contracts to protect the interests of the United Nations. The release of payments under these contracts should also be subject to increased scrutiny to ensure that commensurate value has been delivered.**

Inadequate procurement planning and monitoring

242. The Board reviewed 513 contracts active in 2015. It found 71 contracts with not-to-exceed values totalling $447.23 million where recorded usage was less than 50 per cent, and on average 25.8 per cent, with less than a year before they were due to expire. Of those contracts, 22 with not-to-exceed values totalling $44.70 million had no expenditure against them. A further 47 contracts were awarded before 2014 and are going to expire in 2016 with very low financial progress, ranging between zero and 49.7 per cent in different projects and with an average of 24 per cent overall. Low contract usage may have had an adverse impact on the physical progress, timely delivery and utilization of planned financial resources. It may indicate inadequate communication and coordination between requisitioning departments and the Procurement Division in developing procurement and spending plans.

243. The Procurement Division responded that acquisition planning and contract monitoring functions were the responsibility of the requisitioning offices. It also informed the Board that banking contracts contain not-to-exceed values to obligate the funds for banking fees, which are deducted directly from the accounts maintained at these financial organizations. Contracts for legal services and investment advisory services are only used as needed. In the case of contracts awarded in 2015, especially multi-year contracts, it would not have been possible to use up their not-to-exceed value as at 31 December 2015.

244. While acknowledging the response of the Procurement Division, the Board selected only those contacts due to expire in 2016 and would therefore expect the 71 contracts concerned to record significantly higher usage than the average of 25.8 per cent recorded.

245. **The Board recommends that requisitioning departments, in consultation with the Procurement Division, take steps to improve monitoring of contract delivery and ensure that contracts awarded are completed before their expiry.**

Umoja reporting deficiencies

246. In March 2016, the Board reviewed a report generated from the Umoja solution that went live across cluster 4 entities at United Nations Headquarters in November 2015. The report, entitled "Lists of POs (Goods) with PO Status (Ordered or Transaction Completed)", had the following shortcomings:

(a) Actual delivery was shown as "outstanding" in the system after the expected delivery date, as shown in the purchase order. The delays ranged between 91 and 1,005 days for goods and between 60 and 1,489 days for services;

(b) For 603 purchase orders, the "delivery date to" was shown as "Dec 31 9999".

247. The Procurement Division acknowledged the errors and stated that the report incorrectly counted the start of delivery date ranges instead of the end. The Administration also informed the Board that the report concerned was in "test mode" when it was examined by the Board, that the report has subsequently been corrected and that "days overdue" were reported to be between zero and 162. There was an anomaly for one purchase order, where the delivery due date was recorded as "01.07.0201". Reliable management information and reports are critically important to managing the procurement functions. The existence of such reporting problems several months after the implementation of Umoja is therefore a concern.

248. The Administration informed the Board that process owners and the Office of Information and Communications Technology are reviewing the governance and taxonomy of reports developed by "power users" to ensure that there is a clear identification of reports that are ready for use.

249. The Board has previously emphasized the need to report indicators of costs of procurement and performance of vendors in monthly management scorecards, and reviewed the key performance indicators being used by the Procurement Division, which were developed following the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations for the biennium ended 31 December 2007 and on the capital master plan for the year ended 31 December 2007 (A/63/327 and Add.1). The Division informed the Board that only a few key performance indicators are active from the legacy environment and that it is working with the Umoja business intelligence team to implement the indicators in the new Umoja platform. These indicators relate mainly to internal processing times, rather than measures of quality and cost of procurement actions.

250. The Administration stated that key performance management indicators are part of the supplier performance module of Umoja, due to be implemented with Umoja Extension 2. Furthermore, reports from the active key performance indicators are an indication of business intelligence reports in development; they are going through quality assessment and should not be used for formal assessments at this point.

251. **The Board recommends that the Procurement Division, in consultation with the Umoja project team, perform a comprehensive review to ensure data integrity and to strengthen data input controls in Umoja; and explore how to**

strengthen performance measurement tools for vendors, for end-to-end process costs and for quality and staff performance under Umoja Extension 2.

H. Managing partners

Background and context

252. In 2014-2015, the Secretariat made $1.3 billion of grants to end beneficiaries and implementing partners, representing 23 per cent of total expenditure reported in volume I of the financial statements (see note 29 to the financial statements). The effective management of implementing partners is critical to the success of many programmes, particularly in areas such as humanitarian affairs, which rely largely on extrabudgetary funding. As part of its audit, the Board reviewed the processes in place within a number of Secretariat entities for the management of implementing partners. Specifically, the Board considered the:

(a) Legal agreements in place for working with implementing partners;

(b) Frameworks in place for managing implementing partners;

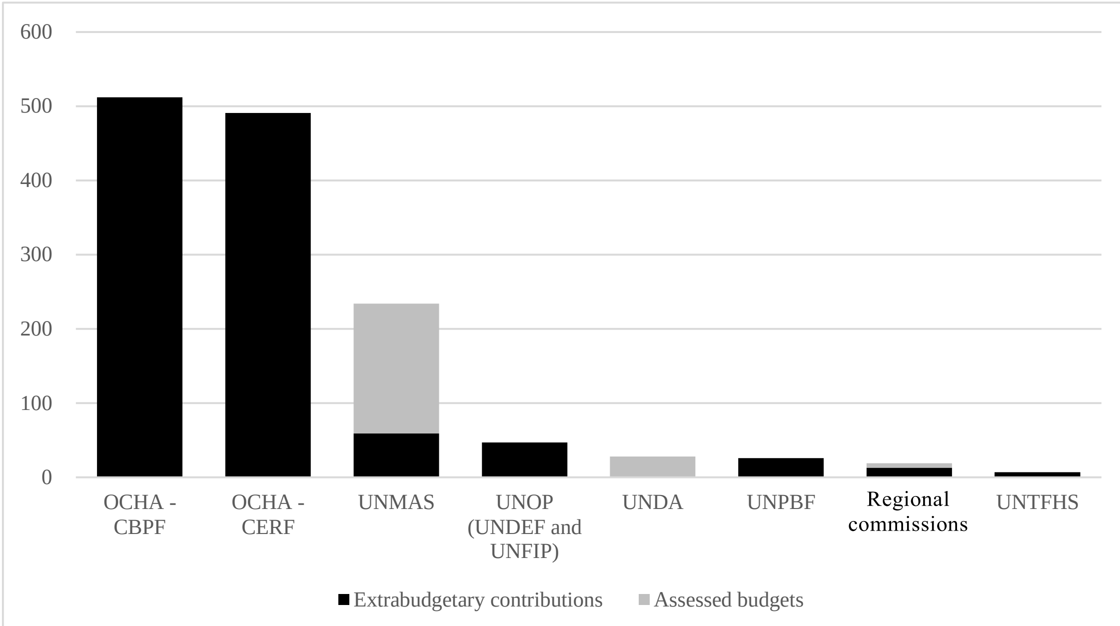
(c) Information systems in place for managing implementing partners;

(d) Compliance frameworks and oversight arrangements for implementing partners;

(e) The progress made in responding to the Board's previous recommendations on the management of implementing partners.

253. During its review, the Board focused on the assurance frameworks operated by a number of different offices and departments, including the Office for the Coordination of Humanitarian Affairs, the Peacebuilding Fund, the United Nations Office for Partnerships and the United Nations Trust Fund for Human Security. A small proportion of grants and transfers to partners are funded from assessed contributions under the regular budget, including the Department of Economic and Social Affairs and the Department of Political Affairs. The Mine Action Service and regional commissions receive both assessed and voluntary contributions, as set out in figure II.XI.

Figure II.XI
Transfers and grants to partners by source of funding
(Millions of United States dollars)



Source: Board analysis of the Administration's data, collated from data provided by offices (unaudited) for the total amount of agreements approved during the year.
Abbreviations: CBPF, country-based pooled funds; CERF, Central Emergency Response Fund; DPA, Department of Political Affairs; OCHA, Office for the Coordination of Humanitarian Affairs; UNDEF, United Nations Democracy Fund; UNFIP, United Nations Fund for International Partnerships; UNMAS, Mine Action Service; UNOP, United Nations Office for Partnerships; UNPBF, Peacebuilding Fund; UNTFHS, United Nations Trust Fund for Human Security.

Legal authority for grants to partners

254. The legal framework in place for working with implementing partners does not flow from the Financial Regulations and Rules. In this regard, the Office of Legal Affairs has advised that Secretariat offices and departments do not have authority to give grants to outside entities to support the implementation of the outside entities' projects unless an express authorization has been provided by the General Assembly. The framework in place has therefore evolved over time and is based largely on custom and practice.

255. In 1982, the Assistant Secretary-General for Financial Services established procedures for the certification and approval of grants to organizations and individuals. These procedures identified that grants to organizations were authorized through General Assembly resolutions, whereas all grants that were not authorized by the Assembly could only be made in accordance with the procedures for grants to individuals in which, inter alia, the establishment of a committee to review and recommend approval of grants was required. However, no other formal regulations or rules were proposed governing how grants should be managed, and entities have been allowed to develop different detailed processes and procedures of their own.

Similarly, the Financial Regulations and Rules do not specifically define “implementing partners” or address how they should be managed.

256. **The Board recommends that the legal framework around the granting of funds to partners should be formally introduced into the Financial Regulations and Rules.**

257. The Administration informed the Board that it recognizes the gaps in the legal framework for managing grants and implementing partners and will take them into account when revising the Financial Regulations and Rules.

Framework to manage transfers and grants to partners

258. When funds entrusted by donors are transferred to another party, a core principle of accountability is that appropriate controls should exist to ensure that the funds have been used for the purposes intended. Donors expect funds to be used to deliver the desired outcomes in a cost-effective manner and to be protected against the risk of fraud or error.

259. In the absence of a common Secretariat framework for the management of partners, each office and department has developed its own frameworks, policies, guidance documents, templates and information systems. While the form and content of the frameworks varied significantly, there were some common elements. Most frameworks required partners to submit periodic financial and narrative reports and had established policies for project monitoring, evaluation and audit. However, even where the control environment appeared similar, there were significant differences in the operation of such controls. When observing and verifying reported progress on implemented projects (monitoring), both the Office for the Coordination of Humanitarian Affairs and the United Nations Democracy Fund had verification procedures, but there was no detailed practical guidance on how to perform the verification work. For example, project proposals often include multiple activities in several locations, but there was no guidance on how to select the project activities to be verified, and monitoring records did not document the basis for selection or the verification method applied. During the Board’s visit to the Office for the Coordination of Humanitarian Affairs in the Sudan, it identified that monitoring staff sometimes merely observed progress, but did not verify reported activities.

260. The Office informed the Board that work to develop and refine the procedures and guidance around verification work was ongoing.

Office for the Coordination of Humanitarian Affairs management framework

261. The Office for the Coordination of Humanitarian Affairs handles the largest number of implementing partners and the highest volume of grant funding. In response to the Board’s previous recommendations, the Office has prepared global and country-level manuals covering each stage of the project life cycle for the country-based pooled fund, the largest trust fund within the Secretariat, which reported expenses of $455 million in 2015.

262. The Office’s global guidelines provide a comprehensive framework covering the project life cycle, including:

(a) Fund governance, including the roles of the Emergency Relief Coordinator, the governance boards and the Humanitarian Coordinator;

(b) Accountability arrangements, including risk management, grant management, oversight arrangements (monitoring, reporting, evaluations and audit) and compliance;

(c) Administration arrangements, including establishing project budgets, setting out guidance on eligible and ineligible costs and defining direct and indirect costs.

263. Other offices and departments had developed various guidance documents, which typically focused on the responsibilities of partners. The frameworks varied significantly; some omitted key aspects of administrative and accountability arrangements. For example, the need to examine the cost-effectiveness of project budgets and to critically review and validate reports submitted by partners was not addressed in all of the frameworks examined. While expectations of partners, implementation time frames, outputs and outcomes were usually documented, corresponding expectations of the offices, such as reviewing and commenting on submissions, were not set. This has led to inconsistencies in the oversight arrangements exercised by different offices and departments of the Secretariat.

264. **The Board recommends that the Administration develop a common principles-based framework for the management of partners that specifies the key procedures to be performed by all Secretariat entities. To facilitate the development of the common framework, the Secretariat should conduct an end-to-end review of the project management life cycle, including consultations with key stakeholders and a review of all current practices.**

Standard agreements with donors and implementing partners

265. A variety of different agreements with donors and implementing partners are currently in place. In 2015, the Administration, under the leadership of the Controller, who is the corporate risk owner for extrabudgetary funding and management, established a working group, which has issued preliminary guidance on the preparation of agreements with donors and implementing partners.

266. The draft agreement with implementing partners provide general terms and conditions that all Secretariat departments, offices and peacekeeping and special political missions should follow when preparing and approving financial agreements or grant agreements with implementing partners. These conditions include the need:

(a) To apply a strict vetting process, including careful assessment of capacity and qualifications;

(b) For the registration of the partner using a local database, pending the development of a global registration platform;

(c) For periodic on-site reviews of partners to review their financial records to oversee the use of United Nations funds;

(d) For partners and their personnel to cooperate with United Nations investigations and for partners to exhort their personnel to report any wrongdoing and possible misuse of United Nations funds to a dedicated OIOS hotline;

(e) To establish conditions for: the use of assets after project completion; the disclosure of funding from other sources; the notification of unused funds, subcontracting and procurement by the implementing partner; notification by the implementing partner of any fraud investigation; termination owing to force majeure; and confidentiality. The restrictions should be clear.

267. While the guidelines are currently in draft form, when implemented, they should provide a sound basis to strengthen agreements with implementing partners, particularly in important areas such as anti-fraud and sanctions policies, and clauses to secure audit access to implementing partners' books and records.

268. Such clauses were not included in the early draft guidelines shared with the Board, although the working group has been working with the Office for the Coordination of Humanitarian Affairs on refining the proposed corporate fraud sanction procedures for implementing partners. This includes the development of a central ineligibility list and the proposal that such information be shared more widely with agencies, funds and programmes. At the time of audit, the ineligibility list had not been established, nor had the procedures been endorsed. In the light of the Board's previous recommendation (see A/69/5 (Vol. I), chap. II, para. 114), wider control mechanisms to share information on implementing partners should be implemented and go beyond an ineligibility list.

269. **The Board recommends that the Administration finalize, and issue under appropriate authority, its standard template agreement with implementing partners to include appropriate anti-fraud, sanctions and audit clauses.**

270. **The Board reiterates its previous recommendation to establish information-sharing mechanisms on implementing partners that cover due diligence procedures, implementation issues and performance evaluations performed by United Nations entities and partners with which they have worked.**

Management information systems

271. Partners vary widely in terms of their size and role, encompassing host Government departments, United Nations entities, large-scale multinational charities and small local non-governmental organizations. The types of projects and programmes delivered by implementing partners also vary in size, duration and cost. However, owing to the absence of integrated database systems, the Secretariat was unable to produce a consolidated report of all grants and transfers made to implementing partners during 2015.

272. Although Umoja includes a grants database, it does not yet have the full range of functionality required to replace the different bespoke systems currently in place. While the functionality of the grants management module provides for the transfer of funds to implementing partners, the planned implementation of the grantor module and the project portfolio and project management system within Umoja Extension 2 will complement this by incorporating the grant application and selection process, and will provide a repository for substantive and financial reports. The new modules will also enforce compliance over a grant's life cycle from planning and resource allocation to implementation and project completion.

273. In the absence of a corporate application, systems were developed independently and vary significantly in terms of cost and functionality. For example, for the country-based pooled funds, the Office for the Coordination of Humanitarian Affairs developed a bespoke grants management system during 2014 and 2015 at a cost of $1 million, whereas the United Nations Democracy Fund, which manages a much smaller programme, implemented a commercial solution in 2012 at a cost of $165,000. Other departments and offices use a mix of systems and stand-alone databases, shared workspaces and spreadsheets to manage their programmes.

274. At the request of the Board, each entity compiled data regarding grants and transfers to implementing partners. Only the United Nations Democracy Fund was able to generate systematic management information on the key aspects of its implementing partner's programmes, such as approval and disbursement history, monitoring, reporting and audit. While the grants management system of the Office for the Coordination of Humanitarian Affairs was designed to manage the full programme life cycle, accurate management information could not be generated because of incomplete data. Most offices therefore collated the requested information manually rather than directly from the information in the grants management system. Secretariat offices and departments cannot therefore make best use of available information to support decision-making. An assessment of the completeness of data held by the Office in respect of country-based pooled funds is summarized in table II.16 below.

Table II.16

Data confidence in grants management system of the Office for the Coordination of Humanitarian Affairs for country-based pooled funds

Management information	*Comments on data completeness*
Number of projects and partners	Data incomplete owing to phased roll-out of grants management system, and data unavailable where UNDP acts as Office's agent
Partner due diligence procedures completed	In 2015, all partners completed due diligence in grants management system prior to project approval
Partner capacity assessments completed	Data not available as countries are working on offline capacity assessments with no information management system to capture data
Timeliness: time from project submission to approval and disbursement	Data incomplete owing to phased roll-out of grants management system, and data unavailable where UNDP acts as Office's agent
Narrative and financial report status	Data incomplete owing to phased roll-out of grants management system, and data unavailable where UNDP acts as Office's agent

Management information	*Comments on data completeness*
Audits completed with results	No information was available. The audit module of the grants management system has been developed; however, data in legacy systems requires cleansing before migration

Source: Board analysis of the Administration's data.

Managing compliance with the control framework

275. The Secretary-General is ultimately accountable for transfers and grants to partners. The General Assembly has defined accountability as the achieving of objectives and high-quality results in a timely and cost-effective manner in compliance with all resolutions, regulations and rules, and truthful, objective, accurate and timely reporting on performance results. To discharge its accountability for the stewardship of funds, management needs to institute robust assurance mechanisms to confirm the effective operation of internal controls.

276. Offices have developed varying internal mechanisms to monitor compliance with policies and procedures for the management of grants and transfers to partners. The Board found that these mechanisms tended to operate mainly at individual project or country level rather than at overall programme level. There was also a lack of complete, timely and accurate information to demonstrate that key controls were operating across programmes as expected. There was no active monitoring of project approvals, oversight and closure processes by Headquarters units, and there was limited reporting to management of overall compliance with defined procedures.

277. The Board visited three country offices in two countries in 2015, one of which managed operations for two countries, to examine Office for the Coordination of Humanitarian Affairs operations. During the visits, the Board noted some examples of good practice using the newly introduced tools, such as the capacity assessments checklists and the use of benchmarks to aid the review of project budgets. However, the Board also found a lack of compliance in some important areas, such as the performance of due diligence on partners, project monitoring and contracting for external audits. Examples included the following:

(a) In one country office, projects were awarded to partners without a formal assessment of their capacity and qualifications to deliver the activities;

(b) In two countries, the Office did not have comprehensive monitoring plans. No physical monitoring had occurred in one of the countries for a year owing to limited access to project sites caused by security and geographical constraints. The country office had not established any remote monitoring and partners had indicated that it was too late to implement any such controls retrospectively when implementation was already ongoing or finalized. In another country, the Office did not systematically validate claimed achievements by partners during monitoring visits;

(c) One country had 19 overdue financial reports and the partners were not regularly pursued, although action was taken shortly before the Board's visit to the office. One country office did not review partner narrative reports in a timely manner, as it mistakenly considered that this could not be completed until the projects had been audited;

(d) Two countries had expired contracts with external auditors and extracontractual audits were requested and performed. There was also limited review and follow-up of the audit results.

Assurance that Office for the Coordination of Humanitarian Affairs funds have been applied for the purposes intended

278. To further examine the level of assurance that management had obtained over Office for the Coordination of Humanitarian Affairs expenditures, the Board reviewed the operation of the assurance framework in an additional four countries where there appeared to be no contracts in place with independent external auditors. Pooled funding for the four countries concerned amounted to $98.1 million. The Board requested the Office to provide a comprehensive analysis of the results of the assurance mechanisms applied at country-office level that demonstrated the funds were used by partners for the purposes intended.

279. The Office reported that $69.9 million (71.2 per cent) was transferred to non-governmental organizations, with the remainder ($28.2 million) allocated to United Nations agencies' projects. In response to a request for further information on these projects, the Office provided copies of its partners' financial and narrative reports detailing the use of the funds. It also provided the results of its own monitoring of project activities. The Board found that:

(a) In the first country, financial and narrative reporting were up-to-date for the four projects reviewed. Two projects were monitored; however, in the monitoring reports, there was limited qualitative information on project activities, and the reports contained no evidence of the verification of outputs or the review of the partner's financial records;

(b) In the second country, financial and narrative reporting were up-to-date for the four projects reviewed. Two of the projects had been monitored by a third party on behalf of the Office;

(c) In the third country, financial and narrative reporting were up-to-date for the three projects reviewed. No direct monitoring of these projects by Office staff had been performed during 2015 owing to the deteriorating security situation in the country;

(d) In the fourth country, three of the four projects reviewed had final narrative reports, and two indicated that the activities were mostly completed. Only one of the projects reviewed had been monitored by Office staff; however, there was limited documented information on the verification of project outputs.

280. Overall, partner reporting for the countries examined was up-to-date, and there was active monitoring by the Office in two of the countries. Security constraints limited the degree of formal monitoring in the other two countries. In response to the Board's request for further information, the heads of each country office were able to supply supplementary information, including a more comprehensive statement on the control environment in the countries concerned during 2015, and

also supplied details on the operating effectiveness of the controls. The Office informed the Board that, where relevant, it had requested additional information on project implementation, such as pictures and videos of project activities and, where practicable, it had implemented remote call monitoring of end beneficiaries to confirm receipt of assistance.

281. The additional information provided by country offices provides valuable assurance over the use of funds by the Office's implementing partners. However, the lack of central oversight and analysis of the effectiveness of the Office's assurance framework is a significant gap in the effective implementation of the framework. The failure of the Office's country offices and Headquarters units to upload all the relevant information into the grants management system, combined with a lack of central analysis and collation of the results of monitoring actions across the whole of the Office's programmes, means that senior management cannot readily assess the overall level of assurance it has over the Office's expenditure. However, the Board's detailed examination did not find any material errors or irregularities in the projects it examined during 2015, and there were no significant irregularities reported by management or by the independent external auditors employed at the country level during 2015.

282. Overall, for country-based pooled funds, the weaknesses in data quality mean that management information is not yet of sufficient quality to monitor compliance with the requirements of the Operational Handbook for Country-based Pooled Funds. The Office at Headquarters has not collected information to demonstrate that capacity assessments have been performed consistently, that financial and narrative project reports have been received when due or that planned monitoring actions and independent audits of implementing partners have been carried out as planned.

283. **The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure that the new assurance framework is uniformly applied and embedded across country offices. In particular, the Office urgently needs to improve the collation and analysis of data on the results of monitoring activities performed during the year to confirm that there is sufficient assurance that funds have been applied for the purposes intended.**

284. The Office informed the Board that it was developing dashboards to display management information in meaningful and useful ways, including information on country office compliance with the Operational Handbook for Country-based Pooled Funds, providing insight on grant life cycle data quality; grants management workflow statistics, including levels of allocation, status of financial reports, monitoring activities and audit results; and performance indicators, and targets linked to the Office's strategic objectives, including timeliness of allocations, risk management, stakeholder satisfaction and monitoring. Such dashboards should improve the visibility of compliance issues and allow management to take corrective action in a more timely manner.

Umoja Extension 2

285. The Administration acknowledged the shortcomings of the current disparate reporting systems. It informed the Board that while the current functionality of the grants management module in Umoja provides a harmonized and streamlined

approach for the transfer of funds to implementing partners, the enhanced functionality in Umoja Extension 2 will address the shortcomings identified.

286. **To ensure that the shortcomings in the present systems are addressed, the Board recommends that the Administration conduct a comprehensive review of the functionality of existing grants management systems and the information needs of users and other stakeholders before finalizing the scope of Umoja Extension 2.**

Project risk management

287. Risks are inherent at all levels of an organization and its activities. In its resolution 64/259, the General Assembly emphasized that the risk management should be dynamic, that it is the inherent responsibility of staff at all levels and that each department is accountable for the risk assessment in the delivery of its respective mandate. In relation to trust fund management, risks should not only be considered at the organizational level, but also at the project level. Project risks should be assessed and monitored through the implementation of the project and escalated where appropriate.

288. To determine whether the risk level is acceptable, project risks should be critically appraised by the relevant office before approval. For each programme or project, this would require the systematic identification of strategic, financial and operational restrictions or events that could affect the ability to achieve project objectives.

289. The Board examined whether risk management arrangements existed in project management frameworks examined and found that practice varied. For example, the Peacebuilding Fund and the United Nations Democracy Fund required partners to determine the likelihood and impact of identified risks, together with mitigating actions required to reduce exposure to those risks. With regard to country-based pooled funds, the Office for the Coordination of Humanitarian Affairs partners were merely required to identify risks to the projects but not assess their impact or likelihood or define ownership and mitigation actions.

290. For the risk assessments to remain relevant and guide management decisions, they require regular review and updating. The Board found that with the exception of the Mine Action Service, there was no active monitoring of the risks identified by the partners. For instance, the narrative reports did not include an update on the status of the risks, and monitoring completed by the offices did not specifically review risks.

291. The Administration considers that developing risk profiles for each project would be a futile exercise that will add a tremendous administrative burden with limited added value. It further considers that this would create an inventory of risks whose size would be impossible to handle.

292. **The Board recommends that the Administration develop appropriate project-level risk guidance that supports the wider Secretariat approach to risk management.**

I. Enterprise risk management

293. Enterprise risk management is a comprehensive process designed to identify, assess and respond to risks that could affect the ability of the Secretariat to effectively achieve its mandates and objectives. The Board has reviewed the progress made in implementing enterprise risk management in the Secretariat since its previous audit and the extent to which enterprise risk management has been embedded across the Organization, as requested by the General Assembly.

Progress managing the six enterprise risks

294. On 25 June 2015, the Management Committee approved risk action plans intended to address and mitigate the six enterprise risks endorsed by the Secretary-General in September 2014. In June 2016, the Board reviewed the risk action plans (which were in draft form at the time of its last audit), noting that since the plans were approved, there has been no change in the Administration's view that:

(a) The six critical risks are "highly likely" or "expected" to occur;

(b) Their impact would be "significant" or "critical";

(c) The current internal controls are "ineffective" or "significant improvement needed", while the residual risk, a key indicator of the effectiveness of these controls, would remain "critical".

The Board notes that the Administration has still to establish the level of residual risk were the risk action plans fully implemented.

295. In response to the Board's recommendations, enterprise risk management is now a standing item on the agenda of the Management Committee, which also functions as the enterprise risk committee. The corporate owners of the six enterprise risks provide an update on progress made by the working groups in developing and implementing risk action plans as described in the Secretary-General's latest accountability report (A/70/668). This work is ongoing and progress is being made, but at a slower pace than the Administration had planned. Most working groups are behind schedule against plans approved by the Management Committee in June 2015. For example, a review of progress reported to the Management Committee after one year, in June 2016, identified a number of areas where target dates have been missed:

(a) Actions to be completed on the organizational transformation plan included the definition of an overall new operating model by December 2015, and departments and offices to set out how they will move from the current state to the new end state in a multi-year project plan by September 2016. As noted in section K, proposals for the global service delivery model are still being developed, and departments' ability to design their own end-state visions is at risk;

(b) Actions under strategic planning and budget allocation, including work to strengthen budget formulation processes for the programme budget, due in March 2016, is now due to be completed for the 2018-2019 regular budget. A review of the budget formulation processes to ensure that intergovernmental bodies receive essential and more results-focused information and analysis in a timely and coherent manner is also ongoing against a target date of March 2016. Moreover, the Board notes that this is dependent on the revised timeline for the design and deployment of Umoja Extension 2;

(c) Updated guidance and policies planned under the extrabudgetary funding and management action plan have not yet been finalized. Guidance on preliminary conditions (for example, for immunities and privileges of the United Nations, single audit principle, procurement and recruitment) were due to be issued by December 2015 but are in preliminary form only. Guidance on standard procedures for selecting implementing partners was also due to be formulated by March 2016, but work on the guidance is still ongoing;

(d) A number of the human resources strategy, management and accountability actions were still in progress and have missed planned completion dates. For example, by March 2016, the Office of Human Resources Management was due to have completed a global staff survey to assess staff satisfaction and create a benchmark against which future progress and trends can be measured. However, in June 2016, the Management Committee was told that the Office had started defining and designing the content of the survey.

296. **In the light of the delays noted above, the Board recommends that the Administration reassess the realism of the timelines set out in the risk action plans approved in June 2015.**

Progress embedding enterprise risk management

297. In the report of the Secretary-General on progress towards an accountability system in the United Nations Secretariat (A/66/692), it is maintained that “the Secretary-General strongly believes that enterprise risk management and internal control are a core responsibility of management at all levels”. The strong commitment of the Secretary-General and the Management Committee, together with the strong support of the General Assembly, provide a clear mandate to drive the pace of implementation of enterprise risk management and embed it at all levels of the Secretariat.

298. As the Board reported previously, some departments have made progress by using templates and methodologies developed centrally to align their risk registers with the Secretariat’s enterprise risk management register. However there is little evidence that substantial progress has been made in embedding enterprise risk management across the Organization since the Board’s previous report (see A/70/5 (Vol. I), chap. II, paras. 115-121). The Board was unable to establish precisely how many departments and offices had created risk registers and were actively managing them, as the adoption of enterprise risk management processes in the Secretariat is not tracked centrally by the Department of Management.

299. The Secretary-General’s fifth progress report on accountability (A/70/668) reports that a pilot exercise to develop risk registers in peacekeeping missions was undertaken in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo. The Administration informed the Board that since then, a further five peacekeeping missions have used the results of the pilot and have developed or are developing their own risk registers.

300. The Administration has started to implement the four actions that the Board recommended to embed enterprise risk management (see A/70/5 (Vol. I), chap. II, para. 122 (a)-(d)), but more remains to be done:

(a) **Develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks.** The current guidance is being used by some departments, but there is no requirement for it to be adopted consistently throughout the Secretariat. The Department of Management is simplifying the guidance to make it more user-friendly, but there is no target date for completion;

(b) **Develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required.** There is no timetable or agreed deliverables. Although the Department of Management asserts that "additional resources" are required, there has been no assessment of the resources required and no evidence is available to support a business case for how much and for which activities;

(c) **Increase the level of communication and training provided to staff on enterprise risk management policies and procedures.** Although there remains no overall communication and training strategy, the Administration continues to raise awareness about enterprise risk management through dedicated intranet pages and articles on i-Seek. The enterprise risk management community of practice now has over 190 enterprise risk management practitioners across the United Nations system, an increase from the 100 practitioners reported previously. The Department of Management continues to organize an annual training session to facilitate knowledge-sharing and interaction with external experts, held most recently in January 2016. The e-learning course currently hosted in Inspira is also available through the United Nations System Staff College;

(d) **Consider the acquisition of appropriate tools, including software, to support the implementation of enterprise risk management.** Preliminary work has been undertaken to identify enterprise risk management software, including a risk management system developed by the United Nations Office at Geneva. Umoja is considered too complex to use for enterprise risk management purposes, and an initial high-level assessment of software commercially available suggests that it would cost approximately $100,000. Other tools and methodological approaches have already been established and covered in existing guidance.

301. Overall, while some important progress has been made, and taking into account the findings from its review of risk management in partner projects (see sect. H), the Board is concerned that there remain no firm plans or commitment to embed enterprise risk management at all levels of the Organization as originally intended. There is therefore a growing risk that without concerted action, the implementation of enterprise risk management across the United Nations will stall or even fail.

302. The Administration informed the Board that it does not intend to take any further action to embed enterprise risk management at the departmental level without additional resources. In this regard, the Board notes that the Secretariat had made a commitment to implement enterprise risk management within existing

resources. As noted above, the Administration has not developed a costed plan that sets out how it could embed enterprise risk management at all levels of the Organization as previously recommended. Without such a plan, it is difficult to define the level and type of resources that may be required and whether further resources are indeed necessary.

303. **The Board reiterates its previous recommendation that the Administration develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and the resources required.**

J. Managing the risk of fraud

304. In recent years, the Board has consistently highlighted weaknesses in the way the Administration manages the risks arising from fraud and corruption, and has recommended that concerted action be taken. The United Nations is required to operate in high-risk environments and is exposed to a wide range of different fraud risks, both internal and external. Fraud and corruption may be opportunistic attempts by individuals that can add up to significant losses if not tackled, and if the perpetrators escape with light or insignificant punishments, it can create a culture in which wrongdoers appear to act with impunity. The large sums expended by the United Nations mean that it may also be exposed to systematic, well-organized and premeditated fraud.

Progress in addressing the Board's concerns

305. In 2014, the Board made eight recommendations designed to improve the Administration's ability to manage the risk of fraud (see A/69/5 (Vol. I)). Annex I to the present report provides details of the Administration's response. Some progress has been made in reviewing the current suite of policy and guidance material on fraud, resulting in the issuance of draft guidelines, and a draft administrative instruction on disciplinary measures has also been issued for comment. However, these can be considered only very small steps forward, and little, if any, substantive progress has been made on the key recommendations. The Administration has still not performed a comprehensive fraud risk assessment, designed a central intake mechanism for fraud reporting or developed a framework for the systematic legal pursuit of all proven fraud.

Office of Internal Oversight Services and Joint Inspection Unit commentary on fraud

306. The Board notes that in the past, OIOS has been critical of fraud reporting procedures and concluded that underreporting of fraud was likely. More recently, the Joint Inspection Unit produced a report that also highlighted weaknesses in the way the wider United Nations system organizations respond to fraud risks. The Joint Inspection Unit highlighted that much more needed to be done to combat fraud in the United Nations system and observed that some organizations continue to remain in a near state of denial regarding fraud. The Board considers the findings of the Joint Inspection Unit to be consistent with its own and is concerned that they

indicate a high degree of complacency among senior managers with respect to managing fraud risks.

Case study examination

307. In 2016, the Board reviewed one confirmed case of fraud in detail to examine how long the process took and to review the sanction applied to the perpetrator. The details have been anonymized as far as possible as the case is still subject to the decision of the United Nations Dispute Tribunal.

308. The case relates to a grant claim from a staff member, and the chronology of the main events is summarized below:

- In month 1, the staff member submitted a claim that raised suspicions within the Office of Human Resources Management.
- In month 3, the matter was referred to the staff member's department, which in month 4 referred the matter to OIOS for investigation.
- In month 20, OIOS reported that the staff member had received almost $200,000 on the basis of claims that could not be authenticated. It reported that this may warrant referral to local law enforcement authorities and recommended that the Office of Legal Affairs take appropriate action, including the possible recovery of funds.
- The case was referred to the Office of Human Resources Management for disciplinary action in month 21, which issued a formal "charge letter" against the staff member in month 24, who responded with comments in month 26.
- The Office of Human Resources Management requested further information from OIOS and others before responding to the staff member in month 32.
- Further comments were received from the staff member in months 33 and 34, but the staff member was served with a notice of dismissal in month 35.
- The staff member concerned was paid her full salary up to the point of dismissal, together with any accrued leave earned up to that point. If entitled to repatriation, the staff member's flight home would be payable by the Administration. No criminal action was initiated by the Administration against the individual, the staff member's pension entitlement was unaffected, and none of the amount improperly claimed was recovered from the staff member.
- In month 38, the staff member filed an application with the Dispute Tribunal, which was heard in month 51. The decision of the Dispute Tribunal is currently awaited.

309. The Board is concerned to note that considerable time, cost and effort have been expended on this case without it yet being concluded, and that none of the losses identified by OIOS have been recovered. The Administration informed the Board that as it does not have the same powers as local law enforcement authorities, it could not obtain sufficient evidence to establish the amount of any losses with any precision. It was possible that the individual concerned would have been entitled to some grants had the claim been made differently.

310. The Board questioned why the Administration did not refer such cases to local law enforcement authorities so that they could use their powers to obtain the necessary information and launch a criminal prosecution if appropriate. Such action would have relieved the Administration of the costs of further investigation and would also send a clear message to staff that suspected criminal behaviour would be fully investigated by the local law enforcement authorities. Moreover, if a criminal prosecution is successful and the United Nations is a victim of a crime, the Regulations of the United Nations Joint Staff Pension Fund provide for the recovery of losses from a staff member's pension entitlement.

311. The Administration considers that current procedures for informing relevant diplomatic missions of the outcome of investigations are sufficient. Thereafter, the decision on whether or not to launch criminal proceedings is left to the countries concerned. The Board notes that this approach results in very few criminal or civil actions against proven wrongdoers and appears to place international civil servants in a position of relative impunity compared to their counterparts in national civil service organizations.

312. **The Board reiterates its previous recommendations on fraud and strongly encourages management to review its approach to involving local law enforcement authorities in investigations of wrongdoing.**

K. Business transformation

313. In recent years, the Board has acknowledged management's commitment to reform and transformation, noting good progress in areas such as IPSAS, Umoja, the global field support strategy and the development of revised strategies for managing core areas of business, such as ICT. However, the Board has frequently observed that major transformation projects have begun poorly and required significant intervention from senior managers and skilled teams to put them back on track. Other areas, for example, anti-fraud strategies, results-based management and enterprise risk management, have no implementation plan to measure against, and progress has consequently been slow. Overall, while important progress is being made, most improvement initiatives are late, over budget and subject to significant changes to the scope originally approved by Member States.

314. The present section provides an overview of progress made in: (a) managing transformation initiatives; (b) designing a target operating model; and (c) establishing the capability to continuously improve.

1. Managing transformation

315. The Board notes that business transformation is now a standing agenda item at the Management Committee. However, the time allotted for senior managers to discuss management reform is relatively short: 15 minutes per month currently. Also, and as noted previously, the progress updates are generally provided by those managers responsible for implementing the initiatives as there are no independent assurance reports for the Committee to draw on.

316. The Administration is at different stages of planning or implementing a high number of complex and demanding reform initiatives, including:

(a) Organizational redesign, for example, the global service delivery model, the global field support strategy and responding to the report of the High-level Panel on Peace Operations;

(b) ICT-enabled business change, for example, Umoja and the revised ICT strategy;

(c) Financial management, for example, implementation of IPSAS and professionalization of the finance function;

(d) Estates management, for example, flexible workplace strategies and major capital projects such as the capital master plan and the strategic heritage plan;

(e) Human resources, for example, mobility, workforce planning and responding to recommendations from the International Civil Service Commission as approved by the General Assembly;

(f) Strategic management processes, for example, enterprise risk management, anti-fraud strategies, results-based management and results-based budgeting implementation.

317. Such a wide-ranging programme of reform places additional demands on core staff and requires strong central planning and coordination. The Under-Secretary-General for Management, as the senior responsible officer for many of the initiatives and corporate risk owner for enterprise risk 2: organizational transformation, commissioned a working group comprising representatives of some of the reform initiatives, along with some business units, to design a risk treatment plan in June 2015. The working group has developed a common dashboard and integrated plan and, for the first time, holds regular bimonthly meetings to improve shared understanding of the current status of each initiative and identify any interdependencies.

318. Although it is too soon to say whether these steps will improve delivery in terms of time, cost and scope, the actions taken by management are a positive step towards managing the reform initiatives as a portfolio.

2. Target operating model

319. A target operating model is an articulation of the organizational structure, processes and resources required to achieve an organization's strategic objectives. The operating model details what work will be delivered by which staff working in which departments and in which locations. It can also define how end-to-end business processes for programme delivery, management processes and administrative support processes will operate as an effective management system.

320. The Administration acknowledged the need for such a target operating model, and in September 2015 presented a framework for the development of a global service delivery model for administrative support to the General Assembly. The Assembly requested the Secretary-General to develop a detailed proposal for the main part of its seventy-first session, consisting of a business case that included an end-state vision, clear goals and objectives and a detailed cost-benefit analysis containing information on qualitative and quantitative benefits.

321. As of June 2016, the detailed business case for the global service delivery model was still under development and therefore unavailable for audit. The Administration informed the Board that it intends to put forward options to consolidate certain administrative processes in "shared service centres". Shared service centres are a component of several United Nations administrative support models, including those of UNDP, the Office of the United Nations High Commissioner for Refugees and the World Health Organization, and many other global public and private sector entities. Therefore, there are many lessons that the Secretariat could learn from the experience of others. Lessons learned from other organizations include the need to:

(a) Provide a clearly defined level of service to departments that are viewed as "customers" of services;

(b) Select which administrative services to consolidate on the basis of a careful analysis of what makes sense to help the "customer" deliver, not what is more convenient for the "providers" of administrative support functions;

(c) Put strong governance in place to ensure that administrative services provided by the shared service centres are not duplicated within departments;

(d) Design, manage and measure the service "end to end" to ensure that performance improves across the end-to-end process, not only in those process steps hosted by the shared service centre.

322. The Administration planned to use information from the Umoja solution to support the business case for the global service delivery model, using process performance information as of February 2016 as a baseline from which to calculate proposed changes to the service model. The Board's latest report on Umoja suggests that this could prove challenging as of June 2016: "the Administration has not yet … established a clear baseline from which it can measure the benefits actually achieved … the Administration has made very limited progress with regard to the Board's recommendations on improving benefits realization, and has again failed to demonstrate it has in place a methodology which will deliver the maximum amount of quantitative (cashable, as opposed to non-cashable) and qualitative (service delivery) benefits" (see A/71/180, paras. 101 and 104).

323. The Administration has since informed the Board that it has engaged a professional services consultancy firm to perform a baselining exercise using Umoja data.

3. Establishing the capability to continuously improve

324. Continuous improvement is a management approach to improving delivery built on the principle that staff at all levels of an organization are best placed to identify improvements in their areas. A system of continuous improvement, common in many large public and private sector organizations, requires that staff are:

(a) Encouraged to continuously assess whether business processes are delivering optimal performance;

(b) Empowered to identify and solve problems that are affecting performance;

(c) Trained in a standard approach to improvement, including problem-solving tools and techniques;

(d) Supported in sharing effective ways of working across the organization to ensure that an improvement identified in one part of the organization is implemented everywhere.

325. Completion of the centrally managed reform initiatives, such as Umoja, will provide some of the information and tools required to improve business management across the Secretariat. Each Under-Secretary-General's personal compact includes requirements to implement and support key organizational reform initiatives such as Umoja, the mobility framework and enterprise risk management.

326. Acknowledging the challenge of implementing an improvement agenda of this scale, the Board recommended that the Management Committee assess whether it had the tools and capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps (see A/69/5 (Vol. I), chap. II, para. 36). The Administration confirmed that it was confident it had the capabilities required to deliver the improvement programme, but did not consider it necessary to conduct a formal assessment of the tools and capabilities at its disposal.

327. In the Board's view, there is evidence that the Secretariat does not have all the capability required to deliver the mandated level of organizational improvements. The Board notes that the Secretariat is reliant on professional services firms to implement the majority of central improvement initiatives. In particular, the Secretariat has relied on such firms to address skills gaps in organizational change management in projects such as Umoja and the global service delivery model. In addition, few staff involved in the transformation projects have been trained in a recognized approach to continuous improvement, and the Board remains concerned that departments may not all have sufficient access to the skills and methodologies required to implement continuous improvement programmes effectively.

328. **The Board reiterates its previous recommendation that the Management Committee assess whether it has the tools and capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps.**

329. **The Board also reiterates its previous recommendation that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.**

L. Interim follow-up on the handling of information and communications technology affairs

330. Effective information and communications technology (ICT) is essential in supporting a wide range of critical administrative and operational United Nations activities, both at Headquarters and in the field. It supports the management of critical United Nations activities, including those relating to finance, human resources management and logistics and field support.

331. To achieve an integrated Secretariat and enable the United Nations to be more efficient and effective, the General Assembly has sought to reform ICT across the Secretariat. Since 2006, it has taken a number of actions in support of this aim. These actions include:

(a) Creating the post of Chief Information Technology Officer, with responsibility for providing a strategic vision and leadership in the management of ICT;

(b) Seeking to implement a global strategy to maximize the value of ICT across the Secretariat;

(c) Establishing the Office of Information and Communications Technology to provide oversight of ICT programmes, budgets and decision-making and ensure alignment with the Secretariat's overall ICT strategy.

Previous work undertaken by the Board

332. In 2012, the Board found that the Administration's initial efforts to implement its ICT strategy had not been successful (see A/67/651). The strategy could not be implemented through the work of a central ICT function that lacked the authority to enforce change. The Board concluded that a global ICT strategy was unlikely to be successful unless a number of fundamental managerial and structural issues were addressed. The Board recommended that the Administration develop a new ICT strategy, setting out the steps it proposed to take and the timeline and cost of implementation. The Board also identified serious concerns about the adequacy of the United Nations information security environment.

333. The Administration accepted the Board's recommendations on the ICT strategy and information security. After appointing a new Chief Information Technology Officer in May 2013, the Secretary-General presented his revised ICT strategy in 2014 (see A/69/517). The three main objectives of the strategy are:

(a) The direction of ICT in support of organizational priorities, such as Umoja;

(b) Harmonization of existing infrastructure and processes;

(c) Greater emphasis on innovation to support the substantive work of the United Nations.

334. In 2015, the Board reviewed the Administration's progress and reported that although positive progress had been made, it was at a slower pace than the Administration had envisaged when developing the implementation timeline in 2013. That was in part due to the managerial and governance issues highlighted by the Board in its previous report. For example, the Office of Information and Communications Technology had revised organizational structures and policies, but they had no formal status, and the Chief Information Technology Officer could not enforce full compliance across all departments with the activities necessary to implement the strategy. The Board again identified that, owing to the fragmented governance structure of the United Nations, there were significant limitations to what could be achieved until those issues were resolved.

335. The Board also found that:

(a) The Administration's five-year forecast of ICT costs was based on incomplete data, which severely undermined the credibility and usefulness of the forecast;

(b) The timetable for implementing the strategy was ambitious and did not reflect a full understanding of the depth of the challenges that needed to be overcome;

(c) Although positive progress had been made across many areas of the strategy, the Administration's approach to monitoring and reporting progress was inadequate and needed to be strengthened;

(d) The Administration had taken steps to improve information security, but there was a lack of formal authority and capacity to ensure compliance with policies and procedures.

Progress in implementing the Board's recommendations

336. The Board's two reports on the handling of ICT affairs in the Secretariat (A/67/651 and A/70/581) contained 23 recommendations, of which 22 were accepted in full. One recommendation, concerning the need for the Administration to clarify the role and authority of the Chief Information Technology Officer in field operations, was only partially accepted by the Administration. The Board judged two recommendations implemented in its previous report. All 21 extant recommendations are under implementation, with progress being made in all areas (see table II.17). Further details are included in annex II.

Table II.17
Status of implementation of previous recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
Total	**0**	**21**	**0**	**0**	**0**
Percentage	0	100	0	0	0

Source: Board of Auditors.

337. The nature of the recommendations means that some will take time to fully implement, but the Board has seen evidence that the Administration, and the Office of Information and Communications Technology in particular, are committed to implementing the recommendations and has plans in place to respond to its concerns. However, full implementation of other recommendations is less certain, as although the Office has taken action, the recommendations also require action by all parts of the Secretariat. For example, ensuring that staff undertake mandatory ICT security training is reliant on active enforcement by each head of department and so is outside of the Office's control.

338. In its resolution 70/238 B, the General Assembly endorsed the recommendations of the Advisory Committee on Administrative and Budgetary Questions, which had requested that the Board provide annual progress reports on the implementation of the ICT strategy (see A/70/755). The Board will undertake a full review of progress

when planned ICT policies and procedures have been approved and have had time to be embedded (potentially in 2017). At this interim stage, the Board reports on the steps taken to date by the Administration in four main areas:

(a) Refining and improving the quality of the data underpinning the five-year forecast of ICT costs;

(b) Reassessing the realism of the timetable for implementing the strategy and strengthening the project management approach, including the introduction of independent assurance arrangements;

(c) Formalizing corporate ICT policies and procedures, including governance structures and appropriate delegations of authority, to ensure that the necessary authorities and accountabilities are in place to support implementation of the strategy;

(d) Improving information security.

Information and communications technology expenditure

339. The Board's 2015 report (A/70/581) found an incomplete picture of ICT expenditure necessary for the Administration to make fully informed decisions about its future planning assumptions and plans for investment. In particular, the Department of Field Support, questioning the authority of the Chief Information Technology Officer in field operations, provided no data on ICT expenditure in peacekeeping operations. That meant that an estimated 72 per cent of total ICT costs were not included in the Administration's analysis. The Board recommended that the Administration further refine and improve the quality of the data underpinning the five-year forecast of ICT expenditure by increasing visibility of actual expenditure and the status of ICT assets across all of the Secretariat, including peacekeeping operations.

340. The Board reviewed the Administration's progress in revising its five-year forecast of ICT costs in August 2016. At the time of audit, the forecast was still being prepared, with all information under review prior to the Office of Information and Communications Technology producing a revised forecast for inclusion in the Administration's next progress report on the ICT strategy, and so was unavailable for audit. The Administration had taken the following steps to support an improved forecast and to increase the coherence of ICT budget proposals:

(a) The Office of Information and Communications Technology had issued guidelines to all ICT offices across the Secretariat, including the Department of Field Support, to provide data necessary for a revised five-year forecast. At the time of audit, all ICT cost information, including detailed information provided by the Department of Field Support, had been received by the Office;

(b) The Office had started using Umoja to support analysis of ICT posts and budgets in peacekeeping and across the Secretariat;

(c) The Office issued guidance to departments on a new process to review and coordinate proposals for 2018-2019 for investments, contracts, cost recovery and assets acquisitions from ICT offices.

341. The Administration subsequently informed the Board that it had completed the five-year forecast and that total overall expenditure on ICT was some $366.4 million,

against a total revised appropriation of $368.1 million (99.5 per cent) for the biennium 2014-2015. Further details are to be included in the Secretary-General's next report on the ICT strategy.

342. In the absence of complete information, the Board attempted to review ICT costs incurred across the Secretariat entities by interviewing relevant officials and analysing general ledger and budget data, but was unable to produce complete or meaningful results owing to the absence of an agreed coding structure within IMIS to record ICT costs. Umoja does, however, contain an agreed and consistent ICT cost reporting framework and, on this basis, the Board will undertake a detailed examination of ICT costs during the seventy-first session of the General Assembly, drawing on the approach it took when auditing ICT expenditure in peacekeeping (see A/69/5 (Vol. II) and A/70/5 (Vol. II)).

343. The Board also requested a detailed breakdown of information technology expenditure versus appropriation as reported in schedule 12, Information technology resources, in the introduction to the programme budget for the biennium 2016-2017 (A/70/6 (Introduction)). The Administration provided a breakdown of information technology expenditure by budget section for both post and non-post expenditure[6] for the regular budget in the biennium 2014-2015. Expenditure data for extrabudgetary (9.5 per cent of non-post) and other assessed contributions (3.2 per cent of non-post) was unavailable. As communications expenditure is not included in schedule 12, this information was not initially provided.

344. The information provided indicates total expenditure on information technology resources only for 2014-2015 of $255.3 million, including some $136.2 million of expenditure on posts, which is also not included in schedule 12. Non-post expenditure for 2014-2015 was $119.0 million, a $123.1 million underspend against the $242.2 million appropriation for 2014-2015 for the regular budget. The Board's review also found significant variances in budget utilization for information technology resources by section, ranging from 14.4 per cent for trade and development (section 12) to 232 per cent for humanitarian assistance (section 28). Management and support services (section 29), which includes OICT, has the largest non-post appropriation accounting for some $115.2 million (47.6 per cent). Data provided indicate expenditure of only $30.1 million, or 26.2 per cent utilization.

345. The Administration informed the Board that with the conversion of financial systems to Umoja, data on non-post ICT expenditure cannot be easily extracted as it resides in both IMIS and Umoja. The Administration also informed the Board that the Office of Programme Planning, Budget and Accounts and the Office of Information and Communications Technology have confirmed the commitment items in Umoja related to ICT costs, including staff costs, to enable improved tracking of these expenditures in the future. In the Board's view, this could improve in-year

[6] Non-post expenditure includes: (a) contractual services; (b) data-processing furniture and equipment (acquisition and replacement of both hardware and software equipment as well as licences and subscriptions to online services); (c) data-processing supplies (printer cartridge, toner, colour ink, server parts, personal computer spare parts, subscription to Internet and digital equipment supplies); and (d) data-processing services (information technology contractual services and experts or consultants, specifically hires for development or implementation of information technology projects).

monitoring of expenditure which, during 2014-2015, appears to have not detected a significant underspend on IT resources until at the end of the budget cycle.

Project management

346. In its December 2015 report (A/70/581), the Board noted that it could not provide assurance that overall implementation of the ICT strategy was on schedule and within budget. A project management office had been established, but progress was self-reported by project teams without any challenge or independent assurance. The Board was concerned that progress had been overstated and that there was a lack of realism in the project timeline given the complexity of the environment in which the strategy is being implemented.

347. The Administration has taken positive action to improve project management by:

(a) Introducing more scrutiny of projects by the project management office. Two staff are assigned to review each project's progress and status at periodic intervals. Where progress is not as expected, recovery plans — known as "get to green" plans — are developed and agreed, and progress against them monitored;

(b) Revising the approach to reporting project status by introducing a more consistent method for estimating progress, including reporting of risks and issues that may affect progress;

(c) Introducing a new change control process. Changes to project milestones or delivery dates must be agreed by the project management office so it can maintain an overview of overall progress;

(d) Starting to assess the overall impact of changes to individual project timelines on the overall plan with a view to creating a critical path. Although a revised timeline was being developed, it was not available for audit.

348. The Administration informed the Board that 7 of the original 20 strategic projects are now complete and part of everyday operations, including establishing regional technology centres, ICT benchmarking exercises and upgrading Inspira. Although the Administration acknowledges that there remains work to do, the steps taken have improved its monitoring and assurance of ICT projects. An increased realism in project plans is evident from the 10 projects for which change requests were submitted between December 2015 and August 2016. These range from splitting the projects into phases to extending the timeline or changing scope. Previously, changes to projects were not agreed centrally, meaning that overall progress was difficult to assess and the effect on other projects could not be understood readily.

349. Overall, in the Board's view, the Office of Information and Communications Technology has strengthened project management disciplines in place to deliver the overall ICT strategy. The Board has stressed previously the importance of a realistic and pragmatic assessment of the timeline for the overall strategy, and reiterates its view that in the light of the challenges faced, the formulation and management of the strategy must be an iterative and continuous process (see A/67/651, summary).

Information and communications technology policies and procedures

350. The Board's December 2015 report found that governance and management structures for ICT affairs had been revised, but accountabilities and authorities had not been formally updated. The Board identified that strong leadership and governance, supported by approved policies clearly setting out the roles and responsibilities of business units, would be key enablers of progress.

351. However, those important components were not in place, and there remained a lack of agreement over which activities require strong central control and which activities require or merit operational freedom. Delegations of authority from the Chief Information Technology Officer had also not been finalized. The Administration expected to issue an updated Secretary-General's bulletin during the first quarter of 2016.

352. At the time of audit, in August 2016, the updated Secretary-General's bulletin had not yet been issued. The Administration subsequently informed the Board that although the updated bulletin had been delayed from the revised June 2016 timeline reported to the General Assembly, it came into effect on 20 September 2016. The Administration then envisages that delegations of authority will then follow, as will a matrix of responsibilities concerning local, regional and central control following completion of discussions with the Department of Field Support. The Board will review the effectiveness of these updated policies and procedures once they have been finalized and implemented and have had time to be embedded.

Information security

353. The Office of Information and Communications Technology reported that five of the actions in its 10-point security action plan were now complete. The Board notes in particular that the e-mail filtering system has been enhanced and that increasing amounts of spam, Trojans and unknown malicious software are being detected.

354. The Office informed the Board that work to complete the other five actions was ongoing, but was now being taken forward by regional technology centres and had been incorporated into their workplans.

355. The Board notes that particular challenges have been faced in completing the below aspects of the 10-point security plan.

Information security training

356. The Board's December 2015 report identified that only 7,946 staff (19 per cent) had completed their mandatory security awareness training.[7] The Board was concerned that there was a lack of formal authority and capacity to ensure compliance with policies and procedures, particularly away from Headquarters. The Board recommended that the Administration establish a robust compliance framework with the authorities necessary to ensure adherence to Secretariat-wide ICT policies, including those on information security.

[7] Calculation based on 41,426 total staff members in the Secretariat in 2014 (see A/70/5 (Vol. I), chap. II, para. 66).

357. As at August 2016, the security awareness training course had been completed by 31,578 staff (76 per cent). Increases in completion of the course have been achieved through awareness-raising campaigns, e-mail reminders to staff and information security events and articles. The Office of Information and Communications Technology also reported that other United Nations entities are now using the course to train their staff. The Board notes the progress made, but remains concerned that business units are not taking sufficient action to ensure that all their staff have completed the training. Ensuring that staff undertake mandatory ICT security training is reliant on active enforcement by each head of department and so is outside of the Office's control.

Classifying information assets

358. Ensuring that information is classified correctly is critical to ensuring that it is safeguarded appropriately, that resources for protection are utilized effectively and that the costly additional security measures are only applied to information that requires them. However, responsibility for classifying and storing information assets appropriately rests with individual business units and is not within the control of the Office of Information and Communications Technology.

359. At the time of the Board's December 2015 report, the Administration had not determined how to assess implementation of this action and reported that it was zero per cent complete. Work on this action is ongoing and is reliant on an approach to classifying information assets being agreed and enforced across the Secretariat. As at August 2016, the Administration was still determining how to assess whether business units have classified their information assets correctly and how it could ensure that they do so.

Mandatory implementation of minimum requirements for public websites

360. Information security reviews of public website applications have been carried out to identify vulnerabilities in websites across the Secretariat. These assessments are ongoing. However, the Office of Information and Communications Technology estimates that more websites require reviews and that it would take a team of two people around three years to complete all of the assessments. The Office is instead seeking to identify external contractual support to complete the work. A request for proposals has been issued and a contract for support to complete the testing of sites is expected to be in place by the end of 2016.

Intrusion detection system

361. In 2013, the Administration identified the installation of an intrusion detection system across its network as critical to improving its capability to centrally collect, correlate and analyse internally generated alerts, notifications and systems log information. Such a system would detect many attacks in real time, allowing for a more timely response and hence limiting the damage caused by a compromise. As the independent operation of such a system requires specialized skills and knowledge, the Administration engaged a third party to deploy and manage the system and to develop a long-term strategy for network security monitoring and intrusion detection/prevention.

362. In September 2015, the Administration reported that the initiative was 100 per cent complete. The sensors had been deployed at key points of the network, but did not cover all United Nations operations. The Board was informed that the Administration was considering expanding the initiative, but that it could have significant resource implications, and a cost-benefit analysis would need to be performed before any further expansion of the system. In August 2016, the Board was advised that the intrusion detection system had not been extended and that the costs and benefits of doing so were still being considered.

Overall conclusion on progress handling information and communications technology affairs

363. The Administration has made progress in a number of areas since the Board's report in December 2015. In particular, there has been improved and more collaborative work between the Office of Information and Communications Technology and the Department of Field Support to implement the ICT strategy mandated by the General Assembly. For example, they are working together to develop a revised five-year forecast of ICT costs and have taken steps to improve cooperation on issues such as information security. However, implementation of the strategy remains reliant on collaboration rather than established and agreed business rules. For the strategy to be implemented fully, it remains critical that revised policies and procedures be issued along with necessary delegations of authority. Once this happens, there must be full collaboration and support from all heads of business units, particularly in areas such as information security and consolidation of ICT resources. There also remains a need for the Office to complete its reassessment of the timeline for implementing the strategy, taking into account the depth of the challenges that need to be overcome.

M. Management disclosures

Write-off of losses of cash, receivables and property

364. The Administration informed the Board that it had formally written off assets of $224.6 million, including receivable balances of $2.4 million and property, plant and equipment of $222.2 million. The write-off of property, plant and equipment predominantly related to the cost of the North Lawn Building ($188.5 million and net book value of $13.5 million), which was derecognized from the books as at 31 December 2015 as the physical demolition had started, and UNMEER assets with a value of $11.0 million.

Ex gratia payments

365. The Administration reported no ex gratia payments in 2015.

Cases of fraud and presumptive fraud

366. In accordance with the International Standards on Auditing (International Standard on Auditing 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Its audit should not, however, be

relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

367. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to those risks, including any specific risks that management has identified or that have been brought to its attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud. The Board has identified no instances of fraud in its audit, and no cases have come to its attention through its testing.

368. For 2015, on the basis of information reported to the Controller, the Administration reported three new cases of fraud and a further three cases of presumed fraud. In only one case, related to the fraudulent cashing of cheques, has the loss to the Organization been estimated ($40,000). Subsequently, in August 2016, the Administration reported a further three cases related to 2015, including one case of medical insurance fraud totalling $171,000, one case of suspected procurement irregularities ($1.7 million) and one case of suspected entitlement fraud ($7,000). At the time of audit, no recoveries had been made.

369. The Board has previously reported that the Administration does not have adequate systems and procedures to ensure the complete and accurate reporting of fraud. No progress has been made to strengthen internal procedures over fraud reporting and consequently the Board can provide no assurance that the amounts reported by management and disclosed above are complete or accurate.

N. Acknowledgement

370. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Under-Secretary-General for Management and the management and staff of the United Nations at all the locations visited and audited.

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

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

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

17 October 2016

Annex I

Status of implementation of recommendations (volume I)

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 21	To improve account preparation procedures in 2015, the Board recommended that the Secretariat: (a) prepare a detailed and achievable timetable for preparing its 2015 financial statements, taking into account the lessons learned from the 2014 exercise and the timeline for implementing Umoja; (b) ensure sufficient finance staff with the required skills are available to complete the key accounting tasks required in the time available; (c) integrate key Umoja activities, such as data cleansing and conversion, training and user-support activities, into the planning of and timetable for the preparation of the accounts to ensure that the activities are aligned; and (d) perform an effective management review of the draft financial statements before their submission to the Board.	The timing of some milestones for the financial statements for volume I slipped, including closure of the accounts receivable, accounts payable and funds management modules and the commencement of the accruals process. However, the Administration has reviewed and adjusted the financial statements action plan and remains confident of meeting the financial statements submission deadline of 31 May 2016.	The Administration presented draft financial statements on 31 May 2016; however, management's review of the statements and financial report lacked rigour. The Administration was also seriously underprepared for the audit, the documentation supporting the financial statements was not of auditable quality and a number of significant errors were noted. The Board has commented on this in its report.				X	
A/70/5 (Vol. I), chap. II, para. 28	The Board recommended that the Administration transform the finance function into a more strategic value-adding service and support that transformation with a wider financial management training programme to enhance financial literacy and management across the Organization.	As part of the IPSAS sustainability plan, the Office of Programme Planning, Budget and Accounts is piloting professional financial management training, which includes making the Chartered Institute of Public Finance and Accountancy qualification available to Office staff members and integration of training for the qualification into the organizational training	Following the approach adopted by six agencies, the Administration has four Office of Programme Planning, Budget and Accounts staff members enrolled in the training programme. This pilot will determine the focus of a wider training programme. However, there is no evidence that the		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
		programme. This pilot will assist the Administration in determining future requirements.	Administration has started to transform the finance function into a more strategic value-adding service. The Board therefore considers this recommendation under implementation.					
A/70/5 (Vol. I), chap. II, para. 40	The Board recommended that the Administration: (a) develop standard approaches and methodologies for measuring the costs of providing services to internal and external users; and (b) identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities.	This recommendation will have to be implemented in a phased manner over multiple years, as it involves significant analysis and effort, backed by standardization of processes implemented through Umoja. Steps have already been taken and implemented; for example, all cost recovery activities for non-peacekeeping operations have been implemented with a standard process in Umoja, and there is a new service catalogue, rate cards and cost plans. The Administration plans to review the service catalogues to introduce more standardization and the rate cards for greater consistency in the cost and pricing elements. The Umoja coding block has also been designed and implemented in all clusters to facilitate improved measurement of the cost of services. Overall, the Administration expects to progressively improve in every cycle of review of services and rate cards.	The development of a new service catalogue for cost recovery activities is a positive step; however, many inconsistencies exist in the costing of services to internal and external users. The Board has commented further on this in its report. While the Administration reported that the Umoja coding block was designed with a view to facilitating better measurement of the costs of services, the Board has seen no evidence of the use of this functionality yet. The Board therefore considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 55	The Board recommended that the Administration develop the tools, capacity and capability to generate comprehensive and detailed information that can be used to better understand, manage and control staff costs and to provide more accurate, timely and complete management information to support decision-making.	The Administration stands ready to explain the issues and components driving the management of staff costs. No further update.	While the use of standard costs for the management of the regular budget is one aspect of managing and controlling staff costs, the Administration does not have accurate, timely and complete management information to support decision-making, as noted in the response to the previous recommendation. The Board considers this recommendation under implementation.		X			
A/70/5 (Vol. I), chap. II, para. 60	The Board recommended that the Administration examine the underlying causes of the differences in average claim costs to determine whether there is scope to reduce the costs of administering the schemes.	The Office of Programme Planning, Budget and Accounts is monitoring average claim costs and an investigation will be undertaken if the trend warrants it. Additional disclosure in the notes to the financial statements will also be considered if appropriate. The Administration requests that the recommendation be closed.	The Board has seen no evidence that the Administration has actively monitored average claim costs. The Board considers this recommendation not implemented.			X		
A/70/5 (Vol. I), chap. II, para. 64	The Board recommended that arrangements be made to conduct an open-book audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations. The inspection rights under those contacts should be exercised regularly in future.	The procurement process for selecting an audit firm is currently under way.	No progress has been made to perform an open-book audit of the third-party administrators. The Board considers this recommendation not implemented.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 74	The Board reiterated its previous recommendation and encouraged the Secretariat to expedite work on developing workforce planning as a matter of urgency.	Once Umoja is fully deployed, there will be better alignment of process and management of information between budget and human resources functions. Further alignments are envisaged as part of the Umoja Extension 2 and mobility programmes.	The Board notes the Administration's response and considers this recommendation not implemented.			X		
A/70/5 (Vol. I), chap. II, para. 80	The Board recommended that the Secretariat: (a) develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning; (b) review job profiles to ensure each post is categorized within an appropriate job family and network using a common standard classification system; and (c) consider the scope for developing a workforce planning module in the scope of Umoja.	A preliminary dialogue between the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts is already under way to ensure that the financial implications of human resources contractual arrangements are better coordinated. In addition, the Office of Programme Planning, Budget and Accounts is increasing the coordination with the Office of Human Resources Management to ensure that financial agreements do not undermine human resources policies.	The Board notes the Administration's response and considers this recommendation under implementation.		X			
A/70/5 (Vol. I), chap. II, para. 83	The Board recommended that the Administration review, update and rationalize the current delegations of authority.	Delegations of authority were reviewed when determining Umoja enterprise roles, which specified the positions, the role assignment restriction/limitation, the segregation of duty and mandatory training to be completed in order to be assigned the role. Some rationalization was done through this exercise and further rationalization may be needed in the context of any future global service delivery model.	The Board notes the Administration's response and considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
A/70/5 (Vol. I), chap. II, para. 84	The Board recommended that the Administration produce a consolidated policy document which clearly sets out delegations of authority, and that the Office of Human Resources Management establish an assurance and oversight framework to monitor the exercise of delegated powers and ensure that they are exercised in conformity with the approved policy.	Delegations of authority were reviewed when determining Umoja enterprise roles, which specified the positions, the role assignment restriction/limitation, the segregation of duty and mandatory training to be completed in order to be assigned the role. Some rationalization was done through this exercise and further rationalization may be needed in the context of any future global service delivery model.	The Board notes the Administration's response and considers this recommendation under implementation.		X			
A/70/5 (Vol. I), chap. II, para. 92	The Board recommended that the Office of Human Resources Management monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3).	An initial draft of the administrative instruction on accessibility for staff members with a disability has been completed and will shortly be circulated to departments and offices for consultation.	The Board notes the Administration's response and considers this recommendation not implemented.			X		
A/70/5 (Vol. I), chap. II, para. 93	The Board recommended that the Administration address gaps in access to data on sick leave for comprehensive and timely reporting and develop capability to gather information on key health-care parameters covering all its clients across the United Nations system for more comprehensive reporting on status and policy issues.	The Medical Services Division has been developing a sick leave dashboard in Umoja.	The Board notes the Administration's response and considers this recommendation under implementation.		X			
A/70/5 (Vol. I), chap. II, para. 98	The Board recommended that the Office of Human Resources Management: (a) consider capturing information on the spans of control of first and second reporting officers with a view to	Recommendations (a) and (b) are considered completed. HR Insight now includes a performance management dashboard that provides data on completion rates and the number	The Board notes the Administration's response and considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
	identifying cases where such spans are unacceptably large compared with office norms; (b) consider the use of enhanced data analytics for additional dashboard reports that would facilitate analysis of individual performance grading of individual employees; and (c) consider enhancing system applications to aggregate information on individual development plans and training activities to be undertaken.	of supervisees each first reporting officer has, aiding comparisons between departments. The Dashboard also includes a chart on the ratings distribution within the department. For part (c), the Office awaits the General Assembly's review of the comprehensive performance management proposal as its decision will guide the Office on the next steps to be taken.						
A/70/5 (Vol. I), chap. II, para. 104	The Board recommended that the Office of Human Resources Management expedite the progress and resolution of disciplinary cases and develop a centralized monitoring system to track the number of ongoing investigations of alleged misconduct from the stage when a complaint is formally lodged or recommended by OIOS.	The setting up of a centralized monitoring system of investigations is being discussed by the Office of Human Resources Management, OIOS, the Department of Field Support and the Department of Management, including during staff/management consultations on the new policy on investigations and the disciplinary process. Under the revised policy, expected in 2016, OIOS will receive information about investigations Secretariat-wide. There is no obligation on OIOS to track or otherwise monitor the information. OIOS indicated that such monitoring or tracking is only feasible once a centralized online system for reporting misconduct is put in place, and possible software is being considered by OIOS.	The Board notes the Administration's response and considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 122	The Board recommended that the Secretariat: (a) develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks; (b) develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required; (c) increase the level of communication and training provided to staff on enterprise risk management policies and procedures; (d) consider the acquisition of appropriate tools, including software, to support the implementation of enterprise risk management; and (e) introduce regular progress reports to inform the Management Committee of the status of implementation of enterprise risk management throughout the Organization and to provide assurance that risks are being managed and mitigated effectively.	As mentioned previously, the implementation of enterprise risk management at department and office level — that is, beyond the entity-wide level — and the acquisition of dedicated enterprise risk management systems that could support that process will require the availability of additional resources.	As noted in section I of its report, in the Board's view, limited progress has been made against this recommendation. The Board considers this recommendation not implemented until concerted efforts are made to systematically embed enterprise risk management at all levels of the Secretariat.			X		
A/70/5 (Vol. I), chap. II, para. 128	The Board reiterated its previous recommendations on fraud and strongly encouraged management to take concerted and urgent action to strengthen its counter-fraud policies and procedures.	Under the chairmanship of Office of the Under-Secretary-General for Management, a working group comprising representatives from the different functional areas of the Secretariat prepared a preliminary draft of a comprehensive anti-fraud and anti-corruption framework for the Organization. The document, which will be submitted for	The Board has not noted any urgent or concerted action to address its main concerns on fraud.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		formal consultations with all the oversight bodies (the Board of Auditors, OIOS, the Independent Audit Advisory Committee and the Joint Inspection Unit) at the beginning of March, will be issued in April 2016.						
A/70/5 (Vol. I), chap. II, para. 136	The Board recommended that the Administration review the United Nations Procurement Manual and associated guidance material to clarify the circumstances in which delegated authority can be exercised and to indicate the criteria to be applied to determine when issues should be referred to a higher body.	The Administration found that the most relevant document in which such guidance should be included is the "document processing authority", attached to the delegation of procurement authority granted by the Assistant Secretary-General for Central Support Services. On 14 August 2015, the document processing authority for the Procurement Division was revised to clarify how to process contracts and purchase orders amendments on the basis of the nature of the amendment itself. The document processing authority for the Department of Field Support is still being updated.	The review of delegated authority and revision of process of issuing amendments to contracts/ purchase orders on the basis of their nature is a welcome step, but that is not sufficient in itself. The role of contract review committees needs to be clarified and strengthened. Furthermore, there is another outstanding recommendation (see A/67/5 (Vol. I), chap. II, para. 130) where review of delegations granted to the United Nations Office at Vienna and the United Nations Office at Geneva is still in progress. On this basis, the recommendation remains under implementation.		X			
A/70/5 (Vol. I), chap. II, para. 138	The Board recommended that: (a) procedures be stipulated to ensure greater coordination between the Department of Field Support and the Procurement Division in the chartering of aircraft so as to obviate the possibilities of engaging aircraft in excess of requirements or those that do not conform to technical specifications; (b) the process of	This recommendation is led by the Department of Field Support as the decision on demand planning to execute contract actions is in the ownership of the Department. Following the award of a contract and deployment of the aircraft, mission aviation sections and mission aviation safety sections	The Administration provided no additional information on the procurement cases mentioned by the Board. On this basis, the Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	technical evaluation of proposals be strengthened; (c) such procedures should include an effective post-contract technical confirmation of the technical compliance of the aircraft provided by the vendor with the specifications stipulated in the bid documents; and (d) an accountability mechanism be put in place to ensure that contract actions are initiated only after adequate planning with reference to mandate, strategy and technical specifications.	conduct a thorough inspection of the aircraft and crew documents against the terms and conditions of the long-term air charter agreement. Aircraft and crew are cleared for operations only when they are found to be in full compliance with the terms and conditions. However, although the final decision remains with the Department of Field Support, the Procurement Division continues to ensure that contract actions are initiated only after consultation with the Department to ensure that the contract meets the Department's mandate, strategy and technical specifications, and that relevant documentation is on file.						
A/70/5 (Vol. I), chap. II, para. 142	The Board recommended that the Administration continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals.	In addition to the four existing modules for online procurement training (fundamentals of procurement, overview of the United Nations Procurement Manual, best value for money, and ethics and integrity in procurement), the Procurement Division introduced three additional modules in 2014: contracts management, acquisition planning and contractual issues in purchasing.	These training modules were already in place at the time of the Board's audit in 2015. There is no evidence of a career path and further professionalization. This recommendation is Secretariat-wide. Although the Department of Field Support has tried to address the requirement of training to staff, it has not conveyed to the Board how many Secretariat staff in total have been trained versus how many require training. The recommendation therefore remains under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 163	To enable stakeholders to assess performance more readily, the Board recommended that the Administration revise the performance measurement and reporting framework to ensure that annual budget reports provide a clear comparison of actual and planned performance of missions.	The Department of Feld Support recognizes the need for improvement in the reporting framework, while acknowledging the responsibility of the Office of Programme Planning, Budget and Accounts for issuing the Secretary-General's performance reports on the programme budget. The Office confirms its prior response to this recommendation.	The revised reporting framework now includes planned versus actual performance for the prior period. On this basis, the Board views this recommendation as implemented.	X				
A/70/5 (Vol. I), chap. II, para. 169	The Board recommended that the Department of Political Affairs work with all involved entities to develop a target operating model for the provision of support to all special political missions that clearly defines roles and responsibilities, the resources required and how performance would be measured.	The Department of Political Affairs already has a service level agreement with the Department of Field Support that clearly defines the model of special political missions supported by the Department of Field Support. Performance is measured through the compacts of each head of mission. Surveys done by the various service centres help with performance measurement.	The Administration's response does not address the Board's recommendation, made as a result of the findings contained in paragraphs 164-168 of chapter II of its previous report. At the time of the previous audit, there was no current, formal or documented design of the special political mission operating model regardless of cluster (not just field-based entities). The Board concluded that the service level agreement with the Department of Field Support did not adequately address its concerns, hence the recommendation. The Board has seen no evidence that this situation has progressed, and on this basis concludes that the recommendation is not implemented.			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
A/70/5 (Vol. I), chap. II, para. 178	The Board recommended that the Administration strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by special political missions, including by developing a suite of management information reports that provide key information on the date of ticket purchases, the class of travel and the cost of flights.	Compliance with the 16-day advance purchase policy is monitored on a quarterly basis. The Umoja business intelligence report currently under development and testing is expected to include the key information requested on the date of ticket purchase, the class of travel and the cost of flights. The following indicator is indeed part of the Department of Field Support performance and monitoring framework that the Department is finalizing: "Travel compliance: % of tickets issued 16+ days before travel". The Department of Political Affairs is making all efforts to comply. The Executive Office of the Department reviews all travel requests to ensure compliance or detailed explanations in the inevitable situations of non-compliance, given the unpredictable work of the Department.	The Board notes the Administration's response.		X			
A/70/5 (Vol. I), chap. II, para. 184	The Board recommended that the Administration develop a range of financial performance indicators for measuring and reporting travel costs and compliance with the 16-day advance purchase rule, which will promote greater cost-consciousness and compliance with travel policies.	Full introduction of the Umoja travel module (cluster 5) has been postponed from April to September 2016.	The Board notes that: (a) introducing the Umoja travel module will not in itself fully address the recommendation unless it leads to improved management; (b) cluster 5 has again been postponed until November 2016. The Board views this recommendation as not implemented.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5 (Vol. I), chap. II, para. 192	The Board recommended that the Administration include consideration of wider aspects of United Nations operations in subsequent phases of the global service delivery model so as to ensure effective support to programmes.	In section XIX of its resolution 70/248 A, the General Assembly requested the Secretary-General to submit to it a detailed proposal on the global service delivery model at its seventy-first session and stressed that the development of the global service delivery model is to be limited to the provision of administrative support services.	The Board closes this recommendation.					X
A/70/5 (Vol. I), chap. II, para. 197	The Board recommended that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	The Administration considers this recommendation implemented as there are many structures used to manage the Organization's operations as well as formal organizational improvement. One of the Management Committee's key functions is to consider "internal reform and management-related initiatives and issues, including change management processes, requiring strategic direction from the Secretary-General" (see ST/SGB/2011/3). In parallel, the Secretary-General manages his programme of reforms and improvements through: (a) Steering committees (such as for Umoja, ICT, the global service delivery model and IPSAS); (b) Panels and working groups; (c) Senior managers' compacts; (d) Enterprise risk management; (e) Staff development plans.	As noted in Section K of this report, the Administration's response demonstrates a limited understanding of what a formal approach to continuous improvement comprises, even though this is a common management approach in many public and private sector organizations, first discussed with the Board in 2012. On this basis, this recommendation is considered not implemented, and is unlikely to be implemented without a significant rethink.			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
A/70/5 (Vol. I), chap. II, para. 199	The Board recommended that the Administration urgently enhance its capability to coordinate ongoing transformation projects.	The Administration considers this recommendation to be implemented. Under the leadership of the Under-Secretary-General for Management as corporate risk owner, a working group comprising representatives of all the transformation initiatives and the different functional areas designed a comprehensive risk treatment plan, which was formally approved by the Management Committee in July 2015.	In section K of its report, the Board notes that some progress has been made regarding the Administration's ability to coordinate the various transformation initiatives. However, in the Board's view, more needs to be done. This recommendation is therefore under implementation.		X			
A/69/5 (Vol. I), chap. II, para. 29	The Board recommended that the Administration establish how and under what time frame it would be able to more closely link budget consumption with what has been delivered in terms of outputs and outcomes; and with this aim in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	The Office of Programme Planning, Budget and Accounts confirms its prior response to this recommendation.	In section D of the Board's report it is confirmed that the Administration does not intend to start detailed planning until 2017 at the earliest. On this basis, this recommendation is not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 36	The Board recommended that the Management Committee assess whether it has the tools and capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps.	One of the functions of the Management Committee is to "consider internal reform and management-related initiatives and issues, including change management processes, requiring strategic direction from the Secretary-General" (see ST/SGB/2011/3). Under the Management Committee's guidance, the secretariat of the Management Committee and representatives	As reported in section I of its report, the Board has seen no evidence that such an assessment has been performed. The Board also notes that the United Nations is reliant on management consultants to deliver its organizational transformation initiatives, for example, Umoja and the global service delivery model, indicating that it does			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
		from the Departments continuously review and assess the tools and capabilities available to support the management of the organizational improvement programme and to address any gaps. Proposals are presented to the Management Committee for consideration and implementation. The Administration cordially requests the Board of Auditors to consider this recommendation as implemented.	not have the tools and capabilities in place. On this basis, the Board views this recommendation as not implemented.					
A/69/5 (Vol. I), chap. II, para. 44	The Board recommended that the Administration develop plans for the production of monthly management accounts and improved financial reports to management, drawing on the opportunities being provided by IPSAS and the new enterprise resource planning system.	The Administration continues to provide regular financial management updates to the Management Committee and will continue to improve the content of these presentations as more information becomes available as more Umoja functionality is also deployed.	The Board notes the Administration's response. However, the Board has seen no firm plans for the production of monthly management accounts. This recommendation is therefore considered under implementation.		X			
A/69/5 (Vol. I), chap. II, para. 48	The Board recommended that the Administration, as part of its work on enterprise risk management, develop a strategy to enhance the accountability and internal control framework, including the development of a "statement on internal control" or equivalent document. This replaces the Board's previous recommendation on internal control (A/67/5 (Vol. I), chap. II, para. 171).	Under the leadership of the Controller, the Secretariat will use the Committee of Sponsoring Organizations of the Treadway Commission model as the basis for its future statement of internal control, with an envisaged implementation timeline in the financial year 2018. The process will be fully integrated and aligned with the Secretariat's enterprise risk management framework.	The Board acknowledges the Administration's future plans, noting that no progress has been made to date. On this basis, this recommendation is viewed as not implemented.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 56	The Board recommended the Administration develop a deeper understanding of its cost base and therefore the capability to compare and benchmark its administrative overheads and the performance of its business functions to drive more cost-effective delivery. This might entail creating a general ledger of analysis codes for administrative and programme expenditure (and classifying each transaction to the appropriate code).	Umoja already enables better understanding of the cost base of the Organization's support services. The implementation of this recommendation should be seen in the context of the Administration's response to newer recommendations on cost issues.	While acknowledging the Administration's response to this recommendation, the Board has seen no evidence that the information in Umoja is being used to compare and benchmark administrative overheads and the performance of its business functions to drive more cost-effective delivery. The Board considers this recommendation not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 60	The Board recommended that the Administration prepare annual updates on the trends in, and funding options for, end-of-service liabilities in order to keep the General Assembly fully informed of the longer-term funding requirements associated with the pay-as-you-go approach.	In-depth financial reporting on the latest after-service health insurance liability calculations was presented to the Fifth Committee during its first resumed session (see A/70/590). The report was also presented to the Independent Audit Advisory Committee.	The Board notes the Administration's response to this recommendation. The Board considers this recommendation implemented.	X				
A/69/5 (Vol. I), chap. II, para. 77	The Board also recommended that the Administration perform a review of the budget process and implement an improved end-to-end budget process, including the information and communications technology elements of Umoja Extension 2.	The budget formulation project is now under way as part of Umoja Extension 2. The Administration is also reviewing the budget processes for potential improvements as a follow-up to the recommendations in the report of the High-level Panel on Peace Operations.	The Board notes the Administration's response and considers this recommendation under implementation.		X			
A/69/5 (Vol. I), chap. II, para. 100	The Board recommended that the Office for the Coordination of Humanitarian affairs perform a skills needs assessment of the standard fund management process as described in the latest guidance and develop a costed training plan for staff at all levels,	The Administration considers this recommendation implemented. In November 2015, the Office rolled out a comprehensive training framework for country-based pooled funds, targeted at supporting practitioners to implement the new global	The Board notes the Administration's response and the training framework for country-based pooled funds. While training is ongoing, the Board is satisfied that the Office has developed a training plan and	X				

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	including increasing management capability both in the field and at Headquarters.	guidelines for country-based pooled funds. Training sessions were ongoing throughout 2015 and will be ongoing throughout 2016 (in accordance with the training planning document). The framework has three main components: policy, management and oversight of country-based pooled funds. Each component has submodules on areas such as allocation strategy, resource mobilization, accountability and risk-based grant management, as well as fraud awareness and response. Staff are also trained to use the grants management system.	therefore considers this recommendation implemented.					
A/69/5 (Vol. I), chap. II, para. 103	The Board recommended that the Office for the Coordination of Humanitarian Affairs require clusters and technical review boards to strengthen the consideration of previous project and implementing partner performance when recommending a project for approval by the humanitarian coordinator. This should include an assessment of: • The non-governmental organizations concerned, including past delivery performance across United Nations entities, and due diligence on the company and key individuals • The type of project, including the likelihood of successful delivery of the intended benefits, for example	During the allocation process, assessments are made of the non-governmental organization, the type of project and the location in relation to monitoring requirements. The Office is preparing to roll out the performance index to assess partner performance and indicate to fund management staff when a partner's risk level should be adjusted. As indicated in the Operational Handbook for Country-based Pooled Funds, project viability (type of activity and location, among other things) is assessed during the allocation process by strategic and technical review committees, allowing feedback and improvement where the clusters and the Office believe	The Board notes the Office's response and has seen evidence of project and partner due diligence assessments during its audit of the Office's operations in Jordan and Yemen. However, the Board has seen limited evidence that the Office actively considers its ability to monitor projects and develop appropriate monitoring plans prior to project approval. The Board therefore considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
	distribution of cash vouchers (high risk) versus construction (lower risk) • The location of the project and the ability to monitor progress.	unviable projects are being presented. For projects in areas with limited access because of insecurity, partners must propose a viable monitoring and reporting plan. The Office submits the monitoring and reporting plan for the allocation to the Humanitarian Coordinator and the Advisory Board, exploring not only physical verification but also other types of monitoring (such as peer-to-peer, call centre, third party and web-based monitoring).						
A/69/5 (Vol. I), chap. II, para. 114	The Board recommended that the Office for the Coordination of Humanitarian Affairs work with other United Nations entities to establish formal requirements for information-sharing on the performance of implementing partners in each country office.	In May 2015, the United Nations Development Group endorsed its programme risk management framework for pooled funding solutions in fragile States. The High-level Committee on Management has requested the establishment of a task force to look at assessing the feasibility of adapting the United Nations Global Marketplace as a platform to track fraud cases related to implementing partners.	The Board notes the Administration's response. However, no formal requirements for information-sharing on the performance of implementing partners have been established. The Board therefore considers this recommendation not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 125	The Board recommended that the Office for the Coordination of Humanitarian Affairs accelerate implementation of the improved controls established in the global guidance and accountability framework. This should be done with a more risk-based and flexible approach to the management of implementing partners in country operations	The enhanced controls described in the Operational Handbook have been rolled out progressively since February 2015. The funds now apply the following risk-based approach: (a) All country offices undertake risk-based capacity assessments of partners, assigning them a high, medium or low risk level.	The Board acknowledges the progress made by the Office in enhancing the framework for the country-based pooled funds. During 2015, the Board examined the Office's operations in the Sudan, Jordan and Yemen and identified some good practice with the use of the newly introduced tools, but also		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
	involving: (a) risk assessments to vet implementing partners to create a pool of trusted suppliers; (b) revised funding arrangements where high-risk implementing partners receive an initial payment lower than the current initial 80 per cent payment; (c) enhanced monitoring arrangements where, for example, high-risk projects should be subject to interim audits/inspections using audit access rights, while monitoring of lower-risk projects could be based on visits from regional staff; (d) working with the Office of Legal Affairs to strengthen the current memorandum of understanding between the Office for the Coordination of Humanitarian Affairs and implementing partners.	"Eligible" partners are then "pre-approved" and can apply for new pooled fund allocations; (b) Funds no longer allocate using the 80-20 methodology; (c) Country-based pooled funds now use "operational modalities" (described in the Operational Handbook) whereby fund disbursements, monitoring, reporting and other control mechanisms are assigned on the basis of the risk level of an eligible partner. High-risk partners have to comply with a more stringent monitoring reporting schedule to ensure mitigation of risks. This new methodology is currently at various levels of implementation in the different field offices, with the target of full compliance by all offices by the end of 2016; (d) The current grant agreement (memorandum of understanding) with the implementing partners reflects the tightened control mechanisms and the risk-based approach. The agreement has been rolled out in all funds.	found a continued lack of compliance in some important areas such as due diligence, project monitoring and external audit. At the time of audit, weaknesses in data quality meant the management information was not of sufficient quality to enable the monitoring of compliance with the requirements of the operational manual. The Board therefore considers that this recommendation remains under implementation.					
A/69/5 (Vol. I), chap. II, para. 136	The Board recommended that the Administration raise awareness of fraud risks by establishing a clear code of conduct (recognizing that a code of conduct includes requirements wider than fraud), reinforced through regular communication of fraud issues and through mandatory training courses for all staff.	The Charter of the United Nations, the Standards of conduct for the international civil service and Secretary-General's bulletins contain the general guiding principles, aspirational standards and enforceable regulations and rules regarding the conduct of staff members within the Organization. These are	While noting the planned initiatives, the Board found that insufficient progress has been made against the specific recommendation. The Board is not aware of any mandatory training courses on fraud awareness, nor does it see evidence of any regular communication.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		unambiguously communicated to all staff members with regard to more specific matters such as fraud. The Department of Management and the Ethics Office are updating two complementary documents: the anti-fraud framework and an updated version of the document entitled "Putting ethics to work: a guide for United Nations staff". The documents will form part of fraud awareness initiatives, including the ethics training courses.	No changes have been made to clarify the code of conduct in this respect. As the anti-fraud framework has no formal status and has not yet been agreed, the Board concludes that this recommendation is not implemented.					
A/69/5 (Vol. I), chap. II, para. 142	The Board recommended that the Administration conduct a comprehensive fraud risk assessment, using in-depth research in high-risk areas, to determine the Organization's vulnerabilities and exposure to risks of fraud from both internal and external sources.	The Administration remains committed to conducting a comprehensive fraud risk assessment by December 2017.	No progress has been made on this recommendation; therefore, the Board considers it not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration support the development of the Office of Internal Oversight Services as a central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	The Department of Management is expecting to finalize the anti-fraud framework soon. Once promulgated, it will discuss with OIOS its role as a central expert resource for dealing with fraud risks.	The Board notes the response; however, no substantive progress has been made and there has been no comment provided by OIOS against this recommendation. The Board therefore considers it not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 147	The Board recommended that the Administration review and rationalize the current suite of policy and guidance material on fraud and other misconduct to provide staff and others with clarity over the correct procedures to follow when a fraud is discovered.	Under the chairmanship of the Office of the Under-Secretary-General for Management, a working group comprising representatives from the different functional areas of the Secretariat prepared a preliminary draft of a comprehensive anti-fraud and	The Board notes that the Administration has made a start by consolidating the existing policy and guidance material and by issuing a preliminary draft anti-fraud and anti-corruption framework. It has also issued		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
		anti-corruption framework for the Organization. The document, which will be submitted for formal consultations with all the oversight bodies (the Board of Auditors, OIOS, the Independent Audit Advisory Committee and the Joint Inspection Unit) at the beginning of March, will be issued in April 2016. The Ethics Office is in the process of expanding the reach of general ethics training to incorporate anti-fraud aspects. The Ethics Office, in conjunction with OIOS, is designing a mandatory e-learning programme on basic fraud awareness and prevention, including topics such as identifying, detecting and speaking out against corruption. It also deals with any ensuing retaliation concerns, as well as reinforcing compliance by all United Nations staff with the Staff Regulations and Rules and the Standards of conduct for the international civil service. It will be based closely on the United Nations anti-fraud and anti-corruption framework (to be finalized in March 2016). The Ethics Office and OIOS are developing targeted training materials for the annual leadership dialogue in 2016 which cover anti-fraud to emphasize the importance of speaking up in combating fraud. The roll-out of the training programmes is envisaged for the	an updated version of administrative instruction ST/AI/371, entitled "Investigations, disciplinary process and administrative measures". However, the framework has no formal status and repeats the plethora of existing guidance rather than rationalizing, clarifying or strengthening existing procedures in the integrated way the Board had envisaged when making its recommendations. The Board notes the intention to enhance anti-fraud training, including a mandatory e-learning programme on fraud awareness and prevention, but these initiatives have not yet been implemented. In view of the action taken, the Board considers this recommendation under implementation.					

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		third quarter of 2016. Successive leadership dialogue guides can include reminders on fraud prevention and reporting.						
A/69/5 (Vol. I), chap. II, para. 148	The Board recommended that the Administration establish a central intake mechanism for all reporting of staff grievances and suspected fraud, allowing the cases to be properly screened and assessed and sent to the right part of the Organization for action and facilitating improved data collection.	While GoCase has been successfully implemented since 1 September 2015, the central intake initiative has not moved forward as there has been limited buy-in from other client and stakeholder groups and appropriate resource and funding arrangements for the development of an application based on GoCase. In the meantime, OIOS expects that the forthcoming fraud and corruption policy will de facto result in OIOS becoming the single repository for fraud reports. Also, the revised administrative instruction ST/AI/371 will place a burden on programme managers to report their investigations to OIOS.	The Board notes that the central intake initiative has not yet moved forward from the original concept. Accordingly, the Board considers this recommendation not implemented.			X		
A/69/5 (Vol. I), chap. II, para. 151	The Board recommended that the Administration develop a framework of actions and arrangements for the systematic legal pursuit of all proven cases of fraud.	The Administration already has a framework of actions and arrangements in place for the systematic legal pursuit of cases of fraud and, accordingly, views this recommendation as implemented. The Administration does systematically pursue credible allegations of fraud within the Organization's legal framework. The Administration cannot pursue these cases on its own and must rely on actions by Member States. The Administration systematically refers credible	The Board does not concur that this recommendation has been implemented. No action has been taken to modify existing arrangements to ensure systematic legal pursuit of all proven cases of fraud. The Board notes that the Administration considers that Member States should initiate criminal proceedings and have the sole prerogative in determining whether to pursue the matter. The Board recognizes the importance of respecting			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		allegations of fraud to relevant Member States and follows up with them routinely on the actions they have taken.	General Assembly resolutions with respect to the role of Member States. However, the Board considers that the Administration, as the victim of the fraudulent activity, could take more direct action, in consultation with Member States, to refer evidence of criminal activity to local law enforcement authorities.					
A/69/5 (Vol. I), chap. II, para. 155	The Board recommended that the Administration update and enhance its whistle-blowing policies and procedures to cover the risk of both internal and external wrongdoing.	The Ethics Office has proposed exhaustive policy amendments to Secretary-General's bulletin ST/SGB/2005/21, and a revised policy proposal was presented at the April 2015 meeting of the Staff-Management Committee. An ad hoc working group is further considering the revised policy proposal and will make recommendations to the Staff-Management Committee upon the conclusion of its deliberations. In seeking to refocus the policy on serious allegations of misconduct that are harmful to the interests of the United Nations, the proposed revisions are applicable to serious reports of misconduct rather than personal grievances or reports of a personal nature. These provisions refine the definition of protected activity and the availability of remedial action and include, for the first time, a prevention mandate. Internal and external reporting procedures are prominently featured in these revisions.	The Board notes the response of the Administration; however, no progress has been made to update and enhance its whistle-blowing policies. The Board considers this recommendation not implemented.			X		

Report reference	Summary of recommendation	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		The Ethics Office currently provides information on the protection against retaliation policy on its website (via both the intranet and the United Nations website) and through outreach, training, the integrity e-learning programme and frequent mission visits. The Office will consolidate, clarify and make available further information on whistle-blower policies once the recommendations of the Staff-Management Committee regarding the revised policy have been finalized and any revised policy has been adopted by the Organization.						
A/69/5 (Vol. I), chap. II, para. 159	The Board recommended that the Administration develop an integrated strategic approach to tackling fraud, drawing on the many practical examples of good practice being adopted across the world and adapting these to the Organization's circumstances. The first step will be assessing and understanding the type and scale of fraud threats the United Nations is exposed to.	Under the chairmanship of the Office of the Under-Secretary-General for Management, a working group comprising the Office of Legal Affairs and representatives from the different functional areas of the Secretariat prepared a preliminary draft of a comprehensive anti-fraud and anti-corruption framework for the Organization. The document, which will be submitted for formal consultations with all the oversight bodies (the Board of Auditors, OIOS, the Independent Audit Advisory Committee and the Joint Inspection Unit) at the beginning of March, will be issued in April 2016.	The Board has seen no evidence that the Administration has developed an integrated strategic approach to tackling fraud. The Board considers this recommendation not implemented.			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
A/69/5 (Vol. I), chap. II, para. 164	The Board recommended that the Administration develop a medium- to long-term strategic workforce strategy and operational workforce plans. These should be informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	Additional pilot projects have not been completed by the Office of Human Resources Management as it was focused on going live with Umoja and mobility. However, several pilots have been undertaken in field operations, building on the high-level methodology agreed by the Office and the Department of Field Support in 2014. Implementation of Umoja and mobility is expected to improve the standardization of position titles and position management processes. In addition, the Office plans to conduct another pilot project in 2016.	This recommendation has not been implemented. In the Board's view, the Administration has not performed a Secretariat-wide review of strategy, gaps in headcount, grades, knowledge and skills.			X		
A/69/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration establish performance measures of the effectiveness of the recruitment process around getting "the right person, with the right skills, to the right position, at the right time and at the right cost".	Performance measures have been established (see proposed strategic framework for the period 2016-2017 (A/69/6 (Prog. 25))).	This recommendation has not been implemented. The measures contained in document A/69/6 (Prog. 25), subprogramme 3, component 2, are not measures of effectiveness as described in the recommendation.			X		
A/69/5 (Vol. I), chap. II, para. 170	The Board recommended that the Administration perform an end-to-end review of the recruitment process to identify opportunities to reduce the lead time to recruit from the point at which a vacancy occurs until the post is filled.	The recruitment process for the new staff selection and managed mobility system was developed after reviewing the current process. The process has been streamlined, including by introducing a standardized assessment process, and is now expected to take around 180 days from the point at which a vacancy is advertised to the point at which a selection decision is taken. Furthermore, the General Assembly has before it a proposal	This recommendation has not been implemented. The Administration has yet to perform an end-to-end review of the recruitment process and major delays are still occurring. The Board also notes that the start and end points of the process described by the Administration are much shorter than the actual end-to-end process identified by			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
		to reduce the advertisement period for vacancies advertised under the new system from 60 to 30 days which, if approved, will further reduce the time taken to recruit.	the Board in its recommendation. This recommendation is not implemented.					
A/69/5 (Vol. I), chap. II, para. 177	The Board recommended that the Administration develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management improvement and provide more strategic advisory services to the wider business.	The Office of Programme Planning, Budget and Accounts views this recommendation as superseded by the recommendation contained in paragraph 28 of chapter II of A/70/5 (Vol. I). At this time, the Office of Human Resources Management is implementing its Learning and Career Support Strategy, which addresses the need for improved learning offerings in cross-cutting areas (such as management, communications and project management) that it is mandated to provide for the global Secretariat. The Office is not mandated to provide training on technical or substantive skills, which are required in individual departments. Departments receive their own funding for that purpose. However, in the case of Umoja, the Office will increasingly work with the Umoja project team on meeting training needs.	In the Board's view, the budget proposal for the biennium 2014-2015 clearly states that the Office shall provide the training to develop skills. Therefore, and noting the Administration's response, the Board concludes that this recommendation has not been implemented.			X		
A/69/5 (Vol. I), chap. II, para. 184	The Board recommended that the Administration review and improve the appraisal system to enable more effective monitoring of performance trends and implementation of remedial action	The General Assembly resolution that would contain the decision on the proposals is still pending (the Assembly will take up the issue again in March 2016). The Administration is not in a	The Board notes the Administration's response and considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
	or rewards following completion of staff performance evaluations.	position to proceed with roll-out until it has the Assembly's approval.						
A/67/5 (Vol. I), chap. II, para. 80	The Board recommended that the Administration review the disclosures in future financial statements with a view to providing more detailed commentary on the reasons for the increased holdings of investments and cash pools.	The analysis is already included in the financial statements.	Further information has now been included in the financial statements and the associated financial report. The Board considers this recommendation implemented.	X				
A/67/5 (Vol. I), chap. II, para. 95	The Board recommended that the Administration require all staff to have undertaken contract management training prior to taking up contract management responsibility. Such training should cover key aspects of contract management such as contract administration, vendor relationship management, risk management, and performance evaluation and management.	The full implementation of this recommendation depends on making the course mandatory, as requested by the Procurement Division. The Division has developed and launched online training in contract management, which is available to all contract managers in the Secretariat's offices worldwide. The Division lacks the authority to formulate policy for contract managers or to mandate them to complete the training. It has requested the Department of Management to support the further implementation of this recommendation, and the matter is under consideration.	The Board notes that progress has been made. However, the Administration has not: (a) demonstrated that training is mandatory for all staff responsible for managing contracts, or (b) demonstrated compliance with the policy. As noted previously, it is for heads of business units to ensure that their staff undergo mandatory training. Until this occurs, this recommendation remains under implementation.		X			
A/67/5 (Vol. I), chap. II, para. 130	The Board recommended that the Department of Management review the delegations granted to the United Nations Office at Vienna and the United Nations Office at Geneva, to ensure that delegated procurement authority is sufficiently clear.	Still in progress.	The Board notes the Administration's response.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/67/5 (Vol. I), chap. II, para. 145	The Board recommended that the Administration: (a) develop more outcome-focused objectives and indicators of achievement; (b) establish clear chains from indicators of resource use and activity, through indicators of output to achievement of high-level objectives; and (c) make parts (a) and (b) above a clearly articulated responsibility of the Under-Secretaries-General for their respective departments.	The Committee for Programme and Coordination endorsed the proposals of the Administration in this regard. See the report of the Committee on its fifty-fifth session (A/70/16) and General Assembly resolution 70/8, in which the Assembly endorsed the Committee's recommendations.	In section D of its report, the Board notes that progress has been made with improvements to the strategic frameworks, but there is further to go. Five departments will use the new approach for the biennium 2018-2019 and it will take several bienniums for the remainder of the Secretariat (see A/70/668, para. 18).		X			
A/67/5 (Vol. I), chap. II, para. 176	The Board recommended that, in support of existing work on developing risk management in the United Nations, the Management Committee: (a) periodically identify the top risks facing the Organization and communicate that information to all managers; and (b) develop high-level and regular (monthly) reporting on the current status of the risks and associated mitigating strategies.	Detailed risk treatment and response plans have been defined by corporate risk owners and formally approved by the Management Committee. Progress on implementation is reported quarterly to the Committee.	In the Board's view, this recommendation has been implemented, but, as noted in section I of the Board's report, further progress needs to be made to fully implement enterprise risk management throughout the Secretariat, as mandated by the General Assembly.	X				
A/67/5 (Vol. I), chap. II, para. 183	The Board recommended that United Nations senior management set out an action plan addressing the key lessons identified by the Board on business transformation, to demonstrate and track how it is developing and implementing a more strategic and holistic grip on the direction and delivery of the business transformation programmes.	The action plan containing the mitigating actions related to organizational transformation was approved by the Management Committee, as the enterprise risk management committee, in July 2015. The actions therein are being implemented. The Administration considers this recommendation implemented.	The risk treatment plan does not make a direct and obvious link with the key lessons identified by the Board in its previous report. However, given the time that has elapsed since it made this recommendation, in the Board's view, its more recent recommendations on managing business transformation are more relevant. On this basis, the Board considers this recommendation, while not implemented, to be closed.					X

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/65/5 (Vol. I), chap. II, para. 25	The Board recommended that the Administration: (a) plan for the automated preparation of the financial statements under Umoja; and (b) without waiting for the implementation of Umoja, enhance internal documentation on the preparation of the financial statements and, more generally, on all financial procedures, notably by updating the Financial Manual.	The financial statements (volume II) for the period 2015/16 will be issued using the financial statements module of Umoja. The plan also envisages that some other financial statements volumes for 2016, including volume I, will also be produced through Umoja.	The Board notes the Administration's comments. However, for 2015, the Board considers this recommendation not implemented.			X		
A/65/5 (Vol. I), chap. II, para. 62	The Board recommended that the Administration define a strategy to streamline and further automate the management of voluntary contributions, along the lines of the redesign of assessed contributions procedures.	The Umoja grants management module was fully deployed in November 2015. The Administration expects to achieve stabilization by the end of 2016, resulting in a high degree of automation and standardization of the processes used to manage voluntary contributions.	The Board notes the Administration's response. However, the audit trail supporting the 2015 balances for voluntary contributions and associated receivables was cumbersome. The Board therefore considers this recommendation not implemented.			X		
A/65/5 (Vol. I), chap. II, para. 66	The Board recommended that the Administration develop indicators to measure the processing times for contributions.	The Administration is developing key indicators for inclusion in the Umoja dashboards to measure processing times of contributions and values.	The Administration has not yet developed indicators to measure the processing times of contributions. The Board considers this recommendation not implemented.			X		
A/65/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration strengthen internal controls to ensure the accuracy of its payable and receivable balances with counterpart entities as at the end of the financial period.	The dashboards are being developed and will entail views of payable and receivable balances of clients.	The Board notes the Administration's response. The Board's recommendation was originally made in the context of inter-organizational balances; however, the Administration could not provide full open item analysis of its payable and receivable balances directly from Umoja owing to a very high level of journal			X		

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
			adjustments made directly to the general ledger. The Board therefore considers this recommendation not implemented.					
A/65/5 (Vol. I), chap. II, para. 164	The Board recommended that the Administration reduce the time taken for certifying invoices so as to conform to accrual-based accounting.	The time taken for certifying invoices will be further reduced with the full deployment of Umoja in clusters 3 and 4.	The Board's original recommendation was made in the context of the reimbursement of other United Nations entities for payments they made on behalf of the Secretariat and the risk that those transactions were not recorded in the correct period. The Board has not identified any continuation of this issue during its recent audits and consequently considers this recommendation implemented.	X				
A/65/5 (Vol. I), chap. II, para. 387	The Board recommended that the Administration draw up a schedule by which the staff members who have not taken the mandatory training programmes be obliged to do so in a close time limit (one year or 18 months), and that the effective implementation be verified.	The Office of Human Resources Management will complete deployment of the learning management system in Inspira to field missions by December 2016. This will improve the ability of the Organization to track progress on how many staff have completed mandatory programmes. In 2015, the learning and career support working group established a subgroup to define mandatory programmes. The mandatory programmes group has submitted recommendations on new mandatory programmes to the Management Committee, which have been endorsed. An	The recommendation is wider than field missions and requires heads of business units to ensure all staff in their departments undertake the mandatory training courses. In the Board's view, mandatory should mean mandatory. However, its previous reports have contained examples where mandatory training in contract management and ICT security was at that time in name only. The recommendation is considered not implemented.			X		

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		information circular outlining all mandatory programmes, including those newly approved, will be issued in the coming months as well as a timeline for completion. This information circular will be issued at least once a year to ensure that staff members are fully aware of the mandatory programmes they are required to complete, depending on their role in the Organization.						
A/65/5 (Vol. I), chap. II, para. 437	The Board recommended that the Administration take appropriate measures to ensure that the "Carbon" project is interfaced with Umoja.	gMeets (the conference room management system (eMeets) and the interpretation resource assignment system (eAPG)) are in full production. While in the early development stage, an integration with IMIS/Umoja was considered; it turned out that there is no business requirement for this. At a meeting with the Umoja team and the Department for General Assembly and Conference Management on 16 October 2015, the issue of the interface was raised. The Assistant Secretary-General, Enterprise Resource Planning Project said that the issue would be postponed to 2016 and the Umoja technical team would revert to the Department, but to date, no action has been taken.	The Board notes the Administration's response and views this recommendation as not implemented until there are concrete plans in place to design and implement the interface as described.			X		
	Total			**6**	**22**	**32**	**1**	**2**
	Percentage			**9**	**35**	**51**	**2**	**3**

Annex II

Status of implementation of recommendations (information and communications technology affairs)

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/581, summary, recommendation (a)	Clarify the role and authority of the Chief Information Technology Officer in field operations by setting out clearly which activities require strong central control and which activities require or merit operational freedom.	With specific respect to field operations, work is under way to define ICT-related activities that are to be performed locally, regionally and centrally. This will form the structure that is required to ensure that the requisite operational freedom is afforded to field operations while controls are in place to ensure coherence and oversight by the Chief Information Technology Officer. Delegation of authority will be instrumental in ensuring that operational freedom exists in harmony with central control, effective stewardship of resources and accountability.	The Board considers this recommendation under implementation.		X			
A/70/581, summary, recommendation (b)	Reassess the realism of the timetable for implementing the strategy and strengthen the project management approach, including the introduction of independent assurance arrangements.	Specific actions in line with this recommendation have been under way over the last year and will be continued throughout the course of the implementation of the ICT strategy. The timetable for the implementation of the ICT strategy will be reassessed, in recognition of the fact that the five-year strategy is 25 per cent into its implementation. The project management approach will continue to be further strengthened and internal challenge assurance arrangements will be put in place before the next report on the progress of the ICT strategy.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		The timetable will be updated on an annual basis for annual reporting on progress to the General Assembly. Project status and progress is being reported to the Enterprise Project Management Office by all Project Managers, and the formal reporting mechanism has been established and followed through.						
A/70/581, summary, recommendation (c)	As a matter of urgency, formalize corporate ICT policies and procedures, including governance structures and appropriate delegations of authority, to ensure that the necessary authorities and accountabilities are in place to support implementation of the ICT strategy.	The Secretary-General's bulletins on the Office of Information and Communications Technology, delegation of authority and the ICT governance package are currently under review. Specifically, the delegation of authority must address the roles and responsibilities of the various entities. A comprehensive set of ICT policies and procedures is already in place and a compliance function has been set up.	The Board considers this recommendation under implementation.		X			
A/70/581, summary, recommendation (d)	Establish a robust compliance framework with the necessary authorities to ensure adherence to Secretariat-wide ICT policies, including those on information security.	A comprehensive set of ICT policies and procedures is in place. A compliance function has been set up and has begun to coordinate self-assessments on Secretariat-wide ICT policies and to perform detailed assessments on selected controls. The performance of each department and office will be reflected in the senior managers' compacts.	The Board considers this recommendation under implementation.		X			
A/70/581, summary, recommendation (e)	Further refine and improve the quality of the data underpinning the five-year forecast of ICT expenditure by increasing visibility of actual expenditure and the status of ICT assets across all of	The Office of Information and Communications Technology issued guidelines to all ICT offices across the Secretariat, including the Department of Field Support, to provide data necessary for the five-year forecast. The Department has confirmed that it has started its analysis to develop the	The Board considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — August 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
	the Secretariat, including peacekeeping operations.	five-year planning assumptions, and it is expected that the required data will be included in the Secretary-General's progress report on the ICT strategy that will be presented to Member States during the seventy-first session of the General Assembly.						
A/70/581, summary, recommendation (f)	Develop a statement of the expected costs and benefits of implementing the revised ICT strategy to enable strategic activities to be prioritized and resourced appropriately.	This recommendation is being addressed as part of the data collection and analysis of costs and benefits in the context of preparation of the second performance report on the implementation of the ICT strategy. The required information will also be included in the Secretary-General's progress report on the ICT strategy that will be presented to Member States during the seventy-first session of the General Assembly. The Department of Field Support confirms that it has begun the analysis to develop planning assumptions for the provision of ICT budget projections for peacekeeping missions for the next three to five years and it is expected that the required data will be included the Secretary-General's progress report on the ICT strategy that will be presented to Member States during the seventy-first session of the General Assembly.	The Board considers this recommendation under implementation.		X			
A/70/581, summary, recommendation (g)	Increase the visibility of senior management in leading the implementation of the ICT strategy to ensure that all departments are committed to implementing the revised ICT strategy as mandated by the General Assembly,	The Administration has taken steps in this regard by including it in the senior managers' compacts. ICT governance bodies, such as the ICT Executive Committee and the Management Committee, provide effective forums for addressing and overcoming impediments to the implementation of the ICT strategy. In addition,	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	and that any disagreements or impediments to implementing the strategy are addressed and resolved in a timely manner.	significant communications and change management efforts have been undertaken to ensure understanding of the ICT strategy, and such efforts will continue as they are instrumental in senior leadership engagement. Bilateral meetings are planned to engage senior leadership directly and to better connect ICT with the strategic directions of offices and departments.						
A/67/651, para. 20	The Board recommended that the Administration develop a new ICT strategy, including a United Nations-wide information strategy and an enterprise architecture framework, that describes how information and technology will support and provide benefits for the Organization. Such a strategy needs to be consistent with United Nations objectives and realistic ambitions for transformation. The Administration then needs to make progress in the implementation of the ICT strategy in parallel with any agreed reforms to the Organization's operating model, culture and approach.	The Office of Information and Communications Technology is preparing an update on the ICT strategy for the seventy-first session of the General Assembly, which will address at a high level the way in which the implementation of the ICT strategy enables the Organization to better implement its mandates as well as the alignment between the ICT strategy and reform initiatives. In addition, the Office will lead the following efforts with key offices and departments: (a) Assess and document alignment between the mandates of offices and departments and the ICT projects that compose the ICT strategy; (b) An alignment matrix showing links between ongoing transformational projects (mobility, the global service delivery model, Umoja, IPSAS and the global field support strategy) and the ICT strategy.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/67/651, para. 29	The Board recommended that the Administration review its arrangements for capturing information on ICT expenditure with a view to enabling more effective monitoring of costs and improved decision-making on future expenditure.	The Administration considers this recommendation to be implemented. The Office of Information and Communications Technology has established 29 cost and revenue centres in Umoja to recognize the nature of the Office's functions and enhance budget structure under sections 29E and 33 of the programme budget and other funding sources, such as the support account and extrabudgetary funds. The Office also aligned cost centres in the funds management module with organizational structure in the organizational management module to streamline distribution of posts and general temporary assistance positions and to monitor financial resources allotted to each cost centre. This allows for the monitoring of the distribution of post and general temporary assistance resources to key functions that are critical for implementation of the ICT strategy. In addition, the Office is in the process of distributing non-post resources for contractors and consultants on the basis of contractors' areas of responsibilities and reporting lines. This structure ensures visibility and allows for the monitoring and reporting of expenditure for contractual services incurred by all functional areas of the Office of Information and Communications Technology: the Office of the Chief Information Technology Officer, the Global Services Division, the Global Operations Division, the Enterprise Applications Centre in Bangkok, the	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		Enterprise Applications Centre in New York and the Operations Coordination Section. The established budget structure and distribution of resources among cost centres also holds managers accountable for resources allocated to their operations and activities. It makes the projection of budget implementation easier as monthly expenditure allows for effective analysis and redistribution of non-staff resources where they are needed most. However, resources allotted for licences, maintenance costs and acquisitions remain allotted at the level of offices of directors within each major organizational structure (for example, the Office of the Director of the Global Operations Division carries allotment for the cost of Microsoft licences and maintenance costs), as apportionment of the cost of licences among organizational units and teams is not feasible.						
A/67/651, para. 30	The Board recommended that the Administration clearly specify how the chart of accounts in Umoja will enable ICT expenditure to be captured and monitored effectively. In addition, it should consider whether there are any options for improving management information on ICT expenditure that could be pursued prior to the implementation of Umoja.	The Office of Information and Communications Technology is engaged in developing business intelligence reports to capture ICT data with regard to resources for human resources and expenditure by other ICT offices across the Secretariat. The Office of Information and Communications Technology is coordinating data collection for ICT human resources with the Office of Human Resources Management.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/67/651, para. 31	The Board recommended that, in order to enable greater consistency and transparency with regard to ICT funding and budgets and allow better management of costs and effective prioritization, the Controller require that proposed ICT budgets set out (a) the cost of running day-to-day services; (b) the cost of licences and maintenance costs for existing systems; (c) costs related to upgrading existing service delivery (e.g. to improve security); and (d) new costs, including strategic requirements.	In March 2016 the Office of Information and Communications Technology issued guidelines to all ICT offices requesting the level of details with regard to their budget and expenditure, as recommended by the Board in order to be able to capture the data and consolidate them for the second performance report on the implementation of the ICT strategy.	The Board considers this recommendation under implementation.		X			
A/67/651, para. 32	The Board recommended that the entities, offices and programmes comprising the United Nations prioritize ICT funding to ensure that the right balance of attention is given to transformation, improvement and leadership, frameworks and policies, and operational services.	In March 2016, the Office of Information and Communications Technology issued guidelines to all ICT offices requesting details with regard to their budget and expenditure, as recommended by the Board in order to be able to analyse the data and consolidate it for the second performance report on implementation of the ICT strategy by priority areas. The Office is in the process of updating planning assumptions for the second performance report to the General Assembly.	The Board considers this recommendation under implementation.		X			
A/67/651, para. 39	The Board recommended that as a necessary precursor to any new ICT strategy, and to reduce the substantial risks associated	The Office of Information and Communications Technology established the Unite Service Desk, which is fully operational and provides 24/7, tier 1 level help desk support for	The Board considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — August 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
	with the implementation of a global enterprise resource planning system, the Administration clearly document those elements of the culture, custom, practices and processes, as well as key cost and performance information, that may affect the achievability of a global ICT transformation in the United Nations. Using the results of this review, the Administration should define the Organization's overall objectives and specify realistic ambitions for global service delivery, consistent processes and a unified Organization.	enterprise applications, including Umoja. The Service Desk hubs are located in New York, Nairobi, Geneva, Bangkok and Brindisi, Italy, and are currently supporting the Umoja users. The Office also established Enterprise Application Centres, located in New York, Bangkok and Vienna, which standardize application development, enforce disaster recovery and reduce fragmentation. The Umoja team and the Office are working together on a detailed assessment to identify the Umoja support model and the total cost of ownership for ICT for the next five years, taking into account staffing and support, connectivity, upgrades, enhancements, licences and maintenance. Also, the Office, in collaboration with the Umoja team and the Department of Field Support, continues to conduct disaster recovery tests as well as ongoing security assessments.						
A/67/651, para. 41	The Board recommended that the Administration recognize the changes in responsibilities and operating model across the Secretariat that are needed to deliver any new ICT strategy and accept the responsibility of senior management as a whole to deliver Organization-wide changes to support the Chief Information Technology Officer.	The Secretary-General's bulletins on the Office of Information and Communications Technology, delegation of authority and the ICT governance package are currently under review.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/67/651, para. 56	The Board recommended that, in relation to ICT, the Administration define the leadership and executive roles, competencies and management effort that should be directed to three distinct aspects of ICT delivery, namely: (a) transformative change, innovation and leadership across the Secretariat; (b) the design and enforcement of corporate guidance, frameworks, policies and standards; and (c) operational services.	The Administration considers this recommendation to be implemented. The budget for the Office of Information and Communications Technology for 2016-2017 reflects a major shift in the allocation of resources from operations (subprogramme 6: Global Operations Division) to key transformative and critical areas as defined in the ICT strategy (subprogramme 5: Global Services Division, including the Global Security and Architecture Section, which was previously managed and budgeted for under subprogramme 6, and the Enterprise Application Centres in New York and Bangkok). The shift can be seen in document A/70/6 (Sect. 29E) as well as in the support account proposal for the 2016/17 financial year and the cost plan for the extrabudgetary resources.	The Board considers this recommendation under implementation.		X			
A/67/651, para. 68	The Board recommended that the Administration develop a fit-for-purpose governance framework to oversee the strategic development of ICT across the United Nations. This governance framework should clearly set out roles, accountabilities and responsibilities and ensure that decision-making bodies operate distinctly from consultative and advisory forums.	The Secretary-General's bulletins on the Office of Information and Communications Technology, delegation of authority and the ICT governance package are currently under review.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/67/651, para. 76	The Board recommended that, over time, the Administration redirect existing resources of the Office of Information and Communications Technology to more strategic activities and that it consider the use of alternative sourcing arrangements for day-to-day ICT support services.	The last major requests for proposals for ICT services, application development and support services, and geographic information systems, wireless/voice and data services were developed jointly by the Department of Field Support and the Office of Information and Communications Technology, with the intention to conclude a solicitation exercise with a successful global contract accessible by all ICT offices. The Office also took over responsibilities from Umoja for four major service providers of the enterprise resource planning services: HCL, Oracle, SAP and Accenture. The Office coordinated all requirements across the Secretariat with regard to the ICT services contract with Trigyn, and contracts with Microsoft, EMC and Cisco, which are managed as enterprise level agreements/contracts.	The Board considers this recommendation under implementation.		X			
A/67/651, para. 82	The Board recommended that management develop an "intelligent client" function for Secretariat-wide ICT and within United Nations departments to effectively articulate business needs and provide a channel for the Office of Information and Communications Technology, local ICT committees and business areas to improve services.	The Business Relationship Management Section's function exists under the Office of Information and Communications Technology but needs to be strengthened and directed to distil business requirements through ICT governance structures and the budget allocation process.	The Board considers this recommendation under implementation.		X			

Report reference	Summary of recommendation	Administration's comments on status — March 2016	Board's comments on status — August 2016	Fully implemented	Under implement-ation	Not implemented	Overtaken by events	Closed by the Board
A/67/651, para. 92	The Board recommended that the Administration develop an application management strategy to minimize security risks and reduce costs. Such a strategy should address enterprise-wide applications primarily and include the decommissioning of legacy systems applications and services and any necessary data migration. The Board also recommended that, as part of the new strategy regarding applications, the Administration develop a process to ensure that strategic ICT and operational investments can be made, no matter where they are undertaken in the Secretariat, and that they are consistent with Umoja and other enterprise applications.	The Administration considers this recommendation to be implemented. The Office of Information and Communications Technology developed the application management strategy, which was approved by the Chief Information Technology Officer on 27 March 2015. This strategy has been implemented, with: (a) the establishment of the Enterprise Application Centres (in New York, Bangkok and Vienna) and the software development coordination group; (b) the development of the required Umoja data interfaces with other United Nations systems if their functionality is not covered by the Umoja releases; (c) establishment of the global Application Portfolio (Unite Apps); (d) adoption of the application request, software development, system maintenance and application decommissioning technical procedures; and (e) execution of the five-year application rationalization plan for consolidating local applications with the existing enterprise systems, the development of common automation solutions and the modernization of legacy systems for compliance with technology and information security standards.	The Board considers this recommendation under implementation.		X			
A/67/651, para. 100	The Board recommended that management strengthen Secretariat-wide ICT standards to consolidate and leverage ICT buying power and that it use these standards to drive the harmonization of ICT as a necessary precursor to the	The Procurement Division coordinates with the Office of Information and Communications Technology all shopping carts for acquisitions and ICT services raised by other offices. The Office has an opportunity to review and clear requests submitted by other offices to the Procurement Division.	The Board considers this recommendation under implementation.		X			

Report reference	*Summary of recommendation*	*Administration's comments on status — March 2016*	*Board's comments on status — August 2016*	*Fully implemented*	*Under implement-ation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	consolidation of software applications and infrastructure.							
A/67/651, para. 101	The Administration agreed with the detailed recommendation on ICT security set out by the Board in its memorandum to the Chair of the Advisory Committee on Administrative and Budgetary Questions on this matter.	Implementation of the ongoing initiatives of the 10-point action plan has been incorporated into the programme of work of the Regional Technology Centres. In addition, a more long-term information security road map is being developed to transform the initiatives into programmatic activities and address additional risks.	The Board considers this recommendation under implementation.		X			
	Total			**0**	**21**	**0**	**0**	**0**
	Percentage			**0**	**100**	**0**	**0**	**0**

Chapter III
Certification of the financial statements

Letter dated 31 May 2016 from the Assistant Secretary-General, Controller, addressed to the Chair of the United Nations Board of Auditors

The financial statements of the United Nations for the year ended 31 December 2015 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations. The statements cover all funds except peacekeeping operations, the United Nations Compensation Commission, the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) and the international tribunals, which are the subject of separate financial statements.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Organization during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations, numbered I to V, are correct in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2015

A. Introduction

1. The Secretary-General has the honour to submit the financial report on the accounts of the United Nations for the year ended 31 December 2015.

2. The financial position and results presented herein do not include those of peacekeeping operations, the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010), the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals, which are reported on separately. Separate financial statements are also issued for the International Trade Centre, the United Nations University, the United Nations Institute for Training and Research, the United Nations Office on Drugs and Crime, the United Nations Environment Programme and the United Nations Human Settlements Programme.

3. The accounts of the Organization are presented in five financial statements and notes that provide financial information relating to the United Nations General Fund and related funds, trust funds, the Tax Equalization Fund, capital assets and construction in progress, end-of-service/post-employment benefits and other funds. Details of individual trust funds are not presented in these published accounts, but are available separately.

4. The present financial report is designed to be read in conjunction with the financial statements. It presents an overview of the consolidated position and performance of the Organization, highlighting trends and significant movements. The annex to the report provides supplementary information, including information to be reported to the Board of Auditors as required by the Financial Regulations and Rules of the United Nations.

5. The year 2015 marked an additional milestone when, for the first time, the entire Organization operated in the new enterprise resource planning system, Umoja, as its central administrative solution, thus enabling a more modern, efficient and transparent way of managing the Organization's resources. Umoja has brought about integrated solutions in the areas of procurement, logistics and the supply chain, financial accounting, grants management, real estate, inventory and asset management, and it includes an array of employee and manager self-service functionalities that provide the basis for more efficient management of resources across the Organization.

B. International Public Sector Accounting Standards sustainability

6. This is the second year that the financial statements of the United Nations have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Organization has put in place an IPSAS sustainability plan in which five major work pillars have been identified as critical for the sustainability of IPSAS, namely:

(a) IPSAS benefits management, which entails tracking and compiling IPSAS benefits and supporting the use of IPSAS-trigged information to better manage the Organization;

(b) Strengthening internal controls Organization-wide, in particular the controls that support financial accounting and reporting;

(c) Managing the IPSAS regulatory framework to implement changes in IPSAS standards and drive related changes to systems and processes, which entails monitoring and tracking the development of new/revised standards adopted by the IPSAS Board, as well as active participation in the formulation of standards and ensuring that the United Nations IPSAS policy framework is updated as necessary;

(d) Supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting, including the deployment of asset accounting in Umoja to field missions and automating the preparation of the financial statements in Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy to support financial managers in the new IPSAS/Umoja environment.

C. Overview of the financial statements for the year ended 31 December 2015

7. The financial statements of the United Nations comprise five statements and 35 notes to the financial statements. The five statements are the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts.

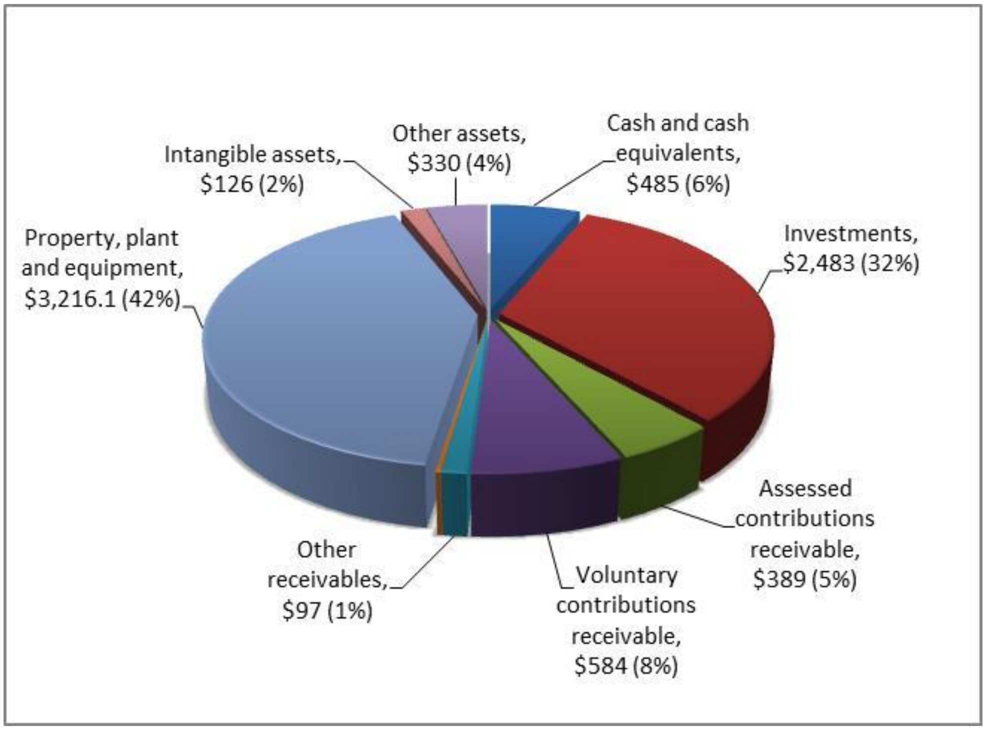
8. These statements show the financial results of the Organization’s activities and its financial position as at 31 December 2015. The notes to the financial statements explain the accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Assets

9. The total assets of the Organization increased over the course of 2015 by $170.2 million (2.3 per cent) to $7,731.3 million, with the most notable increase taking place in investment balances in an amount of $424.7 million (20.6 per cent) to $2,482.7 million, partially offset by a decrease in cash and cash equivalents of $112.4 million (18.8 per cent), compared with prior year balances. The increase in investment balances reflects the fact that, while both outflow and inflow of cash decreased, the cash inflow of voluntary contributions from donors decreased less than the cash outflow to implementing partners.

10. Figure IV.I presents the structure of the Organization’s assets totalling $7,731.3 million as at 31 December 2015.

Figure IV.I
Assets of the Organization as at 31 December 2015
(Millions of United States dollars and percentage)



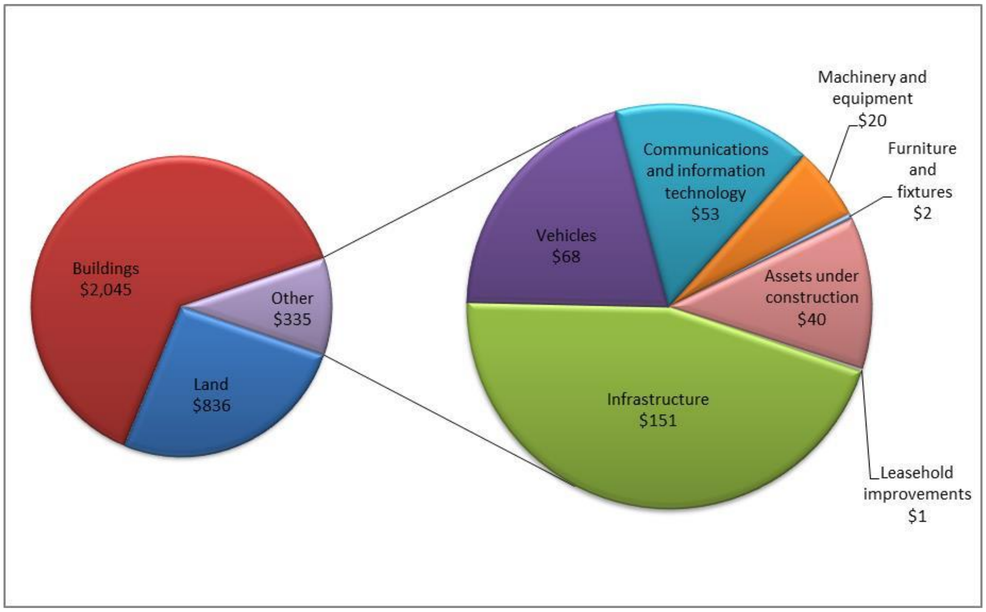
11. As figure IV.I illustrates, the Organization's assets are composed largely of property, plant and equipment ($3,216.1 million, or 41.6 per cent), investments ($2,482.7 million, or 32.1 per cent), voluntary contributions receivable ($583.7 million, or 7.5 per cent), cash and cash equivalents ($485.3 million, or 6.3 per cent) and assessed contributions receivable ($389.3 million, or 5.0 per cent). Property, plant and equipment assets are mainly concentrated in capital assets and construction funds and consist mostly of land and buildings (89.6 per cent). Investments comprise trust fund investments of $1,292.3 million, amounts relating to insurance funds of $478.1 million, amounts relating to regular budget funds of $84.8 million, and other investments of $627.6 million. Assessed contributions receivable of $389.3 million represent the outstanding balance receivable from Member States as at 31 December 2015. Voluntary contributions receivable of $583.7 million comprise receivables of trust funds. Cash and cash equivalents mostly comprise balances held in the main cash pool ($461.4 million) and in the euro pool ($7.3 million), investments of the United Nations Staff Insurance Society against Sickness and Accident ($10.9 million) and other cash and cash equivalents ($5.8 million).

Property, plant and equipment

12. Property, plant and equipment of $3,216.1 million was the Organization's major asset category at 41.6 per cent of total assets. At 31 December 2015, the

profile of the Organization's property, plant and equipment, which mostly consists of land and buildings (89.6 per cent), was as shown in figure IV.II.

Figure IV.II
Property, plant and equipment
(Millions of United States dollars)



13. Buildings of $2,045.2 million largely reflected the buildings at United Nations Headquarters in New York, valued at $1,428.0 million, the buildings at the United Nations Office at Geneva, valued at $172.8 million, and the buildings at the Economic Commission for Africa (ECA), valued at $96.7 million. Land valued at $835.7 million largely included the land at United Nations Headquarters and at the United Nations Office at Geneva amounting to $617.8 million and $191.7 million respectively. The land at ECA and at the United Nations Office at Nairobi were not included, as these assets were not deemed to be under the control of the Organization based on provisions in the arrangements with the respective Governments. The Vienna International Centre, which is controlled by the four Vienna-based organizations (the United Nations Office at Vienna, the International Atomic Energy Agency, the United Nations Industrial Development Organization and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization), has been determined to be held under an arrangement similar to a finance lease and hence was capitalized in accordance with the principles of IPSAS 17 starting from 1 January 2014 and retrospectively restated in the 2014 financial statements. The last valuation was done by PricewaterhouseCoopers on 1 January 2015 and resulted in a depreciated replacement cost for buildings of €489.2 million ($596.6 million) and a net book value of €288.0 million ($351.2 million). Based on the cost-sharing ratio agreed by the Vienna-based organizations, the United Nations has recognized its 22.761 per cent share of $135.8 million cost and $80.0 million net book value of the Vienna International Centre buildings as property, plant and equipment as at 1 January 2014.

14. There was no significant change in the net carrying value of property, plant and equipment during 2015 compared with 2014. The decline by $106.4 million (3.2 per cent) from a balance of $3,322.5 million to $3,216.1 million was largely attributable to the derecognition of the Temporary North Lawn Building in New York with a cost of $188.5 million (net book value: $13.5 million), and buildings costing $5.9 million (net book value: $5.4 million) were disposed of in the United Nations Assistance Mission in Afghanistan (UNAMA) because of the abandonment of compound B. Furthermore, there was a significant level of disposal of vehicles and communications and information technology equipment during the year as a result of transfers from special political missions to peacekeeping missions.

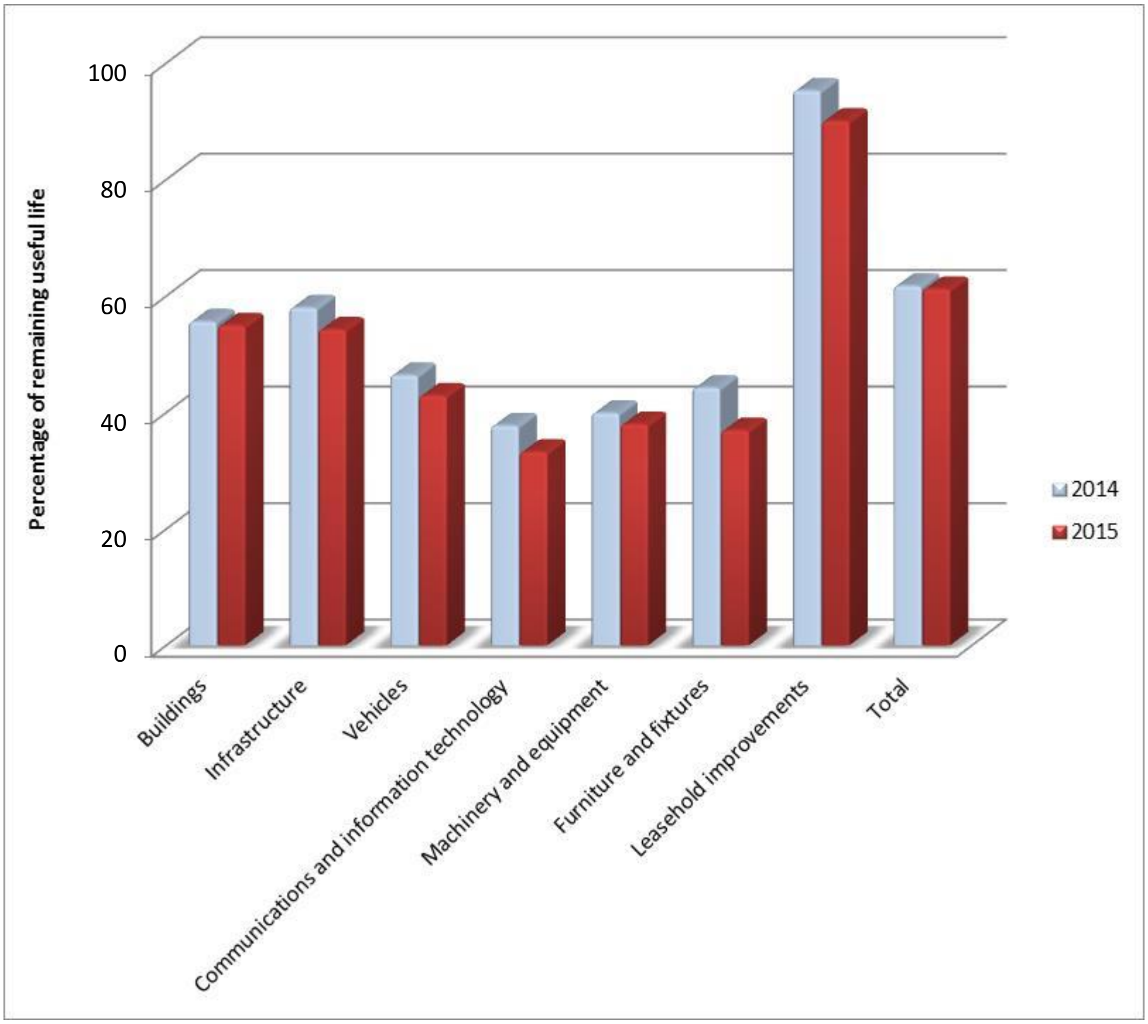
15. Offsetting the above declines were additions to assets under construction of $62.4 million, related mainly to the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($30.5 million) and works to finalize the capital master plan at United Nations Headquarters ($23.4 million), and additions to equipment assets of $35.6 million.

16. At 31 December 2015, property, plant and equipment included assets under construction of $40.4 million, related primarily to capitalized expenditure of $35.2 million for the strategic heritage plan in Geneva, $1.4 million for the construction of infrastructure assets in special political missions and leasehold improvement of $1.2 million for the Economic and Social Commission for Western Asia (ESCWA) building in Beirut. The strategic heritage plan has a total projected cost of $844.1 million and is expected to be completed by 2023.

17. Depreciation rates for property, plant and equipment in 2015 ranges from 0 per cent to 12.2 per cent, depending on the respective categories, with an average effective depreciation rate for 2015 approximating 4.1 per cent. The movement in property, plant and equipment is captured in note 15 to the financial statements.

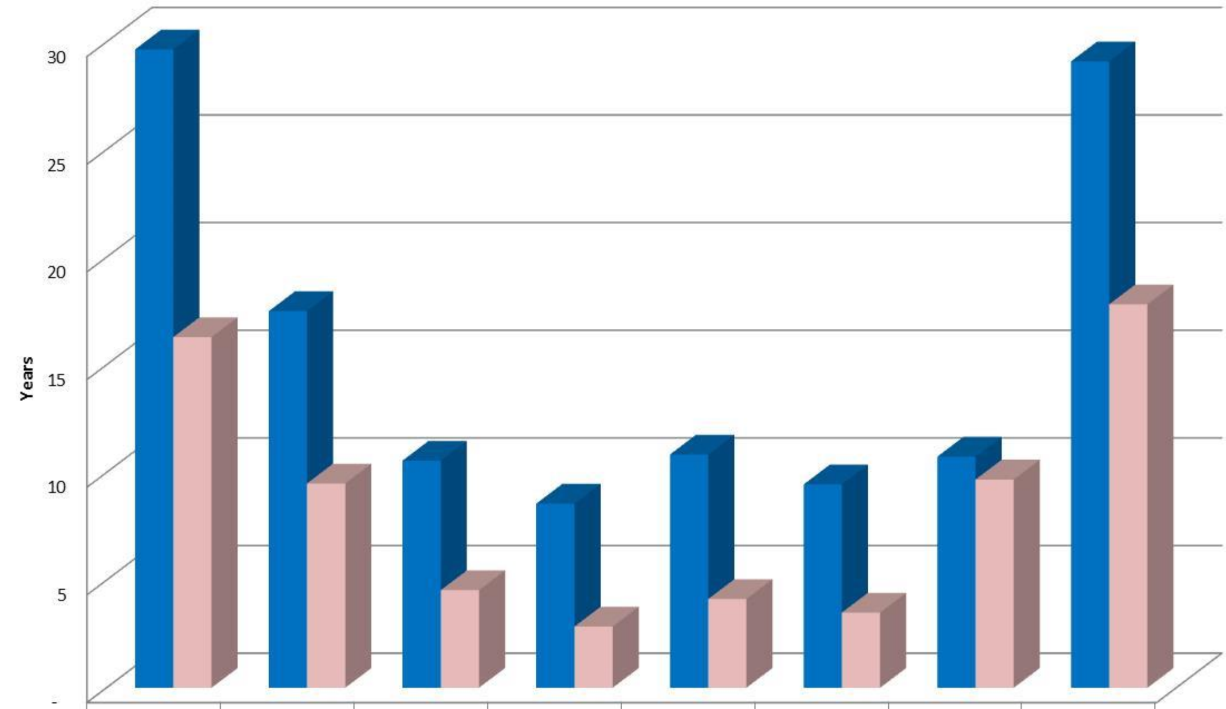
18. Overall, 4 per cent of property, plant and equipment assets have been fully depreciated, 24 per cent have remaining useful lives of between six months and four years and 72 per cent have remaining useful lives of more than four years. The remaining useful lives of property, plant and equipment continue to fall in line with normal rates of depreciation. The comparative remaining useful life as a percentage of expected useful life of property, plant and equipment as at 31 December 2015 and 31 December 2014 is illustrated in figure IV.III.

Figure IV.III
Remaining useful lives of property, plant and equipment
(Percentage)



19. The remaining years of useful life compared with original expected useful life of various categories of property, plant and equipment are shown in figure IV.IV.

Figure IV.IV
Remaining useful lives of property, plant and equipment
(Years)



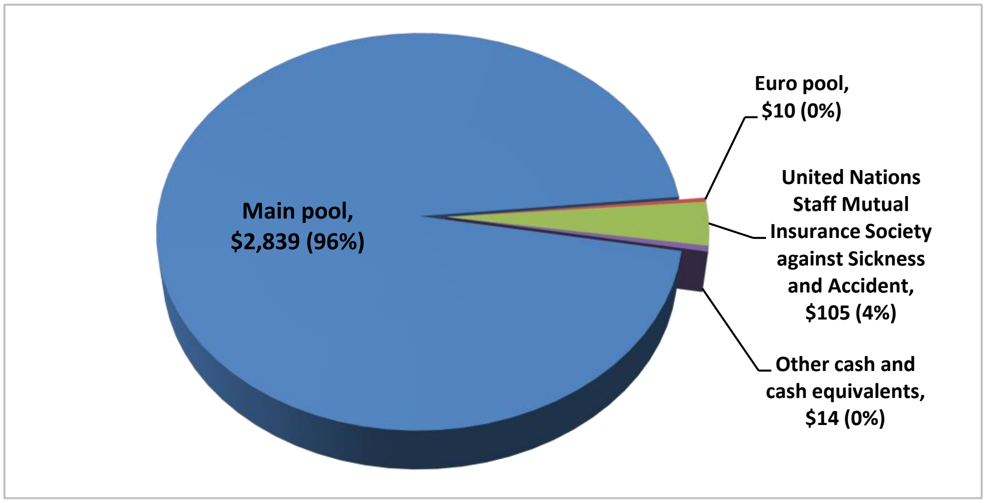
	Buildings	Infrastructure	Vehicles	Communications and information technology	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Total	30	17	11	9	11	9	11	29
Remaining	16	9	5	3	4	3	10	18

Cash, cash equivalents and investments

20. As at 31 December 2015, the United Nations held cash and cash equivalents and investments of $2,968.1 million, of which $2,838.9 million was held in the main cash pool and the remainder was held in other pools and in banking institutions.

21. As at 31 December 2015, the Organization held $2,848.7 million (36.4 per cent) of the total assets of the main and euro cash pools, which amounted to $7,827.5 million; the main cash pool was predominantly denominated in United States dollars and the euro cash pool was entirely in euros (see figure IV.V).

Figure IV.V
Cash and investments by pool
(Millions of United States dollars and percentage)



22. The cash pools consist largely of investments in liquid bonds (issued by Governments and government agencies), commercial papers and term deposits. The investments are presented at fair value with the relevant gains/losses recorded in the statement of financial performance. For 2015, the Organization earned $11.8 million in net income from the main and euro pools (0.64 per cent and 0.05 per cent respectively).

23. The investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident, valued at $105.4 million, were held in Swiss francs (SwF); the investments were held largely in fixed income securities of government and related entities and supranational entities, in addition to an exchanged traded fund benchmarked to the Swiss market index. For 2015, the Organization earned $1.5 million in investment income from the investments of the Society; after accounting for exchange and revaluation losses, there was a profit of $0.2 million from those investments.

24. As at 31 December 2015, balances of cash and cash equivalents and investments were held in groups of funds as shown in figures IV.VI and IV.VII.

Figure IV.VI
Cash and cash equivalents by fund group
(Millions of United States dollars and percentage)

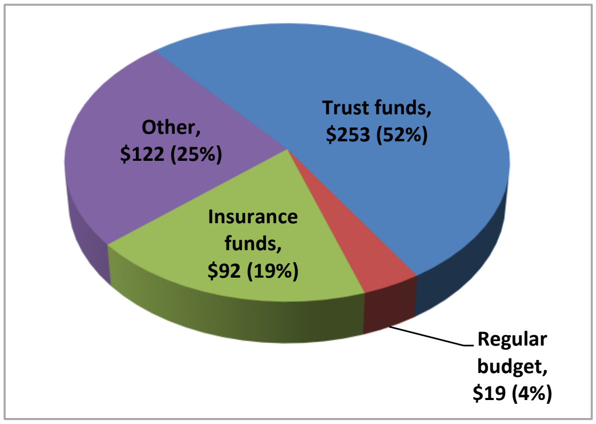
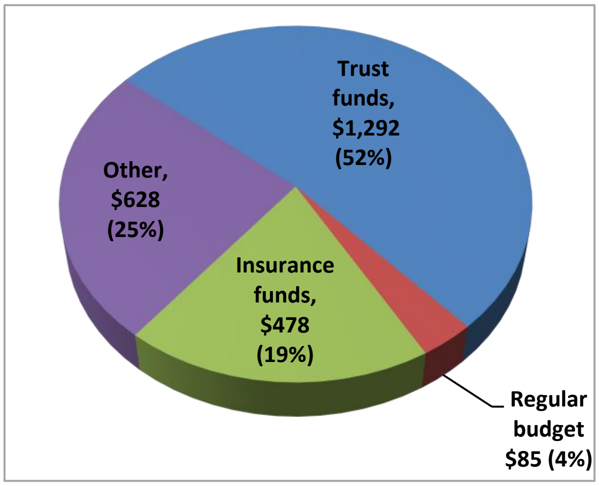


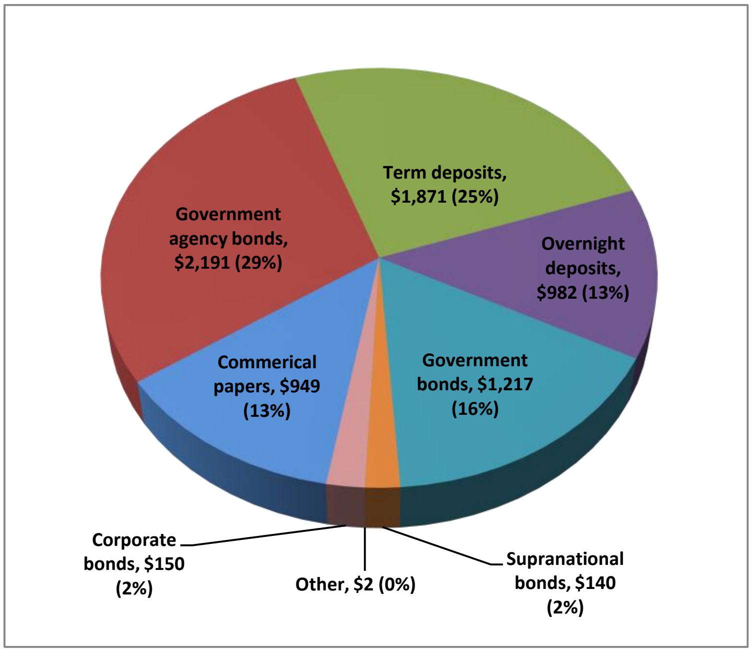
Figure IV.VII
Investments in cash pools by fund group
(Millions of United States dollars and percentage)



25. The trust funds group held 52.1 per cent of investments, while 19.3 per cent was held by insurance funds. The regular budget and related funds group held 3.4 per cent of investment holdings, amounting to $84.8 million.

26. The cash pools were invested in diversified instruments including government bonds and agencies, term deposits and commercial papers (see figure IV.VIII).

Figure IV.VIII
Cash pool investments by instrument type
(Millions of United States dollars and percentage)



27. The Organization’s exposure to credit risks, liquidity risks and market risks with respect to its investment portfolios is considered to be low. The risk analysis of the investment portfolios is presented in notes 30 and 31 to the financial statements.

Voluntary contributions receivable

28. Voluntary contributions receivable as at 31 December 2015 amounted to $583.7 million, presented net of an allowance for doubtful accounts of $4.8 million. The voluntary contributions receivable of the Organization increased over the course of 2015 by $126.9 million, reflecting an increase in long-term voluntary receivable balances of $104.0 million compared with prior year balances. The amounts are due to the Organization under arrangements related to voluntary trust funds.

Voluntary contributions receivable as at 31 December 2015 and 31 December 2014
(Millions of United States dollars)

	2015	*2014*
Voluntary contributions receivable — non current	199.4	95.4
Voluntary contributions receivable — current	384.3	361.4
	583.7	**456.8**

29. The current and non-current voluntary contributions receivable related to general trust funds as at 31 December 2015 amounted to $384.3 million and $199.4 million respectively.

30. The outstanding balance was mainly related to the human rights and humanitarian affairs segment ($386.0 million, or 66 per cent), largely comprised of the receivables of the Office for the Coordination of Humanitarian Affairs of the Secretariat ($197.8 million, or 34 per cent) and the Central Emergency Response Fund ($142.4 million, or 24.3 per cent). Over the course of 2015, voluntary contribution receivables increased by $126.9 million (or 28 per cent), owing mainly to the addition of Multi-Partner Trust Fund consolidated receivables of $59.0 million and an increase in the Central Emergency Response Fund receivable of $33.6 million.

Assessed contributions receivable

31. The balance of assessed contributions receivable as at 31 December 2015 of $389.3 million consisted of a gross balance of $593.5 million, which was offset by an allowance for doubtful receivables of $204.2 million. The balance of assessed contributions receivable decreased in 2015 as compared with 2014 by $48.9 million (11.2 per cent).

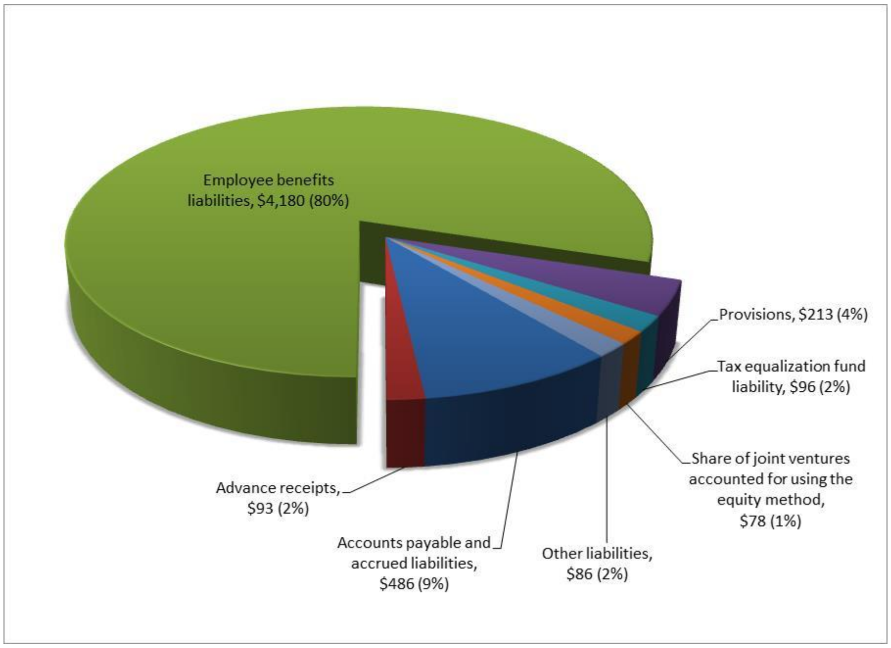
Liabilities

32. The total liabilities of the Organization decreased over 2015 by $644.9 million (11.0 per cent) to $5,232.5 million, with the most notable decrease taking place in employee benefits liabilities in an amount of $605.9 million (or 12.7 per cent) to $4,180.3 million, as compared with prior year balances. Employee benefits liabilities decreased mainly as a result of actuarial gains of $810.1 million, which

were partly offset by current service cost and interest cost on the defined-benefits liability of $186.8 million and $156.6 million respectively.

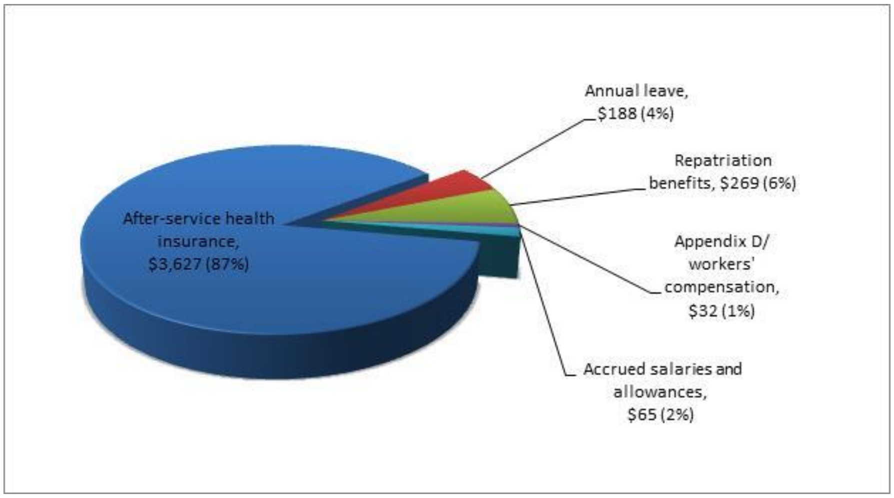
33. Figure IV.IX presents the structure of the Organization's liabilities as at 31 December 2015, totalling $5,232.5 million.

Figure IV.IX
Liabilities as at 31 December 2015
(Millions of United States dollars and percentage)



34. As illustrated in figure IV.X, the Organization's liabilities largely comprised employee benefits liabilities of $4,180.3 million (79.9 per cent) and accounts payable and accrued liabilities of $485.7 million (9.3 per cent).

Figure IV.X
Employee benefits liabilities
(Millions of United States dollars and percentage)



35. Employee benefits liabilities consist largely of liabilities related to after-service health insurance ($3,626.6 million), annual leave ($188.3 million) and repatriation benefits ($269 million), all of which are valued by independent actuaries. The decrease in 2015 of $605.9 million (12.7 per cent), attributable mainly to actuarial gains of $810.1 million, was recognized directly in the statement of changes in net assets, offset by current service cost and interest cost on the defined-benefits liability of $186.8 million and $156.6 million respectively.

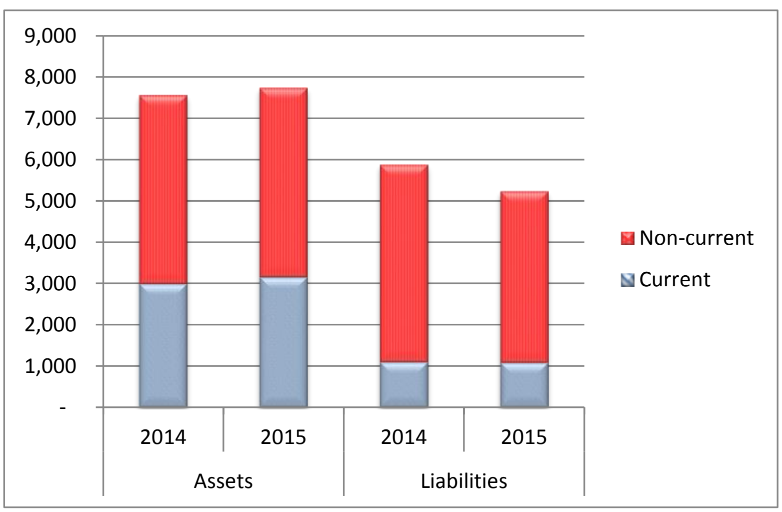
36. Employee benefits liabilities for activities related to the regular budget continue on the pay-as-you-go approach for the present time pursuant to General Assembly resolution 70/248. The Organization continues to explore options to fund the liabilities, including a possible United Nations system-wide approach similar to the approach currently employed for retirement and disability benefits by the United Nations Joint Staff Pension Fund. For employee benefits liabilities relating to extrabudgetary activities, the Organization has started funding liabilities relating to pensions, health insurance and repatriation grants and is currently considering a proposal that calls for funding of all employee benefits liabilities relating to extrabudgetary activities commencing in January 2017.

Accounts payable and accrued liabilities

37. Accounts payable and accrued liabilities of $485.7 million (2014: $528.3 million) mainly consist of accruals for goods and services of $134.1 million (2014: $154.5 million) and accounts payable of $109.2 million (2014: $104.8 million).

38. Figure IV.XI provides an analysis of the structure of the United Nations by current and non-current assets and liabilities as at 31 December 2015 and 31 December 2014, indicating minimal changes between the two years.

Figure IV.XI
Structure of the United Nations by current and non-current assets and liabilities as at 31 December 2015 and 31 December 2014
(Millions of United States dollars)



Financial performance

Revenue analysis

39. The total revenue of the Organization for 2015 was $5,625.2 million, compared with total expenses of $5,613.1 million, resulting in a surplus of total revenue over total expenses of $12.1 million. Figures IV.XII and IV.XIII provide an analysis of revenue and expenses by nature and by segment.

Figure IV.XII
Revenue by nature
(Millions of United States dollars and percentage)

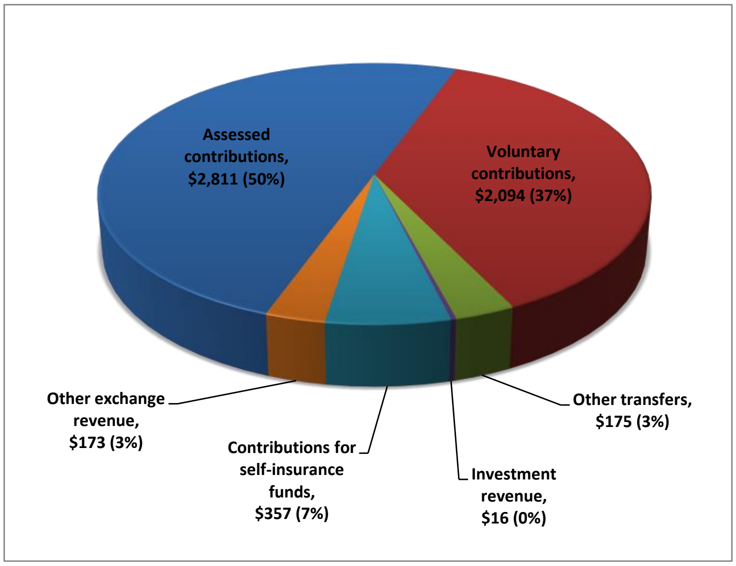
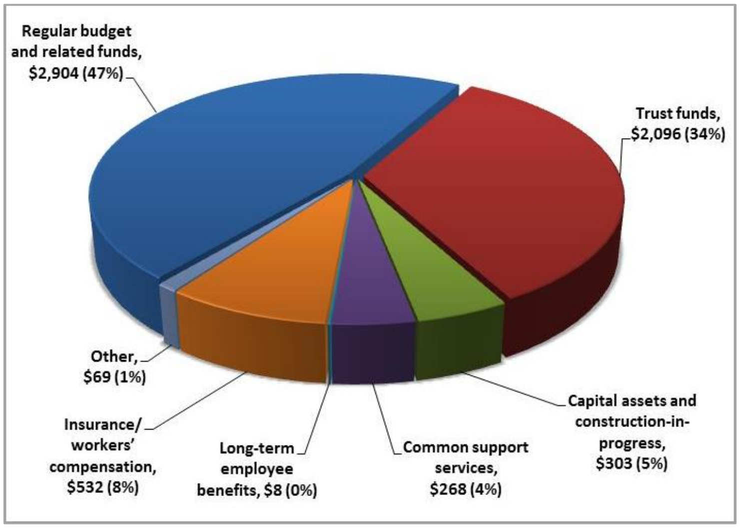
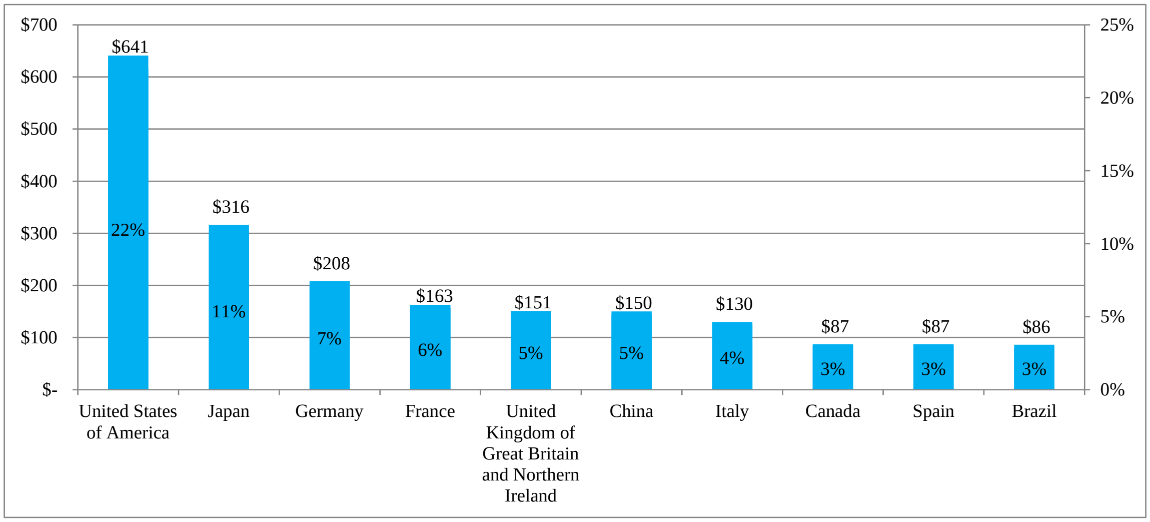


Figure IV.XIII
Revenue by segment
(Millions of United States dollars and percentage)



40. Assessed contributions of $2,811.3 comprised 50.0 per cent of the funding of the Organization for 2015. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.XIV indicates the Member States with the largest assessments for 2015.

Figure IV.XIV
Top 10 contributors of assessed contributions
(Millions of United States dollars and percentage)



41. Voluntary contributions amounted to $2,093.9 million and comprised 37.2 per cent of 2015 revenue. Figures IV.XV and IV.XVI show the major voluntary contributors for monetary contribution income and for voluntary in-kind contributions for 2015. Figure IV.XV indicates that the United Kingdom of Great Britain and Northern Ireland was the major contributor of monetary voluntary contributions and figure IV.XVI indicates that Afghanistan was the major contributor of voluntary in-kind contributions.

Figure IV.XV
Major voluntary contributors, monetary contributions
(Millions of United States dollars)

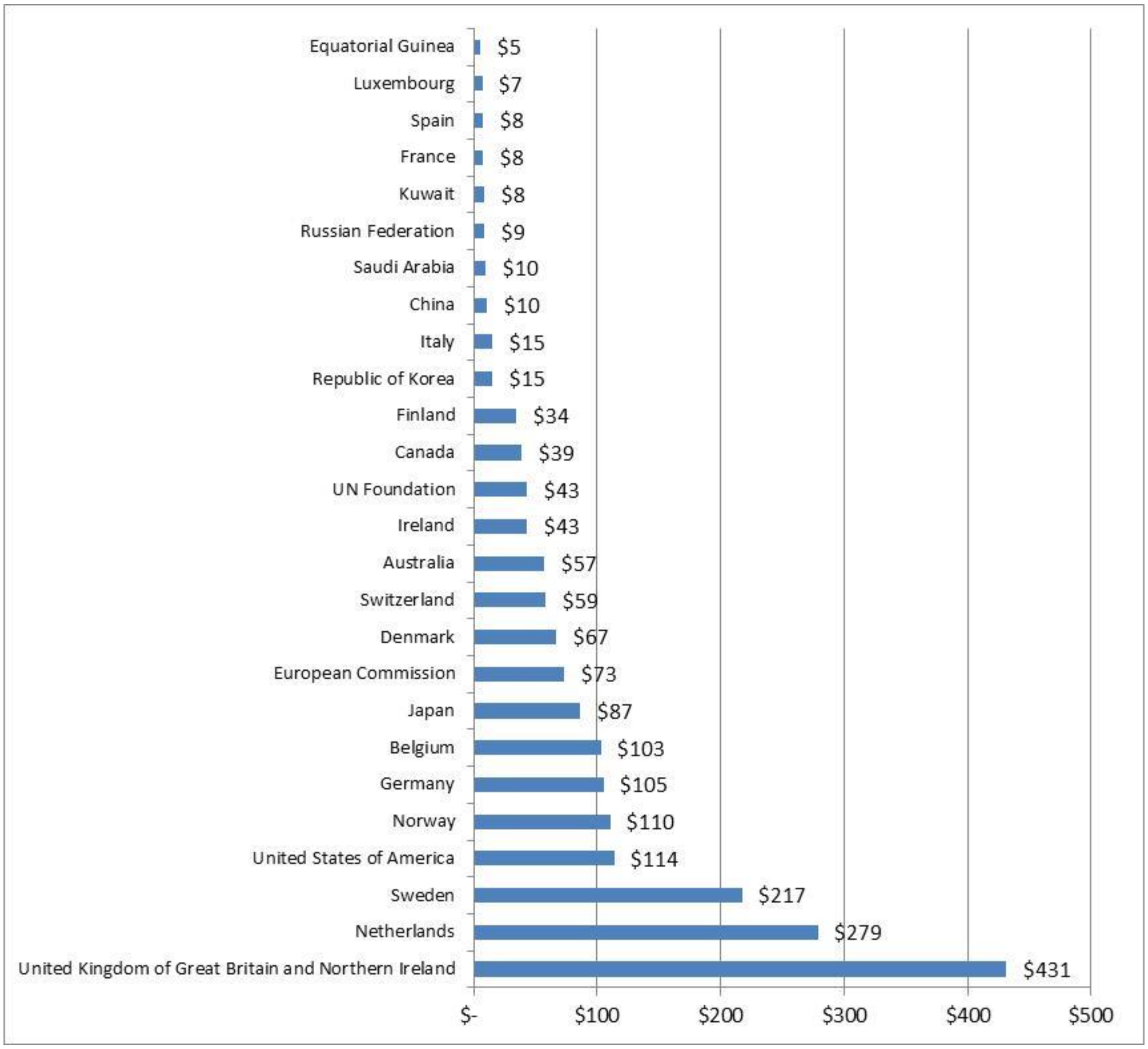
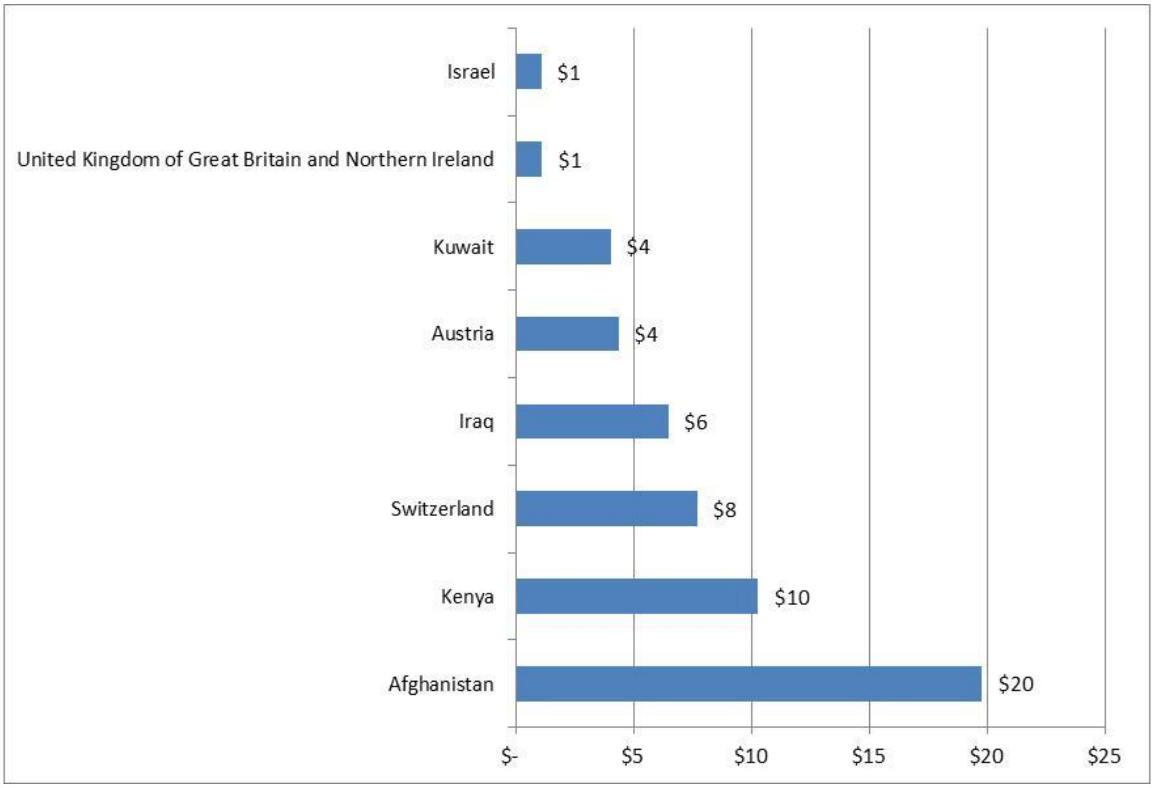
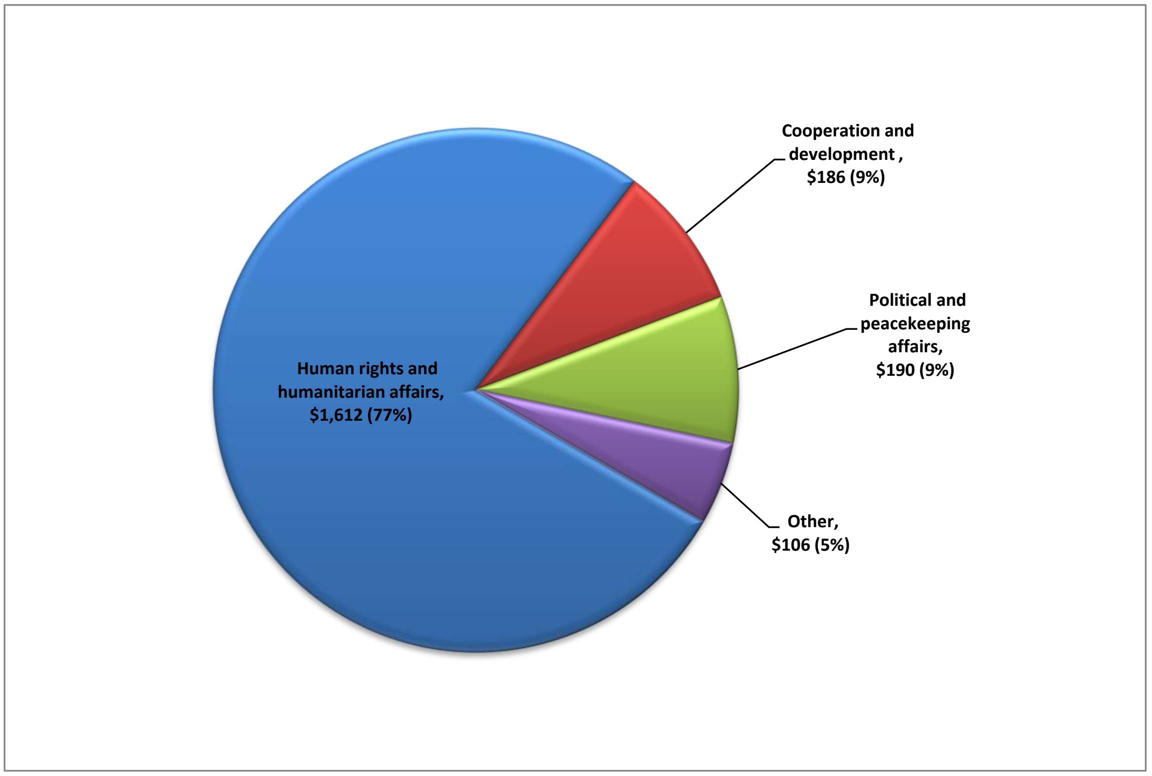


Figure IV.XVI
Major voluntary contributors, in-kind contributions
(Millions of United States dollars)



42. Figure IV.XVII highlights voluntary contributions by programme segment and shows that voluntary funding is directed largely to the segment of human rights and humanitarian affairs.

Figure IV.XVII
Voluntary contributions by major work pillar
(Millions of United States dollars and percentage)

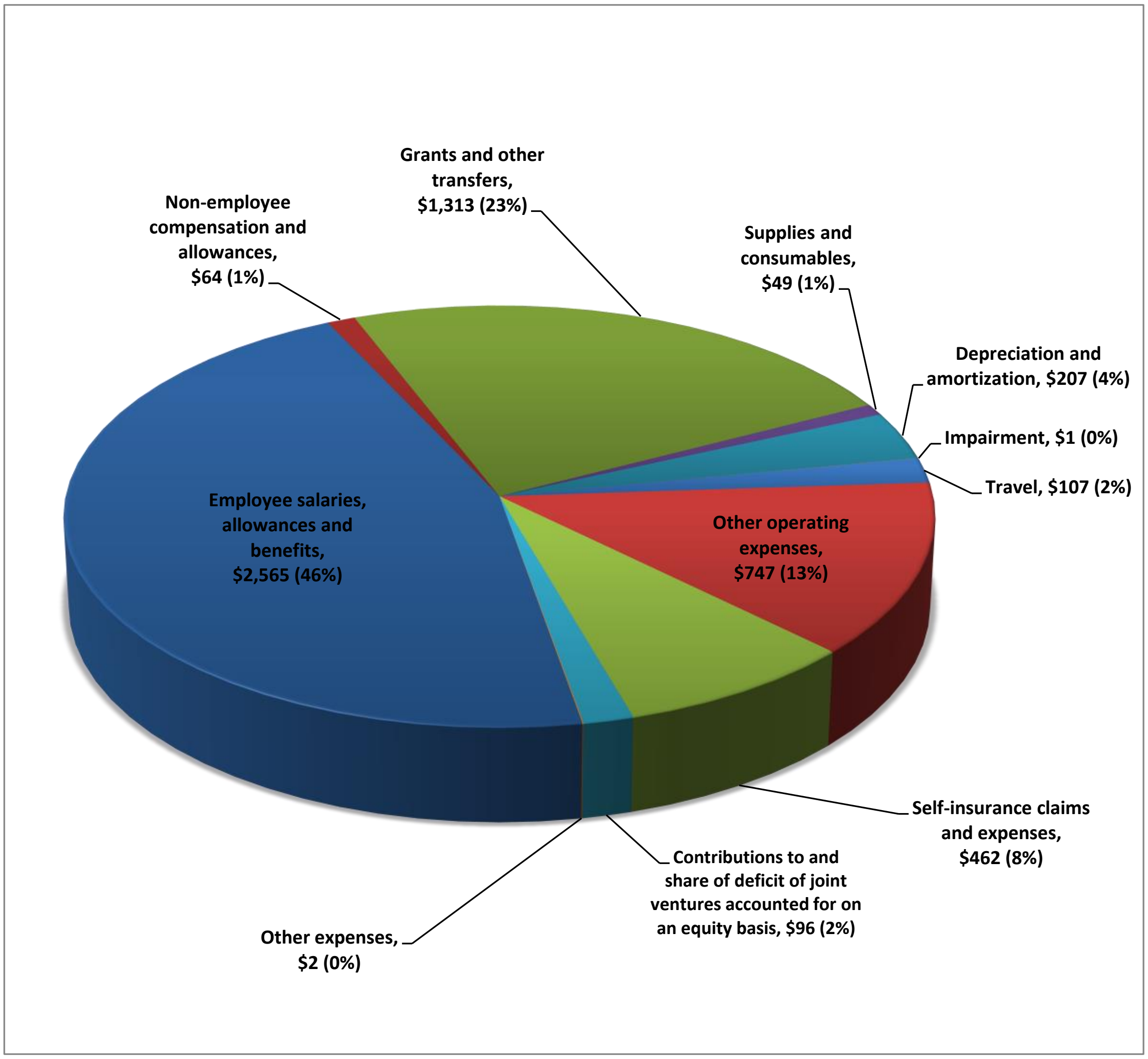


Expense analysis

43. The total expenses of the Organization decreased over the course of 2015 by $572.1 million (or 9.3 per cent) to $5,613.1 million, with the most notable decrease in grants and other transfers, which decreased by $509.3 million (or 27.9 per cent) to $1,313.4 million.

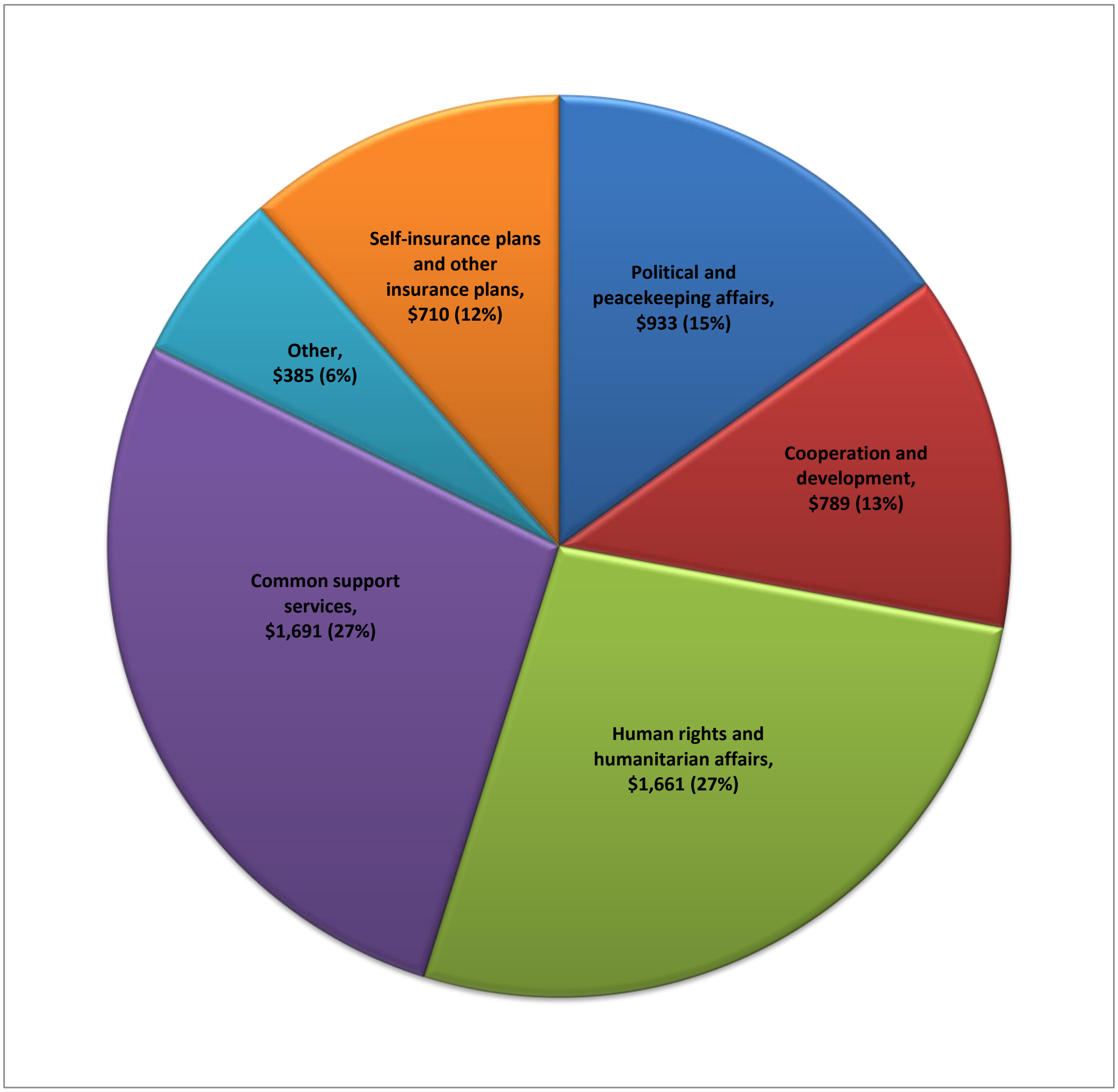
44. Figure IV.XVIII highlights expenses by their nature, showing that the largest categories are employee salaries, allowances and benefits and non-employee compensation and allowances in the amount of $2,629.1, or 46.8 per cent, and grants and transfers to end beneficiaries and implementing partners of $1,313.4 million, or 23.4 per cent. Operating expenses of $746.6 million at 13.3 per cent was also a significant category and was composed largely of contracted services, acquisition of expensed goods and rental of office space.

Figure IV.XVIII
Expenses by nature
(Millions of United States dollars and percentage)



45. Figure IV.XIX highlights expenses by work pillar.

Figure IV.XIX
Expenses by work pillar
(Millions of United States dollars and percentage)



46. In 2015, the major pillar of human rights and humanitarian affairs had a net surplus of $210.1 million, partially offset by the net deficit for other segments totalling $198 million, of which $169.6 million related to the pillar of self-insurance plans and other insurance plans. This resulted in an overall surplus for the year. Note 5 to the financial statements, on segment reporting, provides details of financial performance by segment.

Net assets

47. Net assets of $2,498.8 million as at 31 December 2015 consisted of an accumulated surplus of $2,440 million and reserves of $58.8 million and reflect the accumulated effect of the Organization's historical activity. The increase in net assets over 2015 by $815.1 million (48.4 per cent) to $2,498.8 million is attributable primarily to actuarial gains on employee benefits liabilities recognized directly in the statement of net assets in the amount of $810.1 million, owing in particular to increases in the discount rates.

D. United Nations General Fund and related funds

Budgetary performance of the regular budget

48. The regular budget of the United Nations continues to be prepared on a modified cash basis, as presented in statement V. To facilitate a comparison between the budget performance and the financial statements prepared under IPSAS, a reconciliation of the budget with the cash flow statement is included in note 6.

49. Approved budgets are those that authorize expenditure to be incurred and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized under General Assembly resolutions. The original budget for the biennium 2014-2015 comprises the appropriations approved by the General Assembly for the biennium in resolution 68/248 A. The final budget represents final amounts authorized for the biennium 2014-2015, after incorporating all changes arising from General Assembly resolutions 68/247 A and B, 69/263 A and C, 69/274 A and B and 70/240 A and B, and also incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. The original 2015 annual budget represents the 2015 revised appropriations, plus the unencumbered balance of 2014. The final 2015 annual budget represents the original budget for 2015 and incorporates final amounts and changes authorized for the biennium 2014-2015. The relevant part of the assessed contributions is recognized as revenue at the beginning of each year in the biennium.

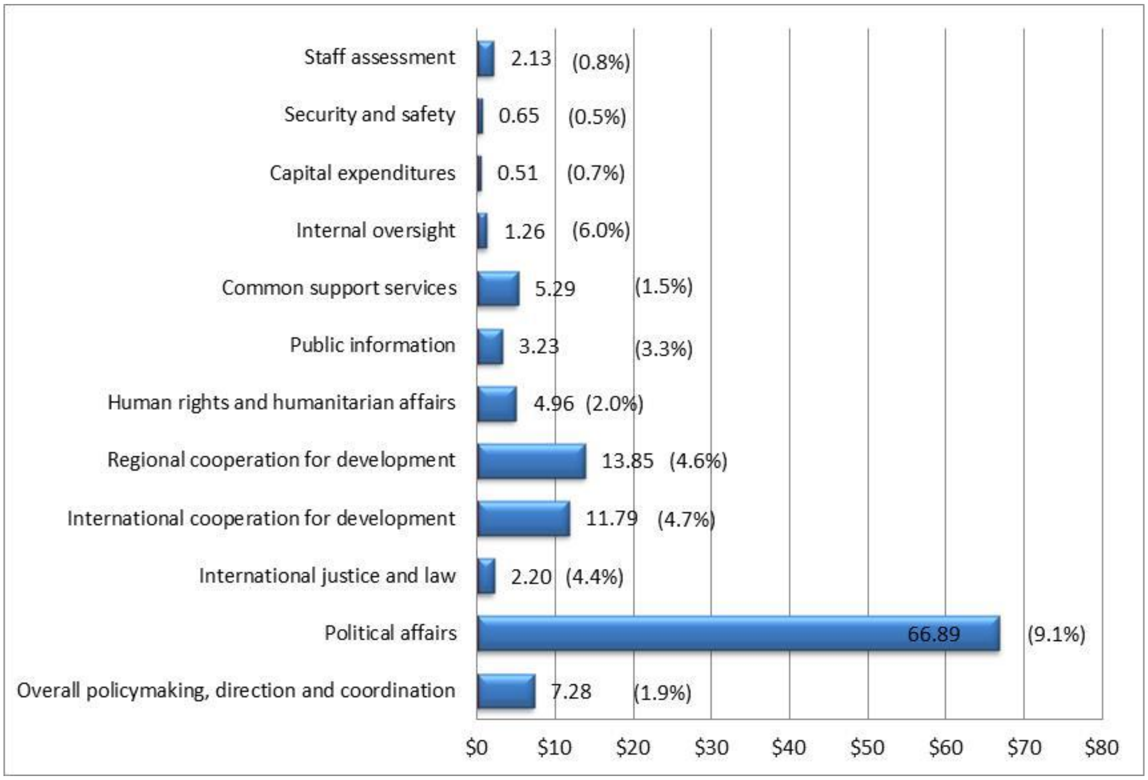
Changes from original budget to final budget

50. In 2015, the final annual budget of $3,009.7 million exceeded the original annual budget of $2,823.4 million by $186.3 million, or 6.6 per cent. Changes to the original budget related to overall policymaking, direction and coordination, political affairs, international justice and law, international cooperation for development, regional cooperation for development, human rights and humanitarian affairs, public information, common support services, internal oversight, jointly financed administrative activities and special expenses, capital expenditures, safety and security, and staff assessment.

Budget utilization

51. The total budget utilized in 2015 was $2,889.7 million, which is under the final budget by $120.0 million, or 4.0 per cent. Figure IV.XX provides a breakdown of the underutilization by regular budget category.

Figure IV.XX
Expenditure underutilization
(Millions of United States dollars and percentage)



52. Material differences greater than 10 per cent are considered in note 6 to the financial statements.

Regular budget appropriations

53. Presented in table IV.1 is a summary reconciliation of budget appropriations and gross assessments for the biennium 2014-2015 to the amount disclosed in statement II as assessed contributions for 2015.

Table IV.1

Reconciliation of budget appropriations and gross assessments for 2014-2015 to assessed contributions for 2015

(Thousands of United States dollars)

	2014	*2015*	*Total*
Budget appropriations (resolution 68/248 A)	2 765 175	2 765 175	5 530 350
Add: Increased appropriations for the biennium 2014-2015			
Resolution 68/247 B	–	8 201	8 201
Resolution 69/263 A	–	115 272	115 272
Resolution 69/274 A	–	5 538	5 538
Resolution 69/274 B	–	172 558	172 558
Resolution 70/240 A	–	(23 354)	(23 354)
Total 2014-2015 final budget appropriations	**2 765 175**	**3 043 390**	**5 808 565**
Estimated income (other than staff assessment) for the biennium 2014-2015 (resolution 68/248 B)	15 980	15 980	31 960
Add: Increase in income (other than staff assessment) for the biennium 2014-2015			
Resolution 69/263 B	–	983	983
Resolution 70/240 B	–	28 402	28 402
Total revised estimated income	**15 980**	**45 365**	**61 345**
Total 2014-2015 final budget appropriations less total estimated income	**2 749 195**	**2 998 025**	**5 747 220**
Add: Net increase in appropriations for the biennium 2012-2013 (resolution 68/245) assessed in 2014 (resolution 68/248 C)	79 652	–	79 652
Add: Commitment authority assessed (resolution 69/263 C)	–	104 583	104 583
Less: Increase in income (other than staff assessment) for the biennium 2012-2013 (resolution 68/245 B) adjusted against the assessment in 2014 (resolution 68/248 C)	(5 194)	–	(5 194)
Less: Increase in appropriations for the biennium 2014-2015 adjusted against the assessment in 2016 (resolution 70/249 C)			
Resolution 69/274 A	–	(5 538)	(5 538)
Resolution 69/274 B	–	(172 558)	(172 558)
Add: Decrease in appropriations for the biennium 2014-2015 adjusted against the assessment in 2016 (resolution 70/249 C)			
Resolution 70/240 A	–	23 354	23 354
Add: Increase in income (other than staff assessment) for the biennium 2014-2015 (resolution 70/240 B) adjusted against the assessment in 2016 (resolution 70/249 C)	–	28 402	28 402
	74 458	**(21 757)**	**52 701**
Gross amounts assessed to Member States in the biennium 2014-2015 (resolutions 68/248 C and 69/263 C)	**2 823 653**	**2 976 268**	**5 799 921**
Add: IPSAS adjustments[a]	37 416	(164 990)	(127 574)
Assessed contributions for 2015 as reported in statement II	**2 861 069**	**2 811 278**	**5 672 347**

[a] 2014 includes deductions of additional 2012-2013 assessments charged to Member States in 2014 and additional appropriations approved for the year 2014. 2015 includes deductions of additional 2014 assessments charged to Member States in 2015, additional appropriations approved for the year 2015 and unencumbered balances for the biennium 2014-2015.

E. Capital master plan

54. The activities of the Organization's capital master plan officially ended in 2015 with the transfer of responsibility to the Office of Central Support Services of the Secretariat for overseeing final residual works, including the demolition of the Temporary North Lawn Building. Final funding for the project was authorized by the General Assembly in its resolution 69/274 A.

F. Liquidity

55. The liquidity assessment reviews the adequacy of the liquid assets at the Organization's disposal to quickly settle its immediate obligations. As at 31 December 2015, the overall liquidity position of the Organization was positive as it had sufficient liquid assets to settle its immediate obligations.

56. As at 31 December 2015 and 31 December 2014 liquid funds amounted to $2,704.7 million and $2,452.8 million, respectively, as shown in table IV.2.

Table IV.2
Liquid funds as at 31 December 2015 and 31 December 2014
(Millions of United States dollars)

	2015	*2014*
Cash and cash equivalents	485.4	597.8
Short-term investments	1 445.7	1 055.4
Assessed contributions receivable	389.3	438.2
Voluntary contributions receivable — current	384.3	361.4
	2 704.7	**2 452.8**

57. Total current liabilities as at 31 December 2015 and 31 December 2014 amounted to $1,089.2 million and $1,101.3 million respectively.

58. Table IV.3 summarizes three key liquidity indicators for the year ended 31 December 2015 and 31 December 2014.

Table IV.3
Liquidity indicators for the years ended 31 December 2015 and 31 December 2014

	2015	*2014*
Ratio of current assets to current liabilities	2.9:1	2.7:1
Ratio of liquid assets to current liabilities	2.5:1	2.2:1
Ratio of liquid assets less accounts receivable to current liabilities	1.8:1	1.5:1
Ratio of liquid assets to total assets	0.4:1	0.3:1
Average months of cash, cash equivalents and investments on hand	4.3	3.3

59. The ratio of current assets to current liabilities indicates the ability of the Organization to pay its short-term obligations from its current funds. As at

31 December 2015, current liabilities were covered by up to 2.9 times from current assets, indicating there are sufficient assets available to pay liabilities should the need arise. An increase of this value from 2.7 in the prior year indicates a higher holding of liquid funds at the end of 2015.

60. The ratio of liquid assets to current liabilities of 2.5 indicates holding of liquid funds was sufficient to cover short-term liabilities. The positive change in the ratio from the prior year of 2.2 also indicates an improvement in the Organization's overall liquidity.

61. When accounts receivable are excluded from liquid assets, the ratio indicates how the Organization handles its current liabilities without reliance on amounts receivable, that is, using only funds on hand. As at 31 December 2015, this ratio was 1.8, meaning that the Organization is able to fully cover its current liabilities using its immediately available funds. The positive trend from 1.5 in the prior year is also an indicator of improved liquidity.

62. The ratio of liquid assets to total assets shows the share of the Organization's liquid funds to total assets. The ratio of 0.35 indicates 35 per cent of the Organization's total assets are relatively liquid. This ratio improved slightly from the previous year.

63. With regard to average months of cash, cash equivalents and investments on hand, as at 31 December 2015 the Organization held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation, amortization and impairment) of $451.0 million for 4.3 months.

64. The liquidity of the Organization was supported largely by liquid assets related to trust funds; when the assessment is done separately for the regular budget and related funds, the liquidity result is much tighter, as shown in table IV.4.

Table IV.4
Liquidity indicators for the regular budget and related funds

Indicators	*2015*	*2014*
Ratio of current assets to current liabilities	1.3:1	1.1:1
Ratio of liquid assets to current liabilities	1.2:1	0.7:1
Ratio of liquid assets less accounts receivable to current liabilities	0.1:1	0.2:1
Ratio of liquid assets to total assets	0.5:1	0.4:1
Average months of cash, cash equivalents and investments on hand	0.4	1.4

G. Looking forward to 2016 and beyond

65. The overall financial position of the United Nations at the end of 2015 was positive with the liquidity being driven predominantly by trust funds. A declining liquidity position relating to the regular budget was noted, evidenced by the fall in the average months of liquid assets on hand; this is being actively managed. The longer-term risk relating to the unfunded employee benefits liabilities is progressively being addressed. During the year under review, regular budget expenditures were down and this trend is expected to continue as the Organization looks towards the implementation of a global service delivery model.

Annex I

Supplementary information required by the Financial Regulations and Rules of the United Nations

1. The present annex provides supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. Pursuant to rule 106.7 (a) of the Financial Regulations and Rules of the United Nations, write-off cases totalling $2,344,938 were approved for the year 2015 with respect to the United Nations as reported in volume I. A breakdown of the write-offs is as follows:

Fund/activity	*2015*
United Nations General Fund and related funds	2 046 859
Revenue producing activities	8 171
General trust funds	265 023
Other funds	24 885
Total	**2 344 938**

Write-off of losses of property

3. Pursuant to financial rule 106.7, losses of property for the United Nations as reported in volume I amounted to $222,165,936.60 during 2015, of which $188.0 million related to the write-off of the Temporary North Lawn Building. The losses are based on the original cost of the property and include write-offs arising from shortfalls, thefts, damages and accidents.

Ex gratia payments

4. There were no ex gratia payments during 2015.

Annex II

Other supplementary information

Statement of financial position of the General Fund and related funds as at 31 December 2015

(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2015*	*31 December 2014 (restated[a])*
Assets						
Current assets						
Cash and cash equivalents	15 623	4	3 206	–	18 833	98 631
Investments	44 123	12	9 887	–	54 022	124 063
Assessed contributions receivable	389 252	20	–	–	389 272	437 752
Other receivables	44 374	–	–	–	44 374	59 542
Inventories	17 833	–	–	–	17 833	19 269
Other assets	69 408	149 979	180 000	(329 979)	69 408	342 728
Total current assets	**580 613**	**150 015**	**193 093**	**(329 979)**	**593 742**	**1 081 985**
Non-current assets						
Investments	24 113	8	6 634	–	30 755	109 451
Property, plant and equipment	322 678	–	–	–	322 678	345 617
Intangibles	2 557	–	–	–	2 557	1 596
Share of joint ventures accounted for using the equity method	1 881	–	–	–	1 881	10 805
Other assets	–	–	–	–	–	437
Total non-current assets	**351 229**	**8**	**6 634**	**–**	**357 871**	**467 906**
Total assets	**931 842**	**150 023**	**199 727**	**(329 979)**	**951 613**	**1 549 891**
Liabilities						
Current liabilities						
Accounts payable and accrued payables	175 023	150 000	–	–	325 023	282 720
Advance receipts	17 620	–	–	–	17 620	16 342
Employee benefits liabilities	23 895	–	–	–	23 895	35 514
Provisions	121 225	–	–	–	121 225	42 422
Other liabilities	330 956	–	–	(329 979)	977	586 790
Total current liabilities	**668 719**	**150 000**	**–**	**(329 979)**	**488 740**	**963 788**

Statement of financial position of the General Fund and related funds as at 31 December 2015 (continued)
(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2015*	*31 December 2014 (restated[a])*
Non-current liabilities						
Employee benefits liabilities	18 304	–	–	–	18 304	19 452
Provisions	317	–	–	–	317	491
Share of joint ventures accounted for using the equity method	78 363	–	–	–	78 363	60 880
Other liabilities	1 893	–	–	–	1 893	6 257
Total non-current liabilities	**98 877**	**–**	**–**	**–**	**98 877**	**87 080**
Total liabilities	**767 596**	**150 000**	**–**	**(329 979)**	**587 617**	**1 050 868**
Total assets and liabilities	**164 246**	**23**	**199 727**	**–**	**363 996**	**499 023**
Net assets						
Accumulated surplus	164 246	23	199 727	–	363 996	499 023

[a] 2014 figures have been adjusted to remove fund 10UCS (UNAMA common services compound) values effective as at 1 January 2015 and UNAMA compound cost-sharing activities have been moved to fund 10RCR.

Statement of financial performance for the year ended 31 December 2015 for the General Fund and related funds

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated[a])*
Revenue		
Assessed contributions	2 811 279	2 861 069
Voluntary contributions	39 229	36 380
Investment revenue	3 179	3 228
Other exchange revenue	50 083	45 056
Total	**2 903 769**	**2 945 733**
Expenses		
Employee salaries, allowances and benefits	1 913 696	1 976 942
Non-employee compensation and allowances	77 772	63 148
Grants and other transfers	290 681	185 592
Supplies and consumables	27 407	46 134
Depreciation and amortization	46 602	44 228
Impairment	473	377
Travel	46 327	66 596
Other operating expenses	529 378	423 836
Finance costs	184	243
Contributions to/share of joint ventures	95 450	78 734
Other expenses	2 255	6 445
Total	**3 030 225**	**2 892 275**
Surplus for the year	**(126 456)**	**53 458**

[a] 2014 figures have been adjusted to remove fund 10UCS (UNAMA common services compound) values effective as at 1 January 2015 and UNAMA compound cost-sharing activities have been moved to fund 10RCR.

Operational revenue and expenses of the Tax Equalization Fund[a]

(Thousands of United States dollars)

	United States of America	*Other Member States*	*31 December 2015*	*31 December 2014*
Staff assessment receipts from:				
United Nations regular budget	56 451	200 146	256 597	254 622
Peacekeeping operations	51 950	131 214	183 164	180 125
International tribunals	3 979	11 822	15 801	20 421
Interest revenue split	130	396	526	226
Total staff assessment revenue	**112 510**	**343 578**	**456 088**	**455 394**
Employee salaries, allowances and benefits	109 544	–	109 544	87 768
Contractual services	175	–	175	172
Credits given to other Member States for:				
United Nations regular budget	–	205 561	205 561	211 920
Peacekeeping operations	–	124 159	124 159	127 529
International tribunals	–	13 425	13 425	13 304
Total expenses	**109 719**	**343 145**	**452 864**	**440 693**
Net excess of revenue over expenses	**2 791**	**433**	**3 224**	**14 701**

[a] This summary information presented in a table format shows the revenues and expenses of the Tax Equalization Fund, which have been eliminated in the financial statements of volume I. See note 21 to the financial statements for additional information disclosed in relation to the cumulative surplus in the Tax Equalization Fund as at 31 December 2015. An amount of $3.2 million representing excess of revenues over expenses has been added to cumulative surplus balances during 2015.

Chapter V

Financial statements for the year ended 31 December 2015

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014 (restated[a])*
Assets			
Current assets			
Cash and cash equivalents	Note 7	485 352	597 795
Investments	Note 8	1 445 740	1 055 386
Assessed contributions receivable	Note 9	389 306	438 195
Voluntary contributions receivable	Note 10	384 298	361 437
Other receivables	Note 11	97 256	138 584
Inventories	Note 12	18 027	19 649
Other assets	Note 13	330 098	380 705
Total current assets		**3 150 077**	**2 991 751**
Non-current assets			
Investments	Note 8	1 036 992	1 002 627
Voluntary contributions receivable	Note 10	199 403	95 367
Property, plant and equipment	Note 15	3 216 137	3 322 510
Intangible assets	Note 16	125 620	137 529
Share of joint ventures accounted for using the equity method	Note 24	3 069	10 805
Other assets	Note 13	–	504
Total non-current assets		**4 581 221**	**4 569 342**
Total assets		**7 731 298**	**7 561 093**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 17	485 712	528 334
Advance receipts	Note 18	82 918	101 019
Employee benefits liabilities	Note 19	200 153	191 790
Provisions	Note 20	212 949	124 479
Tax equalization liability	Note 21	96 011	96 252
Other liabilities	Note 22	11 504	59 468
Total current liabilities		**1 089 247**	**1 101 342**

Operations of the United Nations as reported in volume I

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

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014 (restated[a])*
Non-current liabilities			
Advance receipts	Note 18	9 696	16 492
Employee benefits liabilities	Note 19	3 980 172	4 594 386
Provisions	Note 20	317	15 582
Share of joint ventures accounted for using the equity method	Note 24	78 363	60 880
Other liabilities	Note 22	74 699	88 754
Total non-current liabilities		**4 143 247**	**4 776 094**
Total liabilities		**5 232 494**	**5 877 436**
Net of total assets and total liabilities		**2 498 804**	**1 683 657**
Net assets			
Accumulated surplus	Note 25	2 440 033	1 624 541
Reserves	Note 25	58 771	59 116
Total net assets		**2 498 804**	**1 683 657**

[a] Restated to conform with the current presentation (note 4).

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

Operations of the United Nations as reported in volume I

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

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated[a])*
Revenue			
Assessed contributions	Note 26	2 811 278	2 861 069
Voluntary contributions	Note 26	2 093 878	2 345 579
Other transfers and allocations	Note 26	174 795	106 457
Investment revenue	Note 30	15 662	19 590
Contributions for self-insurance funds	Note 28	356 906	369 610
Other revenue	Note 27	172 722	134 798
Total revenue		**5 625 241**	**5 837 103**
Expenses			
Employee salaries, allowances and benefits	Note 29	2 564 948	2 611 421
Non-employee compensation and allowances		64 158	47 755
Grants and other transfers	Note 29	1 313 357	1 822 668
Supplies and consumables		48 844	67 050
Depreciation and amortization	Notes 15 and 16	207 341	210 605
Impairment	Note 15	1 065	29 504
Travel		106 816	133 280
Other operating expenses	Note 29	746 692	739 213
Self-insurance claims and expenses	Note 28	461 675	437 340
Finance costs	Note 33	184	243
Contributions to and share of deficit of joint ventures accounted for on an equity basis	Note 24	95 897	78 785
Other expenses		2 163	7 415
Total expenses		**5 613 140**	**6 185 279**
Surplus/(deficit) for the year		**12 101**	**(348 176)**

[a] Restated to conform with the current presentation (note 4).

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

Operations of the United Nations as reported in volume I

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

(Thousands of United States dollars)

	Net assets
Net assets as at 1 January 2014 (IPSAS)	**2 999 514**
Changes in net assets	
Actuarial losses on employee benefits liabilities (note 19)	(944 910)
Share of changes recognized by joint ventures directly in net assets (note 24)	(25 225)
Other adjustments to net assets	8 692
Deficit for the year	(348 176)
Total changes in net assets	**(1 309 619)**
Net assets as at 31 December 2014 (note 25)	**1 689 895**
Prior-period adjustments (note 4)[a]	(6 238)
Restated net assets as at 31 December 2014 (note 25)[a]	**1 683 657**
Changes in net assets	
Actuarial gains on employee benefits liabilities (note 19)	810 130
Transfer of funds to other Secretariat reporting entities	(1 713)
Share of changes recognized by joint ventures directly in net assets (note 24)	(6 997)
Other adjustments to net assets	1 626
Surplus for the year	12 101
Total changes in net assets	**815 147**
Net assets as at 31 December 2015 (note 25)	**2 498 804**

[a] Restated to conform with the current presentation (note 4).

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

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated[a])*
Cash flows from operating activities			
Surplus/(deficit) for the year		**12 101**	**(348 176)**
Non-cash movements			
Depreciation and amortization	Notes 15 and 16	207 341	210 605
Impairment of property, plant and equipment	Note 15	1 065	29 504
Impairment of inventory	Note 12	3 127	852
Increase/(decrease) in allowance for doubtful receivables	Notes 9, 10 and 11	4 018	(1 868)
Net loss on disposal of property, plant and equipment and inventory		25 192	12 375
Investment revenue presented in net receipts from cash pool investments	Note 30	(15 662)	(19 590)
Current service cost and interest cost of employee benefits liabilities	Note 19	343 404	297 034
Donations of assets	Note 26	(1 935)	(499)
Net deficit/(surplus) on joint ventures	Note 24	19 542	(1 127)
Changes in assets			
Decrease/(increase) in assessed contributions receivable[b]	Note 9	47 924	(110 706)
(Increase)/decrease in voluntary contributions receivable[b]	Note 10	(129 705)	152 237
Decrease in other receivables[b]	Note 11	41 270	24 793
(Increase)/decrease in inventories[c]	Note 12	(1 505)	413
Decrease/(increase) in other assets[d]	Note 13	52 737	(13 744)
(Increase) in share of joint venture asset/liability accounted for using the equity method	Note 24	(1 527)	–
Changes in liabilities			
Increase in share of joint venture asset/liability accounted for using the equity method	Note 24	207	9 098
(Decrease) in accounts payable and accrued liabilities	Note 17	(42 622)	(58 141)
(Decrease) in employee benefits liabilities	Note 19	(139 125)	(220 198)
(Decrease)/increase in advance receipts	Note 18	(24 897)	8 557
Increase in provisions	Note 20	73 205	82 084
(Decrease) in tax equalization fund liability	Note 21	(241)	(37 303)
(Decrease)/increase in other liabilities[e]	Note 22	(63 732)	2 990
Net cash flows from operating activities		**410 182**	**19 190**

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated[a])*
Cash flows from investing activities			
Net changes in cash pool investments[f]	Note 30	(408 741)	452 488
Acquisitions of property, plant and equipment	Notes 15 and 26	(99 334)	(168 146)
Proceeds from disposal of plant and equipment	Note 15	541	2 423
Acquisitions of intangibles	Notes 16 and 26	(14 775)	(22 075)
Donation of intangible assets		–	499
Net cash flows from investing activities		**(522 309)**	**265 189**
Net (decrease)/increase in cash and cash equivalents		**(112 127)**	**284 379**
Cash and cash equivalents — beginning of year		597 795	313 822
Exchange losses on cash and cash equivalents		(316)	(406)
Cash and cash equivalents — end of year	Note 7	**485 352**	**597 795**

[a] Restated to conform with the current presentation (note 4).
[b] Comprises movement in receivables adjusted for allowances for doubtful balances (notes 9-11).
[c] Comprises movement in inventories adjusted for impairment and write-off of inventory (note 12).
[d] Comprises movement in other assets adjusted for other adjustments to net assets of $1.6 million (statement III).
[e] Comprises movement in other liabilities adjusted for transfer of funds to other Secretariat reporting entities of $1.7 million (statement III).
[f] Comprises movement in investments, investment revenue and foreign exchange gain.

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

Operations of the United Nations as reported in volume I

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual expenditure (budget basis)*[b]	*Difference (percentage)*[c]
	Original biennial	*Final biennial*	*Original annual*	*Final annual*		
Regular budget						
Overall policymaking, direction and coordination	790 612	778 215	403 365	388 841	381 562	-1.9
Political affairs	1 344 302	1 436 565	673 952	731 362	664 472	-9.1
International justice and law	100 154	99 344	50 374	50 328	48 132	-4.4
International cooperation for development	496 111	489 600	259 571	252 486	240 701	-4.7
Regional cooperation for development	572 414	570 882	301 480	302 446	288 595	-4.6
Human rights and humanitarian affairs	353 091	466 897	169 104	246 210	241 247	-2.0
Public information	188 444	189 545	97 152	96 617	93 384	-3.3
Common support services	657 782	682 415	324 249	346 156	340 866	-1.5
Internal oversight	40 552	41 038	20 467	20 873	19 615	-6.0
Jointly financed administrative activities and special expenses	155 018	153 220	83 842	81 990	81 990	0.0
Capital expenditures	75 269	111 483	73 353	74 972	74 467	-0.7
Security and safety	241 370	251 597	117 826	125 672	125 026	-0.5
Development account	28 399	28 399	–	–	–	0.0
Staff assessment	486 832	509 365	245 212	256 736	254 602	-0.8
Subtotal, regular budget	**5 530 350**	**5 808 565**	**2 819 947**	**2 974 689**	**2 854 659**	**-4.0**
Other publicly available budgets						
Capital master plan		Not applicable	3 414	35 029	35 029	-0.0
Total	**5 530 350**	**5 808 565**	**2 823 361**	**3 009 718**	**2 889 688**	**-4.0**

[a] The original budget for the biennium 2014-2015 is the appropriations approved by the General Assembly for the biennium in resolution 68/248 A. The final budget represents final amounts authorized for the biennium 2014-2015, after incorporating all changes arising from General Assembly resolutions 68/247 A and B, 69/263 A to C, 69/274 A and B and 70/240 A and B, and also incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. The original 2015 annual budget represents the 2015 revised appropriations, plus the unencumbered balance of 2014. The final 2015 annual budget represents the original budget for 2015 and incorporates final amounts and changes authorized for the biennium 2014-2015. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

[b] Includes outstanding commitments of $164.9 million for the regular budget and $28.1 million for the capital master plan.

[c] Actual expenditure (budget basis) less final budget. Material differences greater than 10 per cent are considered in note 6, Comparison to budget.

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

Operations of the United Nations as reported in volume I

Notes to the 2015 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization;

(b) The Security Council is responsible for various aspects of peacekeeping and peacebuilding, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations has its headquarters in New York. It has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Operations of the United Nations as reported in volume I

4. The present financial statements relate to the operations of the United Nations as reported in volume I, a separate financial reporting entity of the United Nations for the purposes of IPSAS-compliant reporting. The operations of the United Nations, as reported in volume I, comprise the core operations of the Secretariat and are under the direction of the General Assembly in its role as lead organ for the

financial and administrative aspects of the United Nations. The core operations of the Secretariat are funded by the regular budget, which has a unique scale of assessments and budgetary process, by trust funds established by the Assembly or the Secretary-General, which supplement the activities of the regular budget, or by special accounts or funds established to facilitate mandate implementation by the Secretary-General in his role as Chief Administrative Officer of the United Nations.

5. The reporting entity — the operations of the United Nations as reported in volume I — is regarded as an autonomous reporting entity that, owing to the uniqueness of the governance and budgetary process of each of the reporting entities of the United Nations, neither controls nor is controlled by any other United Nations financial reporting entity. Therefore, consolidation is not applicable to the operations of the United Nations and its financial statements include only its activities as reported in volume I.

6. However, given the existence of a joint venture between the United Nations and the World Trade Organization for the International Trade Centre (ITC), and the significant influence of the United Nations over the operations of ITC, the United Nations has accounted for its investment in ITC using the equity method of accounting. The Organization participates in a number of jointly financed activities with other United Nations system organizations. The Organization's share of those activities is also included in the financial statements using the equity method.

7. The United Nations regular budget includes an assessed portion of the budget of other United Nations reporting entities, comprising the United Nations Environment Programme, the United Nations Office on Drugs and Crime, the United Nations Human Settlements Programme, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the Office of the United Nations High Commissioner for Refugees and the United Nations Entity for Gender Equality and the Empowerment of Women. Those amounts are accounted for as grants in volume I.

8. The financial statements comprise activities managed through various funds, as follows:

(a) **General Fund and related funds**. The General Fund relates to regular budget activities and related funds consist of the Special Account and the Working Capital Fund;

(b) **General trust funds**. General trust funds are established to record the receipt of voluntary contributions to support various activities, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, public information and support services;

(c) **Capital funds**. Capital funds include capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva and the finalization of the capital master plan relating to the refurbishment of the New York Headquarters;

(d) **Tax Equalization Fund**. The Tax Equalization Fund was established to equalize the net pay of all staff members, whatever their national tax obligations;

(e) **End-of-service and post-retirement benefits**. Such funds were established to account for end-of-service liabilities in respect of benefits payable to staff separating from service and comprise after-service health insurance, repatriation benefits and unused annual leave;

(f) **Other funds**. These comprise self-insurance funds; special accounts for administrative cost recoveries; common support services; conferences and conventions; special multi-year funds accounting for supplementary development activities; and other funds.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

9. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

10. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2016-2017, the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

11. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.5, the Secretary-General was to transmit these financial statements as at 31 December 2015 to the Board of Auditors by 31 March 2016. These financial statements were exceptionally

transmitted by 31 May 2016. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 19 September 2016.

Measurement basis

12. These financial statements are prepared using the historical-cost convention, except for real estate assets that are recorded at depreciated replacement cost and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

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

14. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

15. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

16. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

17. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

18. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of

employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

International Public Sector Accounting Standards transitional provisions

19. IPSAS 17, Property, plant and equipment, allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The Organization invoked the transitional provision and has not recognized project assets acquired using funds provided to implementing partners and other assets where reliable data is in the process of being collected.

Future accounting pronouncements

20. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continues to be monitored:

(a) Public sector specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector specific financial instruments which are outside the scope of IPSAS 28, Financial instruments: presentation, IPSAS 29, Financial instruments: recognition and measurement, and IPSAS 30, Financial instruments: disclosures;

(b) Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity;

(c) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(d) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(e) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9, Revenue from exchange transactions, IPSAS 11, Construction contracts, and IPSAS 23, Revenue from non-exchange transactions (taxes and transfers);

(f) Employee benefits: the objective of the project is to issue a revised IPSAS 25, Employee benefits, which will converge with the underlying International Accounting Standard, IAS 19, Employee benefits;

(g) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: this project's objective is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints on information.

Future requirements of the International Public Sector Accounting Standards

21. On 30 January 2015, the IPSAS Board published six new standards: IPSAS 33, First-time adoption of accrual basis IPSASs, IPSAS 34, Separate financial statements, IPSAS 35, Consolidated financial statements, IPSAS 36, Investments in associates and joint ventures, IPSAS 37, Joint arrangements, and IPSAS 38, Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. IPSAS 33 has no impact on the Organization, which adopted IPSAS with effect from 1 January 2014 for non-peacekeeping operations before the issue of the standard. The impact of other five standards on the Organization's financial statements for the year ending 31 December 2017 and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6, Consolidated and separate financial statements. The introduction of IPSAS 34 is not expected to affect the United Nations financial statements reported in volume I.
IPSAS 35	IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. Management is assessing the United Nations volume I interests in other reporting entities and arrangements to ensure compliance with the revised definitions.
	The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. The Organization's financial statements for periods beginning on or after 1 January 2017 will include such an assessment.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary; preparation of financial statements for periods beginning on or after 1 January 2017 will include an assessment of such arrangements.
	Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the United Nations as reported in volume I is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method.

Standard	*Anticipated impact in the year of adoption*
	Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, the United Nations volume I interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the United Nations as reported in volume I will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses. The United Nations is working with the other participants in these arrangements in developing its accounting policies under IPSAS 37.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for interest in other entities and has a significant impact on the United Nations volume I financial statements. Planning to implement these disclosures, including disclosures for the comparative period, has commenced in 2016.

Note 3
Significant accounting policies

Financial assets classification

22. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools and United Nations Staff Mutual Insurance Society against Sickness and Accident
Loans and receivables	Cash and cash equivalents and receivables

23. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

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

25. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

26. Loans and receivables are non-derivative 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 are 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.

27. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

28. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

29. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

30. The Organization's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investment.

Cash and cash equivalents

31. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions: contributions receivable

32. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the Organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated

irrecoverable amounts, the allowance for doubtful receivables. Voluntary contributions receivable are subject to an allowance for doubtful receivables on the same basis as other receivables. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables from Member States that are subject to Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly because of arrears equalling or exceeding the amount of the contributions due from them for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment (unpaid assessed contributions by China that were transferred to a special account pursuant to General Assembly resolution 36/116 A, and unpaid assessed contributions of the former Yugoslavia): 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance. Any contested amount outstanding for less than two years will be disclosed in the notes to the financial statements;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established, but disclosures will be made in the notes to the financial statements.

Receivables from exchange transactions: other receivables

33. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables and voluntary contributions receivable are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing accordingly.

Investments accounted for using the equity method

34. The equity method initially records an interest in a jointly controlled entity at cost and is adjusted thereafter for the post-acquisition changes in the Organization's share of net assets. The Organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Other assets

35. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Inventories

36. Inventory balances are recognized as current assets and include the categories set out below:

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

37. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions, i.e. donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services are valued at the lower of cost and current replacement cost.

38. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the Organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

39. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

40. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

41. Heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in the notes thereto.

Property, plant and equipment

42. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $20,000, or $100,000 for leasehold improvements and self-constructed assets. A lower threshold of $5,000 applies to five commodity groups: vehicles; prefabricated buildings; satellite communication systems; generators; and network equipment;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets. With the exception of real estate assets located in the special political missions, any subsequent real estate additions are recognized at historical cost;

(d) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

43. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the components approach. Depreciation begins in the month in which the Organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

44. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

45. The Organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

46. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises when proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance as part of other revenue or other expenses.

47. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $500,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

48. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of the asset. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $20,000 per unit for externally acquired intangible assets.

49. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2-6 years (period of licence/right)
Software acquired externally	3-10 years
Software developed internally	3-10 years
Copyrights	3-10 years
Assets under development	Not amortized

50. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

51. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

52. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are recognized and subsequently measured at their nominal value because they are generally due within 12 months.

Advance receipts and other liabilities

53. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases

The Organization as "lessee"

54. Leases of property, plant and equipment where the Organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the

statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

55. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

The Organization as "lessor"

56. The Organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated right to use

57. Land, buildings, infrastructure assets, machinery and equipment is frequently granted to the Organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying asset is transferred to the Organization.

58. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

59. Where title to land is transferred to the Organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

60. The threshold for the recognition of revenue and expense is a yearly rental value equivalent of $20,000 per unit for donated right-to-use premises and $5,000 per unit for machinery and equipment.

Employee benefits

61. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the Organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

62. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.

Post-employment benefits

63. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

64. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Organization held no plan assets as defined by IPSAS 25, Employee benefits.

65. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

66. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided that they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance

valuation is to consider contributions from all plan participants in determining the Organization's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

67. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.

68. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25, Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

69. The Organization 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 in article 3 (b) of the regulations of the Pension Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that 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 participating organizations. The Organization, along with other participating

organizations, is not in a position to identify its share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, the Organization has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The Organization's contributions to the Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

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

Other long-term employee benefits

71. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of long-term employee benefits.

72. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

Provisions

73. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

74. Uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

75. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization are disclosed as

contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

76. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

Contingent assets

77. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Organization.

Commitments

78. Commitments are future expenses to be incurred by the Organization with respect to open contracts for which the Organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the 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 are not delivered as at end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Assessed contributions

79. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among other things, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States, any uncommitted balance of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods that are due to be surrendered to Member States, and credits in the Tax Equalization Fund not required to meet charges for tax reimbursements. Appropriations for the regular budget are approved and assessed for a two-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Voluntary contributions

80. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time when the agreement becomes binding, which is the point when the Organization is deemed to acquire control of the asset. Where cash is received subject to specific conditions, however, recognition of revenue is deferred until those conditions have been satisfied.

81. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donors are netted against voluntary contributions.

82. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.

83. In-kind contributions of goods above the recognition threshold of $20,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Organization and the fair value of those assets can be measured reliably. For vehicles, prefabricated buildings, satellite communication systems, generators and network equipment, a lower threshold of $5,000 applies. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Organization has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of service above the threshold of $20,000 per discrete contribution in the notes to the financial statements.

Exchange revenue

84. Exchange transactions are those in which the Organization sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and from sales by the United Nations Gift Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Exchange revenue also includes revenue from the rental of premises, the sale of used or surplus property, guided tours and net currency exchange gains.

85. An indirect cost recovery called a “programme support cost” is charged to trust funds as a percentage of direct costs including commitments and other “extrabudgetary” activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 5, Segment

reporting. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

86. Investment revenue includes the Organization's share of net cash pool revenue and other interest revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

87. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

88. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consists of living allowances and post-employment benefits for United Nations Volunteers, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

89. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. For outright grants, an expense is recognized at the point at which the Organization has a binding obligation to pay.

90. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

91. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and foreign exchange losses. Other expenses relate to contributions in kind, hospitality and official functions, donations and transfers of assets.

92. Programmatic activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by the United Nations or executing entities or implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are fully expensed when disbursed. Binding agreements to fund executing entities or

implementing partners, other than outright grants, not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Joint ventures

93. A joint venture is a contractual arrangement whereby the Organization and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 8, Interests in joint ventures, using three methods:

(a) Jointly controlled entities, which the Organization recognizes using the equity method;

(b) Jointly controlled operations, which are accounted for by recognizing the liabilities and expenses incurred by the Organization, the assets that it controls and its share of any revenue earned;

(c) Jointly controlled assets, where the Organization recognizes its share of the assets, any liabilities that it has incurred, its share of joint liabilities, its share of expenses incurred by the joint venture and revenue earned from the sale or use of its share of the output from the joint venture.

94. The Organization has also entered into joint-venture arrangements for jointly financed operations that give the Organization significant influence, that is, the power to participate in financial and operating policy decisions but not control or jointly control those activities. Under IPSAS 8, the interests in those activities are accounted for using the equity method.

Multi-partner trust funds

95. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities.

96. They are assessed to determine the existence of control and whether the Organization is considered to be the principal of the programme or activity. Where control exists and the Organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the Organization’s operations and are therefore reported in full in the financial statements.

97. Where joint control exists but the Organization is not considered to be the principal, the activities are considered jointly controlled operations and accounted for as described above.

Changes in accounting policy

98. In the 2014 IPSAS financial statements, lands donated to the Organization under restricted deeds (i.e. with stipulations to revert) were capitalized in the Organization’s accounts at one dollar nominal value. In 2015, the Organization reassessed these agreements and concluded that they are similar to donated right-to-use arrangements and need to be subject to the same treatment. Title to these lands is conditional upon the Organization remaining in the host countries and using the lands for the intended purposes. The land arrangements require the Organization to

return those lands, without compensation, to donors if it ceases to operate in the host country. The Organization has thus changed this policy to recognize the rental value equivalent of those lands as revenue and expense, as it better reflects the benefits that the Organization extracts from occupying these assets.

Note 4
Prior-period adjustments

99. For the following material prior-period adjustments, where there is an impact relating to 2014, the 2014 comparative figures at the individual line item were restated, as summarized in the table below.

100. The Organization's 2014 statement of financial performance has been restated for the change in accounting policy for land arrangements as disclosed in note 3, which resulted in revenue and corresponding expense recognition equal to the annual rental equivalent of the asset in the Organization's financial statements. The effect of the restatement is an increase of $11.0 million in voluntary contributions revenue and in other operating expenses. There is no impact on the financial position of the Organization as a result of this policy change.

101. For the Vienna International Centre buildings and other property, plant and equipment adjustments, the increase in the carrying amount of property, plant and equipment of $79.1 million relates primarily to recognition of the Vienna International Centre buildings with the carrying amount of $79.9 million. Other adjustments amounting to a reduction of $0.867 million relate to post capitalization of some assets and removal of previous duplication of assets. Recognition of the Vienna International Centre buildings also resulted in $4.0 million voluntary contribution revenue for the year ended 31 December 2014, as well as increases in other current liabilities by $4.0 million and other non-current liabilities by $76.6 million.

102. Reserves held by the Aetna Group life insurance plan were reported as receivables in the amount of $5.4 million in 2014. However, in line with the agreement between the Organization and Aetna, these reserves will not be returned to the Organization upon termination of the policy and are to be reversed. The effect of the reversal is a decrease in other current assets by $5.4 million and a corresponding decrease in accumulated surplus.

103. To conform with the current presentation, incurred but not reported claims have been reclassified from employee benefits liabilities to provisions, based on the level of uncertainty surrounding the timing or amount of the future expenditure required for settlement. The effect of this reclassification is an increase of $80.0 million in current provisions, and an equivalent decrease in current employee benefits liabilities.

104. Self-insurance claims and expenses have been restated to conform with the current presentation, decreasing employee salaries, allowances and benefits by $80.1 million and non-employee compensation and allowances by $62.0 million, and increasing self-insurance claims and expenses by $142.1 million.

(Thousands of United States dollars)

	As reported 31 December 2014	*Prior-period adjustments*	*As restated 31 December 2014*
Statement of financial position extract			
Assets			
Property, plant and equipment	3 243 431	79 079	3 322 510
Other assets (current)	386 076	(5 371)	380 705
Liabilities			
Employee benefits liabilities (current)	271 831	(80 041)	191 790
Provisions (current)	44 438	80 041	124 479
Other liabilities (current)	55 476	3 992	59 468
Other liabilities (non-current)	12 800	75 954	88 754
Net assets			
Accumulated surplus	1 630 779	(6 238)	1 624 541
Statement of financial performance extract			
Revenue			
Voluntary contributions	2 330 608	14 971	2 345 579
Expenses			
Employee salaries, allowances and benefits	2 691 559	(80 138)	2 611 421
Non-employee compensation and allowances	109 762	(62 007)	47 755
Depreciation and amortization	206 613	3 992	210 605
Other operating expenses	728 234	10 979	739 213
Self-insurance claims and expenses	295 195	142 145	437 340
Statement of changes in net assets extract			
Net assets as at 31 December 2014	1 689 895	(6 238)	1 683 657
Statement of cash flows extract			
Depreciation and amortization	206 613	3 992	210 605
(Decrease) in employee benefits liabilities	(140 157)	(80 041)	(220 198)
Increase in provisions	2 043	80 041	82 084
(Decrease)/increase in other liabilities	6 982	(3 992)	2 990

Note 5
Segment reporting

105. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources.

106. In order to present additional segment reporting information for the users of the financial statements, segment reporting based on fund groups has been added in these 2015 financial statements together with 2014 comparative values. This reporting view is intended to provide further detail on how the Organization's activities are managed and financed. This additional segmental presentation is

supplemented by reporting of a statement of financial performance by 11 pillars, consistent with the 2014 financial statements presentation.

107. Segment reporting information by fund group for the statement of financial performance and the statement of financial position is presented through seven segments as follows:

Segment	*Activities in segment*
Regular budget and related funds	Activities relating to regular budget activities, the Working Capital Fund, the Special Account and the revenue producing funds.
Trust Funds	Activities relating to trust funds, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, public information and support services.
Capital assets and construction-in-progress	Capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva and the finalization of the capital master plan relating to the refurbishment of the New York Headquarters.
Common support services	Provision of finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Long-term employee benefits	Activities relating to end-of-service and post-employment benefits comprising after service health insurance coverage, repatriation benefits and commutation of unused annual leave days.
Insurance/workers' compensation	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations.
Other	All other funds, including the United Nations Development Account, the Tax Equalization Fund and conventions.
Eliminations	Comprises inter-fund allocations between various segments that are eliminated upon consolidation of the funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities. In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

108. Segment reporting on the performance by pillar for the period is presented on the basis of 11 pillars as follows:

Segment	*Activities in segment*
Political and peacekeeping affairs	Maintain international peace and security by providing assistance to resolve potentially violent disputes or conflicts peacefully; support efforts in areas of disarmament and non-proliferation; promote the peaceful uses of outer space; and support the maintenance of peace and security through the deployment of peacekeeping operations.
International justice and law	Advise the principal and subsidiary organs of the United Nations and promote among Member States a better understanding of and respect for the principles and norms of international law.
Cooperation and development	Promote and support international and regional cooperation and development in the pursuit of sustained economic growth, the eradication of poverty and hunger, development of trade, gender equality and empowerment of women, and sustainable human settlements in an urbanizing world.
Human rights and humanitarian affairs	Promote and protect the effective enjoyment by all of all human rights by making development equitable, sustainable and responsive to the needs of people and ensure the timely, coherent and coordinated response of the international community to disasters and emergencies and ensure the provision of international protection to refugees.
Public information and communications	Provide global communication about the ideals and work of the United Nations; interact and partner with diverse audiences; and build support for peace, development and human rights for all.
Environmental affairs	Contribute to the well-being of current and future generations and the attainment of global environmental goals, centring on transition to low-carbon, resource-efficient and equitable development based on the protection and sustainable use of ecosystem services, coherent and improved environmental governance and the reduction of environmental risks.
Security and safety	Provide leadership, operational support and oversight of the United Nations security management system.
Crime prevention	Work with Member States to enhance their efforts to combat the intertwined problems of transnational crime, corruption and terrorism by helping to create and strengthen legislative, judicial and health systems to safeguard some of the most vulnerable persons in society.
Common support services	Provide finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.

Segment	*Activities in segment*
Other	Consists of General Assembly and Economic and Social Council affairs and conference management, to ensure effective and efficient decision-making processes of intergovernmental bodies and United Nations conferences. Also includes internal oversight functions encompassing the responsibilities of monitoring, internal audit, joint inspection and evaluation and investigations.
Self-insurance plans and other insurance plans	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations.
	Health and dental self-insurance were established as part of the social security scheme for United Nations staff and retirees and for the coverage of general third-party liabilities.
Unallocated	Relates to Headquarters-related activities that cannot be directly allocated to any specific segment in an identifiable manner.
Eliminations	Comprises inter-fund allocations between various segments that are eliminated upon consolidation of funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities.
	In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

109. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

All funds

Statement of financial position by fund group as at 31 December 2015

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	18 833	252 756	25 451	56 220	11 251	91 706	29 135	–	485 352
Investments	54 022	773 589	78 486	173 368	34 695	241 733	89 847	–	1 445 740
Assessed contributions receivable	389 272	–	34	–	–	–	–	–	389 306
Voluntary contributions receivable	–	384 164	–	60	–	–	74	–	384 298
Other receivables	44 374	9 564	–	25 924	–	15 601	2 330	(537)	97 256
Inventories	17 833	–	–	194	–	–	–	–	18 027
Other assets	69 408	240 879	569	1 418	–	21 949	86	(4 211)	330 098
Total current assets	**593 742**	**1 660 952**	**104 540**	**257 184**	**45 946**	**370 989**	**121 472**	**(4 748)**	**3 150 077**
Non-current assets									
Investments	30 755	518 700	52 663	116 326	23 280	234 982	60 286	–	1 036 992
Voluntary contributions receivable	–	199 403	–	–	–	–	–	–	199 403
Property, plant and equipment	322 678	14 836	2 876 882	1 741	–	–	–	–	3 216 137
Intangible assets	2 557	2 215	118 116	2 633	–	99	–	–	125 620
Share of joint ventures accounted for using the equity method	1 881	–	1 188	–	–	–	–	–	3 069
Total non-current assets	**357 871**	**735 154**	**3 048 849**	**120 700**	**23 280**	**235 081**	**60 286**	**–**	**4 581 221**
Total assets	**951 613**	**2 396 106**	**3 153 389**	**377 884**	**69 226**	**606 070**	**181 758**	**(4 748)**	**7 731 298**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	325 023	84 756	24 587	36 916	1 450	6 790	10 938	(4 748)	485 712
Advance receipts	17 620	63 939	–	1 356	–	3	–	–	82 918
Employee benefits liabilities	23 895	7 811	307	1 548	136 409	30 058	125	–	200 153
Provisions	121 225	181	15 115	–	–	76 428	–	–	212 949

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Tax equalization liability	–	–	–	–	–	–	96 011	–	96 011
Other liabilities	977	113	4 007	28	–	1 743	4 636	–	11 504
Total current liabilities	**488 740**	**156 800**	**44 016**	**39 848**	**137 859**	**115 022**	**111 710**	**(4 748)**	**1 089 247**
Non-current liabilities									
Advance receipts	–	9 696	–	–	–	–	–	–	9 696
Employee benefits liabilities	18 304	575	–	–	3 947 676	13 617	–	–	3 980 172
Provisions	317	–	–	–	–	–	–	–	317
Share of joint ventures accounted for using the equity method	78 363	–	–	–	–	–	–	–	78 363
Other liabilities	1 893	428	72 378	–	–	–	–	–	74 699
Total non-current liabilities	**98 877**	**10 699**	**72 378**	**–**	**3 947 676**	**13 617**	**–**	**–**	**4 143 247**
Total liabilities	**587 617**	**167 499**	**116 394**	**39 848**	**4 085 535**	**128 639**	**111 710**	**(4 748)**	**5 232 494**
Net of total assets and total liabilities	**363 996**	**2 228 607**	**3 036 995**	**338 036**	**(4 016 309)**	**477 431**	**70 048**	**–**	**2 498 804**
Net assets									
Accumulated surplus (deficit)	363 996	2 228 607	3 036 995	338 036	(4 016 309)	418 660	70 048	–	2 440 033
Reserves	–	–	–	–	–	58 771	–	–	58 771
Total net assets	**363 996**	**2 228 607**	**3 036 995**	**338 036**	**(4 016 309)**	**477 431**	**70 048**	**–**	**2 498 804**

Statement of financial position by fund group as at 31 December 2014 (restated)

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	98 630	304 616	3 169	66 184	–	105 313	19 883	–	597 795
Investments	124 063	576 928	5 967	120 569	–	189 396	38 463	–	1 055 386
Assessed contributions receivable	437 752	–	443	–	–	–	–	–	438 195
Voluntary contributions receivable	–	356 246	–	383	–	–	4 808	–	361 437
Other receivables	59 542	37 358	66	13 784	–	6 225	38 850	(17 241)	138 584
Inventories	19 269	–	–	380	–	–	–	–	19 649
Inter-segment balances receivable (payable)	(278 175)	15 923	42 062	75 695	63 320	5 616	53 367	22 192	–
Other assets	32 890	290 666	480	2 817	–	18 614	160	35 078	380 705
Total current assets	**493 971**	**1 581 737**	**52 187**	**279 812**	**63 320**	**325 164**	**155 531**	**40 029**	**2 991 751**
Non-current assets									
Investments	109 451	507 855	5 267	106 431	–	239 670	33 953	–	1 002 627
Voluntary contributions receivable	–	95 367	–	–	–	–	–	–	95 367
Property, plant and equipment	344 750	14 180	2 961 033	2 545	–	–	2	–	3 322 510
Intangible assets	1 596	116	135 817	–	–	–	–	–	137 529
Share of joint ventures accounted for using the equity method	10 805	–	–	–	–	–	–	–	10 805
Other assets	437	6	–	61	–	–	–	–	504
Total non-current assets	**467 039**	**617 524**	**3 102 117**	**109 037**	**–**	**239 670**	**33 955**	**–**	**4 569 342**
Total assets	**961 010**	**2 199 261**	**3 154 304**	**388 849**	**63 320**	**564 834**	**189 486**	**40 029**	**7 561 093**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	276 650	107 901	115 606	28 171	–	5 635	4 938	(10 567)	528 334
Advance receipts	16 342	81 919	–	2 313	–	139	306	–	101 019
Employee benefits liabilities	35 514	7 509	342	1 370	124 326	22 657	72	–	191 790
Provisions	42 422	1 250	24	742	–	80 041	–	–	124 479

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Tax equalization liability	–	–	–	–	–	–	96 252	–	96 252
Other liabilities	4 849	31	3 992	–	–	–	–	50 596	59 468
Total current liabilities	**375 777**	**198 610**	**119 964**	**32 596**	**124 326**	**108 472**	**101 568**	**40 029**	**1 101 342**
Non-current liabilities									
Advance receipts	–	16 492	–	–	–	–	–	–	16 492
Employee benefits liabilities	19 452	59	–	461	4 558 160	16 222	32	–	4 594 386
Provisions	491	–	15 091	–	–	–	–	–	15 582
Share of joint ventures accounted for using the equity method	60 880	–	–	–	–	–	–	–	60 880
Other liabilities	6 255	468	75 954	–	–	–	6 077	–	88 754
Total non-current liabilities	**87 078**	**17 019**	**91 045**	**461**	**4 558 160**	**16 222**	**6 109**	**–**	**4 776 094**
Total liabilities	**462 855**	**215 629**	**211 009**	**33 057**	**4 682 486**	**124 694**	**107 677**	**40 029**	**5 877 436**
Net of total assets and total liabilities	**498 155**	**1 983 632**	**2 943 295**	**355 792**	**(4 619 166)**	**440 140**	**81 809**	**–**	**1 683 657**
Net assets									
Accumulated surplus	498 155	1 983 632	2 943 295	355 792	(4 619 166)	381 024	81 809	–	1 624 541
Reserves	–	–	–	–	–	59 116	–	–	59 116
Total net assets	**498 155**	**1 983 632**	**2 943 295**	**355 792**	**(4 619 166)**	**440 140**	**81 809**	**–**	**1 683 657**

Statement of financial performance by fund group for the period ended 31 December 2015

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	2 811 278	–	–	–	–	–	–	–	2 811 278
Voluntary contributions	39 229	2 030 027	15 938	5 258	–	–	3 426	–	2 093 878
Other transfers and allocations	1	53 795	286 999	28 966	–	165	60 396	(255 527)	174 795
Investment revenue	3 179	8 296	111	1 237	–	2 820	23	(4)	15 662
Contribution to self-insurance	49	–	–	589	–	522 819	–	(166 551)	356 906
Other revenue	50 033	3 558	406	231 934	8 347	6 064	4 739	(132 359)	172 722
Total	**2 903 769**	**2 095 676**	**303 454**	**267 984**	**8 347**	**531 868**	**68 584**	**(554 441)**	**5 625 241**
Expenses									
Employee expenses	1 913 696	370 172	22 352	126 185	213 993	10 024	6 546	(98 020)	2 564 948
Non-employee compensation/allowances	77 772	55 835	–	–	–	1 830	3 954	(75 233)	64 158
Grants and other transfers	290 681	1 137 944	–	16 473	–	2	4 917	(136 660)	1 313 357
Supplies and consumables	27 407	8 151	6 619	6 679	–	3	13	(28)	48 844
Depreciation and amortization	46 602	4 829	154 927	977	–	6	–	–	207 341
Impairment	473	311	280	1	–	–	–	–	1 065
Travel	46 327	55 831		2 798	–	14	3 514	(1 668)	106 816
Other operating expenses	529 211	217 317	36 728	121 520	10	21 099	61 408	(240 601)	746 692
Self-insurance expenses	167	15	–	–	1 561	461 175	–	(1 243)	461 675
Finance costs	184	–	–	–	–	–	–	–	184
Equity basis	95 450	–	444	3	–	–	–	–	95 897
Other expenses	2 255	392	–	504	–	–	–	(988)	2 163
Total	**3 030 225**	**1 850 797**	**221 350**	**275 140**	**215 564**	**494 153**	**80 352**	**(554 441)**	**5 613 140**
Surplus/(deficit) for the year	**(126 456)**	**244 879**	**82 104**	**(7 156)**	**(207 217)**	**37 715**	**(11 768)**	**–**	**12 101**

Statement of financial performance by fund groups for the period ended 31 December 2014 (restated)

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	2 861 069	–	–	–	–	–	–	–	2 861 069
Voluntary contributions	36 380	2 274 801	19 540	8 465	–	–	6 393	–	2 345 579
Other transfers and allocations	–	111 135	60 523	7 909	–	–	84 309	(157 419)	106 457
Investment revenue	3 228	7 785	669	1 609	–	6 255	44	–	19 590
Contribution to self-insurance	–	–	–	561	–	513 462	–	(144 413)	369 610
Other revenue	54 777	16 548	705	225 112	9 456	–	2 443	(174 243)	134 798
Total	**2 955 454**	**2 410 269**	**81 437**	**243 656**	**9 456**	**519 717**	**93 189**	**(476 075)**	**5 837 103**
Expenses									
Employee expenses	1 976 942	379 592	25 458	132 438	174 007	10 684	3 922	(91 622)	2 611 421
Non-employee compensation/allowances	63 148	41 398	128	2 302	–	–	2 786	(62 007)	47 755
Grants and other transfers	187 292	1 718 566	–	4 707	–	–	5 931	(93 828)	1 822 668
Supplies and consumables	46 134	14 799	570	5 526	–	7	14	–	67 050
Depreciation and amortization	44 228	5 457	159 798	1 119	–	–	3	–	210 605
Impairment	377	–	29 127	–	–	–	–	–	29 504
Travel	66 596	61 897	839	3 775	–	8	1 628	(1 463)	133 280
Other operating expenses	432 970	249 682	92 720	87 996	–	39 511	61 894	(225 560)	739 213
Self-insurance expenses	–	–	–	–	1 596	437 339	–	(1 595)	437 340
Finance costs	243	–	–	–	–	–	–	–	243
Equity basis	78 734	51	–	–	–	–	–	–	78 785
Other expenses	6 445	378	4	588	–	–	–	–	7 415
Total	**2 903 109**	**2 471 820**	**308 644**	**238 451**	**175 603**	**487 549**	**76 178**	**(476 075)**	**6 185 279**
Surplus/(deficit) for the year	**52 345**	**(61 551)**	**(227 207)**	**5 205**	**(166 147)**	**32 168**	**17 011**	**–**	**(348 176)**

Statement of financial performance by pillar for the period ended 31 December 2015

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Public information and communications*	*Environmental affairs*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Unallocated*	*Eliminations*	*Total*
Revenue														
Assessed contributions	724 386	32 078	550 546	235 858	103 092	20 924	132 464	682	1 011 248	–	–	–	–	2 811 278
Voluntary contributions	189 640	2 438	185 930	1 612 426	8 627	7 795	3 444	662	24 967	57 949	–	–	–	2 093 878
Other transfers and allocations	6 050	–	34 287	12 062	–	635	–	–	376 362	761	165	–	(255 527)	174 795
Investment revenue	2 053	57	2 976	4 385	31	39	1	488	2 584	204	2 763	85	(4)	15 662
Contribution to self-insurance	4	–	3	1	1	–	1	–	593	–	522 819	35	(166 551)	356 906
Other revenue	8 652	375	5 679	6 202	2 074	182	1 387	5	266 027	87	14 411	–	(132 359)	172 722
Total	**930 785**	**34 948**	**779 421**	**1 870 934**	**113 825**	**29 575**	**137 297**	**1 837**	**1 681 781**	**59 001**	**540 158**	**120**	**(554 441)**	**5 625 241**
Expenses														
Employee expenses	527 820	26 699	487 613	378 042	92 413	3 239	107 878	3 289	802 108	7 143	224 017	2 707	(98 020)	2 564 948
Non-employee compensation/allowances	36 236	3 179	53 865	21 785	384	805	247	982	18 960	1 117	1 831	–	(75 233)	64 158
Grants and other transfers	102 176	1 047	94 073	1 033 104	2 308	21 948	–	–	147 579	47 929	2	–	(136 809)	1 313 357
Supplies and consumables	33 183	–	3 588	1 066	439	6	955	–	8 796	106	3	730	(28)	48 844
Depreciation and amortization	27 195	71	3 675	5 624	123	–	201	–	170 436	10	6	–	–	207 341
Impairment	310	–	–	488	–	–	–	–	267	–	–	–	–	1 065
Travel	21 280	996	34 802	38 411	579	284	719	894	8 971	1 017	14	517	(1 668)	106 816
Other operating expenses	183 883	5 160	92 040	182 216	15 455	2 493	7 722	2 315	468 062	6 838	21 109	–	(240 601)	746 692
Self-insurance expenses	–	–	48	–	–	–	–	–	119	15	462 736	–	(1 243)	461 675
Finance costs	–	–	–	–	–	–	–	–	184	–	–	–	–	184
Equity basis	–	–	18 647	–	–	–	34 919	–	42 331	–	–	–	–	95 897
Other expenses	466	175	723	108	53	–	122	–	936	59	–	510	(989)	2 163
Total	**932 549**	**37 327**	**789 074**	**1 660 844**	**111 754**	**28 775**	**152 763**	**7 480**	**1 668 749**	**64 234**	**709 718**	**4 464**	**(554 591)**	**5 613 140**
Surplus/(deficit) for the year	**(1 764)**	**(2 379)**	**(9 653)**	**210 090**	**2 071**	**800**	**(15 466)**	**(5 643)**	**13 032**	**(5 233)**	**(169 560)**	**(4 344)**	**150**	**12 101**

Statement of financial performance by pillar for the period ended 31 December 2014 (restated)

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Public information and communications*	*Environmental affairs*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Unallocated*	*Eliminations*	*Total*
Revenue														
Assessed contributions	785 473	54 701	610 416	207 366	105 077	–	138 727	–	959 309	–	–	–	–	2 861 069
Voluntary contributions	156 422	4 569	218 534	1 739 588	3 508	3 777	6 392	105 499	32 488	74 802	–	–	–	2 345 579
Other transfers and allocations	4 296	724	42 017	90 228	59	1 001	–	–	124 343	1 357	–	–	(157 568)	106 457
Investment revenue	1 923	62	1 372	3 896	40	37	–	252	3 512	253	6 255	1 988	–	19 590
Contribution to self-insurance	–	–	–	–	–	–	–	–	561	–	513 462	–	(144 413)	369 610
Other revenue	7 851	2	3 535	3 263	938	–	–	20	220 425	22 714	8 050	18 782	(150 782)	134 798
Total	**955 965**	**60 058**	**875 874**	**2 044 341**	**109 622**	**4 815**	**145 119**	**105 771**	**1 340 638**	**99 126**	**527 767**	**20 770**	**(452 763)**	**5 837 103**
Expenses														
Employee expenses	524 773	49 236	514 818	366 441	94 878	2 391	111 893	1 798	844 401	6 871	183 285	852	(90 216)	2 611 421
Non-employee compensation/allowances	28 562	540	38 264	12 860	2 401	114	404	667	25 467	483	–	–	(62 007)	47 755
Grants and other transfers	86 133	150	98 181	1 621 563	154	292	–	1 539	40 634	55 342	–	–	(81 320)	1 822 668
Supplies and consumables	42 407	372	4 541	5 067	314	11	1 165	–	12 513	414	7	239	–	67 050
Depreciation and amortization	30 553	–	224	5 364	87	–	148	–	162 745	343	–	11 141	–	210 605
Impairment	359	–	–	–	–	–	–	–	29 145	–	–	–	–	29 504
Travel	34 087	2 894	27 114	49 520	1 317	492	2 580	846	12 957	2 928	8	–	(1 463)	133 280
Other operating expenses	194 774	6 373	118 754	176 004	8 725	1 857	4 929	1 597	374 296	28 407	39 509	–	(216 012)	739 213
Self-insurance expenses	–	–	–	–	–	–	–	–	–	–	438 935	–	(1 595)	437 340
Finance costs	–	–	–	–	–	–	–	–	–	–	–	243	–	243
Equity basis	183	–	14 396	29	538	–	29 821	–	33 818	–	–	–	–	78 785
Other expenses	5 307	17	272	160	57	–	124	–	1 356	122	–	–	–	7 415
Total	**947 138**	**59 582**	**816 564**	**2 237 008**	**108 471**	**5 157**	**151 064**	**6 447**	**1 537 332**	**94 910**	**661 744**	**12 475**	**(452 613)**	**6 185 279**
Surplus/(deficit) for the year	**8 827**	**476**	**59 310**	**(192 667)**	**1 151**	**(342)**	**(5 945)**	**99 324**	**(196 694)**	**4 216**	**(133 977)**	**8 295**	**(150)**	**(348 176)**

Note 6
Comparison to budget

110. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

111. Approved budgets are those that permit expenses to be incurred and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized by Assembly resolutions.

112. The original budget for the biennium 2014-2015 is the budget approved by the General Assembly for the biennium on 27 December 2013 in resolution 68/248 A to C. The final budget represents final amounts authorized for the biennium 2014-2015, after incorporating all changes arising from General Assembly resolutions 68/247 A and B, 69/263 A to C, 69/274 A and B and 70/240 A and B, and also incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. The original 2015 annual budget represents the 2015 revised appropriations, plus the unencumbered balance of 2014. The final 2015 annual budget represents the original budget for 2015 and incorporates authorized final amounts and changes for the biennium 2014-2015. Actual amounts are all obligations, including disbursements, incurred in the period.

113. Explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual expenditure on a modified cash basis, which are deemed to be those greater than 10 per cent, are considered below.

Budget part	*Material differences greater than 10 per cent*
Human rights and humanitarian affairs	For 2015, the difference between the original and final budget primarily relates to the appropriation of requirements totalling \$90.7 million for the Office of the Special Envoy of the Secretary-General on Ebola and the United Nations Mission for Ebola Emergency Response pursuant to General Assembly resolution 69/274 B and increased requirements totalling \$11.9 million in support of the resolutions and decisions adopted by the Human Rights Council at its twenty-fifth to twenty-seventh sessions and its twenty-first and twenty-second special sessions, approved by the General Assembly in section VIII of resolution 69/262. The difference between the final budget and actual expenditure (budget basis) has a non-material variance.
Capital master plan	For 2015, the final budget was \$31.6 million higher than the original budget to fund the continuing work of the project. The capital master plan is further considered in the annual progress reports to the General Assembly (most recently, A/70/343).

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

114. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is reflected below.

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2015
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis (statement V)	**2 889 688**	–	**2 889 688**
Basis differences	(192 950)	(113 568)	**(306 518)**
Entity differences	3 338 685	–	**3 338 685**
Presentation differences	(5 625 241)	(408 741)	**(6 033 982)**
Actual amounts in statement of cash flows (statement IV)	**410 182**	**(522 309)**	**(112 127)**

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2014 (restated)
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis	**2 940 552**	–	**2 940 552**
Basis differences	(96 226)	(187 299)	**(283 525)**
Entity differences	3 011 967	–	**3 011 967**
Presentation differences	(5 837 103)	452 488	**(5 384 615)**
Actual amounts in statement of cash flows (statement IV)	**19 190**	**265 189**	**284 379**

115. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated obligations, which are commitments against the budget but do not represent a cash flow, must be eliminated. Similarly, IPSAS-specific differences, such as investing cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect operating cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows.

116. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting revenue and the net changes in cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities.

117. Entity differences arise when the actual amounts on the budget basis omit programmes or fund groups that are part of the Organization, as reported in the statement of cash flows, or vice versa. Those differences represent cash flows to or from fund groups other than the regular budget and the capital master plan funds that are reported in the financial statements. The financial statements include results for all the Organization's fund groups.

118. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences as the budget reflects the 2015 proportion of the biennium.

119. The table below presents the difference between biennial budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis. The original budget for the biennium 2014-2015 is the appropriations approved by the General Assembly for the biennium in resolution 68/248 A. The final budget represents final amounts authorized for the biennium 2014-2015, after incorporating all changes arising from General Assembly resolutions 68/247 A and B, 69/263 A to C, 69/274 A and B and 70/240 A and B, and also incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Biennial budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Publicly available budget		*Actual biennial expenditure (budget basis)*[a]	*Difference (percentage)*[b]
	Original biennial	*Final biennial*		
Regular budget				
Overall policymaking, direction and coordination	790 612	778 215	770 936	-0.9
Political affairs	1 344 302	1 436 565	1 369 675	-4.7
International justice and law	100 154	99 344	97 148	-2.2
International cooperation for development	496 111	489 600	477 815	-2.4
Regional cooperation for development	572 414	570 882	557 031	-2.4
Human rights and humanitarian affairs	353 091	466 897	461 934	-1.1
Public information	188 444	189 545	186 312	-1.7
Common support services	657 782	682 415	677 125	-0.8
Internal oversight	40 552	41 038	39 780	-3.1
Jointly financed administrative activities and special expenses	155 018	153 220	153 220	0.0
Capital expenditures	75 269	111 483	110 978	-0.5
Security and safety	241 370	251 597	250 951	-0.3
Development Account	28 399	28 399	28 399	0.0
Staff assessment	486 832	509 365	507 231	-0.4
Subtotal, regular budget	**5 530 350**	**5 808 565**	**5 688 535**	**-2.1**

	Publicly available budget		*Actual biennial expenditure (budget basis)*[a]	*Difference (percentage)*[b]
	Original biennial	*Final biennial*		
Other publicly available budgets				
Capital master plan		Not applicable		
Total	**5 530 350**	**5 808 565**	**5 688 535**	**-2.1**

[a] Includes outstanding commitments of $164.9 million.
[b] Actual expenditure (budget basis) less final budget.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Main pool (notes 30 and 31)[a]	461 396	533 605
Euro pool (notes 30 and 31)	7 276	3 872
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	10 876	14 059
Other cash and cash equivalents	5 804	46 259
Total	**485 352**	**597 795**

[a] Includes non-convertible Syrian pounds equivalent to $0.047 million (2014: $0.101 million).

120. Cash and cash equivalents include trust fund moneys totalling $252.7 million (2014: $304.6 million) held for the specific purposes of the respective trust funds. Similarly, an amount of $103.0 million (2014: $105.3 million) relates to insurance funds relating primarily to restricted moneys held for health and dental self-insurance plans (see note 28).

Note 8
Investments

(Thousands of United States dollars)

	Trust fund investments	*Amount relating to insurance funds*	*Other investments*	*Total 31 December 2015*
Current				
Main pool (notes 30 and 31)	773 044	228 385	421 408	1 422 837
Euro pool (notes 30 and 31)	546	1 894	–	2 440
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	12 277	–	12 277
Derivative instruments: currency forward contracts	–	–	8 186	8 186
Subtotal	**773 590**	**242 556**	**429 594**	**1 445 740**

	Trust fund investments	*Amount relating to insurance funds*	*Other investments*	*Total 31 December 2015*
Non-current				
Main pool (notes 30 and 31)	518 700	153 243	282 758	954 701
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	82 291	–	82 291
Subtotal	**518 700**	**235 534**	**282 758**	**1 036 992**
Total	**1 292 290**	**478 090**	**712 352**	**2 482 732**

(Thousands of United States dollars)

	Trust fund investments	*Amount relating to insurance funds*	*Other investments*	*Total 31 December 2014*
Current				
Main pool (notes 30 and 31)	286 783	170 233	577 596	1 034 612
Euro pool (notes 30 and 31)	1 611	6 092	–	7 703
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	13 071	–	13 071
Subtotal	**288 394**	**189 396**	**577 596**	**1 055 386**
Non-current				
Main pool (notes 30 and 31)	253 154	150 241	509 833	913 228
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	89 399	–	89 399
Subtotal	**253 154**	**239 640**	**509 833**	**1 002 627**
Total	**541 548**	**429 036**	**1 087 429**	**2 058 013**

121. The principal of three trust funds (Trust Fund for Public Awareness on Disarmament Issues, United Nations Library Endowment Fund and Sasakawa-UNDRO Disaster Prevention Award Endowment Fund), amounting to $4.2 million (2014: $4.2 million), remains restricted because it has been set aside and is unavailable for use in the operations of those trust funds. The amounts are invested to generate investment revenue that is used in the operations of the trust funds. The principal portion of the investment must be kept separately until further advised by the donor.

Note 9
Assessed contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Member States	593 464	641 388
Allowance for doubtful assessed contributions receivable	(204 158)	(203 193)
Total assessed contributions receivable	**389 306**	**438 195**

Note 10
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2015
Voluntary contributions	388 885	199 403	588 288
Voluntary contributions in kind	187	–	187
Allowance for doubtful voluntary contributions receivable	(4 774)	–	(4 774)
Total voluntary contributions receivable	**384 298**	**199 403**	**583 701**

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2014
Voluntary contributions	363 216	95 367	458 583
Allowance for doubtful voluntary contributions receivable	(1 779)	–	(1 779)
Total voluntary contributions receivable	**361 437**	**95 367**	**456 804**

Note 11
Other accounts receivable: receivables from exchange transactions and loans

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Other accounts receivable	103 183	117 453
Loans receivable — loans provided by the Central Emergency Response Fund	–	27 000
Loans receivable — loans to peacekeeping operations (note 32)	47 300	47 300
Subtotal	**150 483**	**191 753**

	31 December 2015	*31 December 2014*
Allowance for doubtful loans receivable (note 32)	(47 300)	(47 300)
Allowance for doubtful other receivables	(5 927)	(5 869)
Total other receivables — current (note 30)	**97 256**	**138 584**

Loans provided by the Central Emergency Response Fund

122. The General Assembly decided in its resolution 60/124 to upgrade the former Central Emergency Revolving Fund, which provided loans only, to the current Central Emergency Response Fund, incorporating a grant element. A $27.0 million outstanding loan to the World Food Programme as at 31 December 2014 was repaid in full in 2015. There were no loans outstanding as at 31 December 2015.

Note 12
Inventories

(Thousands of United States dollars)

Inventory reconciliation	*Held for sale*	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory 1 January 2014	**1 780**	**246**	**694**	**18 194**	**20 914**
Purchased in period	5 374	24	1 054	8 933	15 385
Total inventory available	**7 154**	**270**	**1 748**	**27 127**	**36 299**
Consumption	(5 593)	(119)	(172)	(9 914)	(15 798)
Impairment and write-offs	(3)	(1)	(54)	(794)	(852)
Total inventory as at 31 December 2014	**1 558**	**150**	**1 522**	**16 419**	**19 649**
Purchased in period	1 462	772	155	15 096	17 485
Total inventory available	**3 020**	**922**	**1 677**	**31 515**	**37 134**
Consumption	(1 136)	(835)	(219)	(13 790)	(15 980)
Impairment and write-offs	(151)	–	(1 179)	(1 797)	(3 127)
Total inventory as at 31 December 2015	**1 733**	**87**	**279**	**15 928**	**18 027**

Note 13
Other assets

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*
Receivable from other Secretariat reporting entities	6 286	–	6 286
Advances to vendors	25 787	–	25 787
Advances to staff	34 590	–	34 590
United Nations Development Programme Multi-Partner Trust Fund advances (note 23)	232 143	–	232 143
Other	31 292	–	31 292
Total other assets	**330 098**	**–**	**330 098**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014 (restated)*[a]
Receivable from other Secretariat reporting entities	28 404	–	28 404
Advances to vendors	18 012	–	18 012
Advances to staff	31 808	–	31 808
United Nations Development Programme Multi-Partner Trust Fund advances (note 23)	252 061	–	252 061
Other	50 420	504	50 924
Total other assets	**380 705**	**504**	**381 209**

[a] Restated to exclude from the United Nations financial statements life insurance reserves held by Aetna Life Insurance in the amount of $5.4 million for premium waivers, life insurance reserves and accidental death and dismemberment, since these reserves cannot be returned to the United Nations under any circumstances.

Note 14
Heritage assets

123. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The Organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. There were no significant additions of heritage assets during 2015.

124. Heritage assets are not held to generate any future economic benefits or service potential; accordingly, the Organization elected not to recognize them in the statement of financial position. Significant heritage assets owned by the Organization comprise works of art, statues, monuments, historical buildings and books and maps.

Note 15
Property, plant and equipment

125. In accordance with IPSAS 17, the IPSAS implementation opening balances for real estate assets (buildings and infrastructure) were initially recognized at depreciated replacement cost, while machinery and equipment, vehicles, furniture and fittings and communication and information technology equipment were valued using historical cost. Subsequently, all valuations of property, plant and equipment were measured using historical cost, with the exception of real estate assets in the special political missions where the valuation continues to be on the basis of the depreciated replacement cost because of the need to use the Galileo application to track costs relating to construction projects.

126. During the year, the Organization disposed of assets with a total cost of $231.4 million (net book value of $25.7 million) comprising mainly $197.8 million (net book value of $19.8 million) relating to buildings. The demolition of the Temporary North Lawn Building with a total cost of $188.5 million (book value of $13.5 million) accounts for the major portion (81 per cent) of the total disposals in the reporting period. Building assets costing $5.9 million with a net book value of $5.4 million in UNAMA were also disposed of owing to the abandonment of compound B in Afghanistan, as requested by the Government. Machinery and equipment, vehicles, furniture and fixtures and communications and information technology equipment with a total cost and net book value of $32.7 million and $5.7 million respectively were disposed of by the special political missions during the year.

127. In the reporting year, there was no significant impairment in the entire portfolio of assets other than a few vehicles in the special political missions amounting to $0.321 million on account of accidents. An impairment review of buildings and infrastructure was conducted and no further impairment was identified as the buildings and infrastructures were still in good condition and in use. There were no known government policies, laws or statutes that would have an impact on the functioning of the buildings.

Assets under construction

128. The opening balance for assets under construction was $7.1 million (2014: $66.6 million) relating primarily to $1.3 million for renovations at ECA and $4.7 million for the planning phase of the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva. The strategic heritage plan has a total projected cost of SwF 836.5 million ($844.1 million) as finally adopted by the General Assembly in its resolution 70/248 A. The 2014 and 2015 expenditures were incurred based on Assembly resolution 68/247 A, section V. The project is expected to last from 2017 to 2023.

129. During the year, additions of $62.4 million (2014: $139.8 million) were capitalized, relating primarily to the refurbishment and renovation of the Palais des Nations under the strategic heritage plan ($30.5 million), the finalization of the General Assembly building refurbishment and security screening buildings in New York ($23.4 million) in accordance with the capital master plan, construction in the special political missions ($3.1 million), infrastructure asset construction in ECA

($1.9 million) and leasehold improvements ($1.2 million) for the Economic and Social Commission for Western Asia (ESCWA) building in Beirut.

130. Assets under construction totalling $29.1 million (2014: $199.3 million) were completed and became operational, including additional renovation works on the General Assembly building ($14.6 million), the South and North Screening Buildings and infrastructure installation ($8.9 million) and infrastructure assets in ECA ($2.5 million).

131. Assets under construction at year end amounting to $40.4 million related primarily to $35.2 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan, $1.4 million for the construction of infrastructure assets in special political missions and leasehold improvements of $1.3 million for the ESCWA building in Beirut.

Leasehold improvements

132. Pursuant to paragraph 1 (c) of General Assembly resolution 66/249 relating to unforeseen and extraordinary expenses for security measures, the Secretary-General initiated a comprehensive blast assessment of the United Nations House in the ESCWA compound in Beirut, for which $5.7 million was appropriated by the Assembly. Structural remediation work started in 2014. A total amount of $1.3 million had been incurred as at 31 December 2015 and was accounted for as leasehold improvements.

Temporary North Lawn Building

133. The Temporary North Lawn Building in New York was constructed in 2009 to accommodate the requirements for conference rooms and offices for staff on a temporary basis until the renovation of the Headquarters buildings had been completed, as set out in the capital master plan project. With the capital master plan now completed and the Headquarters buildings now being fully functional, the General Assembly, in its resolution 70/239, requested the Secretary-General to ensure that the demolition of the Temporary North Lawn Building be completed without delay. The building, with a cost of $188.5 million and a net book value of $13.5 million, was accordingly derecognized from the books. The physical demolition had started by the end of 2015 and is well under way, with completion expected in 2016.

Vienna International Centre

134. The Vienna International Centre comprises a group of buildings on land situated at the edge of the Donaupark in the Donaustadt district of Vienna (22nd district). In 1979, the United Nations Office at Vienna, the International Atomic Energy Agency and the United Nations Industrial Development Organization, subsequently joined by the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, collectively known as the Vienna-based organizations, entered into a 99-year real estate arrangement with the Government of Austria giving those four United Nations system entities the right to use the Vienna International Centre premises for a nominal rent of 1 Austrian Schilling per year.

135. In line with IPSAS 13, the arrangements for the Vienna International Centre have been determined to be similar to a finance lease and hence capitalized in accordance with IPSAS 17, commencing 1 January 2015. The last valuation was done by PricewaterhouseCoopers on 1 January 2015 and resulted in a depreciated replacement cost of €489.2 million ($596.6 million) for the buildings and a net book value of €288.0 million ($351.2 million). Based on the Building Management Services in Vienna cost-sharing ratio, the United Nations has recognized its 22.76 per cent share of the cost of $135.8 million and $79.9 million net book value of the Vienna International Centre buildings as property, plant and equipment as at 1 January 2015. In line with IPSAS 3 and in order to achieve comparability, the 2014 financial statements have been restated for the Vienna International Centre building transactions.

136. In accordance with IPSAS 13, the land arrangement is considered to be an operating lease. Consequently, the Organization's share of the fair rental value of the land is expensed in the accounts with an equal amount recognized as non-exchange revenue and booked as a contribution in kind.

137. The Organization also took transitional provisions up to 31 December 2014 for leasehold improvements and all such amounts were expensed as incurred. In 2015, the share of leasehold improvements made to the Vienna International Centre buildings amounting to $0.856 million was capitalized.

Property, plant and equipment: 2015

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements*	***Total***
Cost as at 31 December 2014	**835 698**	**3 900 500**	**267 270**	**159 477**	**156 794**	**46 858**	**4 517**	**7 090**	**128**	**5 378 332**
Additions	–	4 409	–	10 248	14 415	5 941	485	62 373	211	**98 082**
Disposals	–	(197 839)	(787)	(17 513)	(12 980)	(1 461)	(780)	–	–	**(231 360)**
Completed assets under construction	–	15 909	12 632	–	–	–	–	(29 066)	525	–
Transfers	–	–	(156)	7 225	1 355	–	–	–	156	**8 580**
Cost as at 31 December 2015	**835 698**	**3 722 979**	**278 959**	**159 437**	**159 584**	**51 338**	**4 222**	**40 397**	**1 020**	**5 253 634**
Accumulated depreciation as at 31 December 2014	**–**	**1 730 034**	**112 174**	**85 395**	**97 555**	**28 141**	**2 517**	**–**	**6**	**2 055 822**
Depreciation	–	125 542	15 944	15 109	18 657	4 738	447	–	95	**180 532**
Disposals	–	(178 030)	(531)	(15 407)	(10 018)	(1 338)	(303)	–	–	**(205 627)**
Transfers	–	–	–	5 495	195	15	–	–	–	**5 705**
Impairment losses	–	255	28	383	136	263	–	–	–	**1 065**
Accumulated depreciation as at 31 December 2015	**–**	**1 677 801**	**127 615**	**90 975**	**106 525**	**31 819**	**2 661**	**–**	**101**	**2 037 497**
Net carrying amount										
31 December 2014	835 698	2 170 466	155 096	74 082	59 239	18 717	2 000	7 090	122	3 322 510
31 December 2015	**835 698**	**2 045 178**	**151 344**	**68 462**	**53 059**	**19 519**	**1 561**	**40 397**	**919**	**3 216 137**

Property, plant and equipment: 2014 (restated[a])

(Thousands of United States dollars)

	Land	*Buildings[b]*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment[b]*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements[b]*	***Total***
Cost as at 1 January 2014	**835 698**	**3 722 356**	**246 017**	**160 815**	**157 469**	**47 428**	**3 777**	**66 582**	**128**	**5 240 270**
Additions	–	2 462	145	10 868	11 462	2 354	1 056	139 799	–	**168 146**
Disposals[c]	–	(1 732)	(769)	(12 206)	(12 137)	(2 924)	(316)	–	–	**(30 084)**
Completed assets under construction	–	177 414	21 877	–	–	–	–	(199 291)	–	–
Cost as at 31 December 2014	**835 698**	**3 900 500**	**267 270**	**159 477**	**156 794**	**46 858**	**4 517**	**7 090**	**128**	**5 378 332**
Accumulated depreciation as at 1 January 2014	**–**	**1 566 235**	**96 779**	**71 412**	**89 762**	**25 380**	**2 470**	**–**	**–**	**1 852 038**
Depreciation	–	136 104	15 639	14 803	18 171	4 480	363	–	6	**189 566**
Disposals[c]	–	(1 160)	(244)	(1 298)	(10 532)	(1 736)	(316)	–	–	**(15 286)**
Impairment losses[d]	–	28 855	–	478	154	17	–	–	–	**29 504**
Accumulated depreciation as at 31 December 2014	**–**	**1 730 034**	**112 174**	**85 395**	**97 555**	**28 141**	**2 517**	**–**	**6**	**2 055 822**
Net carrying amount										
1 January 2014	835 698	2 156 121	149 238	89 403	67 707	22 048	1 307	66 582	128	**3 388 232**
31 December 2014	**835 698**	**2 170 466**	**155 096**	**74 082**	**59 239**	**18 717**	**2 000**	**7 090**	**122**	**3 322 510**

Comparative figures have been reclassified to conform with the current presentation, as follows:

[a] Restated to include the Vienna International Centre buildings with a cost of $135.8 million and a book value of $79.9 million. In addition, 2014 opening balances were adjusted by a reduction of $0.867 million relating to post-capitalization of assets and removal of asset duplications.

[b] Leasehold improvements costing $0.128 million ($0.006 million depreciation) which were included in the buildings asset class have been separately recoded in the leasehold improvements asset class; and the prefabricated modular data centre costing $0.126 million ($0.069 million depreciation) has been transferred from buildings to communications and information technology equipment.

[c] Plant and equipment items with a carrying value of $11.9 million that were transferred from special political missions to peacekeeping operations are shown as disposals.

[d] In order to align the presentation closer to IPSAS requirements, accumulated impairment that was previously included in historical cost of 2014 property, plant and equipment has been reclassified as accumulated depreciation.

Note 16
Intangible assets

138. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to IPSAS transitional provisions and were not recognized. Umoja is a global, complex, high-value project that serves to modernize a wide range of business processes and systems that are essential to the efficient and effective functioning of the Organization. The solution spans most of the Organization's administrative and support functions, including finance and budget, supply chain and procurement, human resources, central support services, and programme and project management.

139. The total carrying value of the Umoja project as at year end was $112.9 million (2014: $104.7 million). Umoja-related development costs are capitalized as assets under development until the relevant phase becomes operational, at which time the completed asset under development is transferred to operational intangible assets. Development costs amounting to $0.030 million (2014: $0.070 million) on projects other than Umoja were expensed as they were below the capitalization threshold.

Intangible assets: 2015

(Thousands of United States dollars)

	Umoja	*Other software developed internally*	*Software acquired externally*	*Licences and rights*	*Assets under development*		***Total***
					Umoja	*Other*	
Cost as at 31 December 2014	**136 823**	**1 087**	**322**	**126**	**31 075**	**270**	**169 703**
Additions	–	4 169	243	–	8 496	1 992	**14 900**
Completed assets under development	34 306	196	–	–	(34 306)	(196)	–
Cost as at 31 December 2015	**171 129**	**5 452**	**565**	**126**	**5 265**	**2 066**	**184 603**
Accumulated amortization as at 31 December 2014	**32 081**	**60**	**24**	**9**	**–**	**–**	**32 174**
Amortization	26 196	532	59	22	–	–	**26 809**
Accumulated amortization as at 31 December 2015	**58 277**	**592**	**83**	**31**	**–**	**–**	**58 983**
Net carrying amount							
31 December 2014	104 742	1 027	298	117	31 075	270	**137 529**
31 December 2015	**112 852**	**4 860**	**482**	**95**	**5 265**	**2 066**	**125 620**

Intangible assets: 2014

(Thousands of United States dollars)

	Umoja	*Other software developed internally*	*Software acquired externally*	*Licences and rights*	*Assets under development*		***Total***
					Umoja	*Other*	
Cost as at 1 January 2014	**114 532**	**–**	**–**	**–**	**33 096**	**–**	**147 628**
Additions	–	1 087	322	126	20 270	270	**22 075**
Completed assets under development	22 291	–	–	–	(22 291)	–	–
Cost as at 31 December 2014	**136 823**	**1 087**	**322**	**126**	**31 075**	**270**	**169 703**
Accumulated amortization as at 1 January 2014	**11 135**	**–**	**–**	**–**	**–**	**–**	**11 135**
Amortization	20 946	60	24	9	–	–	**21 039**
Accumulated amortization as at 31 December 2014	**32 081**	**60**	**24**	**9**	**–**	**–**	**32 174**
Net carrying amount							
1 January 2014	103 397	–	–	–	33 096	–	**136 493**
31 December 2014	**104 742**	**1 027**	**298**	**117**	**31 075**	**270**	**137 529**

Note 17
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*[a]
Accounts payable	109 153	104 837
Accruals for goods and services	134 056	154 493
Transfers payable	58 929	17 497
Retained payables	517	36 892
Other	23 694	6 416
Subtotal	**326 349**	**320 135**
Payable to Member States	9 363	58 199
Working Capital Fund payable to Member States	150 000	150 000
Subtotal	**159 363**	**208 199**
Total accounts payable and accrued liabilities	**485 712**	**528 334**

[a] Regrouped to conform with the current presentation.

Working Capital Fund

140. Balances payable to Member States include the $150.0 million (2014: $150.0 million) Working Capital Fund liability. The Fund was established pursuant to General Assembly resolution 80 (I) in 1946. Under current financial regulations, the payables in the Fund represent advances from Member States made in accordance with the scale of assessments as determined by the Assembly for the apportionment of the expenses of the United Nations. In accordance with Assembly resolution 60/283, the level of the Fund was increased to $150.0 million with effect from 1 January 2007. Advances may be made from the Fund to finance budgetary appropriations or unforeseen and extraordinary expenses or for other purposes as authorized by the Assembly.

Note 18
Advance receipts

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*
Liabilities for conditional arrangements	59 654	9 696	69 350
Deferred revenue	23 264	–	23 264
Total advance receipts	**82 918**	**9 696**	**92 614**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014*
Liabilities for conditional arrangements	71 318	16 492	87 810
Deferred revenue	6 881	–	6 881
Other advance receipts	22 820	–	22 820
Total advance receipts	**101 019**	**16 492**	**117 511**

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*
After-service health insurance	82 910	3 543 706	3 626 616
Annual leave	21 983	166 273	188 256
Repatriation benefits	31 332	237 697	269 029
Defined end-of-service/post-employment benefits liabilities	**136 225**	**3 947 676**	**4 083 901**
Appendix D/workers' compensation	–	31 921	31 921
Accrued salaries and allowances	63 928	575	64 503
Total employee benefits liabilities	**200 153**	**3 980 172**	**4 180 325**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014 (restated[a])*
After-service health insurance	83 835	4 094 838	4 178 673
Annual leave	18 570	233 778	252 348
Repatriation benefits	19 685	229 542	249 227
Defined end-of-service/post-employment benefits liabilities	**122 090**	**4 558 158**	**4 680 248**
Appendix D/workers' compensation	31	35 437	35 468
Insurance liabilities	2 021	–	2 021
Pension contributions outstanding	2 476	–	2 476
Accrued salaries and allowances	65 172	791	65 963
Total employee benefits liabilities	**191 790**	**4 594 386**	**4 786 176**

[a] Restated to exclude incurred but not reported claims in the amount of $80.0 million from accrued salaries and allowances to provisions in compliance with IPSAS 1 and 19 and United Nations accounting policy on employee benefits.

141. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under Appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2015.

Actuarial valuation: assumptions

142. The Organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2015 and 31 December 2014 are as follows.

Actuarial assumptions
(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/workers' compensation*[a]
Discount rates 31 December 2014	3.29	3.36	3.52	
Discount rates 31 December 2015	3.49	3.67	3.73	
Inflation 31 December 2014	5.00-6.80	2.25	–	2.50
Inflation 31 December 2015	4.00-6.4	2.25	–	2.25

[a] For the Appendix D/workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curves discount rate applicable to the year in which the cash flows take place.

143. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government yield curve) and Swiss francs (Federation bonds yield curve). The slightly higher discount rates were assumed for the 31 December 2015 valuation owing to a slight variation in the inflation rates from 31 December 2014.

144. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2015 were updated to include escalation rates for future years. As at 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2014: 5.0 per cent) for non-United States medical plans, health-care escalation rates of 6.4 per cent (2014: 6.8 per cent) for all other medical plans, except 5.9 per cent (2014: 6.1 per cent) for the United States Medicare plan and 4.9 per cent (2014: 5.0 per cent) for the United States dental plan, grading down to 4.5 per cent (2014: 4.5 per cent) over 10 years.

145. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed to be 2.25 per cent (2014: 2.25 per cent), on the basis of the projected United States inflation rate over the next 10 years.

146. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years, 10.9 days; 4-8 years, 1 day; and more than eight years, 0.5 days up to the maximum of 60 days. The assumption is consistent with the 2014 valuation. The attribution method continues to be used for annual leave actuarial valuation.

147. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Movement in post-employment benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability
(Thousands of United States dollars)

	2015	*2014*
Net defined-benefits liability as at 1 January	**4 680 248**	**3 561 331**
Current service cost	186 814	141 347
Interest cost	156 590	155 687
Total costs recognized in the statement of financial performance	**343 404**	**297 034**
Benefits paid	(129 621)	(123 027)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets[a]	(810 130)	944 910
Net defined-benefits liability as at 31 December	**4 083 901**	**4 680 248**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $134.8 million.

Discount rate sensitivity analysis

148. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate and government bonds. The bonds markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities
(Thousands of United States dollars)

31 December 2015	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(614 822)	(24 126)	(16 026)
As a percentage of year-end liability	(16.95)	(8.68)	(8.51)
Decrease of discount rate by 1 per cent	809 032	27 051	18 709
As a percentage of year-end liability	22.31	9.73	9.94

31 December 2014	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(781 836)	(24 271)	(24 908)
As a percentage of year-end liability	(18.71)	(9.74)	(9.87)
Decrease of discount rate by 1 per cent	972 155	27 183	27 938
As a percentage of year-end liability	23.26	10.91	11.07

Medical costs sensitivity analysis

149. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefits obligations, as shown below.

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates
(Thousands of United States dollars and percentage)

2015	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	24.12%	874 690	(16.30%)	(591 150)
Effect on the aggregate of the current service cost and interest cost	2.21%	80 229	(1.34%)	(48 693)
Total effect		**954 919**		**(639 843)**

2014	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	21.54%	900 190	(16.62%)	(694 663)
Effect on the aggregate of the current service cost and interest cost	2.20%	91 795	(1.63%)	(67 904)
Total effect		**991 985**		**(762 567)**

Other defined-benefits plan information

150. Benefits paid for 2015 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefits payments, net of participants' contributions
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	***Total***
2016	85 894	34 052	23 180	**143 126**
2015	86 625	20 352	19 231	**126 208**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December
(Millions of United States dollars)

	2014	*2013*	*2012*	*2011*	*2010*
Present value of the defined-benefits obligations	4 680	3 537	3 398	3 212	2 306

Accrued salaries and allowances

151. Accrued salaries and allowances comprise $30.0 million (2014: $22.7 million) relating to medical and dental self-insurance claims incurred and received but not paid. The remaining balance relates to home leave benefits of $26.1 million, and $7.8 million relates to other payables and accruals for repatriation grant payables, and other allowances.

United Nations Joint Staff Pension Fund

152. The regulations of the United Nations Joint Staff Pension Fund state that the Pension Board is to 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.

153. The Organization's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a 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 a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization is to contribute to that deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

154. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (compared with 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 with the actual contribution rate of 23.70 per cent. The next actuarial valuation was conducted for 31 December 2015; however, the results of the valuation were not available as at the reporting date.

155. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (compared with 130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (compared with 86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

156. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the regulations of the Fund because the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

157. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants in the Pension Fund, with effect not later than from 1 January 2014. The related change to the Fund's regulations was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as at 31 December 2013. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments.

158. In 2015, the Organization's contributions to the Pension Fund amounted to $287.4 million (2014: $265.7 million).

Fund for compensation payments: Appendix D/workers' compensation

159. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the Organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Impact of General Assembly resolutions on staff benefits

160. On 23 December 2015 the General Assembly adopted resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission (ICSC). Some of the changes that may affect the calculation of other long-term and end-of-service employee benefits liabilities are as follows.

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff that joined the United Nations on or after 1 January 2014 is 65 and for those that joined before 1 January 2014 is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented, this change is expected to affect future calculations of employee benefits liabilities.
Unified salary structure	The current salary scales for internationally recruited staff (Professional and Field Service) are based on single or dependency rates. These rates affect the staff assessment and post adjustment amounts. The General Assembly has approved a unified salary scale that will result in the elimination of single and dependency rates. The dependency rate will be replaced by allowances for staff members who have recognized dependants in accordance with the Staff Rules and Staff Regulations. A revised staff assessment scale and pensionable remuneration scale will be implemented along with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced payments for staff members. However, it is expected that once implemented, it will affect the calculation and valuation of the repatriation benefit and commuted annual leave benefit. Currently, the repatriation benefit is calculated based on gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated based on gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. Once implemented, this change is expected to affect future calculations of employee benefits liabilities.

161. As at the reporting date, the necessary information regarding implementation of the proposed changes was not available. Therefore, the Organization is not able to perform a detailed impact analysis of the proposed changes on employee benefits liabilities for the 2015 financial period. In accordance with the requirements of IPSAS 1, the Organization will determine such impact when the relevant implementation information becomes available, anticipated by mid-2016; where material, appropriate adjustments and/or disclosures will be made in the financial statements for 2016.

Note 20
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Credits to donors*	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2014	**40 239**	**1 657**	**2 019**	**16 105**	**80 041**	**140 061**
Additional provisions made	120 030	–	736	–	76 428	197 194
Amounts reversed	–	(1 657)	(144)	(82)	–	(1 883)
Amounts used	(40 239)	–	(1 416)	(410)	(80 041)	(122 106)
Provisions as at 31 December 2015	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**
Current	120 030	–	1 195	15 296	76 428	212 949
Non-current	–	–	–	317	–	317
Total	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**

(Thousands of United States dollars)

	Credits to Member States	*Credits to donors*	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total (restated[a])*
Provisions as at 1 January 2014	**40 239**	**–**	**1 745**	**15 993**	**80 870**	**138 847**
Additional provisions made	–	1 657	1 632	162	80 041	83 492
Amounts used	–	–	(1 358)	(50)	(80 870)	(82 278)
Provisions as at 31 December 2014	**40 239**	**1 657**	**2 019**	**16 105**	**80 041**	**140 061**
Current	40 239	1 657	2 019	523	80 041	124 479
Non-current	–	–	–	15 582	–	15 582
Total	**40 239**	**1 657**	**2 019**	**16 105**	**80 041**	**140 061**

[a] Restated to include incurred but not reported claims (note 4).

162. The provisions for credits to Member States estimate the level of refunds that is expected to be given back to Member States for unencumbered balances of contributions received. During 2015, a $40.2 million reduction in credits to Member States represents allocations given to the capital master plan to fund the shortfall of the capital master plan project in accordance with General Assembly resolution 69/274 A. The restoration provisions relate primarily to the amount of $15.0 million (2014: $15.0 million) to restore and reinstate the Temporary North Lawn Building site at United Nations Headquarters. The insurance claims (incurred but not reported) provisions are estimated costs that may be required to settle medical and dental claims that have been incurred by insurance plan participants during the reporting year for which claims were not made or reported to the third-party administrators by participants. The Organization had also established provisions for

$1.2 million (2014: $2.0 million) for various ongoing legal claims where it was assessed that the probability of a payout was greater than 50 per cent.

Note 21
Tax Equalization Fund liability

163. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed peacekeeping operations, the international tribunals for Rwanda and the former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

164. The Fund includes as expenditure credits against the regular budget for the assessments of Member States that do not levy taxes on the United Nations income of their nationals with respect to peacekeeping, the Residual Mechanism and the international tribunals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members for taxes paid on their United Nations income. Such reimbursements for taxes paid are partially reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds. Since the Organization acts as an agent in this arrangement, net of the related revenue and expenses is reported as a payable in these financial statements.

165. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2015 was $96.0 million (2014: $96.2 million), consisting of amounts payable to the United States of America at year end of $30.4 million (2014: $27.6 million) and to other Member States of $37.2 million (2014: $36.8 million). In addition, the Tax Equalization Fund had an estimated tax liability of $28.4 million relating to the 2015 and prior tax years (2014: $31.8 million), of which approximately $17.4 million was disbursed in January 2016 and approximately $11.0 million was expected to be settled after the reporting date.

Note 22
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*
Payables to other Secretariat reporting entities	–	–	–
Liabilities under donated right-to-use arrangements	4 048	73 029	77 077
Finance lease liabilities	1 080	1 670	2 750
Straight-lining of operating lease	4 636	–	4 636
Other liabilities	1 740	–	1 740
Total other liabilities	**11 504**	**74 699**	**86 203**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014 (restated[a])*
Payables to other Secretariat reporting entities	50 596	–	50 596
Liabilities under donated right-to-use arrangements	4 032	76 645	80 677
Finance lease liabilities	1 080	2 756	3 836
Straight-lining of operating lease	–	6 125	6 125
Other liabilities	3 760	3 228	6 988
Total other liabilities	**59 468**	**88 754**	**148 222**

[a] Restated to include liability under donated right-to-use arrangement for the Vienna International Centre buildings, which was recognized as of 1 January 2015 (current liability of $4.0 million, non-current liability of $76.0 million).

Note 23
Controlled multi-partner trust funds

166. Multi-partner trust funds are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are administered by the United Nations Development Programme Multi-Partner Trust Fund Office.

Multi-partner trust funds where the Organization has control and is the principal

167. Common humanitarian funds have been established in a number of countries as partnerships between the United Nations agencies for humanitarian activities. The Office for the Coordination of Humanitarian Affairs serves as the technical unit for the funds and is responsible for managing the allocation process. The Organization therefore controls the funds and is the principal in that multi-partner trust fund.

168. The Peacebuilding Fund supports more than 200 projects in 27 countries by delivering fast, flexible and relevant funding for peacebuilding initiatives in post-conflict countries. Given that the Fund is controlled and managed by the Assistant Secretary-General for Peacebuilding Support, who is supported by the Peacebuilding Support Office, the Organization is the principal in the programme. Those multi-partner trust funds are therefore recorded in full in the Organization's financial statements and a summary of the balances is showed below.

Common humanitarian funds and Peacebuilding Fund multi-partner trust funds
(Thousands of United States dollars)

	Year ended 31 December 2015		
	Common humanitarian funds	*Peacebuilding Fund*	***Total***
Revenue	310 799	52 816	**363 615**
Expenses	(297 438)	(54 916)	**(352 354)**
Net surplus/(deficit)	**13 361**	**(2 100)**	**11 261**
Net assets as at 31 December 2014	160 046	119 522	**279 568**
Net assets as at 31 December 2015	**173 407**	**117 422**	**290 829**

	Year ended 31 December 2014		
	Common humanitarian funds	*Peacebuilding Fund*	***Total***
Revenue	390 372	75 345	**465 717**
Expenses	(343 214)	(85 329)	**(428 543)**
Net surplus/(deficit)	**47 158**	**(9 984)**	**37 174**
Net assets as at 1 January 2014	112 888	129 506	**242 394**
Net assets as at 31 December 2014	**160 046**	**119 522**	**279 568**

Multi-partner trust fund accounted for as a jointly controlled operation: Ebola Response Multi-Partner Trust Fund

169. The Secretary-General launched the United Nations Mission for Ebola Emergency Response to unite the efforts of all the United Nations entities concerned and serve as a platform for the global control of the outbreak of Ebola virus disease. As a jointly controlled operation, the Mission is considered in note 24.

Note 24
Interests in joint ventures

Interests in joint ventures accounted for using the equity method

Joint ventures accounted for using the equity method, as at 31 December 2015

(Thousands of United States dollars)

		Statement of changes in net assets			
	Net assets/ (liability) as at 1 January 2015	*Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities*	*Other changes*	*Statement of financial performance: surplus/(deficit) for the year*	*Net assets/ (liability) as at 31 December 2015*
Interest in joint ventures: non-current assets					
International Trade Centre (ITC)	8 287	7 519	–	(16 013)	(207)
Add: reclassification of the net liability balance for ITC as at 31 December 2015	–	–	–	–	207
United Nations System Staff College	2 518	–	(53)	(584)	1 881
Vienna International Centre Major Repair and Replacement Fund	1 320	–	(131)	(1)	1 188
Total non-current assets	**12 125**	**7 519**	**(184)**	**(16 598)**	**3 069**
Interest in joint ventures: non-current liability					
United Nations Office at Vienna	(33 959)	(22 596)	–	(847)	(57 402)
Other joint ventures	(26 921)	8 264	–	(2 097)	(20 754)
Less: reclassification of the net liability balance for ITC as at 31 December 2015	–	–	–	–	(207)
Total non-current liability	**(60 880)**	**(14 332)**	**–**	**(2 944)**	**(78 363)**
Net interest in joint ventures	**(48 755)**	**(6 813)**	**(184)**	**(19 542)**	**(75 294)**
Net contribution to joint ventures:[a]				(76 355)	
Statement II: contributions to and share of deficit of joint ventures accounted for on an equity basis				**(95 897)**	

[a] Represents the 2015 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $57.6 million for the joint financing arrangement contribution, $18.6 million for the ITC contribution and $0.2 million for the United Nations System Staff College contribution.

Joint ventures accounted for using the equity method as at 31 December 2014

(Thousands of United States dollars)

	Net assets/(liability) as at 1 January 2014	*Statement of changes in net assets: actuarial losses relating to actuarial valuation of employee benefits liabilities*	*Statement of financial performance: surplus/ (deficit) for the year*	*Net assets/(liability) as at 31 December 2014*
Interest in joint ventures: non-current assets				
ITC	15 363	(10 932)	3 856	8 287
United Nations System Staff College	2 942	(276)	(148)	2 518
Total non-current assets	**18 305**	**(11 208)**	**3 708**	**10 805**
Interest in joint ventures: non-current liability				
United Nations Office at Vienna	(25 449)	(6 509)	(2 001)	(33 959)
Other joint ventures	(18 833)	(7 508)	(580)	(26 921)
Total non-current liability	**(44 282)**	**(14 017)**	**(2 581)**	**(60 880)**
Net interest in joint ventures	**(25 977)**	**(25 225)**	**1 127**	**(50 075)**
Net contribution to joint ventures:[a]			(79 912)	
Statement II: Contributions to and share of deficit of joint ventures accounted for on an equity basis			**(78 785)**	

[a] Represents the 2014 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $59.5 million for the joint financing arrangement contribution, $20.2 million for the ITC contribution and $0.2 million for the United Nations System Staff College contribution.

Joint venture entity accounted for using the equity method: non-current liability

170. The Organization has significant influence over the operations of ITC. Accordingly, its 50.0 per cent interest, based on its regular budget contribution ($18.6 million in 2015), is accounted for using the equity method. A summary of the financial performance and net liability position of ITC is provided below.

Joint ventures accounted for using the equity method: International Trade Centre

(Thousands of United States dollars)

	Year ended 31 December 2015		*Year ended 31 December 2014*	
	Based on International Trade Centre financial statements	*Organization's share*	*Based on International Trade Centre financial statements*	*Organization's share*
Current assets	63 013	31 506	67 915	33 957
Non-current assets	36 298	18 149	66 677	33 339
Current liabilities	(22 802)	(11 401)	(23 900)	(11 950)
Non-current liabilities	(76 923)	(38 461)	(94 118)	(47 059)
Net (liabilities)/assets	**(414)**	**(207)**	**16 574**	**8 287**

	Year ended 31 December 2015		*Year ended 31 December 2014*	
	Based on International Trade Centre financial statements	*Organization's share*	*Based on International Trade Centre financial statements*	*Organization's share*
Total revenues	70 627	35 314	109 574	54 789
Total expenses	(102 654)	(51 327)	(101 872)	(50 933)
Net (deficit)/surplus	**(32 027)**	**(16 013)**	**7 702**	**3 856**

Joint venture operations accounted for using the equity method: non-current assets

171. The United Nations System Staff College was created by the General Assembly to improve the effectiveness of the United Nations system. It runs courses and delivers learning initiatives to United Nations personnel. The College operates on a biennial budget approved by its Board. A core portion of the budget is met by the members of the United Nations System Chief Executives Board for Coordination (CEB) in accordance with the cost-sharing formula decided upon by CEB. According to the cost-sharing formula for the 2015 core contribution, the Organization's share is 29.61 per cent (2014: 30.08 per cent). A summary of the financial performance and net assets position of the College is shown below.

172. The Major Repair and Replacement Fund is a jointly financed activity whose contributors are the organizations based at the Vienna International Centre. Its objective is to make major capital improvements to the Centre. The Organization contributed $0.5 million to the Fund in 2015 (2014: $0.5 million), which represents 11.38 per cent of the total revenue received by the Fund in 2015 (2014: 11.33 per cent). Additional information and a summary of the financial performance and net assets position of the Fund are presented below.

Joint venture operations accounted for using the equity method: non-current liability

173. These jointly financed operations are established under binding agreements. The Organization has significant influence over these activities, which is, under IPSAS 8, defined as the power to participate in the financial and operating policy decisions of the activities but not to control or jointly control these activities. These jointly financed operations, all of which have the same reporting period as the Organization, are accounted for using the equity method:

(a) United Nations Office at Vienna: jointly financed operations of the United Nations in Vienna consist of three operations, each of which has a cost-sharing agreement:

(i) Safety and security;

(ii) Access control programme of the Vienna International Centre shooting range;

(iii) Conference and administrative services;

(b) Safety and security: the Department of Safety and Security is a single security management framework responsible for providing leadership, operational support and oversight of the security management system, ensuring the maximum security for staff and eligible dependants and enabling the safest and most efficient conduct of the programmes and activities of the United Nations system;

(c) ICSC: ICSC is an independent expert body established by the General Assembly with a mandate to regulate and coordinate the conditions of service of staff in the United Nations common system, while promoting and maintaining high standards in the international civil service;

(d) Joint Inspection Unit: the Joint Inspection Unit is an independent external oversight body of the United Nations system established by the General Assembly to conduct evaluations, inspections and investigations system-wide;

(e) CEB secretariat: CEB is the longest standing and highest level coordination forum of the United Nations system. It was established as a standing committee of the Economic and Social Council and is chaired by the Secretary-General. While not a policymaking body, CEB supports and reinforces the coordinating role of intergovernmental bodies of the United Nations system on social, economic and related matters.

174. The Organization's interest in these activities is its share of their net liabilities, which is based on the funding apportionment percentage. These cost-sharing ratios, which vary to reflect key factors such as the number of employees and the total space occupied, are included in the statement of financial performance and statement of financial position tables below.

Joint venture operations accounted for using the equity method: financial statements

Joint venture operations accounted for using the equity method: statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	United Nations System Staff College	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	***Total***
Current assets	13 394	11 039	3 680	22 029	**50 142**
Non-current assets	30	–	36	11 893	**11 959**
Total assets	**13 424**	**11 039**	**3 716**	**33 922**	**62 101**
Current liabilities	(1 109)	(602)	(4 609)	(19 158)	**(25 478)**
Non-current liabilities	(5 963)	–	(91 871)	(107 609)	**(205 443)**
Total liabilities	**(7 072)**	**(602)**	**(96 480)**	**(126 767)**	**(230 921)**
Net of total assets and total liabilities	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**
Net assets: accumulated surplus/(deficit)	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**

Joint venture operations accounted for using the equity method: statement of financial performance as at 31 December 2015

(Thousands of United States dollars)

	United Nations System Staff College	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	***Total***
Revenue	5 302	3 919	42 944	140 424	**192 589**
Expenses	(7 143)	(3 927)	(44 064)	(149 498)	**(204 632)**
Deficit for the year	**(1 841)**	**(8)**	**(1 120)**	**(9 074)**	**(12 043)**
Net assets/(liabilities) at beginning of year	**8 371**	**11 643**	**(55 128)**	**(120 746)**	**(155 860)**
Deficit for the year	(1 841)	(8)	(1 120)	(9 074)	**(12 043)**
Actuarial gains/(losses) on employee benefits liabilities	–	–	(36 516)	36 975	**459**
Other changes in net assets	(178)	(1 198)	–	–	**(1 376)**
Net assets/(liabilities) at year end	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**
Organization's interest in the joint venture (percentage)	**29.61**	**11.38**	**61.88**	**22.35**	
Share of deficit for the year	(584)[a]	(1)	(847)[b]	(2 097)[c]	**(3 529)**
Share of actuarial gains/(losses) recognized directly in net assets	–	–	(22 596)	8 264	**(14 332)**
Share of other changes in net assets	(53)	(131)[d]	–	–	**(184)**
Share of net assets/(liabilities) at year end	1 881	1 188	(57 402)	(20 754)	**(75 087)**

[a] Adjusted to reflect change in the interest of the Organization from 30.08 per cent in 2014 to 29.61 per cent in 2015.
[b] Adjusted to reflect change in the interest of the Organization from 61.60 per cent in 2014 to 61.88 per cent in 2015.
[c] Adjusted to reflect change in the interest of the Organization from 22.30 per cent in 2014 to 22.35 per cent in 2015.
[d] Adjusted to reflect change in the interest of the Organization from 11.33 per cent in 2014 to 11.38 per cent in 2015.

Joint venture operations accounted for using the equity method: statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	United Nations System Staff College	*United Nations Office at Vienna*	*Other*	***Total***
Current assets	9 454	5 483	12 503	**27 440**
Non-current assets	4 879	761	6 632	**12 272**
Total assets	**14 333**	**6 244**	**19 135**	**39 712**
Current liabilities	(753)	(6 942)	(7 208)	**(14 903)**
Non-current liabilities	(5 209)	(54 430)	(132 673)	**(192 312)**
Total liabilities	**(5 962)**	**(61 372)**	**(139 881)**	**(207 215)**
Net assets/(liabilities)	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**
Net assets: accumulated surplus/(deficit)	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**

Joint venture operations accounted for using the equity method: statement of financial performance as at 31 December 2014

(Thousands of United States dollars)

	United Nations System Staff College	*United Nations Office at Vienna*	*Other*	***Total***
Revenue	8 888	47 183	140 592	**196 663**
Expenses	(9 380)	(50 431)	(143 197)	**(203 008)**
Deficit for the year	**(492)**	**(3 248)**	**(2 605)**	**(6 345)**
Net assets/(liabilities) at beginning of year	**9 777**	**(41 313)**	**(84 470)**	**(116 006)**
Deficit for the year	(492)	(3 248)	(2 605)	**(6 345)**
Actuarial losses on employee benefits liabilities	(914)	(10 567)	(33 671)	**(45 152)**
Net assets/(liabilities) at year end	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**
Organization's interest in the joint venture (percentage)	**30.08**	**61.60**	**22.30**	
Share of deficit for the year	(148)	(2 001)	(580)	**(2 729)**
Share of actuarial losses recognized directly in net assets	(276)	(6 509)	(7 508)	**(14 293)**
Share of net assets/(liabilities) at year end	2 518	(33 959)	(26 921)	**(58 362)**

Jointly controlled operation: Ebola Response Multi-Partner Trust Fund

175. As a jointly controlled operation since 2014, the Organization's interest in the Ebola Response Multi-Partner Trust Fund was accounted for by recognizing the

liabilities and expenses incurred by the Organization and the assets that it controlled.

176. During the year ended 31 December 2015, the Fund received voluntary contributions from donors amounting to $34.4 million (2014: $125.9 million). A total amount of $48.7 million (2014: $100.5 million) was also transferred to participating organizations, of which $1.6 million (2014: $6.7 million) was transferred to the Organization.

Jointly controlled asset: Vienna International Centre

177. The Vienna International Centre is a jointly controlled asset of the United Nations and other participant organizations. On 1 January 2015 the Organization recognized its share of the Vienna International Centre finance lease asset and leasehold improvements on the basis of the Building Management Services cost-sharing ratio.

178. The most recent external valuation of the Vienna International Centre buildings as at 1 January 2015 using depreciated replacement cost amounted to €489.2 million ($596.6 million using the United Nations operational rate of exchange) and a net book value of €288.0 million ($351.2 million). Based on the 2015 Building Management Services cost-sharing ratio of 22.76 per cent, the Organization's share is $135.8 million and $79.9 million in terms of cost and net book value respectively. The fair rental value of the Centre land was €1.5 million ($1.7 million using the average United Nations operational rate of exchange for 2015) per annum and, on the same basis, the Organization's share was $0.391 million.

Joint venture operations: Vienna International Centre Major Repair and Replacement Fund

179. The objective of the Major Repair and Replacement Fund is to make major capital improvements to the Vienna International Centre. Therefore, the accounting recognition of the capital improvements portion of the Fund was aligned with the timing of recognition of the Vienna International Centre as a jointly controlled asset. A total amount of $0.9 million of leasehold improvements has been capitalized by the Organization.

180. The Organization's interest in the activities of the Fund and its share of net assets have been accounted for using the equity method.

181. Annual contributions made by the Organization to the Major Repair and Replacement Fund may be used to acquire or upgrade physical assets required for major capital improvements to the Vienna International Centre. The Organization had not entered into any other capital commitments in relation to its interests in joint ventures as at 31 December 2015.

Note 25
Net assets

Net assets as at 31 December

(Thousands of United States dollars)

	General Fund and related funds	*General trust funds*	*Long-term employee benefits funds*	*Insurance/workers' compensation funds*	*Other funds*	*Total*
Net assets as at 31 December 2014[a]	**499 022**	**1 983 632**	**(4 619 166)**	**445 511**	**3 380 896**	**1 689 895**
Prior-period adjustments (note 4)	(867)	–	–	(5 371)	–	(6 238)
Restated net assets as at 31 December 2014	**498 155**	**1 983 632**	**(4 619 166)**	**440 140**	**3 380 896**	**1 683 657**
Changes in net assets						
Actuarial gains on employee benefits liabilities (note 19)	–	–	810 130	–	–	810 130
Transfer of funds to other Secretariat reporting entities	–	–	–	–	(1 713)	(1 713)
Share of changes recognized by joint ventures directly in net assets (note 24)	(6 867)	–	–	–	(130)	(6 997)
Transfers between funds	(2 821)	1	–	–	2 820	–
Other adjustments to net assets	1 985	95	(56)	(424)	26	1 626
Surplus/(deficit) for the year	(126 456)	244 879	(207 217)	37 715	63 180	12 101
Total changes in net assets	**(134 159)**	**244 975**	**602 857**	**37 291**	**64 183**	**815 147**
Net assets as at 31 December 2015	**363 996**	**2 228 607**	**(4 016 309)**	**477 431**	**3 445 079**	**2 498 804**

[a] Regrouped to conform with the current presentation.

Net assets as at 31 December 2015

(Thousands of United States dollars)

	General Fund and related funds	*General trust funds*	*Long-term employee benefits funds*	*Insurance/workers' compensation funds*	*Other funds*	*Total*
Accumulated surplus/deficit	363 996	2 228 607	(4 016 309)	418 660	3 445 079	2 440 033
Reserves	–	–	–	58 771	–	58 771
Total net assets	**363 996**	**2 228 607**	**(4 016 309)**	**477 431**	**3 445 079**	**2 498 804**

Net assets as at 31 December 2014[a]

(Thousands of United States dollars)

	General Fund and related funds	*General trust funds*	*Long-term employee benefit funds*	*Insurance/workers' compensation funds*	*Other funds*	*Total*
Accumulated surplus/deficit (restated)	498 155	1 983 632	(4 619 166)	381 024	3 380 896	1 624 541
Reserves	–	–	–	59 116	–	59 116
Total net assets (restated)	**498 155**	**1 983 632**	**(4 619 166)**	**440 140**	**3 380 896**	**1 683 657**

[a] Regrouped to conform with the current presentation.

Accumulated surplus

182. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, general trust funds, after-service employee benefits funds, self-insurance plan funds and other funds. Self-insurance plans are recorded fully in the financial statements since the Organization acts as the principal.

Reserves

183. Reserves comprise a premium stabilization reserve amounting to $1.4 million (2014: $1.4 million) with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $57.3 million (2014: $57.7 million) held for the United Nations Staff Mutual Insurance Society against Sickness and Accident, which is required under its statute to maintain a reserve balance.

United Nations Special Account

184. Under the provisions of General Assembly resolutions 2053 A (XX) and 3049 A (XXVII), the Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization's short-term deficit. The year-end balance was $199.7 million (2014: $237.2 million), of which $48.7 million (2014: $48.7 million) relates to the Fund principal from contributions and $151.0 million (2014: $188.5 million) to accumulated surplus. The Special Account is reported under the General Fund and related funds.

Note 26
Revenue from non-exchange transactions

Assessed contributions

185. Assessed contributions of $2,811.3 million (2014: $2,861.1 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations, on the basis of the regular budget scale of assessment. A reconciliation of assessed contributions to gross amounts assessed to Member States is presented below.

Assessed contributions

(Thousands of United States dollars)

	2015	*2014*
Gross amounts assessed to Member States[a]	2 976 268	2 823 653
Additional assessment[b]	(82 074)	(44 734)
Additional appropriation approved for the year[c]	(7 967)	82 074
Appropriation for the shortfall of the capital master plan (see resolution 69/274 A)	45 000	–
Unencumbered balance for the biennium 2014-2015[d]	(120 030)	–
Non-member States assessments	81	76
Amount reported in statement II: assessed contributions	**2 811 278**	**2 861 069**

[a] Gross amounts assessed based on resolution 69/263 C and ST/ADM/SER.B/910 for 2015 and resolution 68/248 C and ST/ADM/SER.B/889 for 2014. Final appropriation for the biennium 2014-2015 was $5,808.6 million in accordance with General Assembly resolutions 70/240 A and B.

[b] 2015 adjustment pertains to the 2014 year and 2014 adjustment pertains to the 2012-2013 biennium.

[c] Adjustments in connection with resolutions 67/269, 68/245 A and B, 68/247 A and B, 69/274 A and B and 70/240 A and B.

[d] Unencumbered balance of $120.0 million reflects the differences between the final budget and actual expenditure (budget basis) for the biennium 2014-2015.

Voluntary contributions

(Thousands of United States dollars)

	2015	*2014 (restated[a])*
Voluntary monetary contributions	2 057 810	2 300 069
Voluntary in-kind contributions	63 137	62 680
Total voluntary contributions received	**2 120 947**	**2 362 749**
Refunds	(27 069)	(17 170)
Net voluntary contributions received	**2 093 878**	**2 345 579**

[a] Restated to include donated right-to-use lands in the amount of $11.0 million in accordance with the policy change (note 3) and the donated right-to-use Vienna International Centre buildings in the amount of $4.0 million, which was recognized as of 1 January 2015 (note 4).

186. During financial year 2015, the total amount of voluntary contributions in kind recognized for right-to-use arrangements was $61.3 million and voluntary contributions in kind recognized for donated assets was $1.8 million.

187. Total amount of donor pledges or agreements which have not been formalized or which are subject to fundraising activities as at 31 December 2015 is $14.6 million.

188. Voluntary monetary contributions include $3.4 million (2014: $4.4 million) relating to assessments for conferences of States parties to treaties and conventions, which are levied on the basis of agreements among the States parties to the respective treaty or convention.

Other transfers and allocations

(Thousands of United States dollars)

	2015	*2014*
Inter-organizational arrangements	43 687	29 774
Other transfers and allocations	131 028	76 683
Allocation in kind of vehicle	80	–
Total other transfers and allocations	**174 795**	**106 457**

Services in kind

189. In-kind contributions of technical assistance, experts, security and other services received during the year are not recognized as revenue and therefore not included in the above in-kind contributions revenue. In-kind technical assistance/ expert services and other in-kind services received by the Organization during the year amounted to $5.3 million.

Note 27
Other revenue

(Thousands of United States dollars)

	2015	*2014*
Revenue from services rendered	105 664	85 119
Insurance claim settlement	31 753	22 404
Rental revenue	19 358	16 311
Revenue-producing activities and other miscellaneous revenue	15 947	10 964
Total other exchange revenue	**172 722**	**134 798**

Note 28
Health and dental self-insurance plans

190. Health and dental insurance plans were established as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and most are managed in two locations:

(a) Headquarters in New York manages the United States-based health and dental plans, the worldwide plan for internationally recruited field staff and retirees and the medical insurance plan for locally recruited field staff and retirees at designated duty stations;

(b) The United Nations Office at Geneva manages the United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as staff and retirees of other Geneva-based organizations.

191. There are also fully insured health insurance plans. At Headquarters, there is the health insurance plan of New York, which has been closed to new subscribers. In Vienna, staff and retirees are eligible to enrol in the Austrian national health insurance programme and the plans administered by the United Nations Industrial Development Organization (full medical insurance plan and supplementary medical insurance plan). In those instances, premiums collected from staff, retirees and the Organization are recorded as liabilities and paid to the respective insurance providers.

192. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to members. These health insurance plans include:

(a) United States-based medical and dental plans, comprising Empire Blue Cross, Aetna and Cigna (dental only);

(b) Worldwide plan for internationally recruited field staff and retirees (administered by Cigna International);

(c) Medical insurance plan for locally recruited staff and retirees at designated duty stations;

(d) United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as staff and retirees of other Geneva-based organizations.

193. The plans are administered by third-party administrators on behalf of the United Nations or, as in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accident, are self-administered.

194. The United Nations is responsible for administering or appointing the administrators of all the schemes and, as such, acts as the principal for the self-insurance arrangements as the one being exposed to the risks and rewards associated with the plans. The assets, liabilities, revenue and expenses relating to those plans are therefore reported in the Organization’s financial statements. Note 5, Segment reporting, includes self-insurance funds as a separate segment. The statement of financial performance and statement of financial position for the funds is as shown below.

Self-insurance funds: statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Assets				
Cash and cash equivalents	37 579	10 643	21 744	69 966
Investments	193 640	54 840	116 204	364 684
Other receivables	10 881	–	3 991	14 872
Other assets	19 355	1 200	92	20 647
Total assets	**261 455**	**66 683**	**142 031**	**470 169**
Liabilities				
Accounts payable and accrued liabilities	5 491	392	905	6 788
Employee benefits liabilities	21 874	1 146	7 038	30 058
Advance receipts	3	–	–	3
Provisions	51 140	1 575	23 713	76 428
Total liabilities	**78 508**	**3 113**	**31 656**	**113 277**
Net of total assets and total liabilities	**182 947**	**63 570**	**110 375**	**356 892**
Net assets				
Accumulated surplus	182 947	63 570	53 004	299 521
Reserves	–	–	57 371	57 371
Total net assets[a]	**182 947**	**63 570**	**110 375**	**356 892**

[a] Net assets of health insurance funds of $356.9 million are included in the net assets of the insurance/workers' compensation funds of $477.4 million (note 25), with the difference of $120.5 million corresponding to net assets of the workers' compensation fund, life insurance fund and repatriation grant fund relating to extrabudgetary funds which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Revenue				
Investment revenue	1 012	294	786	2 092
Contributions for self-insurance funds[a]	380 206	27 941	107 380	515 527
Other revenue	2 946	27	–	2 973
Total revenue	**384 164**	**28 262**	**108 166**	**520 592**
Expenses				
Self-insurance claims and expenses[b]	342 751	21 042	96 490	460 283
Employee salaries, allowances and benefits	4 954	–	3 588	8 542
Non-employee compensation and allowances	1 030	–	–	1 030
Grants and other transfers	–	–	2	2
Supplies and consumables	–	–	3	3
Depreciation and amortization	–	–	6	6
Travel	–	–	14	14
Other operating expenses	16 371	3 352	1 197	20 920
Total expenses	**365 106**	**24 394**	**101 300**	**490 800**
Surplus for the year	**19 058**	**3 868**	**6 866**	**29 792**

[a] The above figure for contributions to self-insurance funds of $515.5 million has been adjusted to eliminate the Organization’s contributions of $166.5 million. In addition, an amount of $7.9 million relating to compensation awards has been included to arrive at $356.9 million, as shown in statement II.

[b] The above figure for self-insurance claims and expenses of $460.3 million has been adjusted for an amount of $2.6 million of expenses relating to repatriation grants, compensation awards and other insurance programmes. In addition, $1.2 million relating to compensation awards has been eliminated to arrive at $461.7 million, as shown in statement II.

Self-insurance funds: statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total (restated[a])*
Assets				
Cash and cash equivalents	43 530	12 847	18 205	74 582
Investments	158 261	46 720	112 469	317 450
Other receivables	164	–	2 218	2 382
Other assets	31 153	9 233	2 123	42 509
Total assets	**233 108**	**68 800**	**135 015**	**436 923**
Liabilities				
Accounts payable and accrued liabilities	3 708	1 916	–	5 624
Employee benefits liabilities	15 114	–	7 544	22 658
Advance receipts	–	7	134	141
Provisions	49 462	7 175	23 404	80 041
Other liabilities	934	–	1	935
Total liabilities	**69 218**	**9 098**	**31 083**	**109 399**
Net of total assets and liabilities	**163 890**	**59 702**	**103 932**	**327 524**
Net assets				
Accumulated surplus	163 890	59 702	46 216	269 808
Reserves	–	–	57 716	57 716
Total net assets[b]	**163 890**	**59 702**	**103 932**	**327 524**

[a] Restated to conform with the current presentation (notes 4 and 20).

[b] Net assets of health insurance funds of $327.5 million are included in the net assets of the insurance/workers' compensation fund group of $440.1 million (note 25), with the difference of $112.6 million corresponding to net assets of the workers' compensation fund, life insurance fund and repatriation grant fund relating to extrabudgetary funds which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Revenue				
Investment revenue	1 046	307	4 184	5 537
Contributions for self-insurance funds[a]	367 483	28 971	105 164	501 618
Other revenue	5 041	–	–	5 041
Total revenue	**373 570**	**29 278**	**109 348**	**512 196**
Expenses				
Self-insurance claims and expenses[b]	312 645	24 871	98 707	436 223
Employee salaries, allowances and benefits	–	–	3 491	3 491
Supplies and consumables	–	–	6	6
Travel	–	–	8	8
Other operating expenses	21 875	4 124	13 523	39 522
Total expenses	**334 520**	**28 995**	**115 735**	**479 250**
Surplus/(deficit) for the year	**39 050**	**283**	**(6 387)**	**32 946**

[a] The above figure for contributions to self-insurance funds of $501.6 million has been adjusted to eliminate the Organization’s contributions of $144.4 million. In addition, an amount of $12.4 million relating to life insurance and compensation awards has been included to arrive at $369.6 million, as shown in statement II.

[b] The above figure for self-insurance claims and expenses of $436.2 million has been adjusted for an amount of $2.7 million of expenses relating to compensation awards and other insurance programmes. In addition, $1.6 million relating to compensation awards has been eliminated to arrive at $437.3 million, as shown in statement II.

Note 29
Expenses

Employee salaries, allowances and benefits

195. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, including pension and insurance subsidies, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2015	2014 (restated[a])
Salary, wages and other entitlements	2 133 904	2 181 271
Pension and insurance benefits	375 538	377 912
Repatriation and annual leave	55 506	52 238
Total employee salaries, allowances and benefits	**2 564 948**	**2 611 421**

[a] Restated to conform with the current presentation.

Grants and other transfers

196. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. The grant and other transfers expenses incurred by the major funds utilizing the various grant-out mechanisms are listed below.

(Thousands of United States dollars)

	2015	2014[a]
Trust Fund for Strengthening the Office of the Emergency Relief Coordinator[b]	455 017	926 625
Central Emergency Response Fund	453 906	450 099
United Nations General Fund[c]	175 953	185 516
Trust Fund for the Peacebuilding Support Office[b]	56 074	75 966
Voluntary Trust Fund for Assistance in Mine Action	41 851	42 709
United Nations Fund for International Partnerships	40 003	48 618
United Nations Democracy Fund	9 745	5 374
United Nations Voluntary Fund for Victims of Torture	6 707	7 142
Total major funds that incurred expenses of grants and other transfers	**1 239 256**	**1 742 049**
Other funds	74 101	80 619
Total grants and other transfers	**1 313 357**	**1 822 668**

[a] Regrouped to conform with the current presentation.
[b] Includes grants and transfers through the Multi-Partner Trust Fund.
[c] Includes grants provided to related party entities (note 32).

197. Expenses of outright grants are recognized when the Organization has a binding obligation to pay, primarily upon signing of the agreement by both parties. Transfers to executing agencies or implementing partners are recognized as an expense when funds are disbursed by the Organization.

Other operating expenses

198. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowances for doubtful receivables.

(Thousands of United States dollars)

	2015	*2014 (restated[a])*
Contracted services	171 015	147 109
Acquisitions of goods[b]	121 440	143 368
Rent — offices and premises	86 337	104 037
Rental — other	61 548	54 440
Maintenance expense	79 288	71 896
Contributions in kind[c]	57 263	48 643
Bad debt/doubtful debt expenses	7 342	22 896
Net foreign exchange losses	35 812	32 229
Other	126 647	114 595
Total other operating expenses	**746 692**	**739 213**

[a] Restated to include donated right-to-use lands in the amount of $11.0 million in accordance with the policy change (notes 3 and 4).
[b] Acquisitions of goods includes expenses relating to items not meeting the capitalization thresholds.
[c] Represents contributions in kind for donated right-to-use arrangements.

Note 30
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014*
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: main pool[a]	Notes 8 and 31	1 422 837	1 034 612
Short-term investments: euro pool[a]	Notes 8 and 31	2 440	7 703
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	12 277	13 071
Derivative instruments: currency forward contracts	Note 8	8 186	–
Total short-term investments		**1 445 740**	**1 055 386**
Long-term investments: main pool	Notes 8 and 31	954 701	913 228
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	82 291	89 399
Total long-term investments		**1 036 992**	**1 002 627**
Total fair value through the surplus or deficit investments		**2 482 732**	**2 058 013**
Cash and cash equivalents			
Cash and cash equivalents: main pool	Notes 7 and 31	461 396	533 605
Cash and cash equivalents: euro pool	Notes 7 and 31	7 276	3 872
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 7	10 876	14 059
Cash and cash equivalents — other	Note 7	5 804	46 259
Total cash and cash equivalents		**485 352**	**597 795**
Receivables from exchange and non-exchange transactions and loans			
Assessed contributions	Note 9	389 306	438 195
Voluntary contributions	Note 10	583 701	456 804
Other receivables	Note 11	97 256	138 584
Other assets (excluding advances and deferred charges)	Note 13	37 578	79 328
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**1 593 193**	**1 710 706**
Total carrying amount of financial assets		**4 075 925**	**3 768 719**
Of which relates to financial assets held in main pool	Note 31	2 838 934	2 481 445
Of which relates to financial assets held in euro pool	Note 31	9 715	11 575
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accident		105 444	116 529

	Reference	*31 December 2015*	*31 December 2014*
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	Note 17	485 712	528 334
Tax Equalization Fund liability	Note 21	96 011	96 252
Other liabilities	Note 22	9 126	67 545
Total carrying amount of financial liabilities		**590 849**	**692 131**
Summary of net revenue from financial assets			
Net cash pool revenue		11 806	14 779
Net United Nations Staff Mutual Insurance Society against Sickness and Accident gain/(loss)		244	(4 673)
Other investment revenue		3 612	9 484
Total net revenue from financial assets		**15 662**	**19 590**

[a] Short-term investments include accrued investment revenue of $4.5 million (2014: $3.9 million), $0.0 million (2014: $0.009 million) and $0.553 million (2014: $0.725 million) for the main pool, the euro pool and the United Nations Staff Mutual Insurance Society against Sickness and Accident respectively.

Financial risk management

Overview

199. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

200. The present note and note 31, Financial instruments: cash pools, present information on the Organization’s exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

201. The Organization’s risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

202. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments, deposits and forward currency contracts with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

203. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

Credit risk: contributions receivable and other receivables

204. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals their carrying amount. As at the reporting date, the Organization held no collateral as security for receivables.

Credit risk: allowance for doubtful receivables

205. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	Total allowance for doubtful receivables
As at 1 January 2014	256 562
Net movement	1 579
As at 31 December 2014	**258 141**
Net movement	4 018
As at 31 December 2015	**262 159**

206. The ageing and associated allowance of assessed contributions receivable is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	314 659	–	423 922	–
One to two years	73 375	–	14 407	740
More than two years	205 430	204 158	203 059	202 453
Total	**593 464**	**204 158**	**641 388**	**203 193**

207. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

Ageing of voluntary contribution and other receivables
(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	466 460	–	333 265	–
Less than one year	203 288	849	237 970	635
One to two years	11 585	3 297	21 682	1 217
Two to three years	2 696	350	6 420	2 729
More than three years	54 929	53 505	50 999	50 367
Total	**738 958**	**58 001**	**650 336**	**54 948**

Credit risk: cash and cash equivalents

208. At the year end, the Organization had cash and cash equivalents of $485.4 million (2014: $597.8 million), which is the maximum credit exposure on those assets.

Credit risk: currency forward contracts

209. The counterparty risk of forward contracts is limited to the profit or loss on the contract, not the notional amount. The outstanding forward contracts were performed with three banks. As at year end, the counterparties had a Fitch viability rating of "a" and "a+".

Credit risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

210. The United Nations Treasury makes investments on behalf of the United Nations Staff Mutual Insurance Society against Sickness and Accident. A significant proportion of those investments are in fixed-income securities comprising supranational securities, government agency securities, government securities and corporates. A portion of the Society investment portfolio is also invested in iShares SMI (Switzerland), an exchange-traded fund, with the aim of achieving a return on investment that reflects the return of its benchmark index, the Swiss Market Index. At year-end, the Organization owned 357,430 shares (2014: 312,830 shares) of iShares SMI (Switzerland).

211. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year end, the United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings, determined by major credit-rating agencies, were as shown below.

United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings
(Percentage)

	Ratings as at 31 December 2015				Ratings as at 31 December 2014			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+/A*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+/A/A-*	*Not rated*
Standard and Poor's	18.5	73.2	6.6	1.7	2.5	85.2	10.8	1.5
Fitch	11.0	49.6	10.0	29.4	16.9	42.1	6.0	35.0
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*Not rated*	*Aaa*	*Aa1/Aa2/Aa3*		*Not rated*
Moody's	31.6	59.5	5.9	3.0	26.9	67.6		5.5

Financial risk management: liquidity risk

212. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

213. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

214. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

215. The United Nations Staff Mutual Insurance Society against Sickness and Accident is exposed to low liquidity risk because there are only limited requirements to withdraw funds at short notice and it maintains sufficient cash and marketable securities, such as the exchange-traded fund, to meet commitments as and when they fall due. As at the reporting date, the Society had invested primarily in securities with short to medium-term maturity, with the maximum being less than eight years (2014: seven years). The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

216. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and

investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. As at the reporting date, the Organization had pledged no (2014: none) collateral for any liabilities or contingent liabilities, and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Organization can be required to settle each financial liability are as shown below.

Maturities for financial liabilities as at 31 December 2015

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	485 712	–	–	485 712
Tax Equalization Fund liability	96 011	–	–	96 011
Other liabilities	11 504	–	74 699	86 203
Total	**593 227**	**–**	**74 699**	**667 926**

Maturities for financial liabilities as at 31 December 2014

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total (restated)*[a]
Accounts payable and accrued liabilities	528 334	–	–	528 334
Tax Equalization Fund liability	96 252	–	–	96 252
Other liabilities	59 468	–	88 754	148 222
Total	**684 054**	**–**	**88 754**	**772 808**

[a] Restated to conform with the current presentation (notes 4 and 22).

Financial risk management: market risk

217. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization’s revenue or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization’s fiscal position.

Market risk: interest rate risk

218. Interest rate risk is the risk of variability in financial instruments’ fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security’s duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 31, Financial instruments: cash pools. The average duration of the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

was 1.8 years (2014: 2.5 years), which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Market risk: currency risk

219. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Investment Management Guidelines require the Organization to manage its currency risk exposure.

220. The Organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollar financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held to support local operating activities where transactions are made in local currencies. The Organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The Organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

221. The most significant exposure to currency risk relates to cash pool, cash and cash equivalents and investment balances, in addition to the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident. As at the reporting date, the non-United States dollar denominated balances in those financial assets were primarily euros and Swiss francs, along with 58 other currencies, as shown below.

Currency exposure as at 31 December 2015

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 810 498	5 603	1 325	21 508	2 838 934
Euro cash pool	–	9 715	–	–	9 715
Subtotal	**2 810 498**	**15 318**	**1 325**	**21 508**	**2 848 649**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	105 444	–	105 444
Total	**2 810 498**	**15 318**	**106 769**	**21 508**	**2 954 093**

Currency exposure as at 31 December 2014
(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 469 985	819	36	10 605	2 481 445
Euro cash pool	–	11 575	–	–	11 575
Subtotal	**2 469 985**	**12 394**	**36**	**10 605**	**2 493 020**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	116 529	–	116 529
Total	**2 469 985**	**12 394**	**116 565**	**10 605**	**2 609 549**

Currency risk: sensitivity analysis

222. A strengthening or weakening of the euro and Swiss franc United Nations operational rates of exchange as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis
(Thousands of United States dollars)

	As at 31 December 2015		*As at 31 December 2014*	
	Effect on net assets/ surplus or deficit		*Effect on net assets/ surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 532	(1 532)	1 239	(1 239)
Swiss franc (10 per cent movement)	10 677	(10 677)	11 656	(11 656)

Currency risk: forward contracts

223. In 2015, the Organization entered into United States dollar to Swiss franc and euro forward contracts to hedge against currency risk in relation to the operations of the United Nations Office at Geneva being exposed to risks arising from fluctuations in payments for staff costs in Swiss francs and euros. Net realized foreign exchange gains from those contracts amounted to $8.8 million (loss in 2014: $1.7 million) for the year. The gains were recorded against employee benefits, the result of the gain being a decrease in employee benefits expenses. There were 24 (2014: none) forward contracts outstanding as at 31 December 2015 with a notional amount of SwF 300 million and €48 million with an unrealized gain of $8.2 million, maturing in 2016.

Other market price risk

224. The Organization is not exposed to other significant market price risk as it has limited exposure to price-related risk with respect to expected purchases of certain commodities used in normal operations. Therefore, change in those prices can only alter cash flows by an immaterial amount.

Accounting classifications and fair value

225. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

226. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

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

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

(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

227. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

228. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

229. There were no level 3 financial assets or any liabilities carried at fair value or any transfers of financial assets between fair value hierarchy classifications. The fair value hierarchy for the cash pools is disclosed in note 31, Financial instruments: cash pools.

Fair value hierarchy: United Nations Staff Mutual Insurance Society against Sickness and Accident

(Thousands of United States dollars)

	31 December 2015			31 December 2014		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Exchange — traded fund	32 998	–	32 998	29 527	–	29 527
Bonds — corporate	46 370	–	46 370	–	38 528	38 528
Bonds — non-United States agencies	8 955	–	8 955	22 770	–	22 770
Bonds — non-United States sovereigns	2 756	–	2 756	9 137	–	9 137
Bonds — supranationals	2 936	–	2 936	1 783	–	1 783
Total[a]	**94 015**	**–**	**94 015**	**63 217**	**38 528**	**101 745**

[a] The total amount does not include accrued investment revenue of $0.553 million (2014: $0.725 million).

Note 31
Financial instruments: cash pools

230. In addition to directly held cash and cash equivalents and investments, the Organization participates in the United Nations Treasury cash pools. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity’s principal balance.

231. The Organization participates in two United Nations Treasury managed cash pools:

(a) The main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro pool, which comprises investments in euros. The pool participants are mostly offices of the Secretariat away from Headquarters that may have a surplus of euros from their operations.

232. As at 31 December 2015, the cash pools held total assets of $7,827.4 million (2014: $9,608.8 million), of which $2,848.6 million (2014: $2,493.0 million) was due to the Organization, and its share of revenue from cash pools was $11.8 million (2014: $14.8 million).

Summary of assets and liabilities of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment revenue	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	2 838 934	9 715	2 848 649
Payable to other cash pool participants	4 944 934	33 866	4 978 800
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	51 944	48	51 992
Foreign exchange losses	(11 720)	(15 300)	(27 020)
Unrealized losses	(10 824)	(4)	(10 828)
Bank fees	(525)	–	(525)
Revenue from cash pools	**28 875**	**(15 256)**	**13 619**

Summary of assets and liabilities of the cash pools as at 31 December 2014

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	3 930 497	97 011	4 027 508
Long-term investments	3 482 641	–	3 482 641
Total fair value through surplus or deficit investments	**7 413 138**	**97 011**	**7 510 149**
Loans and receivables			
Cash and cash equivalents	2 034 824	48 819	2 083 643
Accrued investment revenue	14 842	119	14 961
Total loans and receivables	**2 049 666**	**48 938**	**2 098 604**
Total carrying amount of financial assets	**9 462 804**	**145 949**	**9 608 753**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	2 481 445	11 575	2 493 020
Payable to other cash pool participants	6 981 359	134 374	7 115 733
Total liabilities	**9 462 804**	**145 949**	**9 608 753**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2014

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	62 511	132	62 643
Foreign exchange losses	(7 064)	(14 396)	(21 460)
Unrealized gains/(losses)	(3 084)	9	(3 075)
Bank fees	(214)	(2)	(216)
Revenue from cash pools	**52 149**	**(14 257)**	**37 892**

Financial risk management

233. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Investment Management Guidelines.

234. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

235. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

236. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

237. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

238. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year end, the credit ratings were as shown below.

Investments of the cash pools by credit ratings as at 31 December

(Percentage)

Main pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	AAA	*AA+/AA/AA-*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
Standard & Poor's	37.7	54.2	8.1	31.2	59.8	1.3	7.7
Fitch	61.9	26.5	11.6	52.2	21.4	–	26.4
	Aaa	*Aa1/Aa2/Aa3*		*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	65.8	34.2	–	69.3	30.7	–	–
Commercial papers (short-term ratings)							
	A-1+			*A-1+*			*Not rated*
Standard & Poor's	100.0			100.0			–
	F1+			*F1+*			
Fitch	100.0			90.0			10.0
	P-1			*P-1*			
Moody's	100.0			70.0			30.0
Reverse repurchase agreements (short-term ratings)							
	A-1+			No reverse repurchase agreements were held as at 31 December 2014			
Standard & Poor's	100.0						
	F1+						
Fitch	100.0						
	P-1						
Moody's	100.0						
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+/a*	*aaa*	*aa/aa-*	*a+/a*	
Fitch	–	53.6	46.4	–	64.1	35.9	

Euro pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	No bonds were held as at 31 December 2015			*AAA*	*AA+*		*Not rated*
Standard & Poor's				–	100.0		–
Fitch				–	–		100.0
				Aaa	*Aa1*		
Moody's				100.0	–		–
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+*	*Aaa*	*aa-*	*a+/a/a-*	
Fitch	–	–	100.0	–	22.1	77.9	–

239. The United Nations Treasury actively monitors credit ratings and, because the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Financial risk management: liquidity risk

240. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

241. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2014: five years). The average durations of the main pool and the euro pool were 0.86 years (2014: 1.10 years) and 0.21 years (2014: 0.22 years) respectively, which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

242. The analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2015

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**47.05**	**35.28**	**23.52**	**11.76**	**–**	**(11.75)**	**(23.51)**	**(35.26)**	**(47.02)**
Total, euro pool	**0.01**	**0.01**	**0.01**	**0.00**	**–**	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**
Total	**47.06**	**35.29**	**23.53**	**11.76**	**–**	**(11.75)**	**(23.52)**	**(35.27)**	**(47.03)**

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2014

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**53.89**	**40.41**	**26.93**	**13.48**	**–**	**(13.45)**	**(26.93)**	**(40.38)**	**(53.83)**
Total, euro pool	**0.05**	**0.04**	**0.03**	**0.01**	**–**	**(0.01)**	**(0.02)**	**(0.04)**	**(0.05)**
Total	**53.94**	**40.45**	**26.96**	**13.49**	**–**	**(13.46)**	**(26.95)**	**(40.42)**	**(53.88)**

Other market price risk

243. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

244. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value. The following fair value hierarchy presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: cash pools

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	149 682	–	149 682	–	–	–
Bonds — non-United States agencies	2 190 965	–	2 190 965	2 154 956	–	2 154 956
Bonds — non-United States sovereigns	124 612	–	124 612	691 489	–	691 489
Bonds — supranational	139 828	–	139 828	440 169	–	440 169
Bonds — United States treasuries	1 092 139	–	1 092 139	1 297 290	–	1 297 290
Main pool — commercial papers	949 112	–	949 112	999 234	–	999 234
Main pool — term deposits	–	1 860 000	1 860 000	–	1 830 000	1 830 000
Subtotal, main pool	**4 646 338**	**1 860 000**	**6 506 338**	**5 583 138**	**1 830 000**	**7 413 138**
Euro pool — bonds						
Non-United States sovereigns	–	–	–	6 157	–	6 157
Euro pool — term deposits	–	10 941	10 941	–	90 854	90 854
Subtotal, euro pool	**–**	**10 941**	**10 941**	**6 157**	**90 854**	**97 011**
Total	**4 646 338**	**1 870 941**	**6 517 279**	**5 589 295**	**1 920 854**	**7 510 149**

Note 32
Related parties

Key management personnel

245. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the Organization. For the operations of the United Nations as reported in volume I, the key management personnel group comprises the Secretary-General, the Deputy Secretary-General and selected officials at the Under-Secretary-General, Assistant Secretary-General and Director levels. Those persons have the relevant authority and responsibility for planning, directing and controlling the Organization's activities.

246. The aggregate remuneration paid to 12 (full-time equivalent) (2014: 12) key management personnel includes gross salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

(Thousands of United States dollars)

	2015	*2014*
Salary and post adjustment	3 488	3 514
Other monetary entitlements	721	700
Non-monetary benefits	1 200	1 200
Total remuneration for the year	**5 409**	**5 414**

247. A residence, with an annual rental fair value equivalent of $1.2 million (2014: $1.2 million), is provided to the Secretary-General free of charge. While no close family members of key management personnel were employed by the Organization at the management level, $0.293 million (2014: $0.072 million) was transacted by the Organization with close family members in the year. Advances made to key management personnel are those made against entitlements in accordance with the Staff Rules and Staff Regulations of the United Nations; any such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

248. The Organization provides grants to related party entities as shown below.

Grants provided to related party entities
(Thousands of United States dollars)

	2015	*2014*
United Nations Office on Drugs and Crime	28 825	25 935
United Nations Environment Programme	20 226	17 598
United Nations Human Settlements Programme	16 937	13 771
International Trade Centre[a]	18 647	18 213
United Nations Entity for Gender Equality and the Empowerment of Women	9 291	7 691
United Nations Relief and Works Agency for Palestine Refugees in the Near East	31 130	31 174
Office of the United Nations High Commissioner for Refugees	44 364	45 676
Total	**169 420**	**160 058**

[a] In 2014, net of $2.0 million refund from ITC.

Loans provided to peacekeeping operations

249. The Organization provided loans to the value of $37.3 million (2014: $37.3 million) and $10.0 million (2014: $10.0 million) to the United Nations Operation in the Congo and the United Nations Emergency Force, respectively. Those missions closed on 30 June 1964 and 30 June 1978, respectively, and the Organization has recorded a 100 per cent allowance for doubtful receivables for those loans.

Note 33
Leases and commitments

Finance leases

250. The Organization has entered into commercial finance leases for the use of communications and information technology equipment, as well as donated right-to-use arrangements for premises. As at the year end, the carrying value of the commercial finance leases totalled $2.6 million (2014: $3.5 million) and the donated right-to-use arrangements meeting the finance lease recognition criteria totalled $77.5 million (2014: $80.7 million). The major portion of the donated right-to-use amount relates to the $76.8 million (2014: $79.9 million) interest in the Vienna International Centre, the remaining being the Asian and Pacific Centre for Transfer of Technology (Economic and Social Commission for Asia and the Pacific (ESCAP)) and the ESCAP Subregional Office for South and South-West Asia, both located in New Delhi; and the Department of Public Information/United Nations Information Centre offices in Brazzaville and Ouagadougou. These donated right-to-use agreements indicate that host Governments will provide premises to the Organization for free for a period longer than 35 years or as long as the United Nations remains in the respective countries and uses the underlying premises for the intended purposes. The statement of financial performance includes finance costs of $0.184 million (2014: $0.243 million) relating to commercial finance lease arrangements. The net year-end carrying value for each class of asset is as shown below.

Net finance lease asset carrying value

(Thousands of United States dollars)

	Donated right-to-use premises: Vienna International Centre	*Other donated right-to-use premises*	*Communications and information technology equipment*	***Total***
As at 31 December 2015	76 816	691	2 570	**80 077**
As at 31 December 2014[a]	79 946	732	3 475	**84 153**

[a] Restated to conform with the current presentation (note 4).

251. Future minimum finance lease payments under non-cancellable arrangements are as shown below.

Obligations for finance leases: minimum lease payments

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Due in less than 1 year	958	896
Due in 1 to 5 years	1 612	2 576
Total present value of minimum finance lease payments	**2 570**	**3 472**
Future finance charges	179	363
Total minimum finance lease payments	**2 749**	**3 835**

Operating leases

252. The Organization has entered into commercial operating leases and real estate agreements with respect to real estate assets, machinery and equipment. The total operating lease expenses for the year were $205.1 million (2014: $207.1 million). That amount includes $57.3 million (2014: $48.6 million) towards assets received under operating donated right-to-use agreements for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable operating leases are as shown below.

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Due in less than 1 year	75 648	69 191
Due in 1 to 5 years	83 398	111 853
Due after 5 years	3 576	5 400
Total minimum operating lease obligations	**162 622**	**186 444**

253. These leases are typically between one and seven years, with some leases allowing an extension after the expiry date and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration rent increases in accordance with the lease agreements. None of the leases and real estate agreements contain purchase options.

Leasing arrangements where the Organization is the lessor

254. The Organization leases out assets to other parties through operating leases. Future minimum lease receipts for those arrangements are showed below.

Operating leases receipts

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Receipts due in less than 1 year	13 058	8 772
Receipts due in 1 to 5 years	13 071	24 743
Total minimum operating lease receipts (undiscounted)	**26 129**	**33 515**

255. As at 31 December 2015, the total of future minimum sublease payments expected to be received under subleases were $4.3 million.

Contractual commitments

256. At the year end, commitments to transfer funds to implementing partners and for property, plant and equipment, intangible assets and goods and services contracted but not delivered were as follows.

Contractual commitments

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Transfer of moneys to implementing partners	69 612	118 224
Property, plant and equipment	27 033	148 262
Intangibles	10 134	5 699
Goods and services	335 031	274 554
Total open contractual commitments	**441 810**	**546 739**

Note 34
Contingent liabilities and contingent assets

Contingent liabilities

257. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into three main categories: commercial claims, administrative law claims and other claims.

258. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2015, the estimated value of such contingent liabilities relating to commercial claims and other claims of a private law nature totalled $1.2 million, including an amount of $0.424 million carried over from 2014.

259. Similarly, no provision for loss has been recorded for administrative law claims where the outcome is determined to be unpredictable and potential outflow uncertain. These cases concern, in most part, appointment-related matters, benefits and entitlement, and separation from service. The total projected outflow for such cases as at 31 December 2015 was estimated at $11.7 million, which is the combined amount of $0.449 million carried over from the prior reporting period and an additional amount of $11.3 million for cases filed during the course of 2015. Management does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

260. No contingent liabilities arose from the Organization's interest in jointly controlled entities or joint venture operations over which the Organization has significant influence.

Contingent assets

261. In accordance with IPSAS 19, the United Nations discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2015, there were no material contingent assets arising from the Organization's legal actions and interests in joint ventures that were likely to result in a significant economic inflow.

Note 35
Events after the reporting date

262. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and that on which the financial statements were authorized for issue that would have had a material impact on these statements.

16-16791 (E) 161116