United Nations

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

Volume I
United Nations

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

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

A/73/5 (Vol. I)

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

Volume I
United Nations

United Nations • New York, 2018

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

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	10
	Summary	10
	A. Background	16
	B. Mandate, scope and methodology	16
	C. Findings and recommendations	17
	D. Financial performance and management	18
	E. Managing the workforce	31
	F. Procurement management	44
	G. Humanitarian affairs	49
	H. Managing the risk of fraud	55
	I. Safety and security	69
	J. Management disclosures	80
	K. Acknowledgement	82
	Annex	
	Status of implementation of recommendations up to the year ended 31 December 2016 (volume I)	83
III.	Certification of the financial statements	148
IV.	Financial report for the year ended 31 December 2017	149
	A. Introduction	149
	B. International Public Sector Accounting Standards benefits	149
	C. Overview of the financial statements for the year ended 31 December 2017	152
	D. United Nations General Fund and related funds	166
	E. Liquidity	168
	F. Looking forward to 2018 and beyond	170
	Annexes	
	I. Supplementary information required by the Financial Regulations and Rules of the United Nations	171
	II. Other supplementary information	172

V. Financial statements for the year ended 31 December 2017 176

I. Statement of financial position as at 31 December 2017. 176

II. Statement of financial performance for the year ended 31 December 2017 178

III. Statement of changes in net assets for the year ended 31 December 2017. 179

IV. Statement of cash flows for the year ended 31 December 2017 180

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017 182

Notes to the 2017 financial statements. 183

Letters of transmittal

Letter dated 31 March 2018 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 2017, 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*) António **Guterres**

Letter dated 24 July 2018 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 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

Chapter I

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

Opinion

We have audited the financial statements of the operations of the United Nations as reported in volume I, which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the operations of the United Nations as reported in volume I as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

In preparing the financial statements, the Secretary-General is responsible for assessing the ability of the operations of the United Nations as reported in volume I to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless the Secretary-General intends either to liquidate the operations of the United Nations as reported in volume I or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the operations of the United Nations as reported in volume I.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the operations of the United Nations as reported in volume I.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.

- Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the operations of the United Nations as reported in volume I to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the operations of the United Nations as reported in volume I to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the operations of the United Nations as reported in volume I 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*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

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

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

24 July 2018

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 as reported in volume I for the year ended 31 December 2017. 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, missions and projects. The Board has also reported separately on the implementation of the information and communications technology strategy, Umoja, capital master plan and the strategic heritage plan.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as reported in volume I as at 31 December 2017 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 overall financial position of the Organization as at 31 December 2017 remains sound. Approximately 99 per cent of the regular budget was consumed in 2017, leaving an underexpenditure of approximately $28.6 million, of which the political affairs category accounted for nearly $7 million. The Administration needs to continue to strengthen core business processes in human resources management, finance, safety and security and procurement. The Board noticed certain deficiencies in the use of consultants in Secretariat entities. The Organization has implemented the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and conducted a fraud risk assessment. While it appreciated the progress in the implementation of the framework, the Board noted scope for improvement in the implementation of counter-fraud measures.

The Board appreciated the fact that the financial statements were submitted by the due date again this year. The Board noted that, although the process of preparation of the financial statements has been largely automated, certain manual adjustments must still be carried out. The Board is of the opinion that the need for manual adjustment presents inherent risks that could have an impact on the completeness and accuracy of the financial statements and thereby render the process of preparation of the statements vulnerable to human error.

Key findings

Financial performance

An overall surplus of $292.36 million was reported for the year 2017 (2016: deficit of $11.49 million), with total revenue of $6,081.23 million (2016: $5,705.99 million) and expenses of $5,788.87 million (2016: $5,717.49 million). For the regular budget, actual expenditure incurred was $2,910.87 million against a final budget of $2,939.44 million, indicating an underexpenditure of $28.57 million. The Administration indicated that there were outstanding commitments of $135.90 million as of the end of 2017 pertaining to the programme budget for the biennium 2016–2017. These are required to be closed by 31 December 2018 in accordance with financial regulation 5.4.

Overall, net assets decreased by $237.19 million, from $2,380.43 million as at 31 December 2016 to $2,143.24 million as at 31 December 2017, mainly on account of actuarial losses of $534.29 million on the valuation of long-term employee benefit liabilities. Long-term employee benefit liabilities increased by $706.15 million, from $4,234.16 million in 2016 to $4,940.30 million in 2017. These liabilities, however, are covered by a large asset base comprising, inter alia, property, plant and equipment holdings with a value of $3,048.70 million (2016: $3,128.85 million) and total cash and investments of $3,134.73 million (2016: $2,990.35 million).

Nearly 71 per cent of the $3,134.73 million in cash and investment balances are restricted because they relate to balances of trust funds and self-insurance funds and are therefore not available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary in 2017, and by the middle of the year the balance of the Fund was exhausted.

Overall, the United Nations has sufficient assets to cover its liabilities. However, the employee benefit liability is likely to consume an increasing portion of the regular budget over time should it remain unfunded.

Preparation of the financial statements

As in the previous year, the Secretariat presented the 2017 financial statements for audit by 31 March 2018, the date prescribed in the Financial Regulations and Rules of the United Nations. The 2017 financial statements were generated from Umoja using the business planning and consolidation module and other tools, with adjustments made to the data drawn from Umoja. The property, plant and equipment, as well as the inventory, of the special political missions have been migrated from Galileo to Umoja. Similarly, legacy systems employed in all entities, except the International Court of Justice, have been migrated to Umoja.

The Board noted that the impact of transactions among different funds covered in volume I had been eliminated through the use of a set of 10 principles to carry out auto-elimination of such transactions in the business planning and consolidation module, including rules for cross-borrowing, allocations, programme support costs/indirect costs, transfers of property, plant and equipment and cost recovery. The Board noted that the auto-elimination principle for cost recovery general ledgers was not used, as the rule was not working properly. Thereafter, manual eliminations of more than $185 million were calculated and carried out. In the process of the reconciliation and rechecking of eliminations, as suggested by the Board, the Administration identified errors in elimination of approximately $1.5 million.

The Board noted that carrying out manual adjustments after taking the data from the Umoja enterprise resource planning central component presents inherent risks which could have an impact on the completeness and accuracy of the financial statements and thereby render the process of preparation of the statements vulnerable to human error.

From an analysis of a sample of outstanding commitments valued at $56.55 million out of the total outstanding commitments of $135.9 million, the Board noted outstanding commitments valued at $24.23 million for goods and services that were not delivered in the year 2017. The Board noted that creation of these commitments as outstanding against the regular budget for the biennium 2016–2017 was not in line with regulation 5.3 of the Financial Regulations and Rules of the United Nations. The creation of outstanding commitments where they are not warranted results in overstatement of reported expenditure and inadequate provision for unencumbered balances for the biennium, that is, the amount which must to be surrendered to the Member States.

In the notes to the financial statements, the Administration disclosed that there were no significant additions in heritage assets during 2017. The Administration stated that the system used for recording the United Nations gifts collection at United Nations Headquarters in New York was a legacy database which was no longer available. The Administration further stated that the United Nations gifts collections had not been part of the annual physical verification exercise at Headquarters and that a physical verification of those assets would be undertaken in 2018. The Board noted that the Office of Internal Oversight Services had reported in 2008 that the overall system of internal control at United Nations Headquarters over gift management was weak, which had also resulted in the loss of works of art. Furthermore, in a separate audit of the capital master plan carried out in 2018 (see A/73/5 (Vol. V)), the Board noted that maintenance of the gift registry at Headquarters was still not complete, as required pursuant to General Assembly resolution 63/270. The Board is of the view that the present system of management of heritage assets is vulnerable to inherent risks arising from weaknesses in the internal control system, including incomplete record maintenance and lack of physical verification of the assets.

Managing the workforce

The Board observed that temporary assignments had been used on a regular basis for the assignment of higher-level responsibilities. It does not appear that such assignments have been limited to exceptional cases, as envisaged in the Staff Regulations and Rules. The filling of a higher-level post through temporary assignment for more than a reasonable period leads to a situation in which the vacancy appears to be at a lower level rather that at the higher level.

Inspira, the Secretariat's enterprise talent management platform, which was introduced in 2010, administered a number of functionalities, including a system for the selection of consultants and individual contractors. The module pertaining to consultants and individual contractors was launched on 10 March 2013 and was initially rolled out to the offices away from Headquarters and the regional commissions in 2014 and 2015. The module has not yet been deployed at United Nations Headquarters.

The Board noted cases of repeated shortlisting of unavailable or unsuitable candidates in the selection of consultants, thereby restricting competition and hindering fair selection. The Board holds that the Administration should follow the proper procedure set out in the administrative instruction providing for selection of identified candidates where it is considered necessary.

Procurement management

The Board noticed a lack of reporting lines and oversight mechanisms in the delegation of procurement authority. The Board considers it crucial that each official that delegates authority is aware of how the delegated authority is exercised. To that end, the reporting requirements for the actions taken under any subdelegation and the controls applicable should be clearly defined.

In accordance with the Procurement Manual, requirements of systems contracts shall normally be subject to competitive bidding, at a minimum, every five years. The Board noted that 129 (36 per cent) of 357 systems contracts classified as non-peacekeeping contracts had a duration of more than five years. Contracts were extended because of delayed solicitations. Contract amendments should not be used to introduce new services.

Humanitarian affairs

From an analysis of the data related to 1,271 projects which were signed by the Executive Officer of the Office for the Coordination of Humanitarian Affairs in 2017, the Board noted that there were delays in the disbursement of funds for 269 projects (21 per cent) ranging from one day to seven months. The Board holds that the delay in disbursement of instalments to implementing partners may adversely impact the intended purpose of the projects. The Administration explained that many of the projects that were delayed pertained to funds for which the United Nations Development Programme (UNDP) was the managing agent and that UNDP had not updated the grant management system despite repeated requests.

Financial and programmatic reporting by the implementing partners is an important aspect of the accountability framework of country-based pooled funds. The Board noted that the there were delays in the submission of final financial statements in 364 projects and of final narrative reports in 377 projects that had ended in 2017. The Administration stated that it had rolled out a partner performance tool in the grant management system that would enable the Humanitarian Financing Unit of the Office for the Coordination of Humanitarian Affairs to track and score partner performance during the project implementation stage.

Managing the risk of fraud

The Advisory Committee on Administrative and Budgetary Questions welcomed the issuance of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and requested the Board's views on the related document and its application (see A/71/669, para. 30).

The Board noticed that the enterprise risk assessment had not percolated down fully to the department, office and mission levels, as only 12 departments and 14 missions had conducted risk assessments and prepared draft risk registers. Even of the ones that had prepared such registers, not all were following up on the implementation of their risk response and risk treatment plans. At the corporate level, no progress scorecard on the implementation of the risk response and risk treatment plans had been prepared after November 2016. Thus, there has not been sustained implementation and monitoring of risk mitigation strategies, including those pertaining to the risk of fraud and corruption.

The fraud and corruption risk register, approved by the Management Committee on 28 February 2018 and shared with the Board, showed that, of the 77 risks identified in the fraud and corruption risk universe, the Administration had concluded that 16 areas were the most critical for its operations and analysed them in detail. It found that the existing internal controls were inadequate to fully mitigate the threats related to fraud and corruption. Residual risk was categorized as "very high" in six areas, "high" in seven and "medium" in the remaining three.

The Secretariat has not formulated a strategy or an action plan to operationalize the Framework. Consequently, there are no performance indicators or mechanisms to assess and monitor its implementation. The Board was informed that, based on the results of the Secretariat-wide fraud risk assessment, an anti-fraud and anti-corruption strategy and a manual would be designed and implemented which would incorporate performance indicators and monitoring mechanisms.

The Board did not find evidence that the Administration had established a formal system for filtering and collating key messages indicating system shortcomings arising from the audits and investigations of fraud and corruption cases and initiating remediation measures.

Safety and security

The Board observed that the Department of Safety and Security did not maintain a policy compliance matrix for each country/duty station to monitor the level of implementation of United Nations security management system policies. There was no platform (such as a Web portal, an information and communications technology (ICT)-enabled technology or a non-ICT technology) to monitor and share policy compliance information in real time with the stakeholders.

The Board noticed that, while the Secretary-General's bulletin ST/SGB/2007/6 generally covered the areas of classification and handling of sensitive information, no specific confidentiality agreement had been executed with the analysts who were dealing with such information and no restrictions had been placed on the use of social media by such analysts.

Recommendations

The Board has made recommendations throughout the report. The main recommendations are that the Administration:

Preparation of the financial statements

(a) **Take urgent steps to strengthen the business planning and consolidation module of Umoja to eliminate the need for manual adjustments and interventions;**

(b) **Improve scrutiny of open commitments at year end, in line with provisions of the Financial Regulations and Rules of the United Nations, to ensure timely surrender of unencumbered balances to the Member States;**

(c) **Put in place a comprehensive and robust system of internal control over heritage assets in a time-bound manner;**

Managing the workforce

(d) **Revisit the practice of temporary assignment and analyse the reasons for the use of temporary job openings in a large number of cases instead of job openings;**

(e) **Decide on a time frame for the deployment of the Inspira module pertaining to consultants and individual contractors at United Nations Headquarters and devise a road map to adhere to that time frame;**

(f) **Utilize the provisions of paragraph 4.7 of the administrative instruction on consultants and individual contractors (ST/AI/2013/4) in cases where the services of an identified candidate are considered necessary;**

Procurement management

(g) **Develop a process to strengthen oversight and put in place a compliance mechanism for the delegation of procurement authority, and use the results to regularly review delegations of authority and, if necessary, adapt or even withdraw them;**

(h) **Ensure that the Procurement Division, in collaboration with requisitioners, analyses the reasons for the extension of contracts beyond the agreed maximum contract period and the reasons for late submissions of statements of work and amendments to the original contract terms, and develop measures to preclude repeated extensions;**

Humanitarian affairs

(i) **Ensure that all disbursements of funds are made within 10 working days, as prescribed in the operational handbook for country-based pooled funds;**

(j) **Closely monitor the implementation of the use of the partner performance tool to ensure strengthened monitoring and control;**

Managing the risk of fraud

(k) **Closely monitor the preparation of detailed actionable plans to implement the risk response and risk treatment plans stemming from the fraud and corruption risk registers and periodically report thereon to the Management Committee;**

(l) **Harmonize the enterprise resource management corporate risk registers and the fraud and corruption risk registers to synergize their risk mitigation strategies;**

(m) **Devise a suitable monitoring mechanism at the Secretariat level for ensuring the sustained implementation of risk mitigation actions at the department, office and mission levels;**

(n) **Consider setting up a formal mechanism for reviewing and strengthening fraud and corruption prevention controls, or embedding it in an existing mechanism, based on lessons learned from dealing with fraud and corruption cases in the Secretariat;**

Safety and security

(o) **Develop a compliance matrix and monitor the level of implementation of United Nations security management system policies and procedures;**

(p) **Establish a mechanism for confidentiality agreements with the security analysts who are dealing with security threat information and explore the possibility of restricting their use of social media at field locations.**

Follow-up on previous recommendations

As at 31 December 2017, of the 129 previous recommendations outstanding up to the year ended 31 December 2016, 31 (24 per cent) had been fully implemented, 84 (65 per cent) were under implementation, 12 (9 per cent) had not been implemented and 2 (2 per cent) had been overtaken by events. The Board noted that the percentage of implementation had increased from 18 per cent in 2016 to 24 per cent in 2017 and that steps had been taken towards implementation for nearly 65 per cent of the outstanding recommendations. The Administration should build on the momentum and ensure implementation of the recommendations within a defined time frame.

Key facts	
$6.08 billion	Total revenue
$5.79 billion	Total expenses
$0.29 billion	Surplus for the year
$8.32 billion	Assets
$6.18 billion	Liabilities
$2.14 billion	Total net assets
$2.44 billion	Employee salaries, allowances and benefits

A. Background

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. The Organization comprises 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.

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 Residual Mechanism for Criminal Tribunals, the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Environment Programme (UNEP), among others, which are reported separately.

3. The 2017 financial statements were prepared under the International Public Sector Accounting Standards (IPSAS) and comprise five separate primary statements supported by explanatory notes.

B. Mandate, scope and methodology

4. The Board of Auditors has audited the financial statements of the United Nations as reported in volume I for the financial year ended 31 December 2017 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 various offices and divisions at Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to visiting operations, projects and offices in Ethiopia and Kenya and the regional commissions in Addis Ababa and Santiago. 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. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly.

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 2017 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. D below), managing the workforce (sect. E), procurement management (sect. F), humanitarian affairs (sect. G), managing the risk of fraud (sect. H), and safety and security (sect. I).

C. Findings and recommendations

Follow-up on previous recommendations

8. As at 31 December 2017, of the 129 outstanding recommendations up to the year ended 31 December 2016, 31 (24 per cent) had been fully implemented, 84 (65 per cent) were under implementation, 12 (9 per cent) had not been implemented and two (2 per cent) had been overtaken by events.

9. Table II.1 sets out the status of implementation of recommendations by report. It can be seen from the table that the earliest pending recommendation pertains to the report for the biennium ended 31 December 2009 (A/65/5 (Vol. I), chap. II). Fifteen recommendations pertaining to the report for the biennium ended 31 December 2013 (A/69/5 (Vol. I), chap. II) were pending implementation as at 31 December 2017.

Table II.1
Status of implementation of recommendations

Report	*Number of recommendations*	*Recommendations pending as at 31 December 2016*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2017*
A/65/5 (Vol. I), chapter II	70	2	1	1			1
A/67/5 (Vol. I) and A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/Corr.2, chapter II	39	2		2			2
A/69/5 (Vol. I), chapter II	28	19	4	13	2		15
A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chapter II	26	19	2	14	2	1	16
A/71/5 (Vol. I)	44	34	8	22	4		26

Report	Number of recommendations	Recommendations pending as at 31 December 2016	Implemented	Under implementation	Not implemented	Overtaken by events	Recommendations pending as at 31 December 2017
A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chapter II[a]	53	53	16	32	4	1	36
			31	**84**	**12**	**2**	

[a] Excludes the recommendations made in the section on the strategic heritage plan of the report of the Board of Auditors for the year ended 31 December 2016 (A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II), which are presented in the report of the Board of Auditors on the strategic heritage plan (A/73/157).

10. Overall, the Board considers that the Administration has made progress in implementing its recommendations, with nearly 24 per cent of the outstanding recommendations made in its report contained in document A/72/5 (Vol. I) having been implemented. The Board noted the need to further improve the rate of implementation, especially in respect of recommendations that have been pending for more than three years. The Board noted that, in a number of cases, preliminary actions had been initiated. The Board emphasizes that further work needs to be done for the recommendations to be considered implemented. The annex to the present report provides a more detailed summary of the action taken in response to the Board's previous recommendations. Furthermore, it may be noted that two of the outstanding recommendations have been reiterated in the present report.

D. Financial performance and management

Financial overview

11. An overall surplus of $292.36 million was reported for the year 2017 (2016: deficit of $11.49 million), with a total revenue of $6,081.23 million (2016: $5,705.99 million) and expenses of $5,788.87 million (2016: $5,717.49 million). For the regular budget, actual expenditure incurred was $2,910.87 million against a final budget of $2,939.44 million, indicating an underexpenditure of $28.57 million. The Administration indicated that there were outstanding commitments of $135.9 million as of the end of 2017 pertaining to the programme budget for the biennium 2016–2017. These are required to be closed by 31 December 2018 in accordance with financial regulation 5.4.

12. Overall, net assets decreased by $237.19 million, from $2,380.43 million as at 31 December 2016 to $2,143.24 million as at 31 December 2017. This decrease was mainly on account of actuarial losses of $534.29 million on the valuation of long-term employee benefit liabilities. The actuarial valuation of employee benefit liabilities for 2017 was a full actuarial exercise and the losses were predominantly due to changes in the actuarial demographic assumptions, experience adjustments and financial assumptions used. Long-term employee benefit liabilities increased by $706.15 million, from $4,234.16 million in 2016 to $4,940.3 million in 2017. These liabilities, however, are covered by a large asset base comprising, inter alia, property, plant and equipment holdings, with a value of $3,048.70 million (2016: $3,128.85 million), and total cash and investments of $3,134.73 million (2016: $2,990.35 million).

13. Nearly 71 per cent of the $3,134.73 million in cash and investment balances is restricted because it relates to balances of trust funds and self-insurance funds. The balances are, therefore, not available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary in 2017, and by the middle of the year the balance of the Fund was exhausted.

14. 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, the financial health of the United Nations as a whole remains sound, as it has sufficient assets to cover its liabilities. However, the employee benefit liability is likely to consume an increasing portion of the regular budget over time should it remain unfunded.

15. 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 2017*	*31 December 2016*	*31 December 2015 (restated)*
Current ratio[a]			
Current assets: current liabilities	3.88	3.41	2.89
Total assets: total liabilities[b]			
Assets: liabilities	1.35	1.44	1.46
Cash ratio[c]			
Cash plus short-term investments: current liabilities	2.42	2.28	1.77
Quick ratio[d]			
Cash plus short-term investments plus accounts receivable: current liabilities	3.51	3.11	2.57

Source: Analysis by the Board of the United Nations financial statements (volume I) for 2015, 2016 and 2017.

[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 and 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.

Preparation of the financial statements

16. As in the previous year, the Secretariat presented the 2017 financial statements for audit by 31 March 2018, the date prescribed in the Financial Regulations and Rules of the United Nations. The 2017 financial statements were generated from Umoja using the business planning and consolidation module and other tools, with adjustments in the data drawn from Umoja. The property, plant and equipment as well as inventory of special political missions have been migrated from Galileo to Umoja. Similarly, legacy systems employed in all entities. except the International Court of Justice, have been migrated to Umoja.

Finalization of accounts

17. The financial statements for 2017 were prepared using Umoja enterprise resource planning central component data and carrying out various adjustments outside Umoja. The business planning and consolidation module was used to produce the majority of the financial statements and note disclosures. The Board was informed that the module uses Umoja enterprise resource planning central component data and, via further data enrichment, compiles the data for financial statement purposes; the

module offers automatic aggregation of data and eliminations; and data sources originating in other systems, including multi-partner trust fund data for activities controlled by the United Nations, are subsequently recorded through the module and certain reclassifications are carried out using journal voucher/input forms.

18. The Board noted that the impact of transactions among different funds covered in volume I had been eliminated through the use of a set of 10 elimination principles to carry out auto-elimination of such transactions in the business planning and consolidation module. The elimination principles that have been defined by the Administration include rules for cross-borrowing, allocations, programme support costs/indirect costs, transfers of property, plant and equipment, and cost recovery.

19. The Board noted that adjustments of more than $570 million had been carried out in respect of the auto-elimination principles by using the manual adjustments/eliminations method. Furthermore, some individual eliminations had to be adjusted in the financial statements owing to lack of reconciliation.

20. The Board further noted that the auto-elimination principle for cost recovery general ledger accounts was not used, as the rule was not working properly. Manual eliminations of more than $185 million were calculated and carried out. Furthermore, during a reconciliation exercise for a sample of revenue general ledger accounts, the Administration stated that there were transactions which were “excluded in error” from elimination in those accounts. The Administration further indicated that, during a recheck of eliminations, it had determined that there were amounts of approximately $1.5 million that should have been eliminated but were not.

21. The Board noted that carrying out manual adjustments after taking the data from the Umoja enterprise resource planning central component presents risks which could have an impact on the completeness and accuracy of the financial statements and thereby render the process of preparation of the statements vulnerable to human error.

22. **The Board recommends that urgent steps be taken to strengthen the business planning and consolidation module to eliminate the need for manual adjustments and interventions.**

23. The Administration accepted the recommendation to strengthen the business planning and consolidation module and stated that the requests for strengthening the module had been logged with the Umoja team and that the team would work to implement further automation after the Umoja Extension 2 roll-out.

Use of standard costs

24. IPSAS 17 provides that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. This includes all costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of or service it. IPSAS 12 states that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

25. The United Nations corporate guidance for IPSAS on property, plant and equipment provides that when determining the cost of an asset, associated costs such as freight, import duties, insurance and others are determined on the basis of a standard cost applicable to peacekeeping operations at 20 per cent and non-peacekeeping operations at 4 per cent.

26. The Board had recommended in its previous report (A/72/5 (Vol. I), chap. II, para. 56) that the Administration phase out the standard cost methodology and align its accounting with IPSAS requirements for valuing property, plant and equipment

assets. The Board is of the opinion that the continuation of the loading of standard costs, instead of actual costs, to the property, plant and equipment items and inventories is inconsistent with the IPSAS provisions.

27. Furthermore, the Board noted two instances in the Office of High Commissioner for Human Rights in which the associated costs were capitalized twice, once with the actually accrued associated costs and the second time with the standard cost of 4 per cent.

28. The Administration stated that there were two obstacles to recognizing actual costs, namely, linking freight forwarding contracts to the purchase orders and efficiently allocating the freight costs to the individual goods. It added that these obstacles could not be resolved in short order. The Administration indicated that it would review the standard cost rates regularly as long as the standard cost methodology continued to be used.

29. While the Board acknowledges the practical difficulties enumerated by the Administration in phasing out the standard cost methodology, it is of the view that a time-bound plan to phase out the standard cost methodology is desirable.

30. **The Board recommends that the Administration value property, plant and equipment assets and inventory considering all actual associated costs in line with the provisions of IPSAS. Furthermore, an appropriate timeline to shift from the standard cost methodology should be specified.**

Regular budget

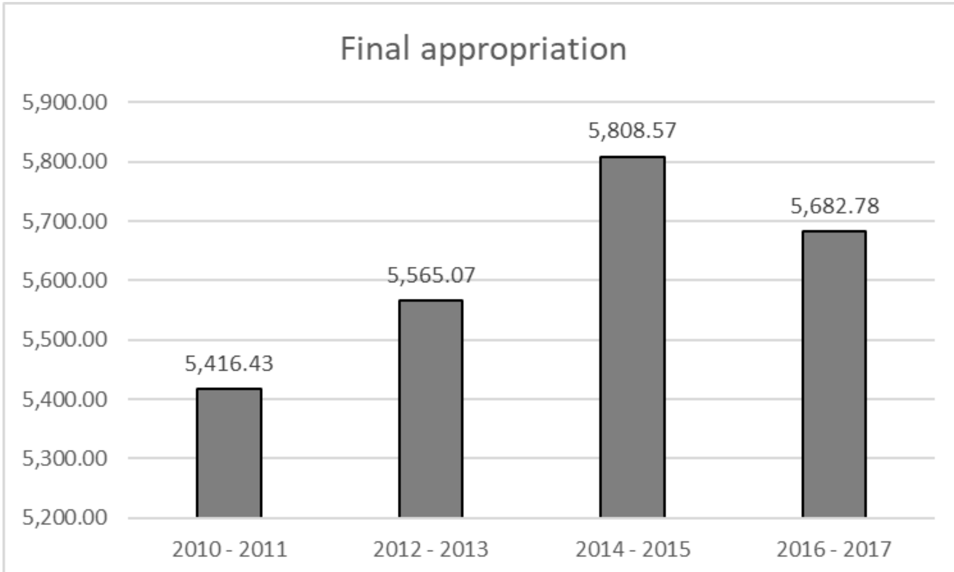
31. The regular budget of the United Nations is prepared on a modified cash basis, while the financial statements are prepared on an accrual basis. Statement V of the financial statements presents a comparison of the budget and actual amounts, in compliance with the IPSAS provisions. A reconciliation of the expenditure presented in statement V with the expenditure presented in the other financial statements is presented in note 6 to the financial statements.

32. The original budget for the biennium 2016–2017 was approved by the General Assembly in its resolution 70/249 at $5,401.79 million. It was subsequently revised, in resolution 71/273 to $5,614.16 million. The budget appropriation was further revised for a final appropriation of $5,682.78 million in resolution 72/253 A.

33. There had been a steady increase in the size of final allotments for the regular budget over the bienniums 2010–2011, 2012–2013 and 2014–2015; however, the final appropriation for the biennium 2016–2017 was less than the final appropriation for the biennium 2014–2015 by approximately $125.79 million, as shown in the figure below.

Regular budget final allotments by biennium

(Millions of United States dollars)



Source: Board analysis of data from the Administration.

34. For the biennium 2016–2017, actual expenditure against the budget was $5,654.21 million, resulting in an underexpenditure of $28.57 million. No underexpenditure was reported in four parts of the budget, namely: part IX, Internal oversight; part XII, Security and safety; part XIII, Development Account; and part XIV, Staff assessment. The largest underexpenditure was reported in part II, Political affairs, at $7.34 million, accounting for nearly 26 per cent of the underexpenditure in the final appropriation. The other budget parts which had underexpenditures of more than 10 per cent were part V, Regional cooperation for development ($5.73 million, or 20 per cent); part VIII, Common support services ($3.91 million, or 14 per cent) and part VII, Public information ($3.03 million, or 11 per cent).

35. Note 6 to the financial statements provides an explanation for the material difference between the original and final budget amounts, as well as material differences between the final budget amounts and actual revenue on a modified cash basis. The differences greater than 10 per cent are deemed to be material. The Board was informed that note 6 presented the explanation for material variations between the original and final annual budget, as well as the final annual budget compared to actual annual expenditure, in line with IPSAS 24.

36. The Board noted that note 6 explained the variances between the original annual budget and the final annual budget in two budget parts, namely, part III, International law and justice, and part XII, Security and safety, where the variances were material, and the variances in the final annual budget and the actual expenditure for those budget parts. The note does not explain the variances between the final budget and the actual expenditure, even when they are material, unless there is a material variance between the original budget and the final budget.

37. The Board is of the view that an explanation of the material differences between the actual expenditure and the final budget amounts would assist users in understanding the reasons for material departures from the approved budget.

38. The Administration informed the Board that no explanations were provided for variances between the final budget and the actual expenditure, as the percentage

variance was below the set threshold of 10 per cent for each budget part. It further indicated that it planned to change the threshold used for reporting of variances from 10 per cent to 5 per cent to align it with that of the peacekeeping operations beginning in the biennium 2018–2019. Furthermore, the Board was informed that, with the shift to an annual budget, the Administration would be providing a final performance report, in lieu of the second performance report, with more detailed explanations of variances.

39. While it appreciates the initiative of the Administration of aligning the threshold used in the operations reported in volume I with that of the peacekeeping operations, the Board holds that there is a need to present the variations between the expenditure and the final budget irrespective of whether the difference between the original budget and the final budget is material or not.

40. The Board noted from the second performance report on the programme budget for the biennium 2016–2017 (A/72/606) that, as Umoja records expenditures by nature of expense, some expenditures are not recorded where they were budgeted, particularly under operational costs, which had resulted in variances under a number of budget classes. While the Board appreciates that the budget for the biennium 2016–2017 was prepared using the Integrated Management Information System (IMIS) objects of expenditure, which were different from the commitment items in Umoja, it holds that there is a need to improve alignment between the budget and objects of expenditure.

41. The Administration intimated that the alignment of the budget by nature of expense had been initiated with the budget preparations for the biennium 2018–2019 and would continue in the annual budgets for the years 2020 and 2021.

Outstanding commitments

42. In accordance with regulation 5.3 of the Financial Regulations and Rules of the United Nations, appropriations shall remain available for 12 months following the end of the financial period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be surrendered.

43. The instructions for preparation of IPSAS-compliant financial statements for the year ending 31 December 2017 for volume I provided that a commitment should generally only be maintained at year end 2017 if there was a legally binding contract in place as at 31 December 2017 and the goods and services were delivered or were partially delivered. The instructions also provided that commitments had been divided in three groups: group 1 for goods and services delivered; group 2 for goods and services not delivered; and group 3 for goods and services partially delivered. The instructions also prescribed the accounting and budget treatment to be carried out for items under each group.

44. The Board noted that outstanding commitments of $135.9 million for the regular budget had been included in the annual actual expenditure shown in statement V of the financial statements for the year 2017. These outstanding commitments consisted of five categories, namely, purchase orders, fund commitments, business trip commitments, down payments and down payment requests.

45. An analysis of a sample of outstanding commitments valued at $56.55 million revealed that outstanding commitments of $24.23 million had been created for goods and services that were not delivered in the year 2017. The Board noted that the creation of these commitments as outstanding against the regular budget for the

biennium 2016–2017 was not in line with regulation 5.3 of the Financial Regulations and Rules.

46. The Administration accepted the fact that it was important to improve scrutiny of open commitments at year end. The Administration added that it had taken steps to improve the review and management of commitments and had strengthened the guidance to the entities on the review and finalization of commitments at year end. The Administration stated that it recognized that this was an ongoing process and would continue to make further efforts to improve the management and review of all outstanding commitments. The Administration stated that the retention of commitments was justified, taking into account operational requirements, including the volatile situation on the ground, the lead time for various projects, such as construction projects, the approval of the final appropriation at the end of the period and external factors that delay the delivery of goods. The Administration added that the majority of the items requested under group 2 (relating, for example, to construction projects and acquisition of equipment, including armoured vehicles) had been budgeted in 2016–2017, with the final budget being approved on 24 December 2017, and that no budget provisions had been made in the biennium 2018–2019 for those items. The Administration further stated that cancelling the commitments would have an adverse impact on operations. The Administration also stated that as the Advisory Committee on Administrative and Budgetary Questions had already reviewed and concurred with the Secretary General's report on transfers between sections, any further liquidation of valid commitments would impact the final expenditure and the related unencumbered balances reviewed by the Advisory Committee. The Administration also brought up the complexities of the procurement process and the resultant delays in the completion of procurement.

47. While appreciating that the fact that the year-end guidance and instructions for identification and treatment of various categories of commitments had been strengthened by the Administration, the Board noted that many of these commitments were related to purchase orders which were issued in the closing weeks of December 2017, that is, at the end of the biennium, including for construction-related contracts, rendering it unlikely that such procurements could have met the conditions set out in the Financial Regulations for the determination of outstanding commitments. The Board noted that the scheduled delivery periods for many of those contracts were in the year 2018, or spread out over several years. Furthermore, the response of the Administration that the items should be kept open because they had been budgeted for the biennium 2016–2017 is to be viewed in the light of the Financial Regulations and Rules, which prescribe a time limit of a year within which the appropriations can be spent on meeting the obligations of the previous biennium, as well as boundaries with respect to the obligations which can be kept open. The Board also holds that, while operational requirements may be reasonable, they alone are not reason enough for retaining commitments.

48. The creation of outstanding commitments where they are not warranted results in an overstatement of reported expenditure and inadequate provision for unencumbered balances for the biennium, that is, the amount which must be surrendered to the Member States.

49. **The Board recommends that the Administration improve scrutiny of open commitments at year end in line with the provisions of the Financial Regulations and Rules to ensure timely surrender of unencumbered balances to the Member States.**

50. The Administration agreed with the recommendation on improved scrutiny and stated that it would continue to strengthen the process further, while adding that the retention of commitments was justified, taking into account operational requirements,

including the volatile situation on the ground, the lead time for various projects such as construction, approval of the final appropriation at the end of the period and external factors that delay delivery of goods. While it acknowledges the response of the Administration, the Board notes that operational needs by themselves cannot justify the retention of commitments.

Heritage assets

51. The United Nations policy framework for IPSAS provides that some assets are described as heritage assets because of their cultural, educational or historical significance. Examples include works of art, monuments and historical buildings. Many public sector entities, including the United Nations, have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation and bequest. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for that purpose. Their value in cultural, educational and historical terms is unlikely to be fully reflected in a financial value; they are often irreplaceable, and it is difficult to estimate their useful lives.

52. In accordance with note 3 to the 2017 financial statements on significant accounting policies "heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in the notes thereto". The Administration disclosed in the notes to the 2017 financial statements that there were no significant additions in heritage assets during 2017.

53. The Board noted that the accounting policy of the United Nations of not recognizing heritage assets in the financial statements was in line with IPSAS provisions. However, given the fact that heritage assets are significant for the Organization owing to their cultural, educational or historical importance and that they are often irreplaceable and have immense inherent value, there is a need to have a robust internal control system over their record and physical inventory management.

54. The Administration stated that the system of record used for recording the United Nations gifts collection at United Nations Headquarters was a legacy database in an old version of the software FileMaker Pro for which technical support was no longer available. A gift module was being established in the computer-aided facility management system to transfer the information from FileMaker Pro, and it was expected that this would be in operation by the end of the third quarter of 2018. The Administration further stated that the United Nations gift collection had not been part of the annual physical verification exercise at Headquarters and that a physical verification of those assets would be undertaken during 2018.

55. The Board noted that OIOS had reported in 2008 that the overall system of internal control at United Nations Headquarters over gift management was ambiguous and required review and that the location of several gifts was not known at the time of the audit. The Office also stated that it could not provide assurance of the completeness of records in the gift registries. Furthermore, in a separate audit of the capital master plan carried out by the Board this year, it was noted that maintenance of the gift registry at Headquarters, as requested by the General Assembly in its resolution 63/270, still was not complete.

56. The Board is of the view that the present system of management of heritage assets is vulnerable to inherent risks arising from weaknesses in the internal control system, including incomplete record maintenance and lack of physical verification of heritage assets.

57. **The Board recommends that a comprehensive and robust internal control system over heritage assets be put in place by the Administration in a time-bound manner.**

58. The Administration accepted the recommendation and stated that, considering its scope and complexity, it planned to implement the recommendation by December 2020.

Policy for inventory valuation

59. Paragraph 9 of IPSAS 12 defines inventories as assets in the form of materials or supplies to be consumed in the production process; in the form of materials or supplies to be consumed or distributed in the rendering of services; held for sale or distribution in the ordinary course of operations; or in the process of production for sale or distribution. IPSAS 12 does not provide further classification of inventories into financial or non-financial inventory. The Board noted that operational inventory for the entities covered under volume I was classified as financial or non-financial. Financial inventory is defined as inventory held for sale or external distribution and includes material and supplies consumed internally that are centrally stored and managed and can be reliably measured. Financial inventory is capitalized in the IPSAS statement of financial position as current assets until used, sold or distributed. Materials and supplies consumed internally by the United Nations are considered non-financial inventories.

60. The Board noted heterogeneity in the accounting treatment of non-financial inventories across different entities covered in volume I. For instance, non-financial inventory for special political missions was reported in financial statements along with financial inventory, while non-financial inventory was not reported for the other entities.

61. The Administration replied that current inventory valuation methodology was adopted owing to the need to separate items of inventory to be reported in the financial statements from those which are excluded in accordance with the United Nations policy framework for IPSAS. The methodology was finalized when the United Nations was confronted with various challenges, including the consolidation of inventory from disparate multiple systems together with adoption of IPSAS, the lack of systems in other offices and the huge volume of inventory.

62. The Board noted that the present practice of treating accounting of non-financial inventory of special political missions differently from that of the other entities covered in volume I increased the possibility that similar items would be reported as non-financial inventory in one entity of the Organization and treated as consumed in another entity.

63. The Board also observed that the disparate legacy systems, such as Galileo and the Integrated Management Information System (IMIS), had been discontinued and that inventory (excluding that of the International Court of Justice) was now fully managed in Umoja, with the completion of migration from Galileo to Umoja in 2017. The Board is therefore of the opinion that inventory stocks can now be reliably measured using Umoja, thereby enabling uniformity in reporting arrangements.

64. **The Board recommends that the Administration adopt a homogenous IPSAS-compliant policy of inventory valuation and reporting which recognizes all material inventory across all entities in volume I.**

65. The Administration accepted the recommendation and stated that, following the migration of inventory from Galileo to Umoja, it was in the process of reviewing and updating the policy to implement homogenous treatment of all inventory across all entities.

Conditional voluntary contributions

66. IPSAS 23 provides that an inflow of resources from a non-exchange transaction may be recognized as an asset only if the stipulations on a transferred asset do not give rise to a present obligation, that is, there are no conditions attached to the asset. It further provides that conditions on a transferred asset give rise to a present obligation on initial recognition that would be recognized as a liability.

67. The Administration indicated that it was following a policy according to which agreements under the Financial and Administrative Framework Agreement would be considered to be conditional. Other agreements were to be reviewed to check the existence of conditions and the criteria applied for this purpose, including checking:

- Performance obligations
- Specifications for the return of funds (even funds already spent) for non-performance
- Whether they include a mechanism/process to independently check on performance
- Whether they include an enforcement process for return of funds
- Whether they have a track record of requiring funds spent to be returned for non-performance

68. The Board had, in its previous report (see A/72/5 (Vol. I), chap. II, para. 71), recommended that the Administration follow a rigorous policy of reviewing the individual voluntary contribution agreements of donors on a case-by-case basis and reiterated that the Organization should:

(a) Recognize in assets the inflow of resources from binding agreements when it is probable that the future economic benefits will flow to the United Nations and the fair value can be reliably measured;

(b) Separately recognize in liabilities an outflow of resources when conditions exist requiring the contribution to be consumed as specified or be returned to the donor;

(c) Recognize the inflow of resources as revenue except to the extent that a liability has been recognized for the same inflow.

69. The Board noted cases in which the application of criteria used by the Administration to check the existence of conditions in the voluntary contribution agreements was not fully in line with provisions of IPSAS, as indicated below:

(a) IPSAS 23 provides that a condition will need to specify such matters as the nature or quantity of the goods and services to be provided or the nature of assets to be acquired as appropriate and, if relevant, the periods within which performance is to occur. However, the Administration recognized only those agreements which had detailed project activities in the scope of work and detailed individual outcomes as having performance obligations;

(b) IPSAS 23 provides that performance will need to be monitored by, or on behalf of, the transferor on an ongoing basis. However, the Administration applied as criteria the existence of a process for independent check on performance by the donor, such as the sending by the donor of its own investigation team, which is not required under IPSAS 23;

(c) IPSAS 23 states that if the entity has no experience with the transferor, or has not previously breached stipulations that would prompt the transferor to decide whether to enforce a return of the asset or other future economic benefits or service potential, and it has no evidence to the contrary, it would assume that the transferor would enforce the stipulation and, therefore, the stipulation meets the definition of a condition. The Administration applied the check as to whether there was a track record of demand for refund of a contribution by any of the donors in these agreements owing to non-performance. The Administration concluded that, as United Nations entities had never breached stipulations that might have prompted the donors to demand a reimbursement, the agreements were not to be treated as conditional.

70. The Board holds that the application of criteria used by the Administration to check the existence of conditions for voluntary contribution agreements is not fully in line with the provisions of IPSAS.

71. **The Board recommends that the Administration review the criteria followed by it for identifying conditionality in the voluntary contribution agreements and bring them in line with the provisions of IPSAS 23.**

Health insurance

72. The United Nations has established health and dental self-insurance plans 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) United Nations 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. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to members. 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. The United Nations 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. The third-party administrators receive the claims of the staff members and retirees who are members of the insurance schemes on behalf of the United Nations, scrutinize them and determine the payments to be made against the claims.

73. The Board had noted in its report for the year ended 30 June 2014 (see A/70/5 (Vol. I), chap. II, para. 62) that existing arrangements with many service providers had not been reviewed for many years and that OIOS had also identified that the agreements with service providers were not up to date, with some agreements not having been updated since 2000. The Board observed that there had been no significant change since its previous comments, as agreements with certain important third-party administrators had not been updated for several years. The Board also noted that the current binding documents between the United Nations and third-party administrators were not uniform/standardized for all third-party administrators. The Board was informed that the Administration was currently in the process of reviewing the current documentation to obtain standardized and updated agreements with third-party administrators. The Administration further indicated that the standardization of performance guarantees of third-party administrators to ensure that all of them are evaluated using the same standards was under way and was expected to be completed in 2019.

74. In the same report, the Board had also noted that the United Nations did not have independent assurance of the accuracy of claims paid and whether the third-

party administrators were meeting their contractual obligations, as the last "open-book" examination of the performance of third-party administrators was carried out in 2009. The Board had recommended that arrangements be made to conduct an open book audit of the third-party administrators to provide assurance of the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they had complied with their contractual obligations.

75. The Administration stated that it had drafted a third-party administrators agreement incorporating strengthened reporting and reconciliation requirements that would be proposed for use across the United Nations system. Furthermore, the Administration informed the Board that it had been decided to issue a revised request for proposal for a United Nations-commissioned audit of the financial accuracy, service reliability and overall compliance with industry best practices of third-party administrators before the end of 2018.

76. The Board noted the response of the Administration but is concerned that the issues the Board raised in its previous report (A/70/5 (Vol. I), chap. II) have yet to be addressed. The Board is of the view that, as the United Nations acts as the principal for the self-insurance arrangements and is the one being exposed to the risks and rewards associated with the plans, there is need to put in place an adequate internal control mechanism to provide assurance over, and maintain the costs of, the health insurance programme.

77. **The Board recommends that the Administration review and strengthen formal arrangements with third-party administrators and put in place a system of regular open-book auditing of their functioning at the earliest possible date.**

Balance of funds in the main United Nations cash pool

78. From the details provided by the Administration concerning the participating funds' share in the main cash pool as at 31 December 2017, it can be seen that there are 458 participating funds in the main pool. These funds are assigned to the various entities that participate in the cash pool of the United Nations Secretariat. From the details of the fund-entity relationship provided by the Office of Programme Planning, Budget and Accounts, the Board notes that 45 funds are unassigned. Only 13 of them had balances as at 31 December 2017, and these amounted to nearly $61 million. The Board noted that one of the funds (64PFN) had a balance of $10.72 million with the United Nations Joint Staff Pension Fund. The Board was informed in the course of the audit of the Pension Fund that it had never intended to participate in the cash pool of the United Nations Secretariat and that it had at no point agreed to invest its assets as a part of the cash pool.

79. The Administration informed the Board that the fund 64PFN belonged to the Pension Fund and added that the fund was created in IMIS in January 2006 following the decision of the Pension Fund to migrate to IMIS for its administrative operations. The Administration added that no separate bank account was opened for the fund, as the Pension Fund decided to advance funds to the General Fund for its disbursements made from IMIS. The Administration informed the Board that it was clearly mentioned in the Administration's letter to the Pension Fund that the Pension Fund should consolidate the balances of this fund into the balances in the Pension Fund's system for the purpose of the preparation of its financial statements.

80. The Board observed that while the United Nations had informed the Pension Fund of the methodology of treatment of the fund, this was neither expressly agreed or disagreed to by the Pension Fund. Thus, neither the United Nations nor the Pension Fund had claimed ownership of the fund (64PFN). The Board is of the view that this situation demonstrates that the lack of a formal agreement with entities for their

participation in the cash pool has led to ambiguity in the roles and responsibilities of the United Nations Secretariat and the participating entities.

81. **The Board recommends that the United Nations Treasury formalize the participation of different entities in the main cash pool by way of written agreements with them.**

82. **The Board also recommends that the United Nations reconcile with the Pension Fund the treatment of the balance of the fund 64PFN in their financial statements.**

83. The Administration informed the Board that the United Nations Treasury had agreed to have the recommendation reviewed by the Office of Legal Affairs and would implement it in line with the opinion rendered by the Office.

Cost of services rendered by the United Nations Office at Geneva

84. The United Nations Office at Geneva provides services to entities financed from the regular budget as well as to entities financed from extrabudgetary sources and to other organizations of the United Nations common system and jointly funded entities. The services rendered by the United Nations Office at Geneva to regular budget clients [1] are funded by the regular budget, while the services rendered to extrabudgetary clients[2] are funded by reimbursements. In its resolution 50/214, the General Assembly approved the recommendation of the Advisory Committee on Administrative and Budgetary regarding the need to ensure that regular budget activities do not subsidize extrabudgetary activities and vice versa.

85. The Board noted that the different organizational units of the United Nations Office at Geneva, namely, the Division of Administration, the Division of Conference Management and the Security and Safety Service, which provide services to the clients have developed their own cost recovery arrangements in the past owing to different funding sources and reporting lines and the nature of the services rendered. For example, the Division of Administration maintained an annually updated service charges catalogue consisting of standard unit prices based on staff costs only. Non-staff costs (e. g., for operating expenses) were not considered. The Security and Safety Service maintained client-specific arrangements based on standard staff costs and certain surcharges (such as staff replacement costs and supervisory costs). In the case of the Division of Conference Management, the United Nations Office at Geneva stated that the cost calculations were led by the supervising Headquarters division.

---

[1] The Division of Administration, the Division of Conference Management and the Security and Safety Service.

[2] The Office for the Coordination of Humanitarian Affairs, the Office of the United Nations High Commissioner for Human Rights, the United Nations Conference on Trade and Development, the International Trade Centre, the secretariat of the International Strategy for Disaster Reduction, the Economic Commission for Europe, the secretariat of the United Nations Framework Convention on Climate Change, the secretariat of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for the Criminal Tribunals, the Office of the United Nations High Commissioner for Refugees, the United Nations Institute for Training and Research, the United Nations Environment Programme (UNEP), the United Nations Children's Fund, the World Health Organization, the World Meteorological Organization, the United Nations Development Programme, the United Nations Office for Project Services, the United Nations Population Fund, the United Nations System Staff College, the United Nations Compensation Commission, the United Nations Educational, Scientific and Cultural Organization, the Advisory Centre on World Trade Organization Law, the Internet Governance Forum, the Mine Action Service, the United Nations Industrial Development Organization, United Nations Volunteers, the Global Alliance of National Human Rights Institutions and the World Food Programme.

Furthermore, the Board noted that cost calculation for the rental rate for office space was outdated, as it was based on data from 2011. The United Nations Office at Geneva stated that the Division of Administration had revised the rate annually since 2011 but had decided not to adjust it given that an in-depth revision was currently ongoing.

86. The provision of services by the United Nations Office at Geneva to extrabudgetary clients, including fees and charges for services, is based on memorandums of understanding, service-level agreements and other standing or special arrangements.

87. The Board considers memorandums of understanding and service-level agreements important in establishing a contractual basis for providing services in exchange for cost compensation. The Board acknowledges the progress made in the development of the cost recovery approach by the United Nations Office at Geneva. However, given the different bases used for the calculation of costs and the partial inclusion of indirect non-staff surcharges for supporting services, the Board holds that cost calculations for services need to be streamlined. It would be advisable to liaise with Headquarters for a common approach within the United Nations. This is even more important in the light of the proposed global service delivery model.

88. **The Board recommends that the United Nations Office at Geneva further refine its cost calculation approach with regard to non-staff costs by streamlining the different approaches used by its organizational units and by regularly updating cost calculations for the services delivered.**

89. **The Board further recommends that the United Nations Office at Geneva liaise with Headquarters to develop a common global approach for calculations and transparent recovery of costs for services within the United Nations.**

90. The United Nations Office at Geneva agreed with the recommendation. It stated that the Division of Administration would engage in a dialogue with the respective parent departments and work closely with United Nations Headquarters to further the development of a cost recovery policy and approach within the United Nations. The Administration further informed the Board that the United Nations Office at Geneva had already started the work of streamlining cost recovery activities between the Safety and Security Service and the Division of Administration and the inclusion of non-staff costs. It also stated that, in the case of conference management services, cost calculations fall within the overall authority of the Department for General Assembly and Conference Management, but that the United Nations Office at Geneva would liaise with the local executive office to explore ways of addressing the recommendation.

E. Managing the workforce

91. The Office of Human Resources Management seeks to align the Organization’s human resources capacity with its mission and changing mandates and to ensure that the Secretariat can carry out its functions effectively and efficiently.

92. The Office is the central authority for matters pertaining to human resources. The Board examined its performance in achieving its objectives in, inter alia, the management of disciplinary cases, the performance management and development system, staffing timelines and the use of special post allowances.

Special post allowances granted in accordance with the Staff Regulations and Rules

93. Rule 3.10 of the Staff Regulations and Rules relating to special post allowance provides that staff members shall be expected to assume temporarily, as a normal part

of their customary work and without extra compensation, the duties and responsibilities of higher-level posts. The rule further provides that, without prejudice to the principle that promotion under staff rule 4.15 shall be the normal means of recognizing increased responsibilities and demonstrated ability, a staff member holding a fixed-term or continuing appointment who is called upon to assume the full duties and responsibilities of a post at a clearly recognizable higher level than his or her own for a temporary period exceeding three months may, in exceptional cases, be granted a non-pensionable special post allowance from the beginning of the fourth month of service at the higher level.

94. The Board noted that in respect of staff members other than the field mission staff, the head of department or office makes the decision on granting a special post allowance, while for field mission staff, the head of mission forwards the recommendation of the local panel to the Department of Peacekeeping Operations for approval. Furthermore, from the data provided by the Administration, the Board noted that 2,468 temporary assignments involving special post allowances were made during 2016–2017 and that 718 of those temporary assignments were for more than one year (see table II.3).

Table II.3
Temporary assignments with special post allowances

Length of assignments	*Number of assignments*
12–18 months	460
18–24 months	198
24–36 months	59
More than 36 months	1
Total	**718**

Source: Information provided by the Office of Human Resources Management.

95. The Board also noted that there were 13 cases of temporary assignment with special post allowance starting between 2008 and 2014 with assignment lengths of five years or more (see table II.4).

Table II.4
Temporary assignments with special post allowance for more than five years

Assignment start date	*Assignment expiration date*	*Length of assignment (months)*
24 March 2008	8 October 2017	114
2 February 2009	31 August 2017	103
17 September 2010	31 December 2016	75
10 September 2012	31 December 2018	75
5 October 2011	6 August 2017	70
18 June 2012	31 March 2018	69
1 March 2011	25 September 2016	66
30 March 2011	30 June 2016	63

Assignment start date	*Assignment expiration date*	*Length of assignment (months)*
16 March 2012	4 July 2017	63
3 January 2012	28 February 2017	61
14 August 2014	30 September 2019	61
2 December 2013	31 December 2018	60
2 December 2013	19 December 2018	60

Source: Information provided by the Office of Human Resources Management.

96. The Board observed that temporary assignments had been used on a regular basis for the assignment of higher-level responsibilities. It does not appear that such assignments have been limited to exceptional cases, as envisaged in the Staff Regulations and Rules. Moreover, many of these assignments run for more than a year. The filling of a higher-level post through temporary assignment for more than a reasonable period leads to a situation in which the vacancy appears to be at a lower level rather than at the higher level.

97. The Administration stated that the overuse of temporary job openings was one of the main things preventing stronger workforce planning in the Organization. It also stated that departments/offices managed their own budgets and often claimed funding uncertainty as the reason for a temporary job opening.

98. **The Board recommends that the Administration revisit the practice of temporary assignment and analyse the reasons for the use of temporary job openings in a large number of cases instead of job openings.**

99. The Administration stated that it was currently conducting a review of temporary assignments and special post allowances as part of its project to simplify and streamline policies.

Use of consultants

100. In the context of its review of the Secretary-General's proposed programme budget for the biennium 2018–2019, the Advisory Committee on Administrative and Budgetary Questions decided to request the Board to undertake a performance audit with respect to the use of consultants across the Secretariat (see A/72/7, chap. I, para. 113). In addition to its examination of the use of consultants in the different departments of the Secretariat during the course of the audit of the financial statements for the year ended 31 December 2017, the Board audited three selected offices/departments of the Secretariat, namely, the Economic Commission for Africa (ECA) in Addis Ababa; the Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago; and the Department of Economic and Social Affairs in New York.

101. The selection and use of consultants and individual contractors in the United Nations is governed mainly by administrative instruction ST/AI/2013/4. A consultant is defined as a recognized authority in a specific field, whereas an individual contractor is engaged to provide expertise, skills or knowledge for the performance of a specific task. The heads of departments, offices and missions are responsible for instituting competitive selection procedures for engaging consultants. The administrative instruction requires the use of rosters of consultants and individual contractors, as they provide easy access to a screened pool of individuals with a relevant track record. Owing to the particular needs of various offices of the

Secretariat, every department, office and mission is required to develop its own roster of consultants and individual contractors based on its requirements. The rosters are to be kept centrally in the department, office or mission, including for monitoring and audit purposes. Job openings are to be posted on the electronic platform provided for this purpose when the services of a consultant or individual contractor are needed for more than six months. To ensure competition in the selection process, it is expected that, for each assignment, every effort will be made to shortlist for consideration a minimum of three candidates on the widest possible geographical basis.

102. The administrative instruction also provides for specific checks that need to be instituted in the process of the selection of consultants, such as whether any family member works for the United Nations, whether the applicant is a United Nations retiree, limitations on the period of consultancy, the fees payable for consultants at different levels and the process to be followed in case of exceptions.

103. Of the total of 1,641 consultants and 1,045 individual contractors in the three selected offices of the Secretariat, the Board verified a total of 259 cases (178 cases of consultants and 81 cases of individual contractors) during the course of the audit.

104. The Board noted that Inspira, the enterprise talent management platform of the United Nations Secretariat, which was introduced in 2010, included a system for the selection of consultants and individual contractors. The system provided for the creation of job openings, the self-registration of consultants, the posting of job openings to the Internet and to the careers portal, direct linking of the applicants to the job opening from the registered candidate pool and candidate evaluation, among other things. The module pertaining to consultants and individual contractors was launched on 10 March 2013 and was initially rolled out to the offices away from the Headquarters and the regional commissions in 2014 and 2015.

105. The Board found that ECA and ECLAC used Inspira for the selection of consultants and Umoja for further processes, such as the issuance of contracts and making online payments to the consultants. In the Department of Economic and Social Affairs, the process of selection of consultants was managed offline, Umoja was used for the issuance of contracts and making payments and Unite Docs was used for maintaining digital copies of the documents. The Board was informed that the Inspira system for hiring consultants and individual contractors had not yet been deployed at United Nations Headquarters.

106. In the database of candidates maintained in Inspira at ECA and ECLAC, the Board noted that the names of some persons appeared more than once. Furthermore, no history of the assignments for which a particular consultant was considered and hired by the agencies in the past was available, and for unadvertised job openings, the total number of eligible candidates available for selection and the basis on which the hiring divisions had picked up the shortlisted candidates could not be ascertained.

107. Inspira does not allow for viewing a comprehensive picture of the consultant engagements across the Secretariat unless the user is assigned to all the job openings. For instance, in one case, one of the shortlisted candidates could not be considered for selection as he was already working for OIOS.

108. ECA indicated that clearance was requested from United Nations Headquarters before a former staff member is engaged, as there is no interface between Inspira and Umoja. ECLAC, in its reply, stated that the possibility of repetition of names results from the fact that candidates can register themselves under different subrosters. ECLAC agreed that there was a need to make enhancements in Inspira for better monitoring of the selection and evaluation processes. With respect to the verification of the prescribed conditions before the selection of candidates, ECLAC informed the Board that it fully relied on the information provided by the candidates in their

personal history profiles. The Department of Economic and Social Affairs also confirmed that the information provided by the candidate was relied upon for the verification required under section 3 of the administrative instruction, as some of the checks were not possible without that information.

109. The Board is of the view that the self-registration of candidates may have a negative impact on the quality of rosters, although it may be good for expanding the pool of possible applicants. Furthermore, the Board noted that Inspira needed to be improved further to ensure better monitoring of the process of selection of consultants by providing an overview of all the consultant engagements for certain roles, while factoring in the need for data security and privacy.

110. In addition, while terms of reference are a mandatory part of the contract with a consultant or individual contractor, the Board observed one case in which no terms of reference were included, as well as cases with incomplete terms of reference in the Department of Political Affairs. The Administration agreed that specific terms of reference should have been included and assured the Board that corrective action would soon be taken through the use of Inspira.

111. **The Board recommends that the Administration decide on a time frame for the deployment of the Inspira module pertaining to consultants and individual contractors at United Nations Headquarters and devise a road map to adhere to the decided time frame.**

112. **The Board further recommends that the access management of Inspira be suitably modified to provide roles which can be used to view the consultant engagements across the Secretariat, factoring in the relevant data security and privacy needs.**

113. The Administration agreed with the recommendations and expressed the opinion that such roles could be assigned to focal points in the executive office and in the Office of Human Resources Management. The Administration further informed the Board that it would decide on a time frame for deployment of the Inspira module pertaining to consultants and individual contractors at Headquarters and devise a road map to adhere to it.

Maintenance of rosters

114. In the Department of Economic and Social Affairs, the Board found that neither were rosters being maintained centrally with easy access for all divisions and for audit purposes, nor were clearly documented procedures in place to continually expand the pool of potential consultants. A roster of a large number of potential consultants, which is available through Inspira to other United Nations entities, such as ECA and ECLAC, was reported to be unavailable to the Department owing to access issues.

115. The Department stated that it did not have a central roster, but relied on informal networks of individual staff members to provide candidates for assignments of less than six months' duration. It added that the divisions reached out to a number of candidates individually by consulting internal lists of candidates. The Department further stated that it had not invested in developing its own online system to support the requirements of posting job openings for consultants and individual contractors, as it would not be the most efficient use of the Department's limited resources and given the fact that the full deployment of the Inspira module for consultants and individual contractors at Headquarters was expected following its implementation in other duty stations.

116. **The Board recommends that the Department work with the Office of Human Resources Management and the Office of Information and Communications Technology towards the early deployment of Inspira in the**

Department. In the interim, the Department should maintain a roster of consultants that is accessible to all divisions for future selections.

117. The Department accepted the recommendation and stated that it had always looked forward to the roll-out of the Inspira module for the selection of consultants and individual contractors at Headquarters. The Department further stated that it was in discussion with the Office of Human Resources Management and the Office of Information and Communications Technology regarding the deployment of the module in the Department, possibly in the first quarter of 2019, and that it would, in the interim, continue to take internal measures to maintain its roster of consultants and individual contractors.

Shortlisting of candidates

118. In the Department of Economic and Social Affairs, the Board observed several instances in which a candidate was selected repeatedly for multiple contracts, with the justification that the other two shortlisted candidates were unavailable. The Board found that, in most of the cases, the other two shortlisted candidates were the same, despite the fact that the Department knew that they were unavailable. The Board is unable to understand the reasons for not shortlisting other candidates who might possibly have been available. Similarly, in some cases, candidates known to have limited or no experience were shortlisted for several contracts and then rejected. The repeated shortlisting of a candidate with limited experience does not stand to reason. In the opinion of the Board, while the selected candidate may have been suitable for the opening, the repeated shortlisting of unavailable or unsuitable candidates restricts competition and hinders fair selection. The Board also noticed cases in which there was an apparent preference for a candidate, which was clear from the reasons provided by the Department for the selection of the candidate over the other shortlisted candidates. In other, related cases, one candidate was preferred over the same shortlisted candidates owing to his experience in the earlier contracts.

119. The Administration informed the Board that the extension of contracts (because of additional time required or additional deliverables within the overall assignment) could sometimes result in the raising of multiple contracts in Umoja instead of the simple extension of the original contract. In such cases, using the original comparators to process the extension would be appropriate; undertaking a new comparison/selection in such cases would not be cost-effective or productive.

120. Paragraph 4.7 of the administrative instruction on consultants and individual contractors provides that, on an exceptional basis, the head of the department, office or mission may engage a consultant or individual contractor even though he or she was the only candidate considered, provided a reasoned and documented justification for such exception is recorded prior to the selection. The Board is unable to comprehend why such provisions were not applied by the Administration in some of the cases mentioned above, wherein there was an apparent preference for one candidate.

121. The Administration stated that the shortlisted candidates were all experts in the field and were equally qualified for the consultancy and that the process in the administrative instruction was followed. The Board did not find evidence of unsatisfactory performance by these consultants; its comment relates to the apparent preference for the selected candidates established by a reading of the reasons for selecting the candidate. The choice of the candidate in such cases was thus predetermined and not based on competition. Hence, the Board is of the opinion that while the administrative instruction may have been followed in word, it has not been followed in spirit.

122. The Department stated that it needed to implement its work programme within a tight framework and with as little disruption as possible, and that it therefore preferred to work with known candidates. The Department added that it was awaiting the deployment of the Inspira module on consultants and individual contractors, which could be utilized for hiring purposes. They added that the availability of candidates is a dynamic factor and that it could not wait for available candidates, as, in many cases, the scheduled programmes were already under way.

123. While the Board appreciates the need of the organizations to hire personnel with specific skills, considering the context in which they function, it holds that the provision of the administrative instruction providing for such exceptions would need to be utilized. The Board holds that, in cases where a candidate is repeatedly unavailable, the Administration should make efforts to expand the roster of candidates rather than going through the process of shortlisting candidates who are likely to be unavailable.

124. **The Board recommends that the Administration utilize the provisions of paragraph 4.7 of the administrative instruction on consultants and individual contractors in cases where the services of an identified candidate are considered necessary.**

125. **The Board recommends that the Administration expand the roster of candidates to widen the sphere of competition for the selection of consultants and individual contractors.**

126. The Administration stated that whenever justified, when highly specialized skills were required, the Department would exceptionally request the hiring of a specific consultant or individual contractor if the candidate is the only available candidate who meets the requirements. It added that the Department would carefully assess the need for the exception in accordance with the provisions of paragraph 4.7 of the administrative instruction. It noted that with the deployment of the Inspira module, possibly in the first quarter of 2019, the roster of candidates would expand and the Department would be able to widen the sphere of competition for the selection of consultants and individual contractors.

Evaluation of the case of a consultant in the Economic Commission for Africa

127. In the ECA, the Board noticed a case in which a consultant was engaged in August 2016 for six weeks and subsequently extended four times. The performance evaluation report prepared by the Chief of the Evaluation Section of the Strategic Planning and Operational Quality Division in October 2016, assessed the quality of the consultant's work as "good" and indicated that all the goals outlined and deadlines established in the terms of reference had been met. The Board noticed, however, from emails exchanged with the consultant, that on 20 October 2016 the Chief of the Evaluation Section informed the consultant that ECA management was not satisfied with the review work done by the consultant since it failed to capture the magnitude of some achievements and provided only a narrow assessment of some of the recommendations of a task force. The consultant responded by regretting that the review did not meet the Executive Secretary's expectations. The Board is therefore of the view that the performance evaluation of the consultant was not accurate.

128. Furthermore, section 5.31 of the administrative instruction indicates that if the output is less than satisfactory, no further contracts should be granted to the consultant and payment may be reduced or withheld entirely. This was not done by the hiring division, and the contract was extended several times.

129. ECA clarified that the management did not have any issue with the quality of the work and output of the consultant, but rather with the fact that the review did not

capture fully the spirit of the recommendations of the task force and that the narrow approach of the review did not capture higher-level achievements. That, according to ECA, was the reason for the statement that the expectations of senior management had not been met. ECA stated that it had learned from this exercise that, in future, for contracts of such a nature, which involve time-consuming data collection, they would opt for time-based rather than delivery-based contracts.

130. The Board holds, however, that the evaluation of the work of the consultant was done without involving senior management with respect to the quality of work delivered.

131. **The Board recommends that ECA management ensure that the evaluation of the work of consultants factor in the views of senior management and that the defects noted, if any, be rectified through extensions of the contract at no additional cost.**

132. The Administration informed the Board that ECA would take appropriate action to ensure that, for relevant assignments, senior management team approval was secured prior to providing the final evaluations of consultants. It added that an inter-office memorandum clearly delineating the process of evaluation of consultants' work would be circulated.

Duration of contracts of individual contractors

133. Paragraph 5.9 of the administrative instruction provides that the services of an individual contractor shall be limited to 6 months or, in special circumstances, 9 work-months in any period of 12 consecutive months, irrespective of the cumulative months of actual work, except for individual contractors engaged to perform language functions on a unit-cost basis.

134. The Board found that, in the cases of three individual contractors in ECA, the duration of the contracts was not more than 9 months during a calendar year. However, if any period of 12 months was considered, their engagements were for more than 9 months.

135. Furthermore, there was no clarity regarding how to verify and establish special circumstances for engaging individual contractors for a period of nine months.

136. **The Board recommends that the Office of Human Resources Management review the provisions of the administrative instruction to define the circumstances under which individual contractors can be engaged for more than six months.**

137. The Administration stated that the Office of Human Resources Management would review the provisions of the administrative instructions to define the exceptional circumstances under which individual contractors can be engaged for more than six months.

Engagement of consultants in the Department of Political Affairs

138. The Board reviewed 14 of the 71 consultants engaged during 2017 in the Department of Political Affairs and found that five of the contracts were for a period exceeding six months. In four of the five cases, the Board observed that interim evaluations were not recorded as required. It was informed by the Administration that it sought written confirmation by project managers that tasks had been completed by the consultants. The Board is of the view that such written confirmation may not be sufficient, as the format for the evaluation has been prescribed.

Engagement of consultants and contractors in the Department of General Assembly and Conference Management

139. The Board noted that during the biennium 2016–2017, 17 consultants and 305 individual contractors had been engaged in the Department of General Assembly and Conference Management. The contractor management application (CMA), a web-based portal of the Department, was used to manage the global roster of contractors, process contracts and orders online, and provide files to and receive files from contractors, as well as to manage quality control.

140. The Board noted that paragraph 3.10 (a) of the administrative instruction on consultants and individual contractors (ST/AI/2013/4) stipulates that a retired staff member who is in receipt of a benefit from the United Nations Joint Staff Pension Fund may not be hired for more than six months per calendar year. From a test check of data reports available on CMA in respect of the consultants engaged in the Department, the Board noted 15 instances, involving 10 individuals, in which a United Nations retiree was engaged for more than six months in a calendar year. In response, the Department cited paragraph 5.9 of the administrative instruction and contended that individual contractors engaged to perform language functions on a unit-cost basis were exempt from the restriction. The Board holds, however, that as far as contracting of former and retired staff members is concerned, the provisions of paragraph 3.10 would prevail.

141. Furthermore, para 3.10 (b) of the administrative instruction prescribes that retired United Nations staff members engaged as consultants or individual contractors may not receive more than $22,000 per calendar year in emoluments from the United Nations common system or the monetary equivalent of 125 days for work performed and/or services provided during a calendar year if they are engaged for language functions. The Department informed the Board that, for staff engaged for language functions, the calculation used was a daily rate of $737.30, which results in a ceiling of $92,163 for 125 days.

142. The Department for General Assembly Affairs and Conference Management replied that neither CMA nor Umoja were outfitted to provide the data to ensure compliance with this rule and added that language individual contractors can work for the Secretariat and hold external contracts within the Organization and agencies. The Department further stated that, as the systems were not integrated, the Department was only able to monitor overlapping contracts of its global language individual contractors. The Department added that compliance with the rule was based on an honour system whereby individual contractors are responsible for monitoring their 125-day limit and/or retiree ceiling, as applicable, and that, as part of their memorandum of understanding with the Organization, the language retirees were requested to confirm their understanding of such limitations. The Board, holds, however, that relying solely on the above-mentioned honour system may not be sufficient to ensure compliance.

143. The Board also observed that CMA did not have features to flag cases for monitoring compliance with these business rules. The Department replied that external entities (that is, outside the United Nations Secretariat) did not share employment details with the United Nations. The Department would, therefore, be unable to develop such a mechanism. While noting the response of the Department, the Board holds that the responsibility to implement the business rules of United Nations rests with the Department. Hence, it is important for the Department to have a mechanism in CMA to flag cases of non-compliance with business rules.

144. **The Board recommends that the Administration ensure suitable measures for sharing employment information across United Nations entities to flag**

possible instances of violation of the applicable business rule(s) and put in place an appropriate mechanism to monitor them.

145. The Administration stated that it would be difficult to devise suitable measures for sharing employment information across United Nations entities to flag possible instances of violation of applicable business rules, in particular the earnings ceiling for retirees.

146. The Board, while noting the response of the Administration that it would be difficult to devise a mechanism as recommended, holds that it is important for the purpose of implementation of the provision of the administrative instruction.

Implementation of the mobility framework

147. The refined managed mobility framework was approved by the General Assembly in its resolution 68/265. The Assembly authorized the Secretary-General to implement the framework with a view to commencing mobility for one job network in 2016 and one in 2017, followed by two job networks each year thereafter. In the resolution, the Secretary General was requested to submit a five-year comprehensive review of the mobility framework at the seventy-third session. The Assembly emphasized that the managed mobility framework should ensure, among other things, a fair sharing of the burden of service in hardship duty stations. The managed mobility programme had been paused so that the Organization could benefit from lessons learned and prepare the comprehensive review requested by the Assembly.

148. For the Political, Peace and Humanitarian Network, of the 269 staff members who had initially applied, 113 were considered eligible and 34 were recommended for managed mobility in 2017. The Board noted that, of the 113 eligible staff members, 69 were from hardship duty stations and 44 were from non-hardship duty stations. The Board noted that 30 of the 34 staff members recommended for managed mobility in 2017 were at the P-3 and P-4 levels and 20 of those were from hardship duty stations. The Board further noted that 16 of the 20 from hardship duty stations were recommended for another hardship duty station. From an analysis of the mobility populations for the Political, Peace and Humanitarian Network, as well as the Information and Telecommunication Technology Network, the Board also noted that participating staff at the P-3 and P-4 levels tended to be from hardship stations.

149. The Board is of the opinion that the managed mobility programme in its present form may not result in effective burden-sharing if all the hardship station incumbents opt for non-hardship stations. Given that the managed mobility programme is paused at present and a comprehensive review of the lessons learned is to be presented to the General Assembly at its next session, the Board is of the view that the Administration should look for solutions to ensure implementation of the burden-sharing principle in the operation of the managed mobility programme.

150. **The Board recommends that the Administration assess how best to encourage equitable burden-sharing as part of its review of the managed mobility programme.**

Staffing timeline

151. The staffing timeline measures the average number of days taken to complete all the steps in the recruitment process. In accordance with the staffing timeline indicator of the human resources Insight portal, the process of recruitment consists of 11 stages, with days allotted for each step (see table II.5).

Table II.5
Stages in the process of recruitment

Stage	*Description*	*Number of days*
1	Job requisition approval	2
2	Job posting request	2
3	Job opening building and finalization	8
4	Job opening detail approval	2
5	Pre-job posting	9
6	Job posting	60 calendar days
7	Initial human resources assessment	5
8	Recommendation of candidates	40
9	Status matrix review	3
10 (a)	Central Review Board endorsement	7
10 (b)	Hiring manager clarification	0
11	Selection by the head of department/head of office	5

Source: Human resources Insight dashboard.

152. For the purposes of the staffing timeline indicator, the entities are classified into those with full delegation of authority for recruitment (offices away from Headquarters and the regional commissions, except the Economic Commission for Europe) and those with partial delegation. For those with full delegation of authority, a staffing timeline target of 83 working days has been prescribed for all of the steps except step 6, while for those with partial delegation, a target of 55 working days has been prescribed for steps 1, 3, 8, 10 (b) and 11. The General Assembly prescribed a benchmark of 120 days for the filling of a post. The Office of Human Resources Management confirmed that the 120-day staffing timeline target, covering steps 6 through 11, was an overarching benchmark that applied to all job openings advertised by departments of the Secretariat, offices and missions in both field and non-field operations.

153. In accordance with the information in the human resources Insight dashboard for 2017, the average time taken for recruitment by entities with partial delegation of authority was 107 days, against the target of 55 working days. Similarly, the average time taken for recruitment by the entities with full delegation was 117 days, against the target of 83 working days. The Board also noted that the average number of days actually taken for all the steps against the 120-day target was 188 calendar days, or 136 working days. Thus, the timelines for recruitment were not met either in terms of the human resources management scorecard targets or in terms of the overarching benchmark prescribed by the General Assembly.

154. From a test check of the number of days taken for the different stages by 12 entities[3] carrying out 714 selections during 2017, the Board noted non-achievement of the prescribed targets ranging from 12 per cent to 66 per cent.

155. The Administration agreed that delays took place during the recommendation of candidate stage and the Central Review Board review stage and while it constantly reviewed and tracked job openings in progress to analyse and classify their timeline status, identify delayed or soon-to-be delayed job openings and investigate the reason for the delay, it is planning to propose policy changes to tackle these challenges that would require an expeditious review by the Central Review Board and quick response by the hiring managers. Furthermore, the Board noted that one of the changes proposed by the Secretary-General as part of the management reforms was the simplification and streamlining of the rules, processes and procedures pertaining to human resources to ensure timely recruitment.

156. **The Board recommends that the Office of Human Resources Management review the recruitment process in order to address the reasons for delays at all the critical stages.**

Gender representation

157. The General Assembly, in its resolution 71/263, expressed concern about the slow pace of progress towards the goal of 50/50 gender balance in the United Nations system, especially in senior, policymaking and field positions.

158. The Board noted that there had been an increase in the overall representation of women across the Secretariat from 33.9 per cent in 2013 to 35.9 per cent as of December 2017. The Board also noted from the information on the human resources Insight portal, however, that the representation of women in all categories was below 50 per cent in 50 entities.

159. The Administration stated that the indicator on the representation of women would be changed in 2018 to align it with the Secretary-General's system-wide strategy on gender parity. The Administration further stated that it was supporting the implementation of the 72 recommendations in the strategy. It added that the Office of Human Resources Management had issued more than 600 parity targets for 77 Secretariat entities and had disseminated a proposed target-setting methodology for more than 30 non-Secretariat entities. Furthermore, the Office of Human Resources Management had prioritized scarce resources for these efforts.

160. **The Board recommends that the Administration ensure adequate support to the implementation of the system-wide strategy on gender parity to achieve the desired goals.**

Performance Management and Development System

161. The Performance Management and Development System was promulgated to replace the former performance appraisal system and is applicable to all staff members (up to and including staff at the D-2 level) who hold appointments of at least one year. The purpose of the system is to improve the delivery of programmes by optimizing performance at all levels. The function of System is to promote communication between staff members and supervisors on the goals and key results to be achieved and the success criteria by which individual performance will be

[3] The Department of Economic and Social Affairs, the Department of Field Support, the Department of Management, the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, the Office for the Coordination of Humanitarian Affairs, OIOS, the Department of Political Affairs, UNEP, the Counter-Terrorism Committee Executive Directorate, the Ethics Office, the Department of Peacekeeping Operations and ECLAC.

assessed. The System is supported by an electronic application (e-performance, or e-PAS), which captures the main stages of the performance process (workplan, midpoint review and end-of-cycle evaluation).

162. The Office of Human Resources Management informed the Board that for the 2016/17 cycle, the Assistant Secretary-General for Human Resources Management fixed the annual deadline of 31 July 2017. The Board noted from the information on the human resources Insight dashboard, that, as at 31 July 2017, of 96 entities that were required to comply with the 100 per cent completion target with respect to the end-of-year evaluation, only 16 entities, or 17 per cent of the entities, could achieve the target. Furthermore, as at 22 March 2018, more than seven months after the deadline of 31 July 2017, only 22 entities, or 23 per cent of the entities, had met the 100 per cent target for end-of-year evaluation.

163. The Board further noted from human resources Insight data, that the number of end-of-cycle evaluations to be completed amounted to 35,204. The Board noted that this figure was at variance with the information provided by the Office of Human Resources Management that 34,258 end-of-cycle evaluations were to be completed.

164. The Board further noted that the percentage of non-compliance with respect to end-of-year evaluations in the Secretariat as a whole, as well as specifically in the Office of Human Resources Management, for both the cycles (2015/16 and 2016/17) was the highest for Directors, followed by staff in the Professional category and then staff in the General Service category.

165. The Administration stated that it was responsible for ensuring that all Secretariat entities comply with the Performance Management and Development System deadlines, and that it did so by conducting ongoing training for staff and managers and communicating with them about processes, requirements and deadlines and the importance of performance management.

166. **The Board reiterates its previous recommendations (see A/72/5 (Vol. I), chap. II, para. 211, and A/71/5 (Vol. I), chap. II, para. 166) that the Administration should strengthen its performance monitoring mechanisms to ensure the completion of the performance management compliance target by the entities.**

167. **The Board recommends that the Administration verify the human resources Insight datasheet and the human resources strategic indicator dashboard to ensure that the performance management compliance data are uniform and consistent.**

168. The Office of Human Resources Management stated that it continually strived to increase manager and staff compliance with performance management benchmarks and compliance targets through communication campaigns and by providing global support to entities that provide training. Furthermore, the Organization was in the process of ensuring more reliable data from various repositories to ensure consistency in reporting statistics across the global Secretariat.

Air travel management

169. Staff regulation 7.1 provides that the United Nations shall pay the travel expenses of staff members. Paragraph 3.1 of administrative instruction ST/AI/2013/3 on official travel provides that, prior to authorizing any official travel, the primary consideration should be whether direct face-to-face contact is necessary for mandate implementation. Programme managers are required to certify that alternative methods, such as videoconference, audioconference or other remote business practices, such as online meetings, have been carefully reviewed but found not to be effective, and that the travel is therefore necessary (previously programme managers

certified this on form TTS.5; currently, they do it by checking a mandatory field in Umoja). Furthermore, in accordance with paragraph 3.3 of the administrative instruction and staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel. Programme managers are required to provide justification for failure to do so.

170. From a review of the advance purchase policy compliance report in the business intelligence module in Umoja, the Board noted that the date of purchase of tickets was not being entered in Umoja. The date of approval by the travel processing office was taken as "proxy" for the date of ticket purchase. As the approval date is invariably earlier than the date of purchase of the ticket, taking the date of approval by the travel processing office as proxy for the date of ticket purchase carries the risk that the number of days of advance purchase will be overstated.

171. On the request of the Board to confirm whether any cost-benefit analysis of non-compliance with the 16-day advance air ticket purchase policy had been conducted, the Office of Human Resources Management indicated that data from the travel agency at United Nations Headquarters had confirmed that, on average, a ticket purchased 14 days or more in advance of the travel start date was $200 cheaper than a ticket purchased less than 14 days in advance.

172. The Board noted the need to establish the benefit from the implementation of the existing policy of advance purchase of tickets at least 16 days prior to the commencement of official travel.

173. **The Board recommends that the Administration conduct a cost-benefit analysis of the advance purchase policy and the use of alternative methods.**

F. Procurement management

174. The Procurement Division is responsible for the largest procurement volume of all United Nations system organizations, managing more than $3 billion of expenditure per annum. The Procurement Division is responsible for acquisitions to meet the operational requirements of Headquarters, peacekeeping missions, special political missions and offices away from Headquarters. It has two main services, namely, the Field Procurement Service and the Headquarters Procurement and Support Service.

175. In 2017, the Procurement Division reported 877 active contracts with a not-to-exceed value of $15.42 billion, including 196 contracts that became effective in 2017. The Headquarters Procurement and Support Service managed 339 contracts with a not-to-exceed value of $4.25 billion. The Field Procurement Service, excluding the communications information technology team, dealt with 459 contracts with a not-to-exceed value of $8.45 billion. The communications and information technology team concluded 79 contracts with a not-to-exceed-value of $2.72 billion to procure ICT goods and services for the field and Headquarters.

Monitoring the delegation of procurement authority

176. Under the current structure, the Assistant Secretary-General for Central Support Services is the process owner of the procurement function (see ST/SGB/2013/1). As such, the Assistant Secretary-General is responsible for delegation of procurement authority (see ST/AI/2016/7), monitoring and oversight, policies and guidance, and training. Exercise of the delegated authority for procurement entails responsibility for ensuring the full implementation of the relevant financial regulations and rules and related administrative issuances.

177. The Board noticed that the delegations of procurement authority did not establish reporting lines or oversight mechanisms. Furthermore, most delegation documents did not describe oversight mechanisms except for the review by the local committee on contracts. The local committee on contracts only reviewed cases above certain thresholds on an ex ante basis. Ex post reviews of, for instance, cases with a lower value had not been provided for. The cases in which the contract target amount exceeded the threshold of the delegation were, however, reviewed twice, once by the Headquarters Committee on Contracts and once by the local committee on contracts. The Board also found that the delegations of procurement authority were not systematically reviewed and adapted accordingly. The oldest delegation of procurement authority had been in place since 2008 and had not been reviewed since then.

178. The Board considers it crucial that each official delegating authority is aware of how the delegated authority is exercised. To that end, the reporting requirements for the actions taken under any subdelegation and the controls applicable should be clearly defined. While Umoja might facilitate controls, additional reports and checks are needed for processes outside of Umoja.

179. **The Board recommends that the Administration develop a process to strengthen oversight and put in place a compliance mechanism for the delegation of procurement authority and use the results to regularly review the delegations and, if necessary, adapt or even withdraw them.**

180. The Administration accepted the recommendation. The review and oversight of the delegation of procurement authority and the development of a compliance mechanism to withdraw procurement delegations were being considered and implemented within the scope of the Secretary-General’s reform.

Procurement policy

181. The Procurement Manual, which describes the procurement policy of the United Nations, has not been updated since 2013 to take into account changes to the delegation of authority and the implementation of Umoja. Instructions on low value acquisitions or keeping records in Umoja, for instance, were issued separately through faxes and memorandums. The Board noted that the wording used in those communications was sometimes ambiguous. Furthermore, the Board noted that some components of the policy needed to be reviewed, such as the provisions relating to the duration of systems contracts that do not differentiate among types of contracts. Moreover, no mechanism has been provided for regular feedback from user entities to improve the Manual and highlight weaknesses or changes.

182. The Board considers it important that the Procurement Manual and related policies be updated regularly. Since the Manual is not based solely on the Financial Regulations and Rules, but introduces additional rules and principles, this function should be segregated from the operational functions of the Procurement Division. In addition, the end-to-end procurement process includes acquisition planning and contract management, which the Procurement Division has indicated is the responsibility of the requisitioner. While input from subject matter experts in the Procurement Division and other procurement sections is essential, it might be beneficial for the actual updating to be done by a policy unit of the Secretariat so that the whole process could be taken into account.

183. **The Board recommends that the Administration ensure that the Procurement Manual and related policies are regularly reviewed and updated and that the review and updating function be segregated from operational procurement functions.**

184. The Administration accepted the recommendation.

Evaluation matrix

185. In accordance with the Procurement Manual, the procurement officer and the requisitioner are jointly responsible for contributing to and preparing the source selection plan. The requisitioner, in consultation with the procurement officer, is to establish a rating system that can be used to evaluate the submissions. The Board audited a sample of 10 contracts that were active in 2017. The documents that were examined and the interviews that were conducted with the relevant procurement officers indicated that the technical evaluation criteria and the weighting and scoring system were usually elaborated by the requisitioner. In most cases, the United Nations received a very limited number of offers from vendors. In some cases, there were no offers at all.

186. The Board reviewed the solicitation of a contract for the provision of courier services for the personal effects of military observers and civilian police. The Procurement Division issued a request for proposal to 498 vendors. Only one vendor submitted an offer. The same vendor had been the contractor for the same service in the previous period. The Headquarters Committee on Contracts raised concerns about receiving only one response to the solicitation, which could potentially be the result of the rigid nature of the requirement.

187. The Board observed that the Procurement Division had requested the transport service for an estimated 10,000 shipments per year. The significance of the United Nations position as a buyer could be improved by merging different transport needs of the same size, weight and priority. While the market operates with highly standardized and optimized transportation services and generally accepted terms and conditions, the Procurement Division requested several deviations. Furthermore, the Procurement Division requested the completion of an inbound and an outbound commercial evaluation form for each of the 41 missions and United Nations offices and different shipment weights. Consequently, the vendor had to provide a total of 47,478 rates and minimum charges. A service provider usually has its own charging scheme that covers all countries. In addition to the requested evaluation form, the only tenderer provided its own charging scheme, which was more efficient and finally agreed to in the contract.

188. The Procurement Division stated that there might be possible synergies between the courier services market and the global international package delivery services market. The requirement for courier services was governed by the United Nations travel authorization guidelines, which were different from those for commodity shipment. In practice, ad hoc freight forwarding solicitations for United Nations-owned equipment typically resulted in a substantial number of bids (10–20 per solicitation), and the Division’s standard freight forwarding vendor list included approximately 200 interested companies. The most recent solicitation for such services resulted in five bids, of which three were deemed technically acceptable.

189. The requirements did not match the market conditions. The relatively low number of shipments, the deviations from standard processes and the requirement for commercial evaluation forms mean that business with the United Nations is not so attractive for companies in the transport sector. Additionally, any tenderer may include effort and risks in the price calculation, which results in increased prices.

190. The Board is of the view that procurement officers have not been sufficiently involved in assessing and advising on the market conditions and synergies that could be realized and deciding on the evaluation criteria and weighting. While the requisitioner must define the needs and is the technical expert, the procurement officer is responsible for achieving best value for money and for ensuring the integrity of the process. Given this task allocation, the requisitioner might even influence the

selection process in favour of one particular vendor. Furthermore, the requisitioner does not possess the expertise to develop impartial and adequate evaluation criteria. If the procurement officer and the requisitioner decide on requirements that deviate from the market conditions owing to specific United Nations interests, they should document the decision and the possible consequences. Furthermore, the procurement officer should use market research to collect and analyse information about capabilities within the market to satisfy the Organization's requirements.

191. **The Board recommends that the Procurement Manual clarify that the procurement officer must assess the market conditions and industry practices before technical specifications are drafted and justify deviations.**

192. **The Board recommends that the Procurement Manual clarify that the procurement officer is responsible for ensuring impartial, well-defined, appropriate and measurable evaluation criteria and determining their weighting, taking into account the responsibility of the requisitioner as the technical expert.**

193. The Procurement Division accepted the recommendations in spirit.

Extension and amendment of contracts

194. Chapter 13 of the Procurement Manual provides that requirements that are the subject of systems contracts shall normally be subject to competitive bidding, at a minimum, every five years. Chapter 15 stipulates that amendment of a contract is necessary when there is a need to change the material aspects of the contract, such as extension of the duration of the contract or modification of the goods or services to be delivered. Contracts are not to be increased or extended as a means for unduly avoiding competitive solicitation for the requirement.

195. The Board noted that 129 (36 per cent) of 357 systems contracts classified as non-peacekeeping contracts had a duration of more than five years. One of the reasons for extension of these contracts beyond the agreed contract period was that the solicitation for the new contract was not completed in time. Contracts were also extended beyond the five-year period to provide for continuity or due to "the proprietary nature of services". These reasons had not been taken into account in deciding on the initial contract duration. For example, the United Nations entered into a contract for the provision of enhanced United Nations laissez-passer booklets in 2011, with a not-to-exceed amount of $2.9 million. The initial contract period was two years, with three optional extensions of one year. The intention was to allow for more flexibility, taking into consideration the risks involved in committing to a longer period. After five years, the contract was extended for another five years for the sake of continuity and the amount was increased by $5.7 million.

196. Contract amendments were used to introduce new services and amend the scope of contracts. The contract for the consultancy services for a flexible workplace study was concluded in July 2014; the contract period was 18 months and the not-to-exceed amount was $0.9 million. The consultancy services were limited to the conduct of a study on flexible workplace and a pilot programme. The contract was amended five times to introduce new statements of work extending the services beyond the pilot, to include the United Nations Office at Geneva, to increase the not-to-exceed amount to $3.8 million and to extend the contract period until 31 August 2018. The Headquarters Committee on Contracts expressed concern about the practice of establishing contracts at a low not-to-exceed amount that later require modification to include additional tasks, resulting in substantial not-to-exceed increases.

197. The Procurement Division stated that in most of these cases, it received the statements of work late. With regard to the United Nations laissez-passer booklets,

new security print features had to be designed and made into templates each time a new vendor was selected. This sort of design refresh was needed every 10 years or sooner. To leverage the initial investments, the extension for an additional five years was recommended. The original statement of work for a flexible workplace included a reference to an additional study in Geneva; however, the contract amount did not reflect that. In July 2016, services were requested for the strategic heritage plan for September 2016, with a memo from the United Nations Office at Geneva requesting sole source procurement to ensure a uniform approach with Headquarters. The Procurement Division stated that it had analysed the reasons for contract extensions on a case-by-case basis and had alerted requisitioners of upcoming expirations.

198. Procurement of goods and services should be regularly subject to competitive bidding. The extension of contracts beyond the initial term because of a delay in issuing the new solicitation indicates that the solicitation was started too late or that the staff involved did not have the routine and expertise needed for public tendering. In some cases, it might be appropriate to agree on longer contract periods. However, the need for this should not become evident only after the initial period. Amendments should not be used to introduce new services. Before a solicitation is launched, the procurement officer and requisitioner should analyse: (a) whether there is a competitive marketplace; (b) which goods and services are needed; and (c) all factors affecting the contract period. The Board considers it important for the Procurement Division to analyse, in greater detail, together with the requisitioners, the reasons for extending contracts and develop measures to avoid such extensions. The cause for the late development of statements of work should be assessed. While the statement of work is the responsibility of the requisitioner, it is the responsibility of procurement officers to ensure compliance with procurement principles.

199. **The Board recommends that the Procurement Division, in collaboration with requisitioners, analyse the reasons for extending contracts beyond the agreed maximum contract period and the reasons for late submission of statements of work and amendments to the original contract terms and develop measures to preclude repeated extensions.**

200. The Procurement Division accepted the first part of the recommendation and considered it implemented, since it analysed the reasons for extending contracts on a case-by-case basis.

201. The Board considers it important, however, for the reasons for late submission of statements of work to be analysed to ensure that the United Nations adheres to the procurement principles.

Decommissioning of the Contract Administration Tracking System

202. Since the roll-out of Umoja cluster 4 in November 2015, Umoja has been used as a single platform for procurement. In its previous report, the Board noted that while Umoja captured the functional and operational aspects of the procurement process, other steps were processed outside the system. The Board recommended that the Administration take stock of the transactional aspects of the procurement process in Umoja and the steps outside Umoja and review the approval process in Umoja in the different entities under its authority and determine a way forward for all entities under its delegation of procurement authority (see A/72/5 (Vol. I), chap. II, paras. 238 and 240).

203. The Board noted that the Procurement Division still used the former system to manage contracts — the Contract Administration Tracking System (CATS) — for alerts or to generate reports. The maintenance of two separate ICT systems creates additional administrative burden for staff members and is prone to error. Since CATS is only used by the Procurement Division, other entities have developed/bought

separate applications to monitor contracts and solicitations and to provide for the functionalities that Umoja does not have yet.

204. The Administration stated that, given the complex environment and the global use of Umoja, which has to support disparate operating models, it was a deliberate decision not to incorporate certain aspects of the source-to-acquire process. A review and assessment of potential improvements to the solution would continue to be performed. Confirmed changes would be prioritized and submitted through continuous improvement mechanisms.

205. **The Board recommends that the Administration establish a clear timeline for the decommissioning of CATS and migrating its functionalities and data to Umoja.**

G. Humanitarian affairs

206. The Office for the Coordination of Humanitarian Affairs is responsible for bringing together humanitarian actors to ensure a coherent response to emergencies and ensuring that there is a framework within which each actor can contribute to the overall response effort. The Office coordinates humanitarian action to ensure that crisis-affected people receive the assistance and protection they need and provides leadership in mobilizing assistance and resources on behalf of the humanitarian system.

207. Humanitarian contributions are regulated by the Financial Regulations and Rules, the Procurement Manual and policies and guidelines for operating activities issued by the Office. The Office discharges its functions through two headquarters offices, six regional offices and 30 field offices manned by about 2,100 staff members. The Office manages two mechanisms for pooled funding, namely, the Central Emergency Response Fund and the country-based pooled funds, allowing donors to pool their contributions.

208. The Central Emergency Response Fund, established by the General Assembly in 2005, receives voluntary contributions year-round to provide immediate funding for humanitarian actions anywhere in the world. The Fund has an average annual budget of approximately $450 million. The funds received are set aside to be used at the onset of emergencies, in rapidly deteriorating situations and in protracted crises that fail to attract sufficient resources.

209. Country-based pooled funds are multi-donor humanitarian financing instruments created by the Emergency Relief Coordinator. In 2017, there were 18 such pooled funds in 18 countries affected by humanitarian crises. The pooled funds are managed by the Office for the Coordination of Humanitarian Affairs at the country level, under the leadership of the Humanitarian Coordinator, who is the United Nations official in charge of leading and coordinating humanitarian assistance in a country experiencing an emergency.

Country-based pooled funds

210. The Board examined the operations of the country-based pooled funds in the headquarters offices of the Office for the Coordination of Humanitarian Affairs in Geneva and New York and in the country offices of Ethiopia and Somalia. The Board noted some areas for improvement, which are presented in the following paragraphs.

Disbursal of funds to country-based pooled fund projects

211. In accordance with paragraph 106 of the operational handbook for country-based pooled funds, following the signature of the grant agreement by all parties,

funds are required to be disbursed within 10 working days. From an analysis of the data related to 1,271 projects signed by the Executive Officer in 2017, the Board noted that there were delays in disbursement in 269 (21 per cent) projects ranging from one day to seven months. The Board holds that delays in the disbursement of instalments to implementing partners may adversely impact the intended purpose of the projects.

212. The Administration explained that many of the delays pertained to projects for which UNDP was the managing agent and that UNDP had not updated the grant management system despite the Administration's repeated requests in this regard. The Administration added that it would continuously strive to ensure timely disbursements when it was directly responsible for their delivery and that it would use the grant management system to effectively track project disbursement timelines, with a view to ensuring that disbursements meet the prescribed timelines.

213. The Administration further stated that a mechanism in the form of the grant management system was already in place to ensure that the managing agents adhered to the provisions of the operational handbook for country-based pooled funds. The Administration added that, despite efforts through the establishment of joint units in the country-based pooled funds, outreach by the management of the Office for the Coordination of Humanitarian Affairs, and training and workshop events, it had been unsuccessful in obtaining full compliance with regard to the use of the grant management system by managing agents.

214. While it appreciates the practical problems encountered by the Administration and the efforts that it has made, the Board is of the view that the ultimate responsibility for adherence to the provisions of the operational handbook lies with the Administration, and it therefore needs to have adequate measures to ensure that the mechanism in place is adhered to.

215. **The Board recommends that the Administration ensure that all disbursements are made within 10 working days, as prescribed in the operational handbook for country-based pooled funds.**

216. **The Board also recommends that, in cases of funds managed by other agencies, more concerted efforts be made to ensure adherence with the requirements of the global guidelines and the grant management system and the timely disbursal of funds and their proper monitoring.**

217. The Administration stated that it was considering the possibility of bringing all of the management structure of the country-based pooled funds under a single administrative arrangement managed by the Office for the Coordination of Humanitarian Affairs.

Field site monitoring and financial spot checks

218. As indicated in the operational handbook for country-based pooled funds, field site monitoring is a critical component of the overall monitoring framework in order to verify that projects funded through country-based pooled funds are delivering against targeted outputs and to allow the Humanitarian Coordinator and humanitarian clusters to assess the qualitative aspects of programme implementation.

219. Furthermore, as indicated in the handbook, financial spot checks should be conducted based on the risk level of the partner and the operational modality of the fund. It is advised that at least one spot check per partner per year be conducted, to assess the soundness of the internal controls and the accuracy of the financial records of the partner.

220. The Board analysed the data available in the grant management system for selected country-based pooled funds, namely for Afghanistan, Colombia, Nigeria,

South Sudan, the Syrian Arab Republic and Yemen. The Board observed that financial spot checks were not conducted in respect of 188 projects in 4 of the country-based pooled funds, even when they were due in accordance with operational modalities (see table II.6).

Table II.6
Financial spot checks due but not conducted

Country	*Number of financial spot checks due*	*Value of projects for which spot checks were due (millions of United States dollars)*	*Number of financial spot checks not conducted*	*Value of projects for which spot checks were not conducted (millions of United States dollars)*
Afghanistan	94	46.32	59	31.32
South Sudan	163	42.50	100	25.76
Syria	16	9.54	11	7.43
Yemen	18	12.06	18	12.06
Total	**291**	**110.42**	**188**	**76.57**

Source: Data from the grant management system.

221. Similarly, the Board observed that monitoring visits[4] for 84 projects were not conducted, even when due in accordance with operational modalities (see table II.7).

Table II.7
Monitoring visits due but not conducted

Country	*Number of monitoring visits due*	*Value of projects for which monitoring visits were due (millions of United States dollars)*	*Number of visits not conducted*	*Value of projects for which visits were not conducted (millions of United States dollars)*
Afghanistan	94	46.32	23	11.09
South Sudan	43	22.00	28	17.50
Syria	43	27.59	26	17.81
Yemen	32	12.70	7	4.53
Total	**227**	**110.65**	**84**	**50.93**

Source: Data from the grant management system.

222. The Board holds that financial spot checks to assess the soundness of the internal controls and the accuracy of the financial records of the partner are critical for efficient use of country-based pooled fund resources. Similarly, field site monitoring is important in ensuring that projects funded through country-based pooled funds are delivering targeted outputs and in assessing the qualitative aspects of programme implementation. Hence, the non-conduct of such spot checks and monitoring visits is a matter of concern and could adversely impact the assurance that the intended objectives of the projects are being achieved.

223. The Administration replied that, in some cases, activities were conducted but recorded off-line and had yet to be updated in the grant management system. The

[4] Monitoring visits are conducted in order to verify that projects are delivering against targeted outputs and to allow the Humanitarian Coordinator and humanitarian clusters to assess the qualitative aspects of programme implementation.

Administration cited the example of South Sudan, where 90 spot checks conducted by UNDP, their managing agent, had not been recorded in the grant management system. The Administration added that difficulties in obtaining the required security clearances, capacity challenges and the complex environments in which it operates adversely impact its ability to conduct monitoring visits. The Administration stated further that completing all the pending (overdue) visits and spots checks might not be necessary, as audits of the projects are due, and added that it would identify those projects for which monitoring was still meaningful based on the nature of the activities.

224. The Board acknowledges the practical difficulties highlighted by the Administration. However, the Board is of the opinion that the conduct of financial spot checks and monitoring visits in accordance with the prescribed schedules is important to ensure the accountability of the implementing partners.

225. **The Board recommends that the Administration review the projects for which monitoring visits and financial spot checks are overdue and carry out these visits and checks in the projects where the audit has not yet been triggered.**

226. The Administration accepted the recommendation and stated that it was already working towards its implementation.

Reporting from implementing partners

227. Financial and programmatic reporting by implementing partners is an important aspect of the accountability framework for country-based pooled funds.

228. Paragraph 267 of the operational handbook for country-based pooled funds stipulates that partners must submit the final narrative report and final financial statement within two calendar months after the end of project implementation. Paragraph 211 of the handbook stipulates that, upon completion of a project, United Nations agencies must submit a final financial statement no later than 30 June of the following year.

229. The Board analysed the data for projects for the year 2017 and observed that, of 1,350 projects that ended in 2017, the final financial statements had been delayed in respect of 364 projects (see table II.8).

Table II.8
Delays in the submission of final financial statements for projects that ended in 2017

Delay in submission of the final financial statement	*Number of projects*
Less than one month	220
1 to 3 months	91
3 to 6 months	32
6 months to 1 year	20
More than 1 year	1
Total	**364**

Source: Data from the grant management system.

230. The Board also observed delays in submission of final narrative reports in 377 projects of 1,350 projects that ended in 2017 (see table II.9).

Table II.9
Delays in the submission of final narrative reports for projects that ended in 2017

Delay in submission of the final narrative report	*Number of projects*
Less than 1 month	228
1 to 3 months	94
3 to 6 months	43
6 months to 1 year	11
More than 1 year	1
Total	**377**

Source: Data from the grant management system.

231. The Board holds that delays in the submission of final financial statements and final narrative reports have an adverse impact on the enforcement of the accountability of the implementing partners. They may also lead to non-detection of potential problems.

232. The Administration stated that it had rolled out a partner performance tool in the grant management system which will enable the Humanitarian Financing Unit of the Office for the Coordination of Humanitarian Affairs to track and score partner performance during the project implementation stage. The Administration further explained that, in the current system, a reminder is automatically generated by the grant management system and sent to the implementing partner when a report is due. The Administration added that it could introduce an automatic reminder in the system to be sent to the implementing partner at repeated intervals (weekly) until the reporting requirements are met.

233. While acknowledging the response of the Administration that a partner performance tool has been rolled out in the grant management system, the Board emphasizes the need to optimally utilize the new tool to address the existing challenge of delayed submission of reports from implementing partners.

234. **The Board recommends that the implementation of the use of the partner performance tool be closely monitored to ensure strengthened monitoring and control.**

235. The Administration stated that it would fully utilize the partner performance tool in managing the monitoring of partner performance and added that the tool would be able to deal with instances of justified delay. It added that the Office for the Coordination of Humanitarian Affairs would review the introduction of a new set of rules to address the non-compliance of partners, including a rule regarding unjustified delays in reporting.

Refunds from implementing partners

236. As noted above, paragraph 267 of the operational handbook for country-based pooled funds stipulates that partners must submit the final narrative report and final financial statement within two calendar months after the end of project implementation. The fund manager, the Funding Coordination Section of the Office for the Coordination of Humanitarian Affairs, has up to one calendar month to review and clear the financial statements. The projects are required to be audited within two months from the clearance of the final financial statements. The Humanitarian Funding Unit and the Funding Coordination Section review and close the project

within two months of receipt of the audit report. Partners have one month from the date of notification by the Office for the Coordination of Humanitarian Affairs to refund amounts due. Proof of payment must be received and acknowledged by the Office.

237. On analysis of the country-based pooled funds project data, the Board observed that refunds of $27.54 million were due from implementing partners for 558 projects for which allocations were made during 2015, 2016 and 2017 (see table II.10). The refunds due in respect of the projects for which allocations were made in 2017 amounted to $11.60 million.

Table II.10
Refunds due from implementing partners

Year	*Number of projects*	*Refunds due (United States dollars)*
2015	89	884 666
2016	330	15 055 947
2017	139	11 603 021
Total	**558**	**27 543 634**

Source: Data furnished by the Office for the Coordination of Humanitarian Affairs.

238. Even after excluding the projects with refunds due of less than $75, pursuant to the decision of the Chief of Finance, and the projects with end dates after 31 December 2017, the Board noted that the refunds due amounted to $23.31 million for 417 projects.

239. The Administration informed the Board that, of the total refund due of $23.31 million, $19.52 million were related to 174 projects managed by UNDP, while only approximately $3.79 million pertained to projects managed by the Office for the Coordination of Humanitarian Affairs. It added that audits had been delayed in nearly 186 projects, of which 115 had UNDP as managing agent, and acknowledged that there were delays in the procurement of audit services. The Administration further added that, as part of the ongoing enhancement and development of the grant management system, a new refund module had been introduced in 2018 which would provide a comprehensive overview of the status of partner refund from the moment of project audit completion.

240. The Board acknowledges the response of the Administration and holds that the refunds due need to be assessed and timely action needs to be taken in line with the prescribed guidelines.

241. **The Board recommends that the Administration review all cases of refunds that are pending from the implementing partners and take necessary action as stipulated in the operational handbook.**

242. **The Board further recommends that audits of the projects be completed on a priority basis to ascertain the exact amount of the refunds due from implementing partners and to initiate appropriate action to recover the amounts.**

243. The Administration stated that the Office for the Coordination of Humanitarian Affairs would use the refund module diligently and that all pending cases would be followed up. The Administration added that, with the establishment of a global long-term agreement for the audit of the projects of the Office, the process would be expedited.

Review of guidance documents

244. According to the Office for the Coordination of Humanitarian Affairs policy instruction on guidance materials of December 2011, all guidance material is subject to review after a limited period of time, typically every two to three years, and must be reviewed before the review date. The coordinator of the guidance management system should track review dates of material on a guidance index.

245. According to the instruction, the coordinator of the guidance management system should advise the responsible office that a review should be initiated at least two months before the review or expiry date of the guidance material. Within one month of notification, the responsible office should determine whether to: roll-over (no change) the guidance for up to three years; conduct a minor review of the guidance; conduct a major review of the guidance or replace it with new guidance; or terminate the guidance with no replacement guidance.

246. The Board observed that revision of 32 of 33 guidance materials were overdue for five months to nine years, with approximately 12 being overdue for review for more than five years. The Board holds that non-review of guidance may lead to the guidance being out of date with the developments on the ground and hence not meeting its aim of providing guidance.

247. The Administration stated that the Strategy, Planning, Evaluation and Guidance Section, as part of its proposal to revamp the guidance system of the Office for Coordination of Humanitarian Assistance, would ensure that the best practices incorporated in the policy instruction on guidance materials were retained. It added that a few guidance documents had been proposed for immediate review, starting in the third quarter of 2018.

248. **The Board recommends that the Administration draw up a time-bound programme for the review of all overdue guidance documents and ensure its implementation.**

249. The Administration stated that, based on an analysis of the challenges and requirements of its current system which began in the second quarter of 2018 and would continue into the third quarter of 2018, the Office for the Coordination of Humanitarian Affairs was planning to undertake a significant overhaul of its corporate guidance system, which would entail a revision of all existing guidance documents and was scheduled to begin in October 2018. It added that a more detailed, time-bound programme would be developed by the fourth quarter of 2018, taking into account resources dedicated by the Organization to the guidance function. The Administration further stated that, in the meantime, the Office would update high-priority guidance documents during the third and fourth quarters of 2018.

H. Managing the risk of fraud

250. The United Nations is exposed to a wide range of 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. If the perpetrators escape with light or insignificant punishments, it can create a culture in which wrongdoers appear to act with impunity. In September 2016, the Under-Secretary-General for Management issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25), with the objective of assisting the Secretariat in promoting a culture of integrity and honesty within the United Nations by providing information and guidance on how the United Nations Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption.

251. While welcoming the issuance of the Anti-Fraud and Anti-Corruption Framework by the United Nations, the Advisory Committee on Administrative and Budgetary Questions requested the Board's views on the related document and its application (see A/71/669, para. 30). Accordingly, this issue was examined by the Board and the results of the examination are presented in the following paragraphs.

Evolution of the Anti-Fraud and Anti-Corruption Framework

252. The Board observed that the Framework was issued as an information circular, as it was a compilation of existing instructions pertaining to the various elements included in it, and no new rules, policies or procedures were deemed necessary. The Framework was not informed by a dedicated fraud and corruption risk assessment carried out prior to its formulation. The enterprise risk management exercise carried out in 2014 also did not include fraud as a corporate risk in the corporate risk register.

253. The Administration stated that the Framework was more than a compilation of existing instructions. It was prepared according to best practices; it encompassed all the control activities established to prevent, detect and respond to fraud with an emphasis on prevention; and it explained the structures the Secretariat had in place to help managers achieve their objectives to mitigate fraud risks. Furthermore, while it agreed that the design of the Framework was not based on a dedicated fraud risk assessment, the Administration stated that potential fraud risks had emerged as part of the Secretariat-wide enterprise risk assessment carried out in 2014. It also stated that, even if the corporate risk register did not include a dedicated fraud risk per se, relevant risk areas were identified among other risks, which were subsequently further analysed as part of the dedicated fraud and corruption risk assessment undertaken in 2017.

254. The Board noticed, however, that the enterprise risk assessment had not percolated down fully to the level of the departments, offices and missions, as only 12 departments and 14 missions had conducted risk assessments and prepared draft risk registers. In addition, at the corporate level, no progress scorecard on the implementation of the risk response and risk treatment plans had been prepared after November 2016. Thus, there has not been sustained implementation and monitoring of risk mitigation strategies, including those pertaining to the risk of fraud and corruption.

255. The Secretariat concluded a fraud and corruption risk assessment in 2017. The fraud and corruption risk register, approved by the Management Committee on 28 February 2018 and shared with the Board, showed that, of the 77 risks identified in the fraud and corruption risk universe, the Administration concluded that 16 areas were the most critical for its operations and analysed them in detail. It found that the existing internal controls were inadequate to fully mitigate the threats related to fraud and corruption. Of the 16 critical areas, the residual risk was categorized as "very high" in 6, "high" in 7 and "medium" in the remaining 3. It is therefore evident that the existing internal controls with regard to the risk of fraud and corruption require strengthening in order to mitigate the risk and that there are material vulnerabilities in a number of areas.

256. Though the Administration stated that only a small number of risks out of a much wider risk universe needed improvement, the examination by the Board showed that the risk areas that require substantial improvement in their control structures are, in the context of United Nations operations, also the areas which are most prone to abuse, and hence need to be addressed as a matter of priority. As any anti-fraud and anti-corruption framework has to be tailored to meet an organization's unique fraud and corruption risk profile, the completion of the fraud and corruption risk assessment

provides an opportunity for the Secretariat to review the Framework to align it with the results of the assessment.

257. The Board was further informed that, after endorsing the risk registers on 28 February 2018, the Management Committee identified the managers (corporate risk owners) responsible for developing detailed risk treatment and response plans, which would outline the specific risk treatment actions that management plans to introduce to further mitigate risks, and implementation timelines. The Administration added that periodic reports on progress would be provided to the Management Committee.

258. There are still gaps in managing fraud and corruption in the Organization, and significant actions to plug them are still under way. Since the Framework is only a consolidation in one document of existing regulations, rules, instructions, procedures and practices, though it adheres to best practices, improvement in the management of fraud and corruption in the Secretariat and its entities will depend on the timely completion of actions, such as the preparation of risk response and risk treatment plans and action plans.

259. **The Board recommends that the Administration closely monitor the preparation of detailed actionable plans to implement the risk response and risk treatment plans stemming from the fraud and corruption risk registers and periodically report thereon to the Management Committee.**

260. **The Board further recommends that the Administration harmonize the enterprise risk management corporate risk registers and the fraud and corruption risk registers so as to synergize their risk mitigation strategies.**

261. **The Board also recommends that the Administration devise a suitable monitoring mechanism at the Secretariat level for ensuring the sustained implementation of risk mitigation actions at the department, office and mission level.**

262. The Administration stated that the Framework, the risk register and the risk treatment and response plans were three separate, mutually reinforcing documents, which together contribute to strengthening the preparedness of the Organization to prevent and to respond to fraud and corruption. Their value was in their methodical alignment and complementarity, although they covered different functions in the overall strategy to tackle fraud and corruption across the Organization. The Board agrees with this statement and reiterates that, in the same spirit, the above recommendations of the Board call for aligning and thus maximizing synergy among the three documents.

263. The Administration agreed to modify the corporate risk registers in its next revision/update and added that the implementation of the recommendation would be subject to the approval of the Secretary-General’s management reform proposals and the corresponding strengthening of the risk management and compliance functions.

Implementation of the Anti-Fraud and Anti-Corruption Framework

264. An integrated fraud and corruption control plan is an important component of any anti-fraud and anti-corruption framework. In accordance with best practices, the plan should document the organization’s approach to controlling fraud and corruption at the strategic, tactical and operational levels. It should also outline actions that need to be taken to implement and monitor the organization’s fraud and corruption prevention, detection and response initiatives. The plan should be positioned within the broader corporate risk management system.

265. The Secretariat has not formulated a strategy or an action plan to operationalize its Anti-Fraud and Anti-Corruption Framework. Consequently, there are no performance indicators or mechanisms to assess and monitor the implementation of the Framework. The Board was informed that an anti-fraud and anti-corruption strategy and a manual would be designed and implemented based on the results of the Secretariat-wide fraud and corruption risk assessment which will incorporate performance indicators and monitoring mechanisms.

266. It is evident that an anti-fraud and anti-corruption strategy and an action plan are prerequisites for the operationalization of the Anti-Fraud and Anti-Corruption Framework. The strategy and action plan would need to address prevention, detection and response measures, commensurate with the assessed fraud and corruption risks, at all levels of the Organization, with clearly defined roles and responsibilities for the staff.

267. **The Board recommends that the Administration, based on the results of the assessment, prepare an anti-fraud and anti-corruption strategy, along with an action plan, providing performance indicators and suitable monitoring mechanisms.**

268. The Administration informed the Board that an anti-fraud and anti-corruption strategy, along with a detailed action plan, would be defined in the context of the implementation of the risk response and risk treatment plans, under the strategic guidance of the Management Committee.

269. The Board noted that the assessment of fraud risks was yet to be undertaken at the United Nations Office at Nairobi, as a result of which a risk dashboard, local risk reports and a risk response and risk treatment plan, which are used to identify and mitigate risks, had not yet been prepared. No risk registers were maintained at the entity level and, while the Administration indicated that each unit had its own risk register, 12 of the 19 units considered by the Board were unable to provide risk registers in response to a request by the Board. The Board noted that the United Nations Office at Nairobi had no internal capacity to perform fraud risk assessments. Furthermore, the Board noted that Office did not have a dedicated local risk and internal control focal point, rather the Director of the Division of Administrative Services acted as the focal point.

270. Within the Procurement Division, no clear anti-fraud governance structure and process was in place. The Board could not identify a principal owner of the anti-fraud and anti-corruption efforts. Related roles and responsibilities had not been established or clearly communicated to staff members. A strategy or action plan to implement the Framework and to address fraud-related prevention, detection and response measures was not in place.

271. While the Secretariat-wide fraud and corruption risk assessment carried out in February 2018 identified procurement as an area of very high residual risk, with internal control effectiveness needing significant improvement, at the time of the Board's audit, a detailed fraud risk assessment at the level of the Procurement Division had not been undertaken or planned. The last enterprise risk assessment was conducted in 2009.

272. Furthermore, neither the Department of Management nor the Office of Central Support Services provided pertinent instructions or guidance on implementing the Framework. Given the well-known and proven risks of fraudulent acts in the procurement function, the Board is concerned that the Procurement Division has not taken a proactive approach to implement a fraud risk management programme thus far. The issuance of the Framework has not been taken as an opportunity to review the Procurement Division's fraud risk profile, to acknowledge its level of exposure to internal and external fraudulent acts and to proactively devise an effective and

dedicated anti-fraud initiative. Overall, the Board did not find evidence suggesting that the current level of anti-fraud activity and the level of commitment to strengthening the Division's approach to preventing and detecting fraudulent acts was commensurate with the level of risk.

273. **The Board recommends that the Administration analyse how a coherent fraud risk management programme for the procurement function should be implemented, and provide necessary instruction or guidance to offices away from Headquarters, regional commissions, field missions and other offices of the Secretariat.**

274. **The Board recommends that the Administration establish a comprehensive fraud risk management programme for the Procurement Division that provides for the proactive implementation of the Anti-Fraud and Anti-Corruption Framework at all levels and incorporates leading practices for addressing fraud and corruption risks in the procurement function.**

275. **The Board further recommends that the Administration ensure that the United Nations Office at Nairobi performs risk assessment and prepares risk registers at the entity level and at the level of each division.**

276. The Administration stated that the management of the United Nations Office at Nairobi had identified the need to establish risk registers at the division level and not at the service or section levels and that it was working on risk registers for the Division of Administrative Services and the Division of Conference Services.

Internal control framework

277. One of the key pillars of a strategy to manage fraud and corruption in any organization is its internal control framework, particularly with regard to the prevention and detection of such misconduct. The internal controls in the Secretariat are founded upon various regulations, rules and administrative issuances of the Secretariat, as mentioned in section V.D of the Anti-Fraud and Anti-Corruption Framework.

278. The Board's review of the Organization's internal control profile revealed that the Secretariat could benefit from the adoption of some good practices for more effective implementation and management of its internal control framework. Such practices were considered by the Finance and Budget Network of the Chief Executives Board for Coordination at its meeting in June 2014. Of the practices considered by the Network, the Board of Auditors reviewed the progress made by the Secretariat in implementing the "three lines of defence" model and the statement of internal control. The Board also reviewed the administration of delegation of authority within the Organization and the controls with respect to dealings with implementing partners.

279. The three lines of defence model envisages the operation's management and employees as the first line of defence; centralized business-enabling functions with specialized skills, such as budget management, risk management, legal and regulatory compliance and quality assurance as the second line of defence; and independent assurance and oversight, including internal audit, as the third line of defence. The model is meant to clearly articulate the roles of management at the operational level, the centralized business-enabling functions and the independent oversight bodies so as to ensure the effectiveness of the governance and control frameworks.

280. In the opinion of the Board, the model has value for an organization like the United Nations, with its dispersed and multifarious operations. Though the Secretariat was involved in the elaboration of the model through its participation in the Chief Executives Board for Coordination, the model has yet to be formally adopted by the

Secretariat. The Board was informed that some elements of the model were already de facto incorporated in the governance, normative framework and operations of the Secretariat and that the practices that not yet been implemented were in the process of being implemented. The Board is of the view that the process remains open-ended without any firm timelines for completion.

Statement of internal control

281. The statement of internal control requires management at each level to attest to the effectiveness of internal controls. It thereby enhances ownership of controls in each functional area. Significant improvements to internal control frameworks can follow from the work to implement such statements. No statement of internal control is being prepared at present by the Secretariat.

Delegation of authority

282. The Board noted that the Secretariat did not have a centralized repository of information concerning delegation of authority in the whole Organization. With the growing emphasis on decentralization of functions as a part of the ongoing reform process, a centralized repository is necessary to ensure that roles are clearly defined, responsibilities apportioned and delegated actions duly documented in order to enhance accountability. The Board was informed that the Administration was in the process of building a dedicated capacity to manage and monitor delegated authority, which would establish and maintain a centralized repository for delegation of authority as part of the implementation of the Secretary-General's reform initiatives.

Mechanism for dealing with the implementing partners

283. Its dependency on implementing partners for the delivery of projects in remote and often unstable areas means that the United Nations is exposed to higher risks of fraud. The Board has commented that the legal framework in place for working with implementing partners did not flow from the Financial Regulations and Rules and recommended that the legal framework around the granting of funds to partners be formally introduced into the Financial Regulations and Rules (see A/71/5 (Vol. I), chap. II, paras. 254 and 256). It also recommended that the Administration develop a common principle-based framework for the management of partners that specified the key procedures to be performed by all Secretariat entities (ibid., summary).

284. In response, the Secretariat mentioned that it intended to propose to the General Assembly for its approval, new and/or revised Financial Regulations and would modify the Financial Rules to encompass such activities. Furthermore, it would issue, as appropriate, an administrative instruction that would define the framework under which such relationships would be managed. The Board noted that this continued to be a work in progress and that the recommendations of the Board in this regard had yet to be implemented.

285. Similarly, the Board highlighted the need to strengthen the 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 (see A/71/5 (Vol. I), chap. II, para. 267). Action to implement the Board's recommendation on issuing a standard template agreement with implementing partners incorporating appropriate anti-fraud, sanctions and audit clauses is still pending and is now targeted for completion by the end of 2018.

286. Though work on all of the above-mentioned initiatives is stated to be under way, there does not appear to be a clear action plan with regard to the completion of these activities.

287. In the Procurement Division, the Board noted that, although preventive controls against fraud, such as procedures for the declaration of conflict of interest, had been established and all staff had complied with the United Nation's Financial Disclosure Programme, other preventive measures, such as periodic rotation of the tasks, duties, assignments or job functions of key employees, the monitoring of leave balances and requiring staff to take annual leave, had not been implemented. Furthermore, automated controls to detect potentially fraudulent transactions had not been implemented.

288. In accordance with the Anti-Fraud and Anti-Corruption Framework, managers are accountable and have delegated responsibility to ensure that the existing internal control system, including all measures aimed at preventing and detecting fraudulent acts, is functioning effectively (see ST/IC/2016/25, para. 8 (b)). In the Procurement Division, the Board found no mechanism in place that properly documented the internal control system and ensured that it was functioning effectively or confirmed that the internal control environment was adequate.

289. Overall, the Board did not find evidence suggesting that the current level of anti-fraud activity or the level of commitment to strengthening the Division's approach to preventing and detecting fraudulent acts was commensurate with the level of related risks. The Division concurred with the observations of the Board and stated that further efforts focused on strengthening anti-fraud activities needed to be undertaken.

290. **The Board reiterates its recommendation 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 (see A/71/5 (Vol. I), chap. II, para. 269).**

291. **Furthermore, the Board recommends that the Administration continue to strengthen, in a time-bound manner, its accountability and internal control framework, including the implementation of the three lines of defence model; the development of a statement of internal control, and the preparation of a centralized repository of information concerning the delegation of authority.**

292. The Administration informed the Board that the functionality for ensuring a standard template for agreements with implementing partners was within the scope of the grant management module and would be deployed in a phased manner as part of Umoja Extension 2 in 2018 and 2019.

293. The Administration also stated that all but one of the practices recommended by the Chief Executives Board for Coordination had been implemented. The only remaining one, namely, the introduction of a statement of internal control, was currently in the process of being implemented and would be effective starting in 2019. The Board acknowledges the reply and would encourage the Administration to achieve the implementation of all such practices at the earliest possible date.

Training and awareness

294. The staff of an organization are an important anti-fraud and anti-corruption resource at its disposal. For this reason, formal and informal education and raising fraud awareness is essential. The Anti-Fraud and Anti-Corruption Framework sets out the parameters for the participation of the staff and third parties in safeguarding the resources and reputation of the United Nations.

295. The Framework stipulates that all staff members are expected to complete the mandatory online anti-fraud training when it is available. Though an online training programme was designed and launched in March 2017, it had to be discontinued owing to certain technical issues. Following the resolution of those issues, the online

training course was relaunched only in November 2017. The Board was informed that, since then, 2,850 staff members had completed the course. It was only in March 2018 that the Management Committee made the course mandatory.

296. Besides the online programme on preventing fraud and corruption at the United Nations, another mandatory online training programme, on ethics and integrity at the United Nations, is ongoing. The Board was informed that 7,715 staff members had taken the course during the biennium 2016–2017.

297. As formal education on matters relating to fraud and corruption can best be carried out through training programmes, it is important that the Secretariat continue to focus its attention on greater proliferation of training courses and increased participation of staff members in such courses.

298. The Board noted that at the United Nations Office at Nairobi, only 37 (4 per cent) of 866 available staff had completed the training. Furthermore, the measures to improve the awareness of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat among staff members and other stakeholders were found inadequate.

299. The Board observed that the Procurement Division had used various means to communicate its expectations of a high level of ethics and integrity, including messages to all staff members reminding them of the zero-tolerance policy regarding the acceptance of any type of gift or any offer of hospitality. The Board also noted that the staff of the Procurement Division had participated in the 2016 leadership dialogue on the topic of "Fraud awareness and prevention: how do I fit in?". However, there was no frequent exposure to anti-fraud topics within the procurement function, such as through refresher sessions or briefings. Furthermore, the Board could not identify proactive efforts that encouraged procurement staff to complete the mandatory anti-fraud training. Moreover, apart from sporadic training sessions during the annual conference of chief procurement officers, no specific stand-alone anti-fraud training related to the procurement function was available.

Lessons learned and remediation

300. The Anti-Fraud and Anti-Corruption Framework does not provide for a lessons-learned mechanism. The Board did not find evidence that the Administration had established a formal system for filtering and collating key messages indicating system shortcomings arising out of the audits and investigations of fraud and corruption cases and then initiating remediation measures.

301. The Internal Audit Division of OIOS conducted lessons-learned exercises primarily to inform its risk-based planning process and to support individual audits. Though there was a formal mechanism for following up on the recommendations made in the investigation reports, those recommendations focused on actions to be taken against the parties involved in financial wrongdoing. An elaboration of the system deficiencies, if any, that facilitated the misconduct was lacking.

302. The Board was informed by OIOS that when a specific assignment generated lessons learned or any other type of information that would benefit another division, the information was shared at senior management meetings or other forums in OIOS that would ensure the dissemination of the information. The Board did not consider this to be a formal arrangement for following up on system improvement issues.

303. **The Board recommends that the Administration consider setting up a formal mechanism for reviewing and strengthening fraud and corruption prevention controls, or embedding it in an existing mechanism, based on lessons learned from dealing with fraud and corruption cases in the Secretariat.**

304. The Administration informed the Board that information was consistently exchanged between the Internal Audit Division and the Investigations Division, which resulted in lessons learned being fed into audit plans. It added that the Internal Audit Division was also developing its fraud auditing techniques, with the aim of identifying control weaknesses and making recommendations to further strengthen the Secretariat's fraud and corruption prevention controls. The Administration stated that the Secretariat had reviewed and analysed all available historical data and carried out a detailed analysis of relevant fraud and corruption events in the Organization, including all investigation reports completed by OIOS from 2014 to 2016 and relevant findings and recommendations from oversight bodies. It had identified cross-cutting shortcomings and risks and categorized and prioritized them, following structured interviews and dedicated risk workshops, for the subsequent definition of comprehensive remediation measures. The Administration further stated that it would continue to perform similar exercises periodically.

305. While it appreciates the response of the Administration the Board holds that there is a need to formalize the process.

Direction and reporting: protection against retaliation

306. The protection of whistle-blowers against retaliation is indispensable to building confidence among the staff to report cases of misconduct and to encouraging a culture of speaking up. The Anti-Fraud and Anti-Corruption Framework gives due importance to this issue. The Secretariat has revised its protection policy twice, with the latest version being issued in November 2017 (ST/SGB/2017/2/Rev.1). The latest version provides that the Ethics Office will seek to complete its preliminary review to determine whether a prima facie case of retaliation exists within 30 days (prior to issuance of ST/SGB/2017/2, in January 2017, the period was 45 days) of receiving all information. Similarly, section 8.1 of the policy provides that the OIOS will seek to complete its investigation and submit its report to the Ethics Office within 120 days. Although no norm has been laid down for the final determination of the case by the Ethics Office, it is reasonable to assume that, under the policy, it is expected that the whole process, from the date of receipt of a complaint to its final determination, will be completed within a period of six to seven months.

307. The Board examined the operation of the policy for protection against retaliation from 2015 to 2017. During those three years, a total of 19 complaints were received in which a prima facie determination had been made by the Ethics Office, and the cases were thereafter sent to OIOS for investigation. Of the 19 cases, a final determination had been made in 9 cases by the Ethics Office after the investigation of these cases by OIOS.

308. On review, the Board noted that the average time taken to close the nine cases was 421 days, with four of them taking more than a year and two taking more than two years, owing to the complainants' requests to keep them open in order for them to submit further supporting documents. Of the 10 pending cases, 2 had already been pending for more than a year. Investigations had been completed in 11 of the 19 cases, with 9 cases taking more than 4 months to complete and 5 five taking more than 10 months. Similarly, of the eight cases still with OIOS for investigation, seven had already taken more than four months and one had been under investigation for more than a year.

309. The Ethics Office explained that, while it was not in control of the entire process, it had already recognized the need to streamline its own standard operating procedures and had taken measures to tighten the overall timeline in accordance with established policies. Furthermore, the Ethics Office indicated that the date of receipt of the complete documents might be different from the date of the request from the

staff member and the date of the completion of the investigation report might be different from the date on which the complete supporting documentation was made available to it by OIOS. The Ethics Office provided only one example of such difference, however, and did not provide the details in respect of all of the cases. It also mentioned that, since May 2017, the Ethics Office had reduced the average time it takes to make its prima facie determination to 26 days, in line with the timeline set out in the current policy. OIOS attributed the longer time taken to complete its investigations to factors such as shortage of staff, complexity and special requirements of individual cases. The Administration informed the Board that it had reviewed the other relevant cases, which showed that, in the majority of the cases, action had been taken by the Ethics Office within a reasonable time frame. Noticeable delays (in three cases) were linked to responding to the complainant's request to be able to submit additional information and a strategy of protection, rather than simple delays. Had the timelines been rigidly applied, the Administration would not have the discretion to keep cases open to give the complainants full consideration with respect to additional information, as required by case law from the United Nations system for the administration of justice.

310. While the Board recognizes the improvements made and also acknowledges that the timelines set out in the policy are only normative, in general, the time taken to complete a retaliation case is still quite long. This not only has costs attached to it, as in many cases interim protection measures are proposed by the Ethics Office which could include relocating the individual or reassigning her or him to another post, both of which entail additional costs for the Organization, but it also erodes the confidence of the staff in the protection policy. Any dilution of confidence in the policy would discourage staff members from reporting cases of misconduct, including those of fraud and corruption. The recently published United Nations staff engagement survey shows that less than half of the staff members of the United Nations were confident that they would be protected from retaliation for reporting misconduct or cooperating with an authorized audit or investigation.

311. **The Board recommends that the Ethics Office, in conjunction with OIOS, devise suitable measures to ensure that each retaliation case is dealt with expeditiously and that any constraints in doing so are suitably addressed.**

312. The Administration stated that the two independent offices have been cooperating to provide protection and investigate complaints of retaliation for protected activities. It added that OIOS was currently working on the issue and was trying an expedited investigation format which it believes will drastically reduce the time taken on retaliation investigations.

Investigations

313. In the Anti-Fraud and Anti-Corruption Framework it is stated that all allegations of misconduct, including fraudulent acts, are reviewed and investigated, as appropriate, by the Secretariat. The Framework further stipulates that OIOS will typically conduct all investigations considered to be high-risk, complex matters and serious criminal cases, including serious or complex fraudulent acts. This has been further elaborated in the administrative instruction on unsatisfactory conduct, investigations and the disciplinary process (ST/AI/2017/1), in which it is indicated that OIOS has full discretion to decide which cases it will consider and that OIOS will determine whether the information it has received regarding unsatisfactory conduct merits any action and, if so, whether it is better handled by the responsible official or by OIOS. The Board noted that of a total of 408 allegations of fraud and corruption received by OIOS between September 2015 and December 2017, 160 cases were referred to other entities and 73 cases were closed without any action.

314. The OIOS Investigations Division has formulated a procedure governing investigations intake. The Board has previously observed that, while the kinds of cases that are considered complex or high risk and the cases that are considered low risk have been illustrated, the criteria followed are general and there is no specific guidance to determine which investigations will be considered high risk and complex (see A/72/5 (Vol. I), chap. II, para. 279). While it appreciates the fact that adopting strict criteria would remove flexibility and discretion, the Board noted that flexibility and discretion need to be accompanied by consistency. The Board also noted that there had been no further monitoring of the action taken on referred cases to provide assurance that all the referred cases were diligently followed up and taken to their logical conclusion.

Investigations by the Office of Internal Oversight Services

315. Of the 163 cases received between September 2015 and December 2017 that OIOS took up for investigation, 86 cases had been completed and 77 were in progress at various stages. The Board found that the average time taken for complete disposal of a case, from its receipt by OIOS to the approval of the investigation report, was 290 days, while the average time taken in actual investigation was 215 days. In 24 cases, the total time taken was in excess of one year, with 9 taking more than 18 months. Similarly, of the 77 ongoing cases, 22 had been received more than a year ago, with 7 of them having been received more than 18 months ago. In 18 cases, investigations had been ongoing for more than a year, with 5 of them having already exceeded 18 months.

316. OIOS explained that investigations could be unpredictable and prone to influences beyond the control of the investigator. It also attributed the longer time taken in investigations to an increase in workload vis-à-vis the availability of human resources and to the increasing complexity of the investigations being handled by the Office.

317. OIOS informed the Board that, while its target was to complete all of its investigations within 12 months, different norms existed for the completion of the investigation process depending on the category of misconduct.[5] OIOS informed the Board that the average time taken to complete investigations had come down in recent times; however, the Board noticed that the proportion of investigations taking longer than one year to complete was still high. The Board is of the view that there is scope for improvement and that efforts are required to ensure that the whole process is completed expeditiously.

318. The investigation process leads either to a closure report or to an investigation report. Until October 2017, the investigation reports were being transmitted by OIOS to the concerned Secretariat entity to which the case pertained and it was left to the entity to take further action. The investigation reports contain recommendations which, in many cases, include action against the culpable staff member or third parties involved in the misconduct. Though OIOS follows up on its recommendations regularly, of 197 recommendations made in 119 cases pertaining to fraud and corruption, 41 recommendations in 29 cases in which action against the involved parties had been recommended by OIOS were still pending implementation, even though the estimated implementation date in all these cases had already passed. Of the above-mentioned 29 cases, 25 pertained to misconduct by a staff member or a former staff member. On mapping these 25 cases, it was found that 19 cases of proven misconduct by staff members had not even been referred to the Office of Human Resources Management by the concerned entities for further action.

[5] Three months for prohibited conduct, 120 days for retaliation cases, three months for some forms of sexual exploitation and abuse and six months for others.

319. A delay in taking action or taking no action on investigation reports is a major dilution of the Secretariat's zero-tolerance policy on fraud and corruption, as there is a likelihood that staff members or third parties involved in financial misconduct will escape consequences, even when investigations have recommended disciplinary action against them. A delay in taking action may also impact the motivation of the staff members adversely.

Handling of cases by the Office of Human Resources Management

320. If an investigation regarding misconduct finds that there is a factual basis indicating that a staff member engaged in misconduct, the case is sent to the Office of Human Resources Management for a decision on whether to initiate disciplinary proceedings. The Board's examination of all such cases handled by the Office of Human Resources Management in 2016 and 2017 revealed that, in 94 completed cases, it took, on average, approximately five to six months to complete the action. Forty-one of those completed cases took more than six months and three took more than a year. Of the 23 open cases as at 31 December 2017, 15 had been pending for more than six months and 6 had been open for more than a year. Furthermore, even those cases in which no measures were imposed because of a lack of evidence took a long time to finalize, with 6 of the 16 cases that were closed without any action taking more than 10 months.

321. The Board also reviewed the life cycle of fraud and corruption cases, from their receipt in OIOS until final action by the Office of Human Resources Management. For the 26 cases pertaining to 2016 and 2017 which the Board could track over their entire life cycle, the average time to complete all action was about 16 months, with one case taking about 25 months. Of the 26 cases, 21 took more than a year.

322. The Office of Human Resources Management explained that its review of cases was not limited to the investigation report, but included the supporting evidence. Many times, especially for non-OIOS reports, further information must be requested from missions. Additional processing time was sometimes required to afford staff members time to provide comments on allegations of misconduct in order to safeguard their due process rights. The Office informed the Board that, within the constraints of the resources available to it and competing demands, it was already taking all actions available to it to expedite the progress and resolution of pending disciplinary cases.

323. **The Board recommends that the Administration address all impediments, in OIOS and the Office of Human Resources Management, to the expeditious settlement of cases. Suitable performance indicators may be introduced, wherever missing, to provide a time frame for completion of such cases.**

324. **The Board also recommends that the Administration introduce an end-to-end monitoring system capable of tracking all cases across offices, from the time of their receipt until the time of their final disposal.**

325. The Administration stated that any time frame for the completion of cases required an acknowledgement that the Office of Human Resources Management may only be held responsible for matters under its sole control and added that resource constraints should also be recognized. The Administration further stated that the Office of Human Resources Management could not provide an end-to-end monitoring system because it was not the only entity that had the information about reports of possible misconduct. The Administration added that under the provisions of the administrative instruction on unsatisfactory conduct, investigations and the disciplinary process (ST/AI/2017/1), OIOS had agreed to receive all reports of possible misconduct but had not agreed to correlate this information or report on it. The Administration further stated that, with sufficient resources, a tracking system

similar to the misconduct tracking system used in the field missions could be expanded to include information from throughout the Secretariat. The Administration added that there were a number of prerequisites for such an eventuality to come to fruition, including the identification and training of conduct and discipline focal points in each of the departments and offices in the Secretariat.

326. While it notes the response of the Administration, the Board is of the view that there is a need to take an Organization-wide view of the issue, rather than seeing it from the point of view of a single office or division, in order to guard against the possibility that action on cases of fraud might fall between the cracks; and effectively reinforce the policy of zero tolerance against fraud and corruption in the Organization.

Quality of investigations

327. Of the 94 cases received in the Office of Human Resources Management in 2016 and 2017 that had been closed after completing all action, 16 cases were closed without imposing any disciplinary measures. Eleven of those cases were closed owing to lack of evidence, while one was closed because additional information was not provided by the referring office.

328. The Board noted that 43 of the 94 cases pertained to non-OIOS investigations. Of those, eight cases (19 per cent) were closed without imposing any disciplinary measures owing to lack of evidence. The proportion of investigations that did not result in disciplinary measures, coupled with the statement by the Office of Human Resources Management that many non-OIOS cases needed to be followed up by the Office for additional information, is an indication that the investigations conducted in Secretariat entities by non-professional investigators do not fare as well as the investigations by OIOS.

329. The Office of Human Resources Management clarified that there was not necessarily a correlation between the final action taken by the Office (such as a decision not to initiate disciplinary proceedings, closure, sanctions or a note to file in the case of a staff member's separation) and the quality of the investigation, and that there were many other factors leading to those decisions. It further stated that the legal officers review, not just the investigation reports, but also the whole body of evidence, and that they may request further information, if necessary.

330. The Board acknowledges that the due diligence process in the Office of Human Resources Management to determine the course of action in each case could require the consideration of factors other than the investigation report. The Board considers, however, that the primary trigger for any action in the Office of Human Resources Management is the investigation report, the conclusions of which are based on evidence collected during the investigation process, and that the bulk of the evidence considered by the Office in its decision-making will be the same as the evidence forming the basis of the investigation report.

331. It was further clarified by the Office of Human Resources Management that even though evidence may indicate culpability, the United Nations system of administration of justice requires clear and convincing evidence to prove any misconduct that may lead to separation. There is, therefore, a need to assess the investigative capacity within the Secretariat entities to ensure that the investigation reports produced by them meet the required standards of evidence.

332. **The Board recommends that the Secretariat assess the capacity available in various entities to conduct investigations which measure up to the professionalized system of administration of justice, and, wherever needed, initiate steps for building and enhancing such capacity.**

333. The Administration informed the Board that work was under way to build and enhance capacity within the Organization, citing the fact that under the administrative instruction on unsatisfactory conduct, investigations and the disciplinary process (ST/AI/2017/1), the members of investigative panels appointed under the authority of heads of offices/departments must be trained or have experience in conducting workplace investigations. OIOS and the Office of Human Resources Management had recently conducted the first of three training sessions for this year for potential lay investigators within the Secretariat.

Referral of cases to the national authorities

334. An analysis of the cases of fraud and corruption investigated by OIOS from September 2015 to December 2017 showed that, of a total of 163 cases of financial misconduct taken up for investigation by OIOS during the period, 86 had been completed. In 33 (38 per cent) of the 86 completed cases, the recommendation was to refer the case to the respective national authorities, as the staff member concerned had separated from the Organization. In comparing this information with the information provided by the Office of Legal Affairs on the fraud and corruption cases referred to national authorities in 2016 and 2017, the Board found that, as at 31 December 2017, 18 of the 33 cases had been referred, 8 had been deemed inappropriate for referral by the Office of Legal Affairs, 3 were under review and 4 had not been received by the Office of Legal Affairs. No further information had been received by the Secretariat in 30 of the 35 cases referred to national authorities by the Office of Legal Affairs in 2016 and 2017, 3 cases were under review and investigation been initiated in only 2 cases. The Board's review of all the financial misconduct cases referred to the national authorities since 2008 also showed that a majority of the cases (85 per cent) did not elicit any response from the concerned national authorities. Investigations had been initiated in only a few cases, and the results of such investigations were rarely shared with the United Nations. There had been only three cases so far in which the Secretariat had been able to recover its losses, either in part or in full, on the basis of judicial pronouncements.

335. The lack of an authority within the Secretariat to impose disciplinary measures on former staff members and the perception that action is rarely taken against them by the concerned national authorities, feeds the propensity among those under investigation to leave the Organization to escape consequences for their wrongdoings. This is amply borne out by the large number of investigations involving separated staff, as brought out in the preceding paragraph.

336. As an investigation takes almost a year to complete, the time taken to complete the entire process, from the initial reporting of a case to its referral, is quite long. Of the 35 cases referred to the national authorities by the Office of Legal Affairs during 2016 and 2017, 12 had first been reported during the period from 2012 to 2014. It is reasonable to assume that the passage of a long period of time from the date of the impugned transaction makes it more difficult for the law enforcement authorities to investigate, collect evidence meeting the required standard and prosecute a case.

337. The limitations in pursuing cases with authorities in different national jurisdictions compromises the Secretariat's ability to combat fraud, foster a robust anti-fraud culture and demonstrate its strong commitment to accountability. It also exposes the United Nations to reputational, financial and operational risks.

338. **The Board recommends that the Secretariat continue to actively consider the matter of the referral of cases to national authorities, with a view to further refining its procedures throughout the referral chain.**

339. The Administration informed the Board that the Secretariat had been actively considering the matter of the referral of cases to national authorities and that the

various offices of the Secretariat that play a role in the referral of credible allegations of criminal conduct to national authorities would continue to engage and consult with each other, with a view to ensuring the expeditious referral of such allegations. The Administration added that, given the ongoing nature of the recommendation, and given that the Secretariat's internal engagements and consultations would continue to take place, it considered the recommendation implemented.

340. The Board noted the response of the Administration. While the Board acknowledges that the various offices involved in this process continue to engage and consult with each to expedite the referral of such allegations to the national authorities, the implementation of the recommendation would need to be demonstrated by an actual reduction in the time taken in referring cases to the national authorities.

I. Safety and security

341. The Department of Safety and Security is mandated to ensure the implementation of and compliance with United Nations security management system policies and procedures. The Department is responsible for the coherent, effective and timely response to all security-related threats and other emergencies; ensuring effective risk mitigation through the provision of emotional resilience and security awareness training to security personnel; the establishment of a coordinated security threat and risk assessment mechanism; developing safety and security policies, including commercial aviation safety standards and operational procedures across the United Nations system, supporting their implementation and monitoring their compliance; and ensuring a well-trained and professional security workforce.

342. This mandate is delivered through four entities of the Department, namely:

(a) The Policy and Compliance Service. In addition to acting as the secretariat for the Inter-Agency Security Management Network,[6] the Service is responsible for reviewing various policies, manuals and guidelines, as well as for monitoring and evaluating the implementation of and compliance with security policies, procedures and guidelines of the United Nations security management system;

(b) The Division of Headquarters Safety and Security Services. The Division is responsible for the management of safety and security services at headquarters locations, offices away from headquarters, the regional commissions and the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals;

(c) The Division of Regional Operations. The Division is responsible for the management of regional operations through its regional desks and serves as the safety and security focal point for field duty stations. It is also responsible for monitoring and evaluating the effectiveness, efficiency and coherence of existing security arrangements, procedures, modalities and practices in field duty stations;

(d) The Field Support Service. The Service is responsible for the management of four distinct functions. The Training and Development Section develops and leads the implementation of safety and security training for security personnel, as well as awareness training for the staff at large. The Service also provides commercial aviation safety advice to the security management system to assist in the selection of air carriers for official travel. Through the Critical Incident Stress Management Unit,

---

[6] The Inter-Agency Security Management Network supports the High-Level Committee on Management in its comprehensive review of policies and resource-related issues pertaining to the entire United Nations security management system, which is a standing item on its agenda.

the staff at large and security professionals are provided with preventive and responsive emotional support in critical incidents. The Unit also provides services to families of the security management system personnel, as well as guidance to senior leadership during crises.

Policy and Compliance Service

343. The Board observed that the Policy and Compliance Service does not maintain a policy compliance matrix for each country/duty station to monitor the level of implementation of the security management system policies. There is no platform (such as a Web portal, an ICT-enabled technology or a non-ICT technology) to monitor and share policy compliance information, in real time, with the stakeholders.

344. The Administration informed the Board that, in accordance with the framework of accountability for the United Nations security management system, the Under-Secretary-General for Safety and Security has encouraged organizations of the security management system to implement internal self-assessment mechanisms to monitor adherence to policies and address non-compliance instances in their organizations. The Board observed, however, that the Department had neither collected data on the number of such internal assessments nor issued any guidelines/templates for carrying out such internal self-assessments.

345. The Department maintained that it did not have the authority to issue any guidelines, since it is a prerogative of each organization to design and implement self-assessment mechanisms. The Department added that the compliance management process was currently under review and that the results of the review would lead to the development of a compliance policy and a monitoring mechanism that best fits the security management system organizations involved. It also stated that the establishment of a central repository of existing monitoring data would be part of this process and that the working group on compliance of the Inter-Agency Security Management Network intended to develop standardized templates for self-assessment.

346. The Board noted that the responsibilities of the Policy and Compliance Service included reviewing and recommending policies and guidelines required for the security management system. Furthermore, while the establishment of the working group on compliance under the Network to develop a comprehensive compliance management policy and the encouragement of internal self-assessment were steps in the right direction, there was a need to maintain a policy compliance matrix and monitor the level of implementation of the security management system policies.

347. **The Board recommends that the Department of Safety and Security develop a compliance matrix and monitor the level of implementation of the United Nations security management system policies and procedures.**

348. **The Board further recommends that, as an interim measure, the Department issue guidelines/templates to promote uniformity in the preparation and monitoring of internal self-assessments.**

349. The Administration informed the Board that the Department was updating its internal compliance management policies, guidelines and tools to facilitate the implementation of the function, including those related to self-assessment. The Department would consider which reporting mechanism was appropriate to capture, follow up and report on the level of implementation and compliance with security policies, taking into account existing resources and capabilities. The Administration further informed the Board that the inter-agency policy on compliance, evaluation and lessons learned had been approved by the Inter-Agency Security Management Network in June 2018.

Division of Headquarters Security and Safety Services

350. In order to provide standardized security management services and monitor their effective implementation, the Division of Headquarters Security and Safety Services established revised headquarters minimum operating security standards in 2015 which provide the minimum operating security standards and other recommended mitigation measures as they apply to security and safety services locations.[7] The Board observed that, although the standards were endorsed in 2005, they were revised and updated only in 2015. The Board noted that the policies and procedures of the security management system do not indicate the periodicity for revising the standards. Considering the rapid changes in technology and the fast-changing global security environment, the absence of a formal provision for the periodicity for revision of the standards could possibly result in obsolescence of the existing measures.

351. **The Board recommends that the Department of Safety and Security fix periodicity for timely revision of the standards to accommodate the needs arising from changes in the security environment and rapid changes in technology.**

352. The Administration informed the Board that, at the annual meeting of the United Nations Security and Safety Services Network, the Division of Headquarters Security and Safety Services had agreed to review the standards every four years, and that the next review of the standards was due in 2019.

Peer review

353. Peer review is the systematic examination and assessment of security arrangements and operations in place to help the security and safety services improve their performance and comply with established standards and best practices based on the headquarters minimum operating security standards. The peer review is conducted by the Chief of Security and Safety Services at each security and safety services location once every three years. The peer review mechanism has been in existence since 2011 and it covers all security and safety services locations.

354. The Board observed that, in the Economic Commission for Africa, in Addis Ababa, no peer review or OIOS audit had been conducted since 2012, and that in four locations,[8] the last peer review had been conducted before 2014. As peer reviews provide a mechanism to physically verify compliance with the standards, quantitatively and qualitatively, the Board holds that the Division of Headquarters Security and Safety Services should consider prioritizing regular conduct of such reviews. The Administration informed the Board that peer reviews were funded by the receiving duty stations and that they could be delayed owing to unavailability of funds.

355. The Board noticed that the recommendations of the peer reviews were to be followed up by the Chiefs of Security and Safety Services at the duty stations. With respect to a peer review conducted for United Nations Headquarters in New York in August 2015, the implementation of 13 (28 per cent) of the 47 recommendations pertaining to physical security measures was pending, the implementation of 11 was ongoing, 1 was under review and 1 had been completed to the extent possible, as of January 2018. The Board is of the opinion that the Department should fix a clear deadline for implementation and that the follow-up of pending recommendations needs to be strengthened.

---

[7] Headquarters, offices away from Headquarters, the regional commissions and the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals are together termed security and safety services locations.

[8] The United Nations Office at Vienna, the International Tribunal for the Former Yugoslavia at The Hague, the United Nations Office at Nairobi and the Economic Commission for Latin America and the Caribbean at Santiago.

356. The Administration cited dependencies on and the unresponsiveness of other departments and offices, the unresponsiveness of host Governments or the lack of budgetary provisions as the reasons for delays in implementation of the recommendations. The Board is of the opinion that the peer review recommendations are critical, as they bring out deficiencies in the compliance with requirements under the headquarters minimum operating security standards on physical security measures, and hence must be addressed in a timely manner.

357. **The Board recommends that the Department of Safety and Security allocate specific funds for the conduct of peer reviews in accordance with the decided calendar.**

358. **The Board recommends that the Department review all pending recommendations related to the peer review of United Nations Headquarters and fix timelines for implementation.**

359. The Administration informed the Board that all duty stations having pending peer reviews were planning to conduct them in 2018 and that the recommendation as far as it applied to funding would form part of the budget submissions for 2020. The Administration further informed the Board that a comprehensive report on the pending recommendations of previous peer reviews was being prepared to form part of the Division of Headquarters Security and Safety Services annual report in 2018.

Division of Regional Operations

Security risk management process

360. Security risk management[9] is an analytical process of the United Nations security management system for assessing the operational context of the United Nations to identify its risk level with respect to threats that may affect United Nations personnel, assets, premises and operations, on the basis of which, security management decisions are made. The primary responsibility for carrying out the security risk management process rests with the designated official and the security management team; however, the Department of Safety and Security is required to support the monitoring of the implementation of the process. To that end, desk officers of the Division of Regional Operations at Headquarters are to maintain oversight throughout the security risk management process in order to provide support where required or requested. In the absence of major changes in the security risk and/or programme activities, the Department endorses the process every 12 months (or more frequently, if requested). Following the approval of the security risk management document by the designated officer, if there are any measures that have a significant impact, the process must be formally reviewed by the Department at Headquarters and endorsed by the Under-Secretary-General for Safety and Security prior to implementation.

361. According to the United Nations Security Managers Information Network, United Nations personnel and premises are spread over 8,017 locations, with 235 designated areas and 669 security risk management areas. The Board examined a random sample of security risk management documents and noticed certain deficiencies. For example, in some cases, the specific events relating to the threats were not described and the respective threat and risk assessment was not carried out. Furthermore, the Board noted that some of the documents did not clearly indicate the

[9] The security risk management process steps are as follows: (a) setting the geographical scope and time frame; (b) situational analysis; (c) programme assessment; (d) threat assessment (general and specific); (e) security risk assessment; (f) security risk management decisions; (g) security risk management implementation; (h) determination of acceptable risk; and (i) follow-up and review.

status of the identified measures or clearly identify the time required for the implementation of each of the security measures or capture cost details. Consequently, in those security risk management areas, it was not possible to build up a compliance matrix. Some documents were silent about measures relating to fire safety or a fire safety plan, the existence or creation of building evacuation plans and the existence or creation of contingency plans, while others contained no details about the existence or creation of mass casualty plans and road safety. Some security risk management documents provided for the use of armed or unarmed private security services but did not have any analysis of its potential negative impact, as mandated in the Security Policy Manual.

362. The Administration replied that the deficiencies were the consequence of a new security risk management policy launched in 2016 and that they were being addressed by the Department.

363. The Board holds that any deficiencies in the security risk management process have a direct impact on the timely implementation of security measures, which form the basis of the safety and security of United Nations personnel and programmes. Hence, the Board is of the opinion that the Department of Safety and Security should issue guidance to rectify the deficiencies noticed in the security risk management process and use the Inter-Agency Security Management Network platform to supplement the implementation and compliance process, through the Division of Regional Operations.

364. **The Board recommends that the Department issue a general bulletin to all designated officials and other security professionals to ensure improved compliance with the security risk management process and that it develop a compliance monitoring matrix and present it to all the stakeholders.**

365. The Administration informed the Board that the Department had issued a communiqué to all stakeholders on 2 May 2017, and followed up with regular communications from the Division of Regional Operations, reminding them of the importance of compliance with security policies and security risk mitigating measures. It added that the Department had established a monthly monitoring process for compliance with the security risk management process and communicated the results at the beginning of each month to all security focal points and alternate security focal points of the United Nations security management system organizations.

366. While it appreciates the actions indicated by the Administration in its response, the Board holds that a formal compliance monitoring matrix would improve the quality of monitoring of compliance with the security risk management process.

Security management team meetings

367. In accordance with the framework of accountability for the United Nations security management system, the security management team consists of the designated official, who acts as Chair, the head of each United Nations organization present at the duty station and the chief security adviser. The team advises the designated official on all security-related matters. The framework requires the designated official to submit minutes of the security management team to the Department of Safety and Security regularly. Furthermore, review of the security risk management process, including recommended security risk management measures and monitoring of the implementation of approved measures, when necessary, must be a standing agenda item for all team meetings. The Board observed deficiencies in documentation related to these meetings and found full attendance in only 2 of the 36 sampled cases, while in 10 cases attendance was less than 60 per cent. The Administration stated that it was the responsibility of the executive heads of all United Nations security management system organizations to ensure that their respective

country representatives regularly attend security management team meetings. Since the team is an important monitoring and advisory mechanism, the Board is of the opinion that suitable directions should be issued to highlight the importance of participation in meetings.

368. **The Board recommends that directions to highlight the importance of participation in the security management team meetings be issued to designated officials and executive heads of all United Nations security management system organizations.**

369. The Administration replied that the Department would issue guidance on this matter.

Security management in the United Nations Support Mission in Libya

370. In accordance with the Security Policy Manual, the executive head of each United Nations security management system organization must prepare and publish an internal framework of accountability documenting individual roles, responsibilities and accountabilities related to safety and security for the organization. The Board found that the security plan of the United Nations Support Mission in Libya (UNSMIL) only identified the entities that were covered under the plan. It did not provide the details required for the internal framework of accountability.

371. **The Board recommends that UNSMIL promptly draft and operationalize an internal framework of accountability for the Mission in compliance with the Security Policy Manual.**

372. The Administration informed the Board that, in its capacity as the lead department for UNSMIL, the Department of Political Affairs would work with the Department of Safety and Security in order to ensure that the security plan for the United Nations presence in Libya is updated to clearly delineate the roles and responsibilities of personnel at all levels according to their terms of reference and relevant provisions of the framework of accountability for the United Nations security management system.

Threat and Risk Assessment Service

373. The Board noticed that 20 security analysts with regional/country mandates were posted to different field locations throughout the world and 16 analysts were assigned to the Threat and Risk Assessment Service of the Department of Safety and Security at Headquarters to analyse the security threat information received. The Board observed that, although all 36 security analysts had been trained in security analysis procedures and practice, only 9 had received the strategic analysis warning technique training. The Administration replied that 12 analysts were scheduled for training in 2018 and the balance in 2019.

Confidentiality agreements

374. The Board noticed that while the Secretary-General's bulletin on information sensitivity, classification and handling (ST/SGB/2007/6) generally covered the areas of classification and handling of information, no specific confidentiality agreement had been executed with the analysts and no restrictions on the use of social media had been placed upon them.

375. The Board is of the view that the Department of Safety and Security does not have any specific mechanism to prevent the sharing of information, especially in the case of separated staff. Furthermore, the lack of restriction on use of social media by the analysts at field locations not only raises the risk of accidental leakage of the

security threat information and location of the analysts, but also makes the analysts vulnerable.

376. The Department stated that it would address the issue with the appropriate authorities, as the Threat and Risk Assessment Service did not have the authority to institute such an agreement.

377. **The Board recommends that the Department establish a mechanism for confidentiality agreements with the security analysts who are dealing with security threat information and explore the possibility of restricting their use of social media at field locations.**

378. The Administration stated that the Policy and Compliance Service was already working with the Office of Legal Affairs to identify possible mechanisms for agreements in this regard. It further stated, however, that the Threat and Risk Assessment Service could not restrict individual staff members from engaging on social media and that the analysts use social media as one of many information sources. The Administration added that the Service would issue a memorandum reminding its analysts not to expose their products, sources or analytical judgments through social media.

Monitoring mechanism for United Nations security management system policies and procedures

379. The Board was informed that the Division of Regional Operations at Headquarters monitored only the compliance of the field documents with United Nations security management system policies, and that other documentary reviews and field inspections were carried out by the Compliance, Evaluation and Monitoring Unit of the Department of Safety and Security.

380. The Board reviewed the evaluation workplan of the Compliance, Evaluation and Monitoring Unit for the biennium 2016–2017. In accordance with the workplan, evaluations in the Department of Safety and Security are carried out for the systematic and objective determination of the relevance and effectiveness of the United Nations security arrangements in designated areas, including the prevailing security culture. The Board observed that the evaluation workplan for the biennium 2016–2017 included only 12 evaluation activities. The Board noted that during the biennium, the Department conducted only 9 evaluation activities covering 10 designated areas.

381. The Department responded that the evaluation workplan did not relate to compliance activities in the field, but to the Department's evaluation function and activities. The Board is of the view that the coverage of only 10 designated areas for the purposes of evaluation was inadequate.

382. Although the Policy and Compliance Service is entrusted with the overall monitoring of the implementation of and compliance with the policies of the United Nations security management system, the Board observed that the Service does not monitor the implementation of and compliance with the security policies and procedures. Rather, the United Nations security management system organizations are encouraged to monitor adherence to the policies and procedures through internal self-assessment.

383. In accordance with its terms of reference, the Inter-Agency Security Management Network monitors the implementation of the United Nations security management system policies, practices and procedures, including the related programme budget. However, the Policy and Compliance Service, which acts as the secretariat of the Inter-Agency Security Management Network, informed the Board that the Network did not review the individual or country-specific issues related to security risk management implementation or compliance with security risk management measures,

as this was the responsibility of individual organizations of the United Nations security management system, in accordance with the framework of accountability.

384. The Board observed that, even though the mandate of the Under-Secretary-General for Safety and Security was to coordinate with the organizations of the United Nations system to support the implementation of and compliance with security policies and practices, a comprehensive compliance monitoring mechanism (the headquarters minimum operating security standards) had only been developed by the Division of Headquarters Security and Safety Services, and that the other departmental entities (the Division of Regional Operations and the Policy and Compliance Service) had yet to develop a comprehensive mechanism. This is compounded by the absence of a specific monitoring mechanism through the Inter-Agency Security Management Network.

385. **The Board recommends that the Department for Safety and Security develop a mechanism for the Division of Regional Operations and the Policy and Compliance Service to monitor the implementation of and compliance with the security management system policies.**

386. **The Board also recommends that the Inter-Agency Security Management Network develop a mechanism to periodically review the level of implementation of and compliance with security policies in the designated areas.**

387. The Administration stated that the Department continuously updated its internal compliance management policies, guidelines and tools to facilitate the implementation of the function, including those related to compliance monitoring, and added that the compliance, evaluation and lessons-learned policy had been approved by the Inter-Agency Security Management Network in June 2018. The Administration stated that it was developing an electronic tool to monitor the implementation of required security risk management measures (the field equivalent of monitoring the headquarters minimum operating security standards), which was part of the workplan of the Office of Information and Communications Technology and was on the list of the Department's priorities for 2018. Furthermore, the working group on compliance of the Inter-Agency Security Management Network would examine the issue of development of a monitoring mechanism to periodically review the implementation of policies, and submit a report thereon to the Network for its consideration.

Field Support Service

Critical Incident Stress Management Unit

388. In accordance with the Security Policy Manual, the Critical Incident Stress Management Unit in the Field Support Service is responsible for ensuring inter-agency coordination regarding critical incident stress management and for providing a rapid professional response to critical incidents involving security management system personnel. The Unit is also responsible for establishing or expanding a critical incident stress intervention cell at the duty station in a timely manner, if necessary, and coordinating appropriate incident response through regular communication with all relevant stakeholders.

389. The Board's analysis revealed variations in the number of incidents reported through the safety and security incident reporting system and the list of incidents submitted by the Critical Incident Stress Management Unit. The fact that the Unit does not receive any critical incident reports through the system, but rather receives such information from other entities, weakens the ability of the Department of Safety and Security to rapidly assess the needs of affected personnel throughout the United Nations and coordinate with various agencies to map resources and ensure timely

action. This weakness in internal control mechanisms within the Unit makes it vulnerable to the risk that it may not register critical incidents that require action by the Unit.

390. The Administration replied that the Division of Regional Operations is responsible for coordinating the response to critical incidents and has direct access to the most up-to-date information on critical incidents. It should therefore provide the Critical Incident Stress Management Unit with real-time details of critical incidents and ensure reconciliation with the safety and security incident reporting system. In addition, the Unit should have access to the system. The Department further stated that additional resources would be required to ensure adequate availability of counsellors.

391. It is the Board's opinion that the differences between the data from the two entities of the Department of Safety and Security (the Critical Incident Stress Management Unit of the Field Service Division and the Division of Regional Operations) need to be resolved within the Department so that no critical incidents warranting intervention go unnoticed.

392. **The Board recommends that the Critical Incident Stress Management Unit establish a mechanism to record, by date, the details of critical incidents reported by the Division of Regional Operations and other entities and reconcile this information periodically with the safety and security incident reporting system figures to ensure that no critical incidents warranting intervention go unnoticed.**

393. **The Board also recommends that the Critical Incident Stress Management Unit, in coordination with the designated officials and the United Nations security management system organizations, review the existing number and locations of counsellors to ensure the availability of adequate capability to respond to the needs of affected personnel and eligible family members.**

394. The Administration informed the Board that the counsellors of the Unit could now access the safety and security incident reporting system and that work was ongoing to redesign the website of the Unit to improve the data-gathering, reporting and monitoring mechanism, especially with respect to critical incidents. The Administration added that a template had been developed to manually reconcile incidents reported in the system and that the reconciliation of the incidents had been under way since February 2018. The Administration further informed the Board that discussions were ongoing on the creation of new positions in 11 duty stations, and advocacy was ongoing on maintaining local cost-shared counselling positions in four countries. It added that progress was dependent on the availability of funding under local cost-sharing arrangements and subject to the agreement of the country teams.

Training in the Department of Safety and Security

395. The training strategy of the Department of Safety and Security is broadly based on the Secretary-General's bulletin on the learning and development policy (ST/SGB/2009/9). The objective of the training strategy is to equip staff with the skills and knowledge required to deliver the highest standards of security services to the United Nations security management system, as well as to develop their competencies and attributes to that end. The training strategy is expected to be modular, ensuring the most efficient use of training resources and staff time, and enshrines the objective of ensuring that no one is left behind. The Department informed the Board that it offered more than 20 courses covering various aspects of safety and security.

Training and Development Section

396. The Training and Development Section in the Field Support Service is responsible for training United Nations security management system personnel, as well as personnel of the Department of Safety and Security. To that end, the Section prepares a training calendar in consultation with the Inter-Agency Security Management Network working group on security training.

397. The Training and Development Section informed the Board that the security courses offered by the Threat and Risk Assessment Service and the Division of Headquarters Security and Safety Services were planned and conducted by the respective Service/Division and that the Training and Development Section had only conducted a training needs analysis for 11 Department of Safety and Security professional categories, the designated officials and United Nations personnel at large in 2016–2017. The Board noted that the training calendar was restricted to the courses offered by the Training and Development Section. The Board further observed that the Division of Headquarters Security and Safety Services, the Threat and Risk Assessment Service and the Training and Development Section were carrying out the training needs assessments independently.

398. Furthermore, the Board noted that the Training and Development Section had yet to develop a consolidated database of the details of the trainees who had participated in the various training programmes offered by the Department of Safety and Security. The absence of a comprehensive database could lead to duplication of effort in training. The Department informed the Board that a new training strategy was currently being developed and that this issue would be addressed through the use of a modular approach, which would minimize duplication and streamline training programmes.

399. The Board is of the opinion that the Department of Safety and Security needs to establish a formal and structured coordination framework between the Training and Development Section and the other units of the Department to carry out a training needs assessment to serve as the basis for the development of an annual training plan and an annual training calendar using a modular approach to training to avoid duplication of effort.

400. **The Board recommends that the Department of Safety and Security develop a formal mechanism for coordination between the Training and Development Section and other divisions/sections in carrying out training needs assessments and preparing a consolidated annual training plan/calendar for the Department as a whole.**

401. **The Board recommends that the Training and Development Section maintain a consolidated database containing details on all trainees and training courses conducted by the Department.**

402. The Administration accepted the recommendations and informed the Board that the Training and Development Section was working on an implementation plan for its new training strategy which includes plans for a database. The Administration also indicated that a training calendar would be established in 2019.

Biennial programme plan and programme budget for the Department of Safety and Security

403. In accordance with the biennial programme plan and the programme budget for the biennium 2016–2017, the work of the Department of Safety and Security was to be implemented under two subprogrammes, namely: subprogramme 1, Security and safety coordination; and subprogramme 2, Regional field coordination and support.

404. The biennial programme plan and the programme budget established 12 expected accomplishments and 21 performance indicators for the work of the Department. The Board noted that the Department could not achieve the targets for 6 of the 21 performance indicators. The Department attributed this to external factors.

405. The Board reviewed the biennial programme plan and the programme budget for the Department of Safety and Security for 2016–2017 and observed that, although the Security Policy Manual holds the Policy and Compliance Service responsible for monitoring the implementation of and compliance with policies and procedures within the United Nations security management system, there was no performance indicator to evaluate the performance of the Department in ensuring implementation of and compliance with the policies and procedures.

406. Furthermore, the Department of Safety and Security should maintain an updated list of all security risk management measures by security risk management area and monitor the compliance with these measures at all field duty stations through the biennial programme plan document. Even though the biennial programme plan includes parameters concerning the review of documents related to security risk assessment, security plans and residential security measures, there was no mention of a list of security measures by security risk management area or the compliance of field duty stations with such measures as a performance indicator.

407. The Board observed that the Division of Headquarters Security and Safety Services periodically conducted peer reviews at the locations under its control. Furthermore, the Division was involved in conducting firearms and close protection training programmes within the United Nations security management system. These activities play a significant role in ensuring the safe and secure conduct of United Nations programmes. In the biennial programme plan, however, the goals of these activities are not identified as performance indicators, unlike compliance with the headquarters minimum operating security standards, which has been identified as one of the performance indicators under subprogramme 1, Security and safety coordination.

408. The Threat and Risk Assessment Service in the Division of Regional Operations conducts two specialized training programmes, but no parameters or indicators were mentioned in the biennial programme plan against these functions. The Training and Development Section of the Field Support Service also conducts various online courses, such as courses on basic security in the field and advanced security in the field. Some of this training is mandatory for all United Nations personnel and some for selected categories of personnel. However, no parameters or indicators were provided against these functions.

409. The Board is of the opinion that the programme plan and the programme budget need to be reviewed to consider inclusion of the above-mentioned parameters.

410. The Administration stated that it would take this observation into consideration in formulating the programme plan and the programme budget for 2020, following the guidelines of the Controller.

411. **The Board recommends that the Department of Safety and Security review the existing biennial programme plan and the programme budget to consider inclusion of the non-mapped critical parameters indicated above.**

412. The Administration stated that the General Assembly had approved the main elements of the budget reform proposals by the Secretary-General in December 2017 and added that the Department of Safety and Security would consider including the proposed critical parameters under the new budget presentation system.

J. Management disclosures

Write-off of losses of cash, receivables and property

413. The Administration informed the Board that it had formally written off property, plant and equipment with the original cost of $26.88 million and receivables of $1.11 million. In addition, the Administration informed the Board that write-offs related to staff members and individuals amounted to $0.15 million. The write-off of property, plant and equipment was predominantly related to the write-off of assets of the United Nations Truce Supervision Organization and the United Nations Assistance Mission for Iraq ($8.69 million and $5.07 million respectively).

Ex gratia payments

414. The Administration reported that there were no ex gratia payments during the year ended 31 December 2017.

Cases of fraud and presumptive fraud

415. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). 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.

416. 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.

417. For 2017, the management reported 51 cases of fraud or presumptive fraud, with an estimated amount of $42.27 million in 18 cases. For the rest of the cases, the estimated amount was categorized as “undetermined”, “to be determined”, “unknown” or “pending investigation” in the report provided to the Board.

418. In its report to the Board of Auditors on cases of fraud and presumptive fraud, the Office of the Controller provided information on the incidence of such cases in the Secretariat during the last three accounting years for United Nations entities covered under volume I (see table II.11).

Table II.11
Cases of fraud or presumptive fraud reported in the operations of United Nations entities covered under volume I

Period ended	*Number of cases*	*Amount (millions of United States dollars)*	*Total expenditure (millions of United States dollars)*	*Percentage of total expenditure*
31 December 2015	9	1.92	5 613.14	0.03
31 December 2016	22	0.62	5 717.49	0.01
31 December 2017	51	42.27	5 788.87	0.71

Source: Information provided by management.

419. The amount reported with respect to fraud and presumptive fraud cases in 2017 is only 0.71 per cent of the total expenditure. Though it is acknowledged that estimating the extent of fraud in an organization is extremely difficult, the level of fraud reported in the Secretariat is very low compared to the estimate by the Association of Certified Fraud Examiners that a typical organization loses 5 per cent of its revenues in a given year as a result of fraud.

420. The Office of the Controller prepares an annual report on cases of fraud and presumptive fraud reported in all Secretariat entities, which is then transmitted to the Board of Auditors. The Board was informed that the report was compiled on the basis of information submitted independently by each Secretariat office to the Office of the Controller every year in a format specified by the Board of Auditors and the quarterly reports on fraud and presumptive fraud cases received from OIOS. This year, the Administration provided the details to the Board, which contained the submissions made by only seven entities whose transactions are covered in volume I.

421. A comparison of the cases reported to the Board in the past two years and the OIOS data revealed four cases of fraud and two of presumptive fraud in the OIOS data which were not included in the Controller's report for 2015. Similarly, 13 cases of fraud and presumptive fraud were not mentioned in the Controller's report for 2016, although they appeared in the OIOS data. The Office of the Controller attributed these differences to the reports of fraud cases received directly from various Secretariat offices and included in the reports to the Board of Auditors. It further clarified that in recent reporting periods, the Office had submitted updated reports to the Board of Auditors as soon as the OIOS fraud report was received.

422. It is evident that there is a lack of coordination between the Office of the Controller and OIOS. The same concern had also been raised by the Internal Audit Division in its report on the process of reporting cases of fraud or presumptive fraud in financial statements.

423. A number of fraud cases first received in OIOS are referred to the respective Secretariat offices for further action. The Board noted that in the OIOS report of fraud and presumptive fraud cases for 2015, there were nine cases which were shown as "'referred to the Department of Field Support". However, none of these cases were included in the reports of the Controller for either volume I or volume II financial statements. The Board was unable to derive assurance that all cases for which OIOS had completed a preliminary assessment and which OIOS had referred to the respective offices for investigation were being reported to the Office of the Controller for inclusion in its report. Similarly, since the central intake system is still not operational, there is no system within the Secretariat to ensure that all the cases detected and pursued independently in various offices and missions are reported to the Office of the Controller every year.

424. Accordingly, not only is there a reasonable basis to believe that fraud and presumptive fraud is under-reported in the Organization, but there are also grounds to conclude that even the known number of cases of fraud and presumptive fraud are not completely reported.

425. **The Board recommends that the Secretariat devise a suitable mechanism to ensure better coordination between the Office of the Controller, the Office of Internal Oversight Services and other Secretariat offices for a complete and comprehensive reporting of cases of fraud and presumptive fraud.**

426. The Administration informed the Board that the Office of Programme Planning, Budget and Accounts had requested OIOS to provide updated quarterly reports on a regular basis to facilitate complete and comprehensive reporting of fraud and presumptive fraud to the Board.

K. Acknowledgement

427. 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*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

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

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

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016 (volume I)

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
1	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.	Monthly statements for Headquarters outstanding receivables are sent to the entities. By the end of January or the beginning of February, the December statement, including all pending receivable balances, is submitted to the agencies. The agencies acknowledge the receipt of the end-of-year statement and contact the Secretariat for further clarification of the charges or additional supporting documentation. The accuracy of the receivable balances at the end of the financial period is facilitated by the timely and continuing process of communication and verification with the counterparties through the monthly statements. Copies of the dashboard and supporting documentation were shared with the Board of Auditors both during and after the audit.	The Board has been provided with a sample of the monthly statements shared with agencies for follow-up of receivables and payables. The Board is satisfied that action has been taken on the recommendation and considers the recommendation to have been implemented.	X			
2	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.	An assessment is currently under way. The Department for General Assembly and Conference Management concurs with the Department of Management and will continue to collaborate closely with it on this recommendation. The Department for General Assembly and Conference Management stated that the name "Carbon" was no longer used, having been replaced years ago with eMeets and subsequently with gMeets, a meetings planning and management tool. With the ongoing development of Umoja Extension 2, gMeets would be incorporated into the conference and	The Board notes that the recommendation is scheduled for implementation by December in conjunction with Umoja Extension 2. Hence, the recommendation is considered to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			event management module. However, the principal focus of Extension 2 is on meetings participant management (including accreditation, registration and badging), which is being analysed and reworked. The aspects of meetings management that are downstream will be analysed and a global meetings management system chosen only after the deployment of the meetings participant management system, to be phased in as from September 2018. The goal for the full roll-out of meetings participant management in Extension 2 is scheduled roughly for the end of 2019. A global meetings management system will be deployed thereafter. The Department of Management stated that with the ongoing development of Umoja Extension 2, gMeets functionality, including a "one-stop shop" that includes a portal through which Member States can request events, will be incorporated into the conference and event management module. However, the principal focus of Extension 2 is on meetings participant management (including accreditation, registration and badging), which is being analysed and reworked. The aspects of meetings management that are downstream will be analysed and a global meetings management system chosen only after the deployment of meetings participant management, to be phased in as from September 2018. The goal for the full roll-out of meetings participant management in Extension 2 is scheduled roughly for the end of 2019. The meetings management processes will be analysed (and a global meetings					

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			management system chosen) beginning in the third quarter of 2018.					
3	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.	The Administration constantly reviews and streamlines the thresholds, however, as the implementation of this recommendation is heavily dependent on the Secretary-General's reform programme, the Administration requests the closure of this recommendation.	The Board acknowledges the response of the Administration and notes that the implementation of the recommendation has been incorporated into the Secretary-General's reform proposals. Hence, the Board considers this recommendation to be under implementation.		X		
4	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 subparagraphs (a) and (b) above a clearly articulated responsibility of the Under-Secretaries-General for their respective departments.	The Administration had informed the Board in July 2017 that the Committee for Programme and Coordination, at its fifty-sixth session, had made the proposed revisions. The improvements introduced in the biennial programme plan for 2018–2019 aimed at making it more impact oriented were extended to all 28 programmes. In June 2018, the Administration, while not offering further comments, stated that the General Assembly, in its resolution 70/8, had adopted the Committee's recommendations.	The Board notes the progress made with respect to improvements in the biennial programme plan. The Board notes also that proposals for the reform of the budget process have been put forward by the Secretary-General in his reports on shifting the management paradigm in the United Nations (A/72/492 and A/72/492/Add.1). Activities aimed at realizing that objective have been planned over the next biennium. The recommendation is, hence, considered to be under implementation.		X		
5	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	The Administration reiterates its previous response to this recommendation. In April 2015, the Office of Programme Planning, Budget and Accounts stated that the current budget format provided costing at the subprogramme level. In addition, for specific projects across the Secretariat, costing is often provided at a more	The response of the Administration is a reiteration of its previous response, and it has not offered any further comments. The Board notes that the response does not address the issue of linking budget consumption with			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	detailed level. The level of costing, therefore, is adjusted to the specific needs of the corresponding decision-making process. The Administration therefore requests that the Board close this recommendation.	proposed outputs. Hence, the Board considers the recommendation not to have been implemented.				
6	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 the International Public Sector Accounting Standards (IPSAS) and the new enterprise resource planning system.	The Administration plans in 2018 to introduce more frequent reporting to senior managers and is currently exploring the scope of the management accounts to be produced and the level of detail to be included in the reporting package. Mock monthly management reports have been discussed with the management of the Accounts Division. The next step, to be carried out shortly, is to discuss the issue with the Controller.	The Board notes the Administration's response and consider this recommendation to be under implementation.		X		
7	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).	The Administration is aligning the implementation plan for the issuance of a statement on internal control with the overall management reform initiatives put forward by the Secretary-General (A/72/492, A/72/492/Add.1 and A/72/492/Add.2), as well as with the global service delivery model and the relevant work streams under Umoja Extension 2. The Administration has assessed the suitability of the governance, risk and control module in Umoja to serve as the information technology backbone for internal control management and has received related resources. The Administration is identifying funding options and is developing an implementation plan and standing working arrangements with a view to finalizing requirements and mapping internal controls in the corresponding SAP module. The detailed	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			management reform proposal that is under development will further inform and affect the internal control framework and the future statement thereon. Furthermore, the completion of the implementation of this recommendation needs to be postponed owing to competing priorities relating to ongoing reform and the changes the reform proposals are introducing to the systems and controls. The business re-engineering required in view of the reform proposals will also need to be factored into the implementation plan.					
8	A/69/5 (Vol. I), chap. II, para. 56	The Board recommended that 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 a 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. With the implementation of Umoja, the Secretariat has started the process of developing a standardized consolidated catalogue setting out the costs of the services that it provides. Once the standardization is complete, the Secretariat should be able to compare the costs of services across the Organization and identify opportunities for capturing efficiencies.	The Board notes that Umoja offers opportunities for comparing and benchmarking administrative overhead and the performance of business functions. However, it is necessary to demonstrate that those opportunities have been taken advantage of, which is likely after the development of standardized catalogues, as indicated in the response of the Administration. Hence, the recommendation is considered to be under implementation.		X		
9	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 (ICT) elements of Umoja Extension 2.	The Administration had informed the Board in July 2017 that the budget formulation project was under way as part of Umoja Extension 2. The Administration was reviewing the budget processes for potential improvements as a follow-up to the recommendations contained in the report of the High-level Panel on Peace	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
			Operations. No further response has been provided by the Administration.					
10	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 distribution of cash vouchers (high risk) versus construction (lower risk) • The location of the project and the ability to monitor progress.	This recommendation was implemented by the target date of 31 December 2017 with the development of the partner performance index module in the grant management system. The module is currently being rolled out in the country-based pooled funds. Humanitarian funding units have started updating implementing partners' performance when required in the grant management system and they review it as part of the project selection and approval process.	The Board notes the response given by the Administration. As the partner performance index module has been developed in the grant management system and is being rolled out, the Board considers the recommendation to have been fully implemented.	X			
11	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	The Administration informed the Board that this recommendation would be addressed comprehensively in the context of the recommendations relating to implementing partners, contained in A/71/5 (Vol. I), chap. II, paras. 264, 269 and 270, in a holistic manner, as part of the implementation	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		performance of implementing partners in each country office.	of the grant management module of Umoja Extension 2. The Administration requests the closure of this recommendation.					
12	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 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; and (d) working with the Office of Legal Affairs to strengthen the current memorandum of understanding between the Office for the Coordination of	With the initiation and roll-out of the assurance dashboard in the internal business intelligence module in the grant management system in 2017, management in the field and at Headquarters is now able to gain an overview and track in real time assurance activities planned and undertaken, allowing each fund to analyse compliance with agreed operational modalities and take corrective action where required. This feature had been fully rolled out before the end of 2017. Furthermore, the Administration informed the Board that despite ongoing efforts, including the establishment of joint fund management units in certain country-based pooled funds, the provision of outreach by the management of the Office for the Coordination of Humanitarian Affairs and the organization of training and workshop events, the Office had been unsuccessful to date in obtaining full compliance by UNDP, in its managing agent function, with the use of the grant management system. It is further noted that the draft UNDP managing agent guidelines state that the grant management system of the Office for the Coordination of Humanitarian Affairs is the centralized system for information related to project monitoring and performance. The managing agent ensures that the staff have access to the system and are	The Board notes the response of the Administration and appreciates the initiative taken. However, the Board notes that other United Nations entities, such as the United Nations Development Programme (UNDP), that act as managing agent for some projects are not using the grant management system dashboard actively. The Board, while acknowledging the problems indicated by the Administration, holds that the ultimate responsibility for the implementation of the improved controls rests with the Administration. Hence, the Board considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		Humanitarian Affairs and implementing partners.	familiar with its use for that purpose. The Administration added that in order to address discrepancies and in view of the complexity inherent in ensuring accountability with respect to the various management structures, the Office was considering bringing all management structures relating to country-based pooled funds under a single administrative arrangement managed by the Office.					
13	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.	In collaboration with the Office of Internal Oversight Services and the Department of Management, the Ethics Office developed the 2016 leadership dialogue as a discussion guide on fraud awareness and prevention. In 2016, 67 out of the 85 departments, offices and field missions that were invited to participate certified that they had completed the leadership dialogues. According to the information received, an estimated 27,784 personnel completed the dialogues focused on raising fraud awareness and preventing fraud. The Ethics Office also developed, in conjunction with the Office of Human Resources Management, the Office of the Under-Secretary-General for Management and the Office of Internal Oversight Services, the e-learning programme on fraud awareness and prevention. In addition, the Ethics Office continues to maintain the online training course on ethics and integrity. The Office of the Under-Secretary-General for Management replied that the Department of Management, through stories published on iSeek, had reiterated that combating fraud and	The Board notes the response of the Administration and encourages it to continue its efforts to raise awareness of fraud risks. The recommendation is considered to have been fully implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			corruption was a primary responsibility of management and staff at all levels, and it requested all staff members to familiarize themselves with the content of the anti-fraud framework. In addition, anti-fraud pamphlets, posters and mouse pads had been distributed among the staff at Headquarters, offices away from Headquarters and all field missions to emphasize the zero-tolerance approach to fraud, the responsibility of the United Nations to protect the anonymity of those reporting fraud and the obligation to report presumptive fraudulent acts and publicize how to report such cases and the disciplinary actions that the Secretariat takes against staff involved in fraud. In addition, in October 2016, the Secretary-General personally informed all staff members in the Secretariat of the promulgation of the framework and its purpose, and requested them to make every effort to promote the highest ethical standards for the United Nations.					
14	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.	As mentioned under serial No. 114 below, the risk assessment has been completed.	The Board notes the response of the Administration and also that the risk assessment was completed in 2017. The recommendation is considered to have been fully implemented.	X			
15	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	The Administration reiterates its firm belief that the implementation of this recommendation is the responsibility of the Office of Internal Oversight Services and confirms its willingness to	The Board notes the response of the Administration. However, during its audit of the implementation of the Anti-Fraud and Anti-		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	cooperate with the Office in implementing the recommendation. The Office of Internal Oversight Services had no additional comments.	Corruption Framework, the Board noticed that there was still work to be done regarding assessment, analysis and action on significant fraud risks. Hence, the Board considers this recommendation to be under implementation.				
16	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.	As mentioned in the past, the anti-fraud and anti-corruption framework for the United Nations Secretariat that was promulgated in September 2016 provides comprehensive information and guidance to United Nations staff, other categories of personnel and entities that have a contractual relationship with the Secretariat on how to prevent, recognize and address fraudulent acts.	The Board notes the response of the Administration. The recommendation is considered to have been fully implemented.	X			
17	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.	This is now a subset of the work that the Office of Internal Oversight Services is doing in terms of strengthening and professionalizing investigations. However, the Office does not have the sole responsibility for establishing a central intake mechanism for use in the receipt, screening, assessment, reporting and follow-up of all action taken on allegations of misconduct within the Secretariat. The Office does acknowledge that it has effectively become the central intake mechanism for fraud and matters pertaining to sexual exploitation and abuse. It is not, however, the central intake mechanism for other types of investigations, such as those relating to prohibited conduct as defined in Secretary-General's bulletin ST/SGB/2008/5 and the lower-risk matters that are classified as category II,	The Board notes the response of the Administration. However, it is of the view that there is a lack of agreement on the issue of a central intake mechanism, given that the Office of Internal Oversight Services does not consider itself the central intake mechanism for the investigation of matters other than those involving sexual exploitation and abuse. The recommendation cannot be considered as having been implemented until there is an agreement on the establishment of a central intake mechanism and it is activated. Hence, the Board considers this			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			as defined by the Office in A/58/708 (para. 27).	recommendation not to have been implemented.				
18	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 reiterates its previous comments regarding this recommendation and, on the basis of those comments, considers the recommendation to have been implemented and respectfully requests that it be closed.	The Board acknowledges the response of the Administration but notes that there are still gaps in the legal pursuit of all proven cases of fraud. It also notes that it would be appropriate for the Administration to introduce a formal framework for dealing with such issues. In view of the actions being taken by the Administration, this recommendation is considered to be under implementation.		X		
19	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 those to the Organization's circumstances. The first step would be assessing and understanding the type and scale of fraud threats the United Nations was exposed to.	By approving the Fraud and Corruption Risk Register, the Management Committee will identify the risks with respect to which immediate action is needed, the managers (corporate risk owners) responsible for developing detailed risk treatment and response plans, which will outline the specific actions that management plans to introduce to further mitigate risk, and implementation timelines, and will continue to monitor their implementation. The Office of Legal Affairs considers that the Department of Management is in the lead.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
20	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. Those should be informed by a	The Office of Human Resources Management considers that the following progress has been made: • A draft guide to be used in workforce-planning exercises has been prepared and was used in an exercise carried out by the	The Board notes the Administration's response and the steps taken towards workforce planning. In view of that response, the Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	Department of Safety and Security. The Office is in the process of collecting feedback from the Department on its experience and plans to conduct a few more such exercises before issuing the guide to the Secretariat as a whole. • Standardized job codes were implemented in Umoja (Extension 1, cluster 5) for more than 10,000 local field positions. • Budget instructions were issued regarding the use of standardized job codes for all budgeted positions. • Retirements were forecast for positions in job networks implemented under the managed mobility system.					
21	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".	The Office of Human Resources Management considers the recommendation to be under implementation. In the revised biennial programme plan for 2018–2019, new performance measures will be added to the established measures relating to the staffing timeline, in line with the human resources management scorecard.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
22	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 Office of Human Resources Management considers the recommendation to be under implementation. In the context of the Secretary-General's vision for management reform, the Office is currently undertaking a process review of the staff selection system outlined in ST/AI/2010/3.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
23	A/69/5 (Vol. I),	The Board recommended that the Administration develop a skills strategy for staff based	The Office of Human Resources Management considers the recommendation to be closed, as the	The Board, while noting the Administration's response and the finalization of global		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
	chap. II, para. 177	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.	global learning needs assessment has been finalized and results are being implemented in the biennium 2018–2019.	learning needs assessments, has noticed that a skills strategy has yet to be developed. The Board considers this recommendation to be under implementation.				
24	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.	The Administration informed the Board that Chartered Institute of Public Finance and Accountancy (CIPFA) certification training had been expanded in 2018 and that the Institute had issued guidance. A total of eight students had enrolled in the first semester of 2018, with the possibility of more enrollees in the second, depending on funding. The Administration also informed the Board that the Department of Field Support had issued a memo to all field missions announcing the CIPFA programme.	The Board notes that action has been taken on the recommendation and considers it to have been implemented.	X			
25	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	The Administration informed the Board in July 2017 that it was in the process of reviewing the types of activities carried out in order to determine the costs of services, with the goal of consolidating the Secretariat-wide service catalogue. With the implementation of Umoja, the Secretariat started the process of developing a standardized consolidated catalogue setting out the costs of the	The process of development of a Secretariat-wide service catalogue is still in progress. Hence, the recommendation is considered to be under implementation.		X		

					Status after verification			
Serial No.	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		reporting of the full costs of activities.	services that it provides. Once the standardization is complete, the Secretariat will be able to compare the costs of services across the Organization and identify opportunities to capture efficiencies. No further response has been provided by the Administration.					
26	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 health insurance schemes.	The Administration informed the Board in July 2017 that the Office of Programme Planning, Budget and Accounts was continuing to monitor claims costs across all health insurance schemes and was in the process of adjusting the third-party administrators' reporting of technical results to improve control in respect of utilization and average claim costs in each category of health care. With regard to administrative costs, the Office was planning to review and adjust the terms and conditions governing relationships with the third-party administrators with a view to issuing requests for proposals over the next 18 months. In the interim, the Office had authorized health-care providers to use direct claiming for the worldwide plan in order to contain administrative fees. No further response has been provided by the Administration.	The Board notes that the process of strengthening the monitoring of claims costs has not yet been implemented. Furthermore, the Board notes that the relationship between the United Nations and the third-party administrators has still not been fully formalized. Hence, the Board considers the recommendation not to have been implemented.			X	
27	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	The Administration informed the Board in July 2017 that the request for proposals that had been launched by the Office of Programme Planning, Budget and Accounts in 2016 had been unsuccessful in eliciting responses from qualified audit firms. A restructured and adjusted request for proposals would be issued in the first quarter of 2018 with a	Efforts to enable an open-book audit of the third-party administrators is still under way. Hence, the Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		to confirm that they have complied with their contractual obligations. The inspection rights under those contacts should be exercised regularly in future.	view to having a comprehensive audit process in place later in the year. In the interim, the Administration would continue to monitor closely the internal audit reports of third-party administrators. No further response has been provided by the Administration.					
28	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.	The following progress has been made: • A draft guide to be used in workforce-planning exercises has been prepared and was used in an exercise carried out by the Department of Safety and Security. The Office is in the process of collecting feedback from the Department on its experience and plans to conduct a few more such exercises before issuing the guide to the Secretariat as a whole. • Standardized job codes were implemented in Umoja (Extension 1, cluster 5) for more than 10,000 local field positions. • Budget instructions were issued regarding the use of standardized job codes for all budgeted positions. • Retirements were forecast for positions in job networks implemented under the managed mobility system.	The Board notes the Administration's response and the steps taken. However, management has not yet implemented workforce planning, either at the entity level or job network-wise, although certain elements are being developed or piloted. The Board therefore considers this recommendation not to have been implemented.			X	
29	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	(a) The Office of Programme Planning, Budget and Accounts establishes the posts and provides each department and office with its respective allotment, which includes its authorized staffing table. The Office of Human Resources Management provides the administrative framework by which departments and offices recruit, transfer, place and separate staff against those approved posts. The roles in this	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
		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.	respect are clear. Using the Umoja organization management reporting tool, each department and office is responsible locally for managing both its post and non-post resources. While there has been some improvement with the use of the Umoja organization management reporting tool, there are still some issues to be fine-tuned between staff administration and the organization management tool; (b) positions are classified on an ongoing basis, typically when there is a significant change in duties or responsibilities, prior to the creation of a job opening when a position is anticipated to fall vacant or when a new position is proposed. Job descriptions are classified using the job classification standards established by the International Civil Service Commission (ICSC), standard job descriptions or generic job profiles that have been pre-classified using the job classification standards. The assignment of a job code to a position places the position in the appropriate job family and job network; and (c) as stated in the Administration's prior comments, there is no workforce planning module as such planned in Umoja (or Inspira).					
30	A/70/5 (Vol. I), chap. II, para. 83	The Board recommended that the Administration review, update and rationalize the current delegations of authority.	The recommendation was implemented with the promulgation, in April 2015, of Secretary-General's bulletin ST/SGB/2015/1 on delegation of authority in the administration of the Staff Regulations and Staff Rules (see A/71/331/Add.2, para. 120).	The Board notes from the previous response of the Administration that it was waiting for the final proposals of the integrated reform team, which were expected by end of 2017, before deciding on the revision of the policy		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
				framework on the delegation of authority. The present response does not indicate progress in that regard. As a result, the Board considers the recommendation to be under implementation.				
31	A/70/5 (Vol. I), chap. II, para. 84	The Board recommended that the Administration produce a consolidated policy document that 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.	This work remains in progress in view of the other initiatives being implemented in the Organization, including Umoja, and the expected implementation of a new global service delivery model as from 2019, subject to its approval by the General Assembly at its seventy-second session. As mentioned above, a Secretary-General's bulletin (ST/SGB/2015/1) was promulgated in 2015. A draft administrative instruction describing in a detailed, comprehensive and consolidated manner the delegation of authority, taking into account the new operational reality resulting from the implementation of Umoja, is being finalized. Delegation of authority was reviewed in the context of those Umoja enterprise roles which require such delegation. The role descriptions include mapping guidelines that specify the positions that can be assigned the role, role assignment restrictions and limitations, the segregation of duties and mandatory training. As the enterprise roles are built in accordance with the new Umoja procedures, some rationalization was done through this exercise. Further rationalization may be needed in the context of any future global service delivery model. A table containing more than 290 authorities and their current delegation	The Board notes the Administration's current response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			status has been prepared by the Office of Human Resources Management and reviewed by the Office of the Under-Secretary-General. In addition, a chart containing a synopsis of recommended revisions in the delegation of authority status has been prepared containing a briefer description of the existing situation and a recommendation for changes in the structure of delegation of authority for the review of the Assistant Secretary-General for Human Resources Management and the Office of the Under-Secretary-General for Management. Upon approval or revision of the recommended changes to the delegation of authority status, a consolidated policy document clearly setting out delegations of authority and an assurance and oversight framework can be developed.					
32	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).	The Office of Human Resources Management is currently implementing provisions of ST/SGB/2014/3, including: • Raising awareness: through social media and other outreach channels and activities, the Office is promoting the United Nations as an employer of choice for people with disabilities. In this context, in Bonn, Germany, in November 2017, the Outreach Unit participated in a special engagement meeting with other United Nations system organizations (in particular UNDP and United Nations Volunteers) and a number of international organizations of disabled professionals with the objectives of raising awareness and learning the best practices for	The Board notes the Administration's response and appreciates the steps taken by the Office of Human Resources Management in implementing the provisions of the Secretary-General's bulletin. The Board is of the view that the Office also needs to monitor the implementation of the provisions of the bulletin by the other departments. The response of the management is silent in this respect. Hence, the Board considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			ensuring accessibility and reasonable accommodation standards. • Outreach missions: the Outreach Unit visited Gallaudet University in Washington, D.C., the only university in the United States specializing in the education of deaf students. The Unit is also planning a mission to visit a community of disabled professionals and is working on expanding the worldwide network of disabled professionals. • Improving accessibility: the Inspira careers platform has been enhanced to provide several accessibility features for people with limited or poor vision. • Training programmes for managers and departmental accessibility focal points: the Office of Human Resources Management, in collaboration with UNDP, is conducting two projects to promote the inclusion of persons with disabilities in the United Nations. They involve a series of activities aimed at increasing the awareness of staff about working with persons with disabilities and enhancing the ability of managers to create and manage a workplace inclusive of and welcoming to all staff. The activities include the development of an online course on the inclusion of persons with disabilities and learning/reference materials for staff and managers on working with persons with disabilities. Both projects are expected to be completed by the end of 2018. • Appointment of a focal point: the focal point on disability and accessibility in the workplace was appointed by the Under-Secretary-					

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			General for Management with the task of monitoring compliance with the policy on employment and accessibility for staff members with disabilities across the Secretariat. The focal point is supported by the Inter-Departmental Task Force on Accessibility. In early 2018, both Inspira and the United Nations Careers portals were equipped with accessibility features making both recruitment tools accessible to persons with disabilities.					
33	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.	Access to reliable sick leave data has improved gradually thanks to close cooperation between the Medical Services Division (EarthMed) and Umoja teams. A sick leave dashboard to guide target areas for intervention was developed by the Office of Information and Communications Technology and is accessible to the Medical Services Division. The existing mismatches between EarthMed sick leave data and Umoja absence data (as identified in the 2018 audit) will be addressed, with a focus on the possible underreporting of sick leave days. The next major step forward will be a portal, expected to be operational within a few months. An administrative instruction on sick leave is with the Human Resources Policy Service for processing and consultation.	The Board, while noting the Administration's response, notes that the management of sick leave data is weak and that there are gaps between the certified sick leave data in Umoja and those obtained from Medical Services Division, and considers this recommendation to be under implementation.		X		
34	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 identifying cases where	The Administration reiterates that parts (a) and (b) of the recommendation have been implemented. The Administration will continue to implement part (c). It should be noted that in late 2017 the Administration aggregated development plan data from the 2015–2016 budget cycle using a new system application. It	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		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.	was difficult to derive useful trends owing to the small sample of staff who had entered data in the field and the still smaller correlation of key words to identifiable learning areas. The Office is now considering improved ways of soliciting development plan information.					
35	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 Administration notes that the proposed management reform programme envisages a structure that permits the tracking of reports of misconduct from inception to disposal by expanding to the entire Secretariat the current system for tracking mission-related misconduct run by the Department of Field Support. Such expansion would be dependent on the sharing of knowledge and capacity as well as possibly the upgrading of the ICT platform. Given those circumstances, the Administration requests that this recommendation be closed.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
36	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	As mentioned previously, the Administration has been implementing enterprise risk management, using a Secretariat-wide approach, with very limited staffing (one Professional post and half of a General Service post). Addressing the Board's recommendations will require additional resources at the level of each department and office, which may become available as part of the	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

					Status after verification			
Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
		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.	management reform proposals of the Secretary-General, if approved.					
37	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.	The risk assessment has been completed. The resulting risk register was presented to the Management Committee, as the enterprise risk management committee for the Organization, at its meeting on 31 January 2018. Following further review and consideration, the register was approved by the Committee at its meeting on 28 February. This recommendation has now been fully implemented, and the Office of Central Support Services requests the Board to close it.	The Board notes that the fraud risk assessment and the resultant risk registers were approved by the Management Committee on 28 February 2018. The preparation of risk response and risk treatment plans has yet to get under way. The Board, therefore, considers this recommendation to be under implementation.		X		
38	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	Subject to funding, the Secretariat will continue to enrol staff in a range of procurement certification courses. The Office of Central Support Services is holding discussions with the Office of Human Resources Management on:	The Board notes the response of the Administration and considers that the recommendation remains under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		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.	(a) moving procurement officers from the Management and Operations Support (MAGNET) job network for the managed mobility exercise to the Logistics, Transportation and Supply Chain (LOGNET) job network; and (b) establishing procurement as a distinct job network for the young professionals programme. Furthermore, the Procurement Division will: • Ensure access of staff to the latest version of the United Nations system procurement handbook • Encourage section chiefs and chief procurement officers to discuss career opportunities in the Organization during the e-performance cycle • Apprise procurement staff of ongoing professional training opportunities that are available in the United Nations common system that do not entail additional expenditure • Promote the networking of staff with United Nations system counterparts to facilitate familiarity with policy and best practice initiatives in the system so that updated initiatives can be analysed for incorporation in the Secretariat where feasible The Administration further stated that it considered the recommendation to have been implemented, in the light of the previous comments of the Department of Field Support and the Office of Central Support Services, and requested the Board to close the recommendation.					
39	A/70/5 (Vol. I),	The Board recommended that the Department of Political Affairs work with all involved	The recommendation has been overtaken by events, given the recent initiative of the Secretary-General to	The Board notes the response of management and considers the				X

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
	chap. II, para. 169	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.	reform the peace and security and management architecture.	recommendation to have been overtaken by events.				
40	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.	The Administration considers this recommendation to have been implemented given that there is not only a business intelligence report published for advance purchase policy compliance, but there are also an additional 10 such reports to support travel management in Umoja. The Travel and Transportation Section is not in a position to develop any tools or reports that support its legacy system.	Even though compliance with the 16-day advance purchase rule has yet to be fully adhered to, the Board notes that the Administration has developed business intelligence reports to support travel management in Umoja. Hence, the Board considers the recommendation to be under implementation.		X		
41	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.	In July 2017, the Administration had informed the Board that various methodologies and tools for continuous improvement, such as Six Sigma, Lean, total quality management and the "plan-do-check-act" cycle, had been considered by the Administration in its efforts to come up with an approach that is applicable to an Organization that had a very distinct modus operandi and governance structure. At present, the Secretariat uses existing structures and processes to manage its operations as well as formal organizational improvements. At the highest level is the Management Committee. One of its key functions is to consider internal reform and management-related initiatives and issues, including change management processes, requiring strategic direction	The Board had noted in 2017 that the process of continuous reform and improvement in departments was ongoing, and expressed the view that a formal approach would streamline the process. The response of the Administration is silent on the formalization of various related methodologies and tools to enable continuous improvement. Hence, the Board, while acknowledging the use of the various methodologies for continuous improvement, considers the recommendation to be under implementation.		X		

					Status after verification			
Serial No.	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			from the Secretary-General (see ST/SGB/2011/3). In addition, the Secretariat manages its reform and improvement programme through steering committees (such as those for Umoja, ICT, the global service delivery model and IPSAS), panels and working groups. The Secretariat has also been making effective use of enterprise risk management and identifying organizational synchronization and transformation initiatives as major risks, feeding information to the steering committees in order to mitigate risks identified at that level. Furthermore, there are project owners and process owners who are responsible for such improvement initiatives and accountability systems that are established through the senior managers' compacts. Those aspects of the formal approach to management are reinforced at other levels by staff development plans that are designed and implemented in conjunction with the Office of Human Resources Management and the United Nations System Staff College. The Administration considers this recommendation to have been fully implemented. However, since the Board responded to the Administration's previous comments by stating that it considered the recommendation to be under implementation (A/72/5 (Vol. I), chap. II, annex I, serial No. 66), the Administration would benefit from specific suggestions as to what the Board expects it to do beyond the above-mentioned approaches in order for this recommendation to be regarded as having					

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			been implemented. No further response has been provided by the management.					
42	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 confirms its previous observations regarding all the measures put in place to mitigate relevant risks. The main transformation projects continue being implemented under the leadership of the Under-Secretary-General for Management and the overall supervision of the Management Committee and steering committees. As the Board continues to consider this recommendation to be under implementation, the Administration looks forward to any specific suggestions of the Board on what further action it is expecting from the Administration in this area.	The Board notes the response of the Administration, and also notes that the development of capability for the implementation of transformation projects is an ongoing activity, with further improvement always possible. In that light, the Board considers the recommendation to have been fully implemented.	X			
43	A/71/5 (Vol. I), chap. II, para. 47	The Board recommended that known reductions in expenditure be fully considered alongside known increases in expenditure during preparation of the first and second performance reports.	As the Advisory Committee on Administrative and Budgetary Questions has agreed to the revision of the methodology for the preparation of the first performance report on the programme budget and the General Assembly has endorsed both the Committee's and the Board's recommendations, the Secretariat plans to implement the recommendation in the context of the first performance report on the programme budget for the biennium 2018–2019, to be issued in October or November 2018.	The Board acknowledges the response and considers the recommendation to have been fully implemented. The Board looks forward to the first performance report presented along the modified lines by the end of 2018.	X			
44	A/71/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration improve the scrutiny of commitments at year's end by providing more detailed guidance on how staff should establish the need to retain them.	This recommendation was fully implemented in 2016–2017, when the Office of Programme Planning, Budget and Accounts strengthened its guidance on the review and management of open commitments, in the context of both the guidance on the second performance report and the year-end financial closing instructions. The Office also	The Board notes the response given by the Administration. However, it had also noticed weaknesses in the system of review of open commitments in its audit of the 2017 financial statements, and a related recommendation was		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			issued business intelligence dashboards for monitoring commitments that were made available to clients during the period. The monitoring of open commitments is an ongoing activity.	included in its 2017 report. The recommendation is therefore considered to be under implementation.				
45	A/71/5 (Vol. I), chap. II, para. 57	The Board recommended that the Administration review open commitments during the year, and particularly at year's end, to challenge any which appear to be retained unnecessarily.	This recommendation was fully implemented in 2016–2017, when the Office of Programme Planning, Budget and Accounts strengthened its guidance on the review and management of open commitments, in the context of both the guidance on the second performance report and the year-end financial closing instructions. The Office also issued business intelligence dashboards for monitoring commitments that were made available to clients during the period. The monitoring of open commitments is an ongoing activity.	The Board notes the response given by the Administration. However, it had also noticed weaknesses in the system of review of open commitments in its audit of the 2017 financial statements, and a related recommendation was included in its 2017 report. The recommendation is therefore considered to be under implementation.		X		
46	A/71/5 (Vol. I), chap. II, para. 88	The Board recommended 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.	The Advisory Committee on Administrative and Budgetary Questions stated that it noted with concern that the report of the Secretary-General contained no information with respect to the implementation of results-based management and did not address the requirements set out by the General Assembly for the implementation of a detailed plan, with a fixed time frame and clear milestones. The Committee recommended that the Assembly request the Secretary-General to expedite completion of the plan and to report thereon in his next progress report on the accountability system (A/71/820, para. 32). In response to that statement, the Assembly, in paragraph 14 of its resolution 71/283, requested the Secretary-General to include in his seventh progress report on	The Board notes that all of the recommendations of the working group are linked to the goals set out in the seventh progress report on accountability. Hence the Board considers this recommendation as having been implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			accountability a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management in the regular functioning of the Organization. Pursuant to that request, the Secretary-General annexed to his seventh progress report an action plan for the implementation of results-based management in the United Nations Secretariat, 2018–2021 (A/72/773, annex II), in which he described a new set of actions to be undertaken by the Secretariat to accelerate the implementation of results-based management, the entities responsible and the projected implementation dates. The Board is informed that in preparing the action plan, the Secretariat drew on the experience of other United Nations system organizations in implementing results-based management and on experience in implementing the findings and recommendations of the working group representing the different functional areas of the Organization and chaired by the Department of Management. In this respect, the Board should be aware that the Secretariat has been making progress in implementing the action plan and has been informing Member States of the actions taken (see, e.g., A/69/676, paras. 44–53).					
47	A/71/5 (Vol. I), chap. II, para. 90	The Board reiterated its previous recommendation that the Administration establish how and under what time frame it would be able to more closely link budget consumption with	The Administration had informed the Board in July 2017 that this was a complex issue that would require further review and analysis in terms of the added value of cost accounting, as there were a number of factors that would have an impact on the correlation	The Board awaits a response from the Administration on this recommendation and considers this recommendation not to have been implemented.			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
		what was delivered in terms of outputs and outcomes and that it set out a detailed plan embedding results-based management as part of business as usual, defining clear responsibilities and resources.	between the two areas, for example, improvement in the percentage of outputs produced vis-à-vis increased costs relating to post adjustment multipliers and the strengthening of the United States dollar. Hence, while the outputs continued to be delivered, the costs of their delivery had decreased as a result of factors beyond the Secretariat's control. No further reply has been given for this recommendation, and the status is considered as ongoing.					
48	A/71/5 (Vol. I), chap. II, para. 99	The Board recommended that the Administration accelerate its current process of strengthening the performance measures used by departments to measure and report results.	The Administration had informed the Board in July 2017 that this recommendation had been and was continuing to be implemented, most recently in the context of the preparation of the biennial programme plan for 2018–2019, where revisions to elements of the plan had been undertaken to make them more impact oriented. No further response has been provided by the Administration on this recommendation.	The Board had noted in its previous report that specific performance indicators for measuring the impact of the activities of each department had yet to be firmed up. The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
49	A/71/5 (Vol. I), chap. II, para. 112	The Board recommended that the Administration set out a detailed plan for how it could make best use of current resources to improve evaluation across the Secretariat, including the level and types of reviews it needed to undertake, the skills and capacity required to perform them, and how it could learn lessons from existing approaches to cost effectively support staff to perform self-evaluations by training staff in standard evaluative tools and techniques.	The Administration had informed the Board in July 2017 that the Department of Management and the Office of Internal Oversight Services were working together on proposals to strengthen evaluation. Both the Department and the Office have provided their proposals to the Executive Office of the Secretary-General, and they are being considered in the context of the Secretary-General's forthcoming internal management reform proposals. No further response has been provided.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
50	A/71/5 (Vol. I), chap. II, para. 122	The Board recommended that the Administration ensure that the rental charge is an accurate representation of current market rates in each location.	The Administration continues to endeavour to implement the recommendation by the target date indicated. A working group on rental practices was established in November 2017, and the data collection phase of the "as-is" practices at United Nations Headquarters, offices away from Headquarters and regional commissions was completed in March 2018. A report of the working group was to have been issued in June 2018 for consideration by management, and completion of the implementation was expected soon thereafter.	The Board acknowledges the actions taken by the Administration in forming a working group on rental practices. As the report of the working group is expected soon, the recommendation is considered to be under implementation.		X		
51	A/71/5 (Vol. I), chap. II, para. 126	The Board recommended 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.	The Administration continues to develop and maintain training materials, including videoconference training sessions. End-user training sessions were delivered to 22 participants at the United Nations Mission in South Sudan, in Brindisi and in New York in the third and fourth quarters of 2017. The Office of Central Support Services has engaged with the Department of Field Support and the Department of Peacekeeping Operations to review and enrich its portfolio. Further end-user training, as well as a review of the current portfolio data, will be implemented as a prerequisite for the implementation of the Umoja Extension 2 real estate module for all entities through 2018. The Office of Central Support Services is working on setting up key performance indicators for periodic reporting in order to ensure the quality of data.	While significant use of the real estate module has been noticed, the Board has not seen evidence of a review of the completeness of the information by the Administration. The Board therefore considers this recommendation to be under implementation.		X		
52	A/71/5 (Vol. I), chap. II, para. 131	The Board recommended that the Administration perform utilization studies across the main locations of	The Administration continues to endeavour to implement the recommendation by the target date indicated. To date, United Nations	The Board notes that the Administration has targeted the implementation of this recommendation for the end		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		the Secretariat to identify the required size and composition of the estate to better support future requests for funding.	Headquarters, the United Nations Office at Geneva, the United Nations Office at Nairobi and the Economic and Social Commission for Asia and the Pacific (ESCAP) have completed detailed utilization studies, with utilization rates ranging from 45 to 51 per cent. Data collection at the Economic Commission for Africa (ECA) and the Economic Commission for Latin America and the Caribbean (ECLAC) have been completed and data analysis is ongoing. The Administration informed the Board that the utilization rate at ECLAC was around 61 per cent. Studies at the United Nations Office at Vienna and the Economic and Social Commission for Western Asia are ongoing. The studies were conducted offline, without the benefit of Umoja Extension 2; once Extension 2 is implemented, the Administration intends to update the studies regularly.	of 2019. The Board notes that the functionality to track utilization rates is included in Umoja Extension 2, and while this will provide a single repository, the data will still need to be collected as recommended. The Board therefore considers this recommendation to be under implementation.				
53	A/71/5 (Vol. I), chap. II, para. 135	The Board recommended 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.	The Administration continues to endeavour to implement the recommendation by the target date indicated. The topic was to have been discussed in detail at the meeting of the Inter-Agency Network of Facilities Managers held in May 2018, with the aim of closing the recommendation thereafter.	The Board had noted in 2017 that that some duty stations captured maintenance activities in capital expenditure and others in operational budgets, which needed to be corrected. While the response is silent on that question, the Board notes that the Administration has taken steps to implement this recommendation. Hence, the Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
54	A/71/5 (Vol. I), chap. II, para. 137	The Board recommended that the Administration establish a standard format for proposing maintenance budgets to improve comparability across duty stations.	The Administration continues to endeavour to implement the recommendation by the target date indicated.	In the report of the Secretary-General on the implementation of the recommendations of the Board contained in its reports for the year ended 31 December 2016 on the United Nations and on the capital master plan (A/72/355), the Administration indicated that the Office of Central Support Services was preparing a standard format for proposing maintenance budgets for inclusion in the report of the Secretary-General on the strategic capital review. However, that report (A/72/393) does not contain any such template. Hence, the Board considers the recommendation not to have been implemented.			X	
55	A/71/5 (Vol. I), chap. II, para. 141	The Board recommended that the Administration design a common set of performance metrics to help benchmark performance across each duty station.	The Administration continues to endeavour to implement the recommendation by the target date indicated. The topic was to have been discussed in detail at the meeting of the Inter-Agency Network of Facilities Managers held in May 2018, with the aim of closing the recommendation thereafter.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers the recommendation to be under implementation.		X		
56	A/71/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration design a common set of performance measures to improve consistency of reporting to Member States.	The Administration continues to endeavour to implement the recommendation by the target date indicated. The topic was to have been discussed in detail at the meeting of the Inter-Agency Network of Facilities Managers held in May 2018, with the aim of closing the recommendation thereafter.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
57	A/71/5 (Vol. I), chap. II, para. 154	The Board recommended 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.	The Secretary-General's proposal in A/72/6 (Sect. 29D) to strengthen the Overseas Property Management Unit by creating a new service, the Global Property Management Service, was approved by the General Assembly in its resolution 72/263. The establishment of the Service enables the Administration to provide more efficient and effective technical guidance, policy development and oversight by harmonizing available technical expertise in the areas of property management, capital project management and estate management under one service. In addition, the Overseas Property Management Unit has implemented a programme support model for recent capital projects, namely, the renovation of Africa Hall at ECA and seismic mitigation at ESCAP, which establishes temporary project coordinator resources on an as-needed, per project basis, funded by the projects. This scalable and flexible model will be perpetuated for future projects. The Administration therefore respectfully requests that this recommendation be considered closed.	The Administration has received the approval of the General Assembly to create the Global Property Management Service to deal with estate management. Hence, this recommendation is considered as having been implemented.	X			
58	A/71/5 (Vol. I), chap. II, para. 157	The Board recommended that the Administration formalize use of the Overseas Property Management Unit project management guidelines on all major construction projects.	The Administration continues to endeavour to implement the recommendation by the target date indicated.	The Administration has not indicated progress in formalizing the use of the Overseas Property Management Unit project management guidelines for all construction projects. Furthermore, the target date has been postponed by nine months without the reasons therefor having been indicated. Hence, this			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
				recommendation is considered as not having been implemented.				
59	A/71/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration consider how best to improve the consistency of estate management by: (a) developing a global estate strategy; or (b) defining a standard approach to developing local estate strategies, ensuring that the impacts of wider business transformation initiatives on future estate requirements are taken into account.	The Administration continues to endeavour to implement the recommendation. Given the establishment of the Global Property Management Service in January 2018, a revised target date is indicated.	While the strategic capital review indicated the impact of the global service delivery model, the document does not provide for a global estate strategy or guidance for preparation of the local estate strategies. Hence, the recommendation is considered as not having been implemented.			X	
60	A/71/5 (Vol. I), chap. II, para. 166	The Board recommended 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.	The Office of Human Resources Management strengthened its performance monitoring mechanisms, including by re-establishing the Performance Review Group, to improve the performance of entities that had not achieved targets on staff recruitment timelines, representation of women in senior policy positions and completion of performance appraisals. The Performance Review Group had its first meeting on 2 February 2018.	The Board acknowledges the Administration's response and notes that the Performance Review Group has been re-established. The Board observes, however, that the targets for the completion of performance appraisals have not yet been fully achieved. Hence, the recommendation is considered to be under implementation.		X		
61	A/71/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration develop indicators for handling 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 duration; and (d) case	In addition to having implemented this recommendation as noted previously, the Administration continues to review and prioritize the handling of matters referred for possible disciplinary action to ensure the timeliest possible action. The Administration notes that the proposed management reform envisages a structure that would allow for the tracking of reports of possible misconduct across the Secretariat from	The Board notes the Administration's response. As the tracking structure with the required indicators on the handling of disciplinary cases has yet to be put in place, the Board considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		outcomes. The indicators should be used to support improvements in the processes of referring and handling cases.	inception to disposal. Accordingly, the Administration requests that this recommendation be closed.					
62	A/71/5 (Vol. I), chap. II, para. 186	The Board recommended 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.	The recommendation is under implementation.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
63	A/71/5 (Vol. I), chap. II, para. 198	The Board recommended 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;	To address recommendations (a) and (b), in 2017 the Administration conducted a global learning needs assessment, which helped to guide details of the programmatic goals set out in the biennial programme plan for 2018–2019. Hence, it is expected that there will be greater compliance in terms of overall targets, as the details	The Board, while noting the Administration's response, notes that while a learning needs assessment has been done, a skills strategy has yet to be put in place, and thus considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		(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 drawn 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.	have been adjusted accordingly. Recommendation (c) has already been implemented, and recommendation (d) is implemented continuously in the context of programme reporting.					
64	A/71/5 (Vol. I), chap. II, para, 214	The Board recommended 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.	(a) The patient satisfaction questionnaire contract has been paid for and the Administration is in the process of translating the survey tools and validating the translations. An open-source survey for level II hospitals has been found and implementation will require no procurement. The survey will be implemented as part of the performance framework; (b) the new medical clearance process has been fully implemented for staff both onboarding and travelling; and (c) the full suite of strategic indicators is being rolled out progressively; approximately 20 per cent have been implemented.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification*			
					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
65	A/71/5 (Vol. I), chap. II, para. 241	The Board recommended 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.	In order to ensure consistency across the global Secretariat, the Administration will issue guidance addressed to procurement staff, contract management and requisitioning offices, since the Board's recommendation affects all three functions (key performance indicators, security instruments and proper performance management prior to payment). After further consideration, consultation with the Office of Programme Planning, Budget and Accounts does not seem to be necessary, as stringent controls need to be in place prior to the release of payments. The Administration continues to endeavour to implement the recommendation by the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
66	A/71/5 (Vol. I), chap. II, para. 256	The Board recommended that the legal framework around the granting of funds to partners be formally introduced into the Financial Regulations and Rules.	This recommendation will be considered under "project revision", a review of the Financial Regulations and Rules and policies.	The Board notes the response given by the Administration and observes that even though a resolution has been adopted by the General Assembly (71/283), the implementation of the recommendation has been tied up with "project revision" and does not have a definitive target date. The Board considers this recommendation to be under implementation.		X		
67	A/71/5 (Vol. I), chap. II, para. 264	The Board recommended 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	The Office of Programme Planning, Budget and Accounts is addressing the recommendations contained in paragraphs 264, 269 and 270 of A/71/5 (Vol. I), chap. II, relating to implementing partners, in a holistic manner, as part of the planned implementation in December 2018 of	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		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.	the grant management module of Umoja Extension 2. This includes finalizing the corporate policy on the management of implementing partners and end beneficiaries, including the framework, a standard agreement template and information-sharing, to facilitate the alignment of new Umoja processes with the policies.					
68	A/71/5 (Vol. I), chap. II, para. 269	The Board recommended 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.	The Office of Programme Planning, Budget and Accounts replied that it was addressing the recommendations contained in paragraphs 264, 269 and 270 of A/71/5 (Vol. I), chap. II, relating to implementing partners, in a holistic manner, as part of the planned implementation in December 2018 of the grant management module of Umoja Extension 2. This includes finalizing the corporate policy on the management of implementing partners and end beneficiaries, including the framework, a standard agreement template and information-sharing, to facilitate the alignment of new Umoja processes with the policies. The Office of Legal Affairs replied that it considered the Department of Management to be in the lead.	The Board notes that the Administration has linked this recommendation to the implementation of Umoja Extension 2 and has postponed the target date to December 2018. The Board considers this recommendation to be under implementation.		X		
69	A/71/5 (Vol. I), chap. II, para. 270	The Board reiterated 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.	The Office of Programme Planning, Budget and Accounts is addressing the recommendations contained in paragraphs 264, 269 and 270 of A/71/5 (Vol. I), chap. II, relating to implementing partners, in a holistic manner, as part of the planned implementation in December 2018 of the grant management module of Umoja Extension 2. This includes finalizing the corporate policy on the management of implementing partners	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			and end beneficiaries, including the framework, a standard agreement template and information-sharing, to facilitate the alignment of new Umoja processes with the policies.					
70	A/71/5 (Vol. I), chap. II, para. 283	The Board recommended 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.	The assurance dashboard was rolled out in the internal business intelligence module in the grant management system by December 2017, in line with the target date, providing management in the field and at Headquarters with the capacity to gain an overview and track monitoring (and other assurance) activities in real time.	The Board notes the action taken by the Office for the Coordination of Humanitarian Affairs in respect of the implementation of the recommendation and considers the recommendation to have been implemented.	X			
71	A/71/5 (Vol. I), chap. II, para. 286	The Board recommended that the Administration conduct a comprehensive review of the functionality of existing grant management systems and the information needs of users and other stakeholders before finalizing the scope of Umoja Extension 2.	The Administration informed the Board in July 2018 that the comprehensive review had been conducted and requested that the recommendation be considered to have been implemented.	The Board notes the response of the Administration. However, pending verification of the assertion of the Administration, the Board considers the recommendation to be under implementation.		X		
72	A/71/5 (Vol. I), chap. II, para. 292	The Board recommended that the Administration develop appropriate project-level risk guidance that supports the wider Secretariat approach to risk management.	The Administration confirms its previous response. A guide for managers on enterprise risk management and internal control framework implementation is applicable to the assessment of risks at the project level. Available to all staff on the intranet, the guide is complemented by relevant tools and templates.	In view of the response given by the Administration, the Board considers the recommendation to have been fully implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
73	A/71/5 (Vol. I), chap. II, para. 296	In the light of the delays noted in the report, the Board recommended that the Administration reassess the realism of the timelines set out in the risk action plans approved in June 2015.	The Administration confirms its previous response to the Board and suggests that this recommendation be closed and a new one related to the implementation of the risk action plans be issued.	In view of the introduction of risk treatment and response plan progress scorecards in November 2017, the Board considers this recommendation to have been implemented.	X			
74	A/71/5 (Vol. I), chap. II, para. 303	The Board reiterated its previous recommendation that the Administration develop a detailed implementation plan for all elements of enterprise risk management that would set out a clear timetable, milestones, deliverables and the resources required.	As outlined in detail in its previous response, the Administration considers that all elements of the implementation of enterprise risk management Secretariat-wide have been put in place. In the context of the management reform initiatives of the Secretary-General, if approved, enhanced focus will be placed on the implementation of enterprise risk management across the various offices and departments of the Organization.	The Board notes that the risk assessment exercise has been completed and the results thereof presented to the Management Committee. Hence, the recommendation is considered as having been implemented.	X			
75	A/71/5 (Vol. I), chap. II, para. 312	The Board reiterated its previous recommendations on fraud and strongly encouraged management to review its approach to involving local law enforcement authorities in investigations of wrongdoing.	As the Administration has noted on previous occasions, the United Nations operates under clearly established criteria and procedures governing the notification of national authorities of alleged criminal conduct and the Organization's cooperation with those authorities. In particular, the United Nations, in accordance with the criteria laid down by the General Assembly in its resolution 62/63, refers credible allegations of criminal conduct by United Nations officials and experts on mission to the appropriate national authorities. Furthermore, the United Nations has an established practice of cooperating with national authorities with respect to their requests for assistance. This practice is set out in detail in the related report of the Secretary-General (A/63/331).	The Board notes that the procedures and criteria for referring cases to local law enforcement authorities have been laid down. Hence, the Board considers the recommendation as having been implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
76	A/71/5 (Vol. I), chap. II, para. 329	The Board reiterated its previous recommendation that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	No further response has been provided by the Administration.	The Board awaits a response from the Administration on the creation of a formal approach to streamlining continuous reform and considers the recommendation to be under implementation.		X		
77	A/72/5 (Vol. I), chap. II, para. 11	To ensure the timely preparation of high-quality financial statements for the year ending 31 December 2017, the Board recommended that the Administration bring all business operations, especially those having an impact on the financial statements, within the ambit of Umoja and eliminate all avoidable manual adjustments and interventions.	Assets were migrated from Galileo to Umoja effective 5 September 2017. Vienna International Centre buildings were also migrated in 2017. The United Nations Regional Centre for Preventive Diplomacy for Central Asia and the Office of the Special Envoy of the Secretary-General for Yemen are in Umoja too. The International Court of Justice is confirmed to be migrating to Umoja, with the timing to be confirmed, most likely after the roll-out of Extension 2. Improvements in the business planning and consolidation module to eliminate some of the manual adjustments are in progress.	The Board notes the progress made in bringing business operations within the ambit of Umoja. The Board also notes that while the International Court of Justice is still outside Umoja, it has confirmed its intention to migrate to Umoja. Hence, the Board considers the recommendation to have been implemented.	X			
78	A/72/5 (Vol. I), chap. II, para. 22	The Board recommended that the Administration review the methodology for the preparation of the first performance report to include consideration of actual expenditures so as to strengthen monitoring of the budgeting process and to make the information presented in statement V in the financial statements more expedient for decision-making.	Given the agreement of the Advisory Committee on Administrative and Budgetary Questions to the revision of the methodology for the preparation of the first performance report and the endorsement of the General Assembly of the recommendations of both the Advisory Committee and the Board, the Secretariat plans to implement the recommendation in the context of the forthcoming first performance report for the biennium 2018–2019, to be issued in October or November 2018.	The Board acknowledges the response and considers the recommendation to have been fully implemented. The Board looks forward to the issuance of the first performance report prepared in accordance with the modified methodology by the end of 2018.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
79	A/72/5 (Vol. I), chap. II, para. 31	The Board reiterated its recommendation that the Administration improve scrutiny of open commitments at year's end by providing more guidance on identification and retention of open commitments.	This recommendation was fully implemented in 2016–2017 when the Office of Programme Planning, Budget and Accounts strengthened its guidance on the review and management of open commitments in the context of both its guidance on the second performance report and the year-end financial closing instructions. During the period, the Office also made available to clients related business intelligence dashboards. The monitoring of open commitments is an ongoing activity. The Office requests the Board to close this recommendation.	There are still weaknesses in the system of review of open commitments, and the Board is reiterating its stand on the issue set out in its 2017 report. In that light, the Board considers this recommendation to be under implementation.		X		
80	A/72/5 (Vol. I), chap. II, para. 32	The Board reiterated that the Administration should review open commitments during the year, in particular at year's end, to challenge any commitment that appeared to be retained unnecessarily.	This recommendation has been implemented (see the response in serial No. 79 above). Departments were asked to justify the retention of group 2 commitments. The Office of Programme Planning, Budget and Accounts requests the Board to close this recommendation.	There are still weaknesses in the system of review of open commitments, and the Board is reiterating its stand on the issue set out in its 2017 report. In that light, the Board considers this recommendation to be under implementation.		X		
81	A/72/5 (Vol. I), chap. II, para. 33	The Board recommended that commitments that remained unutilized after the lapse of the prescribed 12-month period be provided for in the financial statements pertaining to the first year of the following biennium so as to avoid delays in the surrender of unutilized funds to the Member States.	This recommendation has been completed with respect to the 2017 financial statements. The Office of Programme Planning, Budget and Accounts requests the Board to close this recommendation.	In view of the action taken by the Administration, the recommendation is considered to have been fully implemented.	X			
82	A/72/5 (Vol. I), chap. II, para. 41	The Board recommended that the Administration review and appropriately strengthen the system of asset capitalization in view	The fixed asset management officers within each entity continue to review and analyse the assets record for capitalization compliance as part of their day-to-day activities. The	Similar issues in asset capitalization and disposal were noted in the financial statements for 2017. Hence, the recommendation is			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		of the inaccuracies noticed, and further recommended that internal controls in connection with the disposal of assets be strengthened, necessary rectifications be carried out and ad hoc adjustments be eliminated.	Administration will continue to strengthen the monitoring activities to ensure that assets capitalization is performed in compliance with IPSAS requirements. It is the intention of the Administration to intensify its communication with entities and to establish monitoring mechanisms and training activities, if required, to ensure compliance. In addition, the Administration continues to examine ways to strengthen the internal control systems, not only with respect to asset acquisition and capitalization but also in other areas of the life cycle of the management of United Nations property, including those pending the implementation of the Secretary-General's reform initiatives, with a focus on the monitoring and compliance of delegated authority. In that regard, this recommendation is considered in tandem with the ongoing review of delegated authority for property management and its alignment with responsibility and accountability, the streamlining of established procedures through the property survey boards and the improvement of the disposal processes with a view to enhancing operational effectiveness. Furthermore, the Headquarters Property Survey Board has drafted new guidelines to make the delegation of authority more operational so as to expedite the process of writing off and disposing of assets.	considered not to have been implemented.				

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
83	A/72/5 (Vol. I), chap. II, para. 46	The Board recommended that the Administration expeditiously carry out a regular review of the residual value of assets in general and its fully depreciated assets that were still in use in particular, and appropriately assign useful lives and residual values to the assets so as to correct the ad hoc practices followed in that regard.	The first phase of the implementation plan has been completed, namely, a desk review and analysis of all assets of the Organization that are fully depreciated but still in use. The second phase was the issuance to the heads of departments and offices of a comprehensive spreadsheet containing detailed information on fully depreciated assets for each business area, information on the age of each asset and the number of years for which it had been used beyond its estimated standard useful life. Departments and offices were requested to conduct a technical condition test of the assets and to indicate the number of years for which the asset may still be in use, based on prevailing operating conditions and available maintenance. The third phase will involve a joint review by the Office of Programme Planning, Budget and Accounts, the Department of Field Support and the Office of Central Support Services of the information received to determine the remaining useful lives of the fully depreciated assets. The review is expected to be completed by December 2018.	The Board notes that a review of the useful lives and residual values of fully depreciated assets has not yet been carried out. Instead, the Administration resorted to writing back 10 per cent depreciation on 31 December 2016 to reduce the accumulated depreciation for fully depreciated assets that were still in use. This accounting adjustment, meant purely for financial reporting purposes, was reversed on 1 January 2017. The Board considers this to be an ad hoc arrangement and not a substitute for a full review of the useful lives of assets. The work of reviewing useful lives is still in progress. Hence, the Board considers this recommendation to be under implementation.		X		
84	A/72/5 (Vol. I), chap. II, para. 55	The Board recommended that the Administration migrate assets in all legacy systems, including Galileo, into Umoja on a priority basis to eliminate manual entries and adjustments and strengthen internal controls, and adopt a uniform IPSAS-compliant basis for measurement of all assets (including real estate assets).	All assets in the legacy system except those of the International Court of Justice have been migrated to Umoja. International Court of Justice operations will be brought into Umoja after the implementation of Extension 2 (see the response under serial No. 77 above). Therefore, the Administration requests closure of this recommendation.	The Board notes that the IPSAS-compliant basis for real estate assets in special political missions is planned to be implemented as from 2018. The Board therefore considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
85	A/72/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration phase out the standard cost methodology and align its accounting with IPSAS requirements of valuing property, plant and equipment assets.	A comprehensive review of the actual standard cost has been carried out and the Administration is discussing the way forward on the capitalization of associated cost (standard versus actual). In the meantime, a review of the associated costs has been conducted for inventory and property, plant and equipment, to be applied prospectively.	The Board notes that the standard cost methodology continues to be used by the Administration and recalls its related recommendation in its 2017 report. The Board, therefore, considers this recommendation to be under implementation.		X		
86	A/72/5 (Vol. I), chap. II, para. 64	The Board recommended that the Administration review its procedures for providing census data to the actuary and evolve a more reliable mechanism for collecting details of all active staff and retirees from all locations and then consolidating them for onward transmission to the actuary so as to obviate the risk of incorrect valuation of employee benefits liabilities due to incomplete data.	The Office of Programme Planning, Budget and Accounts is working with Umoja and Office of Information and Communications Technology technical teams to develop a mechanism to extract data from Umoja, the single source of data for all active staff across the Secretariat. The Office is also working to put additional controls in place to ensure timeliness in the receipt of census data, as well as accuracy and consistency of data in respect of retired local staff enrolled in after-service health insurance. No further update has been provided.	The Board notes that it is awaiting further updates from the Administration on this issue. Hence, the recommendation is considered to be under implementation.		X		
87	A/72/5 (Vol. I), chap. II, para. 71	The Board recommended that the Administration follow a rigorous policy of reviewing the individual voluntary contribution agreements of donors on a case-by-case basis and reiterated that it should: (a) recognize in assets the inflow of resources from binding agreements when it is probable that the future economic benefits will flow to the United Nations and the fair value can be reliably measured; (b) separately recognize in liabilities an	A detailed review and assessment of voluntary contribution agreements for conditionality is being performed before the approval of grant master data and the posting of revenue in Umoja, based on the criteria of recognizing conditional liability in accordance with IPSAS policy. During the review in 2017, United Nations Headquarters identified one agreement that met the criteria, and it was recorded as a conditional liability. The Office of Programme Planning, Budget and Accounts requests that the Board close this recommendation.	The Board notes that the implementation of the criteria adopted by the Administration for checking conditionality in voluntary contribution agreements requires further streamlining. A related recommendation was included in its 2017 report. The Board, therefore, considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		outflow of resources when conditions exist requiring the contribution to be consumed as specified or be returned to the donor; and (c) recognize the inflow of resources as revenue except to the extent that a liability has been recognized for the same inflow.						
88	A/72/5 (Vol. I), chap. II, para. 75	The Board recommended that the Administration recognize multi-year contributions at net present value using appropriate discount rates to reflect their fair value.	This policy was shared with the entire Secretariat at the October 2017 videoconference meeting held by the Office of Programme Planning, Budget and Accounts and has been included in the instructions for year-end closing and the preparation of financial statements. The Office requests that the Board close this recommendation.	In view of the action taken by the Administration, the Board considers this recommendation to have been fully implemented.	X			
89	A/72/5 (Vol. I), chap. II, para. 81	The Board recommended that the Administration follow a policy of reviewing agreements with implementing partners, particularly in case of downstream transfers of conditional grants to the implementing partners, to ensure that the Administration retains control of the asset transferred and recognizes such transfers appropriately in line with IPSAS provisions.	The Administration has been working to develop a legal/policy framework for engaging with implementing partners in the context of the enterprise risk management working group on extrabudgetary funding and management. In addition, as part of the implementation of the grant management module under Umoja Extension 2, standard templates for agreements with partners will be developed in consultation with the Office of Legal Affairs.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
90	A/72/5 (Vol. I), chap. II, para. 91	The Board recommended that the Administration work towards merging the financial results of trust funds which finance operations and activities pertaining to a specific reporting entity into the financial statements of	The Administration has decided to merge the financial results of trust funds pertaining to peacekeeping operations with the financial statements included in the report on peacekeeping operations (Vol. II); discussions are under way on the implementation of this decision. Suitable disclosure will	The Board notes that the merger of specific trust funds in the separate financial statements is still pending. Hence the recommendation is considered to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		that reporting entity. In the interim, pending such transition, a suitable disclosure may be provided in the United Nations volume I financial statements.	continue to be provided in the United Nations financial statements presented in volume I in the meantime.					
91	A/72/5 (Vol. I), chap. II, para. 98	The Board recommended that the Administration clarify the role of the United Nations Office at Geneva in accounting and submission of financial reporting data for entities that are part of volume I and for those entities for which the Office serves only as a service provider. The Board suggested that the Administration create clear structures and responsibilities and formally document them.	The management of the United Nations Office at Geneva considers this recommendation as having been implemented based on the 2017 closing instructions. The Office requests the Board to close this recommendation.	The Board considers the recommendation to have been fully implemented.	X			
92	A/72/5 (Vol. I), chap. II, para. 115	The Board recommended that the Administration continue to closely review and monitor the development of the measurement methodology for indicators of the Sustainable Development Goals to ensure timely completion of work.	As at 12 April 2018, the global indicator framework comprised 62 tier III indicators. Significant progress has been made in the methodological development of many tier III indicators since April 2017, when 84 indicators were still being classified as tier III. The Administration informed the Board that the Inter-Agency and Expert Group on Sustainable Development Goal Indicators shared the same sense of urgency on the further development of tier III indicators and added that at a WebEx meeting on 5 July 2018, the Group had asked the Department of Economic and Social Affairs to urge all custodian agencies with tier III indicators to speed up their development and update their workplan for all such indicators to include detailed timelines and expected dates of completion.	While the Board notes the progress made by the Administration, there is a need to closely monitor the workplans for the tier III indicators, especially those associated with targets to be achieved in 2020. The Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
93	A/72/5 (Vol. I), chap. II, para. 121	The Board recommended that the Administration devise a mechanism to suitably support and coordinate follow-up action on the outcomes of and needs expressed by Member States during the voluntary national review process.	A technical advisory group established in September 2017 by the Department of Economic and Social Affairs is meeting regularly to advance the implementation of the departmental strategy for capacity development. In its initial meetings, the advisory group agreed to establish a Department-wide repository of information documenting and tracking Member States' requests for capacity development support. Such information is drawn from the direct requests of countries and requests emerging from the intergovernmental process, particularly the high-level political forum on sustainable development voluntary national review process and as documented in the related national reports. The repository, which is now up and running, is updated on a regular basis by the Capacity Development Office, and the information therein is accessible to all advisory group members. The advisory group is now reviewing the current requests of Member States with a view to devising a departmental response where needed. The advisory group has scheduled a series of planning and programming meetings aimed at devising ways to incorporate those requests into the Department's ongoing and future capacity development work. A key decision taken in this regard has been to develop a programme in support of mainstreaming the 2030 Agenda and the Sustainable Development Goals in the national sustainable development strategies where they exist and to assist in defining such strategies where they do not. Such a programme will address	The Board appreciates the work done by the Department in setting up a repository of information documenting and tracking Member States' requests to facilitate the provision by the Department of capacity development support. The Board looks forward to the effective utilization of the repository for providing support to Member States. The Board considers the recommendation to have been fully implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
			systemic capacity development needs and challenges faced by countries, including countries providing voluntary national review reports, which fall under the mandate of the Department, comparative advantage and available resources. The programme will harness the expertise and resources available within the Department and build on all possible partnerships. The advisory group aims to develop a concept note on a national sustainable development strategy programme by July 2018, as well as on how to mainstream the 2030 Agenda and the Sustainable Development Goals in national sustainable development strategies.					
94	A/72/5 (Vol. I), chap. II, para. 139	The Board recommended that a system of centralized data collection and reporting of geographic move figures through Umoja might be devised, including for segregating long-term and short-term assignments, so that long-term mobility patterns and short-term moves are identified.	The Office of Human Resources Management responded that the recommendation was still under implementation.	In view of the response given, the Board considers the recommendation to be under implementation.		X		
95	A/72/5 (Vol. I), chap. II, para. 153	The Board reiterated that the Administration should monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat. Furthermore, it recommended that the Secretariat take steps to expedite the process of appointing the focal point for	The Office of Human Resources Management responded that, notwithstanding the ongoing efforts and support for the implementation of ST/SGB/2014/3, following the proposed management reform and restructuring and with the creation of a monitoring unit in the Department of Management Strategy, Policy and Compliance, a focal point would be appointed to monitor the policy on the employment of people with disabilities and compliance with the policy, as	The Board notes that an information circular to establish the procedures for monitoring compliance with ST/SGB/2014/3 is still in process. Similarly, a focal point has yet to be appointed. The Board acknowledges the response of the Administration and notes that work is under way in this regard. Hence, the Board considers this		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		better monitoring of compliance with the policy.	provided in the relevant Secretary-General's bulletin. The Office of Central Support Services responded that the Inter-Departmental Task Force on Accessibility was working on a draft information circular that would establish the procedures for monitoring compliance with ST/SGB/2014/3.	recommendation to be under implementation.				
96	A/72/5 (Vol. I), chap. II, para. 160	The Board recommended that the Office of Human Resources Management make it mandatory that, in all cases of manually reviewed points, relevant documents be provided in the Inspira system for processing the cases.	The recommendation has been implemented for the 2014 continuing appointment review, which was launched on 16 October 2017. The Office of Human Resources Management requests the Board to close this recommendation.	The Board notes the Administration's response and considers this recommendation to have been implemented.	X			
97	A/72/5 (Vol. I), chap. II, para. 169	The Board recommended that the Office of Human Resources Management develop and maintain a database and establish a process for logically mapping the mobility population against posts, required skill sets and preferences.	The Office of Human Resources Management requests the closure of this recommendation. The standardized process of associating job codes to positions in Umoja facilitated the categorization of positions with the following attributes: functional title, category, grade level, job family and job network. Those attributes also helped in identifying the appropriate generic job profile or classified job description — both of which are aligned under the Common Classification of Occupational Groups of the International Civil Service Commission. For the managed mobility exercises carried out under the provisions of ST/AI/2016/1, the network staffing team used the associated job code and corresponding generic job profile or classified job description of encumbered positions to create position announcements. In addition to performing a suitability review with	The Board notes the Administration's response and considers this recommendation to have been implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			respect to positions for which a staff member had applied for lateral reassignment under the managed mobility system, the enhanced Inspira matching tool optimized the preferential rankings of both the staff member and the programme manager, while taking into consideration other variables, such as hardship and location. The centralized manner in which the information was collected through Inspira provided the network staffing team with greater insight into the behaviour and preferences of staff and programme managers and a better understanding of what skill sets and/or experience were needed for certain positions.					
98	A/72/5 (Vol. I), chap. II, para. 182	The Board recommended that, in keeping with General Assembly resolutions, the Office of Human Resources Management, in coordination with other stakeholders, consider taking appropriate steps to finalize the administrative instruction on disciplinary issues as a matter of priority. The administrative instruction should include timelines for the completion of disciplinary cases.	The administrative instruction on unsatisfactory conduct, investigations and the disciplinary process (ST/AI/2017/1) was promulgated on 26 October 2017. It does not include a deadline for the disciplinary process, since every case is unique. The Office of Legal Affairs requests the Board to close this recommendation.	The Board notes the Administration's response and considers this recommendation as not having been implemented, as the administrative instruction on unsatisfactory conduct, investigations and the disciplinary process does not include timelines for the completion of the disciplinary cases.			X	
99	A/72/5 (Vol. I), chap. II, para. 192	The Board recommended that the Administration consider necessary adjustments in the strategy to address workdays lost owing to mental health disorders and expedite implementation of the occupational safety and health management framework to better align	The mental health strategy was presented to the High-level Committee on Management in October 2017 and was subsequently endorsed. An implementation plan has been presented to the Human Resources Network.	The Board acknowledges the Administration's response and notes that it is silent on the implementation of the occupational safety and health management system. Hence, the Board considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		with the timelines recommended by the High-level Committee on Management in March 2015.						
100	A/72/5 (Vol. I), chap. II, para. 198	The Board recommended that the Office of Human Resources Management expeditiously take appropriate measures to ensure collection of the required statistics pertaining to medical evacuation cases.	The medical evacuation capability in EarthMed is under development. Changes to the underlying nature of the application (which is the responsibility of the vendor) are required, as well as some changes in structure. The recording of data on medical evacuations is expected to improve, and some of the data fields identified in the current audit will be amended or added to suit. It is not possible for the Medical Services Division to collect financial data without the cooperation of multiple external entities inside and outside the Division and the Office of Human Resources Management. Nevertheless, a data sheet was recently developed that the Division is sending out to all duty stations with a request to manually provide relevant data on medical evacuations. This is a bridging measure to be used until medical evacuation data can be linked over various systems. A mechanism to achieve this has not been identified.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
101	A/72/5 (Vol. I), chap. II, para. 205	The Board recommended that the Administration expedite the process of defining and implementing the role of the Medical Services Division in technical supervision, oversight and enforcement of medical standards system-wide, based on the recommendations of the	Member States' pledges to support the roll-out have been received, and the process has commenced after a successful test in a United Nations-owned equipment facility. With the support of Member States, the doctrinal basis for requiring implementation is being revised and consolidated into existing Office of Military Affairs doctrine.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		High-level Independent Panel on Peace Operations.						
102	A/72/5 (Vol. I), chap. II, para. 211	The Board reiterated its previous recommendation that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group, to improve the performance of entities that had not achieved targets on staff recruitment timelines, representation of women in senior policy positions and completion of performance appraisals.	The Office of Human Resources Management strengthened its performance monitoring mechanisms, including by re-establishing the Performance Review Group as proposed so as to improve the performance of entities that had not achieved targets on staff recruitment timelines, vacancy rates and completion of performance appraisals, which has now been completed. The Performance Review Group had its first meeting on 2 February 2018. This recommendation has been fully implemented.	The Board acknowledges the Administration's response and notes that the Performance Review Group has been re-established. However, the Board observes that the targets for the completion of performance appraisals have not yet been fully achieved. Hence, the recommendation is considered to be under implementation.		X		
103	A/72/5 (Vol. I), chap. II, para. 222	The Board recommended that the Administration define clear criteria for delegating procurement authority, including thresholds, to United Nations entities.	The Administration is taking steps to address the Board's recommendation. The Office of Legal Affairs provided advice on the entities that are subject to delegation, namely those subject to the Financial Regulations and Rules through a memorandum dated 18 December 2017. Delegation of authority will be reviewed and updated. The full implementation of this recommendation is dependent on the General Assembly's approval of the proposed reform initiatives of the Secretary-General.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
104	A/72/5 (Vol. I), chap. II, para. 223	The Board recommended that the Administration develop a template for delegation of procurement authority clearly outlining responsibilities and accountability, procedural details and training requirements, including for oversight. A revised and clear	The Administration will develop the template as recommended. The full implementation of this recommendation is dependent on the General Assembly's approval of the proposed reform initiatives of the Secretary-General.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
		governance structure should be put in place enabling consultation with major stakeholders to ensure visibility of procurement actions and appropriate oversight.						
105	A/72/5 (Vol. I), chap. II, para. 229	The Board recommended that the Procurement Division determine how to assess modifications to the standard contract provisions and United Nations General Conditions of Contract during the technical and commercial evaluation, taking into account the potential risk for the Organization and how to document this assessment.	The Administration takes note of the recommendation and will coordinate with the Office of Legal Affairs to formalize an assessment process to be followed, in response to future requests for deviations and/or modifications of the United Nations General Conditions of Contract.	The Board notes that the Administration's response does not address the recommendation. Hence, the Board considers this recommendation to be under implementation.		X		
106	A/72/5 (Vol. I), chap. II, para. 235	The Board recommended that the Administration review the temporary set-up of the interim data management teams, strengthen the process to assure that vendors are recorded only once and ensure the maintenance of master data.	The Administration notes that a permanent operational support and governance structure for master data management is due to be in place by 1 July 2018. This structure will provide master data management services Secretariat-wide in support of multiple processes (e.g. procurement, human resources, finance, travel). The United Nations Global Marketplace has a mechanism in place in which applicants are requested to clarify their application requests in the event that the system identifies a match or a duplication of the vendor's name, email address or telephone number. In cases where the United Nations Global Marketplace mechanism identifies any such duplication, the pertinent applications are placed on hold until satisfactory clarification is received from the	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			vendor. In addition, the master data management team in Brindisi offers an additional layer of due diligence, in that staff members perform three levels of checking prior to synching vendors in Umoja, as follows: (a) check whether the vendor is already registered in the United Nations Global Marketplace with any other identification number; (b) check Umoja to ascertain whether the vendor was already uploaded to the Umoja enterprise resource planning central component as a low-value vendor, a third-party vendor, etc.; and (c) check iNeed to ascertain whether a request for service of any nature had previously been submitted on behalf of the same vendor. This process mitigates the risk of duplication in the vendor registration process. The Office of Central Support Services requests that the Board close this recommendation.					
107	A/72/5 (Vol. I), chap. II, para. 240	The Board recommended that the Administration: (a) take stock of the transactional aspects of the procurement process in Umoja and the steps outside Umoja; and (b) review the approval processes in Umoja in the different entities under its authority and determine a way forward for all entities under its delegation of procurement authority.	The Administration notes these concerns and observes that the current reform agenda includes a workstream related to delegation of authority. Upon receipt of the recommendations of the workstream, the approval process and the delegation process will be re-examined. The Office of Central Support Services plans to bring a requirement for solicitation management to the Umoja team once there is capacity beyond Extension 2.	In view of the response given by the Administration, the Board considers the recommendation to be under implementation.		X		
108	A/72/5 (Vol. I), chap. II, para. 243	The Board recommends that the Administration improve visibility and performance measurement with regard to internal processes and external factors.	The Office of Central Support Services will collaborate with the Umoja team to introduce new semantic layers in Umoja. The deployment of new semantic layers is required in order to	In view of the response given by the Administration, the Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			be in a position to implement key performance indicators. The Umoja team replied that the source for the acquisition of semantic layer (reuse) views for procurement objects had been developed and been subjected to extensive testing by the Procurement Division and the Umoja team, culminating in a full cycle of user verification testing. Some modifications had been requested that require review. The Office of Central Support Services and the Umoja team will collaborate with respect to the next steps, which include requirement definition and the specification and building of reporting views. Furthermore, the Administration informed the Board that a review of the procurement data in the semantic layer and the development of reporting views had recently commenced to provide enriched reporting capabilities and that performance indicators were being further developed with a view to defining a consistent Secretariat-wide foundation for reporting.					
109	A/72/5 (Vol. I), chap. II, para. 253	The Board recommended that the Administration ensure that: (a) all country-based pooled funds adhere to the standards set out in the operational handbook for country-based pooled funds; and (b) a human resources review of the Humanitarian Financing Units is completed expeditiously to identify the criteria for determining the number and profile of staff required for optimally	The recently rolled-out assurance dashboard in the grant management system enables the Funding Coordination Section of the Office for the Coordination of Humanitarian Affairs and humanitarian financing units to thoroughly monitor the compliance of country-based pooled funds with the standards of the Operational Manual and take corrective action where required. In addition, a review of the human resources of humanitarian financing units has been conducted by an external consultant, which will provide a comprehensive	The Board notes that the Administration has fixed a target for the implementation of the recommendation as the end of 2019 and is working towards it. Hence, the recommendation is considered to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		managing the country-based pooled funds.	analysis and recommendations with a view to ensuring that country-based pooled funds are adequately staffed to operate in the most effective manner. The Office is on track to fully implement the recommendation by December 2019.					
110	A/72/5 (Vol. I), chap. II, para. 257	The Board recommended that delays in the disbursement of funds be reviewed by the Administration to ascertain the reasons therefor and address them.	The grant management system enables the Funding Coordination Section and the humanitarian funding units of the Office for the Coordination of Humanitarian Affairs to effectively track project disbursement timelines with a view to ensuring that disbursements meet the prescribed timeline for country-based pooled funds. The staff of both the Office for the Coordination of Humanitarian Affairs and the multi-partner trust fund have been trained in the grant management system and are using it for disbursements. It should also be noted that, while the Office cannot directly control the timely disbursement of resources from United Nations agencies to implementing partners, it has been promoting efficient and rapid disbursement practices from United Nations agencies to non-governmental organization partners and will continue to advocate with humanitarian coordinators and United Nations agencies to that end. Finally, the Office notes that there has been gradual improvement in the disbursement timeline since the corporate enterprise resource planning system was stabilized.	The Board notes the response of the Administration and the work done so far. The Board also notes that the Administration has fixed a target for the implementation of the recommendation as the end of 2019 and is working to meet it. Hence, the recommendation is considered to be under implementation.		X		
111	A/72/5 (Vol. I), chap. II, para. 264	The Board recommended that the Administration review the projects where timelines for the processing of projects have been	The grant management system enables the Office for the Coordination of Humanitarian Affairs to monitor the timeliness of the entire allocation process, from partner selection to project	The Board acknowledges the response of the Administration and notes that further work is required, which is targeted by the		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		exceeded and take steps to ensure that the projects are processed in accordance with the prescribed timelines.	closure. The humanitarian funding units and the Funding Coordination Section use the grant management system milestone reports to track project progress, monitor milestones and take corrective actions were needed.	Administration to be completed by September 2018. Hence, the recommendation is considered to be under implementation.				
112	A/72/5 (Vol. I), chap. II, para. 269	The Board recommended that the Administration monitor the timely submission of final financial statements and final narrative reports by the implementing partners and take delays into account when assessing the performance of the implementing partners.	The grant management system, and more specifically the newly introduced assurances dashboard in the system, enable the Office for the Coordination of Humanitarian Affairs to closely monitor the compliance of implementing partners with reporting requirements, including delays and the reasons therefor, and take corrective action where required. Delays in reporting are duly taken into consideration when the performance of partners is assessed under the newly introduced Partner Performance Index.	The Board notes that the Administration has taken some steps towards the implementation of the recommendation and fixed a target for the implementation of the recommendation as September 2019. Hence, the recommendation is considered to be under implementation.		X		
113	A/72/5 (Vol. I), chap. II, para. 272	The Board recommended that the Administration ensure validity of the audit service long-term agreement in order to ensure it does not expire before a new long-term agreement has been obtained so that the audit plan may be executed in a timely manner.	The Administration informed the Board that the global long-term agreement had been signed in June 2018.	The Board notes that long-term agreements were entered into with four audit firms for different regions in June 2018. Hence, the Board considers this recommendation as having been implemented.	X			
114	A/72/5 (Vol. I), chap. II, para. 282	The Board recommended that the Administration closely monitor the progress of the fraud risk assessment to ensure timely achievement of the intended outcomes of the exercise.	The risk assessment has been completed. The resulting risk register was presented to the Management Committee, as the enterprise risk management committee for the Organization, on 31 January 2018. Following further review and consideration, the Committee approved the register on 28 February 2018. This recommendation has now been fully implemented, and the Office of Central	Although the fraud risk registers were approved by the Management Committee on 28 February 2018, the risk response and risk treatment plans have yet to be formulated. The Board therefore considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			Support Services requests the Board to close it.					
115	A/72/5 (Vol. I), chap. II, para. 283	The Board recommended that the Administration ensure issuance of clear and detailed criteria for determining high-risk and complex investigations.	The closure of this recommendation is requested, as the criteria are sufficient and have been approved by the General Assembly.	No further action has been taken by the Office of Internal Oversight Services except its reiteration that the criteria are sufficient and have been approved by the General Assembly. The recommendation is considered as not having been implemented.			X	
116	A/72/5 (Vol. I), chap. II, para. 293	The Board recommended that the Procurement Division, in coordination with the other stakeholders, review the process for purchasing standardized ICT commodities in order to strike a balance between the need for standardizing requirements and compliance with procurement principles. In particular, ICT hardware of low complexity and limited operability should be standardized. As a practice, the technical specifications should be standardized or the reasons for the non-feasibility of standardizing technical specifications should be analysed and documented.	The Office of Information and Communications Technology is currently revising all administrative instructions and procedures related to standardization. The Procurement Division will participate in the review of those new procedures and will work closely to implement them. In line with the recent update from the Office, the revised procedures were due in the second quarter of 2018.	In view of the response given by the Administration, the Board considers the recommendation to be under implementation.		X		
117	A/72/5 (Vol. I), chap. II, para. 297	The Board recommended that the Administration ensure that purchases of ICT goods and services available through a systems contract or subject to United Nations standardization are done in	The Administration continues to endeavour to implement the recommendation by the target date indicated.	In view of the response given by the Administration, the Board considers the recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
		accordance with the applicable rules.						
118	A/72/5 (Vol. I), chap. II, para. 308	The Board recommends that the Administration: (a) dispose of in a timely manner all assets which have been retired from use; and (b) institute proper mechanisms to ensure that all user departments submit in a timely manner disposal cases for retired assets.	The Property Management Unit confirmed that the actual number of idle assets was 80 (59 plus 21) and not 83 as had been indicated previously. A list of those assets and action taken follows: Out of 59 assets: • 30 were disposed • 16 were kept in store for frequent use as needed (for meetings or maintenance) • 6 were pending the submission of disposal cases by asset focal points • 7 were in use Out of 21 assets: • 15 were disposed of • 5 were kept in store for frequent use as needed (for meetings or maintenance) • 1 was out for maintenance (vehicle) The Property Management Unit is sending a list of idle assets to the respective asset focal points for their review. The Administration further informed the Board that the United Nations Office at Nairobi had conducted an exercise coordinated by Headquarters to assess the status of all fully depreciated assets at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme and to determine the number of years that they could still be utilized for the intended purpose. The Office consolidated the information and submitted the report to Headquarters, which will provide guidelines on the required action for adjusting the	The Board notes the action indicated in the response of the Administration. It also notes, however, that only a key performance indicator has been established and that its implementation will take place in the future. Hence, the Board considers this recommendation to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			remaining useful life. Furthermore, the Property Management Unit of the United Nations Office at Nairobi has established a key performance indicator to ensure that retired assets are disposed of within 60 days of case approval. During the annual physical verification exercise, the Unit checks the condition of all assets and recommends initiation of the disposal process for all retired assets.					
119	A/72/5 (Vol. I), chap. II, para. 315	The Board recommended that the Department of Political Affairs take the necessary steps to ensure adherence to the indicators of achievement and meet the targets set for timely conduct of electoral needs assessment.	The Administration stated that the biennial programme plan for 2018–2019 had been amended to better reflect the process. The Administration added that the recommendation would be under implementation until performance results for 2018–2019 became available.	The Board notes that the indicators have been revised, but adherence to the revised indicator has yet to be established. The Board therefore considers this recommendation to be under implementation.		X		
120	A/72/5 (Vol. I), chap. II, para. 320	The Board recommended that the Department of Political Affairs ensure quantifiable performance measures and prescribe outputs for all expected accomplishments.	To the extent possible, Department of Political Affairs presents quantifiable performance measures and outputs for the expected accomplishments.	The Board notes the action taken by the Administration. The necessary changes have been made in line with the recommendation. Hence, the recommendation is considered as having been implemented.	X			
121	A/72/5 (Vol. I), chap. II, para. 324	The Board recommended that the budget formulation process be streamlined and based on more realistic assumptions, factoring in the past trends.	The Department of Political Affairs, in close coordination with the Office of Programme Planning, Budget and Accounts, will continue to make every effort to ensure that future budgets will factor in past trends and realistic assumptions based on information available at the time. Furthermore, the Department informed the Board that it was participating in the design and implementation of Umoja Extension 2 modules, including for strategic planning and budget formulation,	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			providing additional tools to enable the factoring of more realistic assumptions.					
122	A/72/5 (Vol. I), chap. II, para. 328	The Board recommended that the United Nations Assistance Mission in Afghanistan (UNAMA) and the United Nations Assistance Mission for Iraq (UNAMI) prepare their training budgets on the basis of a training needs analysis and ensure that the training is properly followed up.	The guidance provided in the training needs assessment course conducted in the second quarter of 2017 was fully implemented in the formulation of the 2018 budget proposal for UNAMA. Application of the guidance resulted in the reduction of resource requirements for 2018 by over 10 per cent in comparison to 2017. Furthermore, sections are being provided fund utilization reports on a quarterly basis to enable them to monitor the availability of funds. As the resource requirements are needs based, the utilization of approved resources is expected to be high and the necessity to redeploy funds minimal. Expenditures under the UNAMI training budget were heavily influenced by the rejection of visas for national staff who had already been accepted for planned training activities abroad. However, despite the increased incidence of visa rejection, with increased monitoring, overall training budget utilization at UNAMI increased from: • 46 per cent usage in 2015 • 51 per cent usage in 2016 • 75 per cent usage in 2017 Some sections achieved 100 per cent usage. UNAMI attributes this to increased education and monitoring on the training budget and an analysis by cost centres and sections. The analysis provided detailed information on which sections spent their budgets as planned/expected and which	The Board takes note of the work done by UNAMA and UNAMI towards aligning the training budget with the training needs analysis and on the follow-up of utilization. The Board considers this recommendation as having been fully implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			underperformed. Each cost centre was analysed in detail at the end of 2017 in order to increase support for underperforming sections. UNAMI implemented its recent training budgets successfully on the basis of a training needs analysis.					
123	A/72/5 (Vol. I), chap. II, para. 334	The Board recommended that UNAMA realistically assess the requirement for air assets and ensure that the air assets contracted are in line with the budgeted requirements.	Air assets contracted are in line with the budget requirements. However, a number of factors have an impact on the utilization of and the need for those assets (including security conditions, mandate delivery, etc.). Underutilization is often caused by the need to retain assets available as a contingency measure linked to security requirements (i.e. for evacuation purposes). This makes the asset required, even though the number of hours flown remains limited.	The Board notes the view of the Administration. While agreeing on multiple factors that have an impact on the need for and the utilization of air assets, the Board notes that the requirements have been reduced in the budget. In view of the reply, the recommendation is considered to have been fully implemented.	X			
124	A/72/5 (Vol. I), chap. II, para. 346	The Board recommended that UNAMI strengthen its internal control mechanism over management of the weapons and ammunition.	Out of 36 M4 weapons, 32 were incorporated into the new Umoja logistics system by the Central Warehouse Section, in coordination with the UNAMI Security Section weapons custodian, on 17 May 2017. In addition, the UNAMI Property Disposal Unit disposed of 4 non-usable weapons using the Unit's disposal procedure on 4 March 2018 at the UNAMI transport workshop in Baghdad, in the presence of representatives of the Property Control and Inventory Unit and the Security Section weapons custodian, among others.	In view of the response of UNAMI, the recommendation is considered to have been fully implemented.	X			
125	A/72/5 (Vol. I), chap. II, para. 347	The Board recommended that UNAMI consider adopting International Ammunition Technical Guidelines on inventory	On 10 July 2017, the provisions of the International Ammunition Technical Guidelines regarding small arms ammunition were incorporated into the current standard operating procedures for the management of weapons and	In view of the action taken by UNAMI, the Board considers this recommendation to have been fully implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
		management for ammunition and weapons.	ammunition, which were developed by the UNAMI Security Section. The UNAMI Property Control and Inventory Unit will continue to follow Department of Safety and Security and property management guidelines to ensure accountability and the conduct of physical inspections of weapons and ammunition at UNAMI.					
126	A/72/5 (Vol. I), chap. II, para. 353	The Board recommended that the Administration consider the assignment of all the functions related to UNAMA and UNAMI to the Kuwait Joint Support Office within a reasonable time frame.	No new functions were transferred from UNAMA to the Kuwait Joint Support Office in 2017. This recommendation has been superseded by the report of the Secretary-General on the global service delivery model for the United Nations Secretariat: revised shared service centre distribution (A/72/801/Add.1/Rev.1), dated 1 May 2018. The Kuwait Joint Support Office is proposed for closure by 31 December 2018.	In view of response of UNAMI, the Board considers this recommendation to have been overtaken by events.				X
127	A/72/5 (Vol. I), chap. II, para. 359	The Board recommended that in future missions, the Administration make budget provisions based on realistic assumptions to avoid wide variances.	This recommendation has been implemented. For the biennium 2016–2017, as a result of strengthened monitoring and improvements through the regular review of global periodic financial management reports made possible with Umoja, the surplus reported at the end of the biennium 2016–2017 amounted to $28.5 million, or 0.5 per cent of the approved budget for the biennium, compared with $120 million, or 2 per cent, reported for the biennium 2014–2015.	The Board notes the response of the Administration. While the response does not pertain to any specific missions, the Board notes the improvement and considers the recommendation to have been implemented.	X			
128	A/72/5 (Vol. I), chap. II, para. 362	The Board recommended that the Administration ensure that special measures, whenever offered in special circumstances, are adhered to.	The Administration reiterated its previous comments. All staff deployed to the United Nations Mission for Ebola Emergency Response (UNMEER) were medically cleared. It was the first time that a specified	The Board recommended that special measures, wherever offered in special circumstances such as those pertaining to UNMEER, should be adhered to. In respect of medical clearance,			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Fully implemented	Under implementation	Not implemented	Overtaken by events
			standard for medical clearance had been determined, and it was strictly enforced, even under intense pressure for rapid mobilization. The records of those clearances are in the medical records.	while the Administration has responded that all staff deployed to UNMEER had been medically cleared, no evidence to that effect has been provided to the Board. In respect of performance evaluation, no response is forthcoming from the Administration. Hence, the recommendation is considered as not having been implemented.				
129	A/72/5 (Vol. I), chap. II, para. 367	The Board recommended that in cases of disposal of United Nations property by gift, donation, sale at nominal value or free transfer, the handover action and transfer of ownership be documented and certificates of handover of equipment and disposal of material be obtained and the records maintained appropriately.	The delegation of authority issued by the Office of Central Support Services was clear regarding the need to keep the certificates of handover. A status update was provided to the Board by the Department of Field Support.	The Board holds that the Administration should ensure that the prescribed procedures are followed and the documentation is maintained in such a manner that it is easily retrievable. The Administration has provided the handover certification. Hence, the Board is of the view that the recommendation has been fully implemented.	X			
Total					**31**	**84**	**12**	**2**
Percentage					**24**	**65**	**9**	**2**

Chapter III
Certification of the financial statements

Letter dated 29 March 2018 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 2017 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 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 2017

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 2017.

2. The financial position and results presented herein do not include those of peacekeeping operations, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia 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. In summary, as at 31 December 2017, the overall liquidity position of the Organization was positive as it had sufficient liquid assets to settle its immediate obligations. Further, the Organization had a surplus of total revenue over total expenses. However, the net assets decreased over 2017 by 10 per cent, which is attributable primarily to actuarial losses on employee benefits liabilities recognized directly in the statement of net assets offset in part by the surplus of the year. The annexes to the report provide supplementary information, including information to be reported to the Board of Auditors as required by the Financial Regulations and Rules of the United Nations.

B. International Public Sector Accounting Standards benefits

5. The United Nations has now completed its fourth consecutive year of applying the International Public Sector Accounting Standards (IPSAS) as its accounting standards and has been receiving an unqualified audit opinion every year since the adoption of IPSAS. This is a major achievement considering the fact that so far only a few organizations and governments at large have committed to fully adopting IPSAS. This increase in the quality, consistency and credibility of financial reporting leads to increased confidence of Member States and donors as to the accountability and sound financial management practices of the Organization. The IPSAS-compliant financial statements of the Organization are becoming a robust basis available for decision-making by governing bodies.

Better management of property, plant and equipment

6. The annual physical verification requirement of IPSAS has enabled the Organization to check the existence and condition of assets and take appropriate actions, including reconciliation with the records.

7. The value of in-kind contributions from Member States, such as where the use of premises has been given for free, is now available and is included in the financial statements and can be incorporated into the planning process.

Better management of inventory

8. Under IPSAS, the Organization recognizes inventories and better understands the extent and ageing of inventories held, leading to better stewardship and logistics management (for example, better assessment and action plan for slow-moving and obsolete stocks).

9. Furthermore, as required under IPSAS, the Organization conducts an annual physical verification of all stocks on hand, thereby ensuring that proper controls are in place for verifying the existence and condition of inventory and the validity of reported values in financial statements.

Enhanced awareness of existing intangible assets

10. IPSAS requires that these assets be recognized. Upon the implementation of IPSAS, the Organization identified several intangible items, including patents, copyrights, licences and various internally developed and externally acquired software products. The Organization is now better able to track and control these assets, especially as they have no physical form. This has also helped the Organization to be better able to plan for its future requirements in respect of these intangible assets. Of particular interest in this connection is the value of the Umoja system now reflected in the financial statements. As at 31 December 2017, its carrying value was $72.3 million.

Timely recognition of revenue and better management and measurement of receivables

11. With the implementation of IPSAS, the Organization is able to better monitor the level and the age of the outstanding balance of accounts receivable. This information has assisted the Organization in its efforts to improve the collection of those outstanding receivables and the cash inflow to the Organization. Another benefit includes the active monitoring of due dates for instalments of voluntary contributions and payment schedules in funding agreements.

12. The Organization's IPSAS policy requires the recognition of voluntary contributions upfront for unconditional multi-year agreements. Accordingly, the statement of financial position fully reflects receivables from such agreements, which facilitates the preparation of cash flow forecasts and provides a comprehensive basis for better planning and enhanced decision-making for project activities by programme managers and other stakeholders.

13. Further, under IPSAS, the Organization must identify accounts receivable for which collection is doubtful and must estimate the amounts that may not be collected, and an allowance must be recorded against the accounts receivable to reduce the amount reported on the statement of financial position, thus reflecting the fair value of the receivables.

14. Additionally, in 2016, the Organization started discounting accounts receivable that are due in more than 12 months as prescribed under IPSAS. This results in the better measurement of long-term receivables as at the date of the statement of financial position.

Disclosure of financial instruments

15. IPSAS has changed the recognition of investment assets and liabilities from a settlement date basis (cash-based) to a trade date basis (accrual based). This provides more accurate and timely information about the Organization's financial situation.

16. Furthermore, IPSAS requires more robust disclosure around the currency exposure, currency sensitivity and the usage of derivative instruments to manage currency risk. This assists financial statement readers in understanding the exposures and risks of different currencies and the Organization's approach to managing currency risk.

Improved reporting of liabilities

17. With the implementation of IPSAS, full-scale liabilities have been reported based on the accrual concept, and this has afforded the Organization complete visibility and better understanding of its entire obligations. In the area of employee benefits, the after-service health insurance obligation, annual leave and repatriation liabilities constituted 98 per cent of employee benefit obligations, with workers' compensation and accrued salaries and allowances only making up the remaining 2 per cent. IPSAS has increased transparency and resulted in greater awareness of the magnitude of the existing liabilities and provides better information for decision-making. A recent benefit was a decision made by the Organization to start funding after-service health insurance liabilities relating to extrabudgetary activities effective 1 January 2017.

Integration of comparison of budget and actual amounts in the financial statements

18. A comparison of budget and actual amounts is included in the financial statements to fully comply with IPSAS 24, Presentation of budget information in financial statements. This comparison provides elements to assess the performance of the Organization at a high level and would highlight any significant performance issues.

Conclusion of benefits realization

19. Since the first year of the issuing of IPSAS-compliant financial statements, the Organization has concluded that applying an independently developed set of accounting standards based on robust due process and requiring comprehensive disclosures about transactions and operations:

(a) Allows for comparability of financial information across organizations and for better assessment of the financial position and financial performance of the Organization; the Organization is now able to compare itself to the other 23 United Nations system organizations as well as others outside that apply IPSAS, such as the North Atlantic Alliance, the Organization for Economic Cooperation and Development, the European Commission and others;

(b) Improves transparency and visibility of the financial aspects of the operations of the Organization to its management as well as to Member States.

20. IPSAS has also engendered more discipline in generating, managing and disclosing information not only required for inclusion in the financial statements but also for financial processes, for instance, collection of contractual commitments and legal claims. More and more information has now become available to managers and staff at large to support decision-making at all levels.

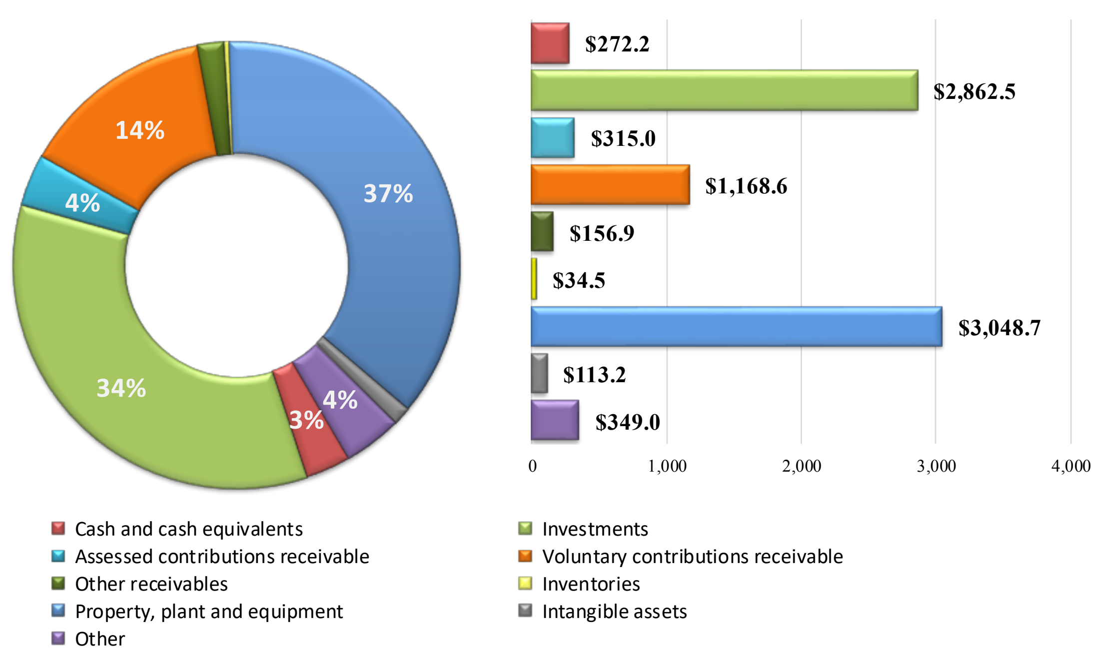
C. Overview of the financial statements for the year ended 31 December 2017

21. The financial statements of the United Nations comprise five statements and notes to the financial statements. These statements show the financial results of the Organization's activities and its financial position as at 31 December 2017. 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

22. The Organization's assets, totalling $8,320.6 million as at 31 December 2017, are composed largely of property, plant and equipment ($3,048.7 million, or 37 per cent), investments ($2,862.5 million, or 34 per cent), voluntary contributions receivable ($1,168.6 million, or 14 per cent), assessed contributions receivable ($315.0 million, or 4 per cent) and cash and cash equivalents ($272.2 million, or 3 per cent). Property, plant and equipment assets are mainly concentrated in capital assets and construction funds and consist mostly of land and buildings (87 per cent). Cash and cash equivalents and investments comprise amounts relating to trust funds of $1,730.7 million, amounts relating to insurance/workers' compensation funds of $657.3 million, amounts relating to regular budget funds of $71.7 million and other funds of $675.0 million. Assessed contributions receivable of $315.0 million represents the outstanding balance receivable from Member States as at 31 December 2017. Voluntary contributions receivable of $1,168.6 million comprise mainly the receivables of trust funds. Figure IV.I presents the structure of the Organization's assets.

Figure IV.I
Assets of the Organization as at 31 December 2017
(Millions of United States dollars and percentage)



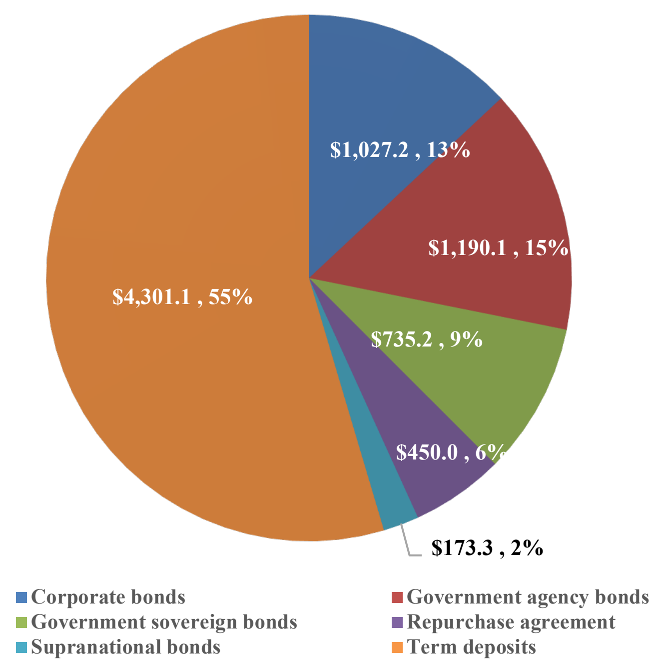
Cash, cash equivalents and investments

23. As at 31 December 2017, the United Nations held cash and cash equivalents and investments of $3,134.7 million in the main pool, euro pool and United Nations Staff Mutual Insurance Society against Sickness and Accident investments, an increase of $144.4 million from 2016.

24. As at 31 December 2017, the Organization held $3,045.1 million (38 per cent) of the total assets of the main pool, which amounted to $8,086.5 million; the main cash pool was predominantly denominated in United States dollars. In addition, the Organization held $8.5 million in the euro pool.

25. The cash pools consist largely of investments in liquid bonds (issued by governments and government agencies), commercial papers, a repurchase agreement and term deposits (see figure IV.II). The investments are presented at fair value with the relevant gains/losses recorded in the statement of financial performance.

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



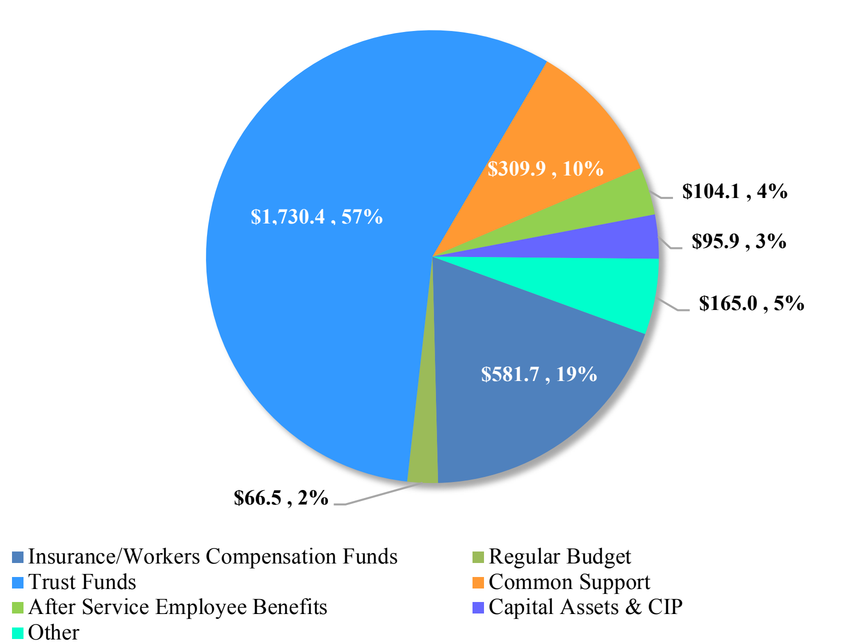
26. The investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident, valued at $73.2 million, were held in Swiss francs (SwF); the investments were held largely in fixed-income securities of government and related entities and supranational entities, in addition to an exchanged-traded fund benchmarked to the Swiss market index. For 2017, the Organization incurred a gain of $4.4 million mainly owing to unrealized gains from the change in fair value of investments of the Society.

27. The rate of return for the main pool in 2017 excluding unrealized gains/losses was 1.24 per cent in the main pool and 0 per cent in the euro pool, an increase of 0.35 per cent from 2016 in the main pool. For 2017, the Organization earned $37.6 million

in net income from the main and euro pools compared with $22.6 million earned in 2016.

28. The trust funds group held 57 per cent of holdings in the main pool and the euro pool, while 19 per cent was held by insurance funds. The regular budget and related funds group held 2 per cent of investment holdings, amounting to $66.5 million (see figure IV.III).

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



Note: Insurance/workers' compensation funds include the United Nations Staff Mutual Insurance Society against Sickness and Accident, the workers' compensation fund and medical, dental and life insurance funds.

29. 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.

Assessed contributions receivable

30. The balance of assessed contributions receivable as at 31 December 2017 of $315.0 million consisted of a gross balance of $570.6 million, less an allowance for doubtful receivables of $255.6 million. The balance of assessed contributions receivable increased in 2017 compared with 2016 by $39 million (14 per cent).

Voluntary contributions receivable

31. Voluntary contributions receivable as at 31 December 2017 amounted to $1,168.6 million, presented net of an allowance for doubtful accounts of $1.3 million. The amounts are due to the Organization under arrangements related to voluntary trust funds. The voluntary contributions receivable of the Organization increased over the course of 2017 by $338.9 million, reflecting an increase in long-term voluntary receivable balances of $127.3 million compared with prior year balances. The

increase is primarily due to a multi-year agreement signed by the United Nations acting through the Office for the Coordination of Humanitarian Affairs of the Secretariat for the Central Emergency Response Fund with the Department for International Development of the United Kingdom of Great Britain and Northern Ireland for GBP 220 million ($284.6 million).

Voluntary contributions receivable as at 31 December 2017 and 31 December 2016

(Millions of United States dollars)

	2017	*2016*
Voluntary contributions receivable — current	606.7	395.1
Voluntary contributions receivable — non-current	561.9	434.6
Total	**1 168.6**	**829.7**

32. The contributions receivable was mainly related to the human rights and humanitarian affairs segment ($751.8 million, or 64 per cent), largely comprised of the receivables of the Central Emergency Response Fund ($344.8 million) and the Office for the Coordination of Humanitarian Affairs of the Secretariat ($215.3 million).

Inventory

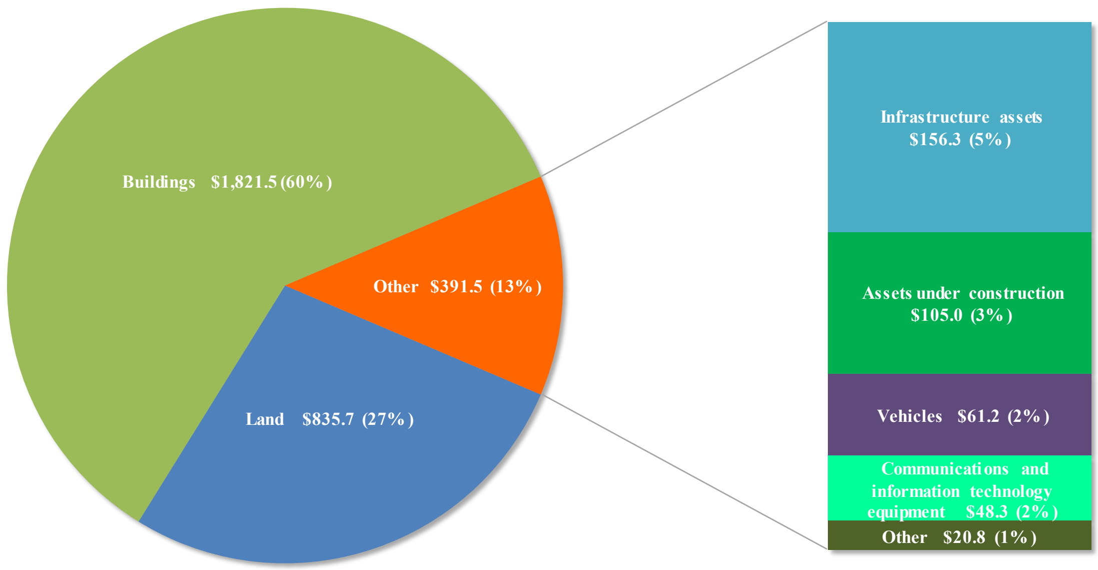
33. Migration of data from the legacy Galileo Inventory Management System to Umoja was conducted in early August 2017 and resulted in bringing into Umoja all inventories in warehouses at various storage locations of special political missions.

34. The increase in the value of inventories of $14.8 million (75 per cent) compared with 2016 is mainly attributed to the inclusion of items that were previously classified as expendable property type equipment in Galileo and were not included in the management estimates as per the methodology for recognizing non-financial inventory. These materials are not serialized in the Umoja material master, hence their inclusion in the scope of the non-financial inventory.

Property, plant and equipment

35. Property, plant and equipment of $3,048.7 million was the Organization's major asset category, representing 37 per cent of total assets. At 31 December 2017, the profile of the Organization's property, plant and equipment, which mostly consists of land and buildings (87 per cent), was as shown in figure IV.IV.

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



36. Buildings of $1,821.5 million largely comprised the buildings at United Nations Headquarters in New York, valued at $1,305.2 million, the buildings at the United Nations Office at Geneva, valued at $116.6 million, and the buildings at the Economic Commission for Africa (ECA), valued at $77.9 million. 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 2015. Based on the cost-sharing ratio agreed by the Vienna-based organizations, the United Nations has recognized its 22.761 per cent share of the value of the Vienna International Centre buildings. The value as at 31 December 2017 amounted to $136.9 million cost and $69.2 million net book value.

37. 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 was 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.

38. There was no significant change in the net carrying value of property, plant and equipment during 2017 compared with 2016. The decline in the net book value by $80.2 million (2.6 per cent) from a balance of $3,128.9 million to $3,048.7 million was largely attributable to depreciation in an amount of $176.3 million and disposal of assets with total net book value of $3.0 million offset by the additions and net transfers of $99.5 million.

39. The major portion of additions during 2017 includes assets under construction of $74.3 million, related mainly to:

(a) Refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($29.8 million);

(b) Construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York ($15.3 million);

(c) Construction of buildings and infrastructure assets in the special political missions ($15.3 million);

(d) Upgrade of the electrical system at the United Nations Office at Nairobi ($2.3 million).

40. Property, plant and equipment included assets under construction of $105.0 million, related primarily to $81.4 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, construction of buildings and infrastructure assets in special political missions of $8.1 million, renovation of Africa Hall at ECA in Addis Ababa of $5.1 million and flexible workspace construction at United Nations Headquarters of $2.3 million.

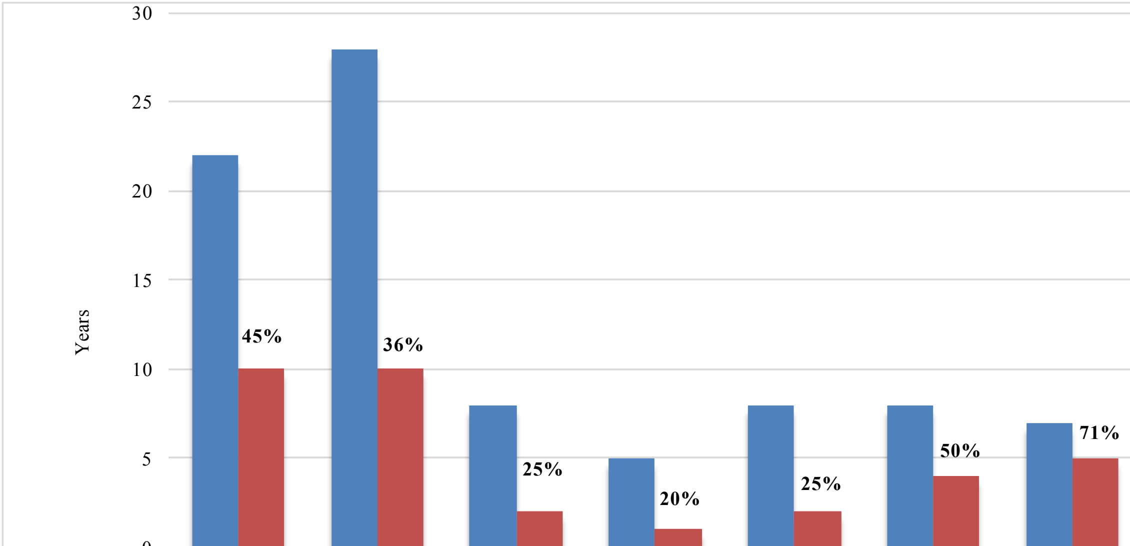
41. Depreciation rates for property, plant and equipment in 2017 range from 0 per cent to 9.5 per cent, depending on the respective categories, with an average effective depreciation rate for 2017 approximating 4 per cent. The movement in property, plant and equipment is captured in note 15 to the financial statements.

42. Overall, 6 per cent of property, plant and equipment assets have been fully depreciated, 34 per cent have remaining useful lives of between one month and four years and 60 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.

43. 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.V.

Figure IV.V
Remaining useful lives of property, plant and equipment

(Years and percentage)



	Building	Infrastructure	Vehicles	Communications and information technology equipment	Machinery and equipment	Furniture	Leasehold improvments
Total	22	28	8	5	8	8	7
Remaining	10	10	2	1	2	4	5
Remaining/total	45%	36%	25%	20%	25%	50%	71%

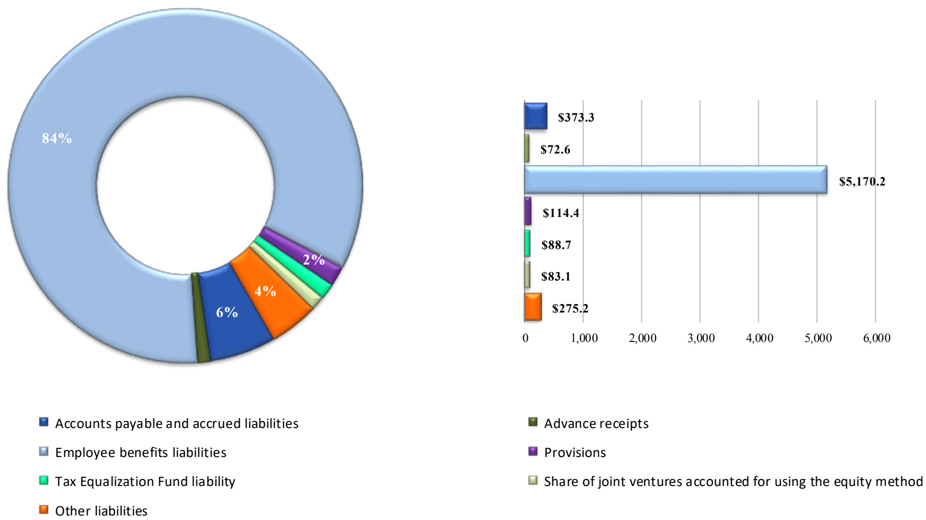
Liabilities

44. The total liabilities of the Organization increased over 2017 by $779.9 million (14 per cent increase) to $6,177.4 million, with the most notable increase taking place in employee benefits liabilities in the amount of $720.0 million (16 per cent increase) to $5,170.2 million, compared with prior year balances. Employee benefits liabilities increased mainly as a result of an increase in the after-service health insurance liability of $725.1 million. Figure IV.VI presents the structure of the Organization's liabilities as at 31 December 2017.

45. As illustrated below, the Organization's liabilities largely comprised employee benefits liabilities of $5,170.2 million (84 per cent) and accounts payable and accrued liabilities of $373.3 million (6 per cent).

Figure IV.VI
Liabilities as at 31 December 2017

(Millions of United States dollars and percentage)



Employee benefits liabilities

46. The total employee benefits liabilities increased by $720.0 million in 2017, of which $706.6 million was from defined-benefit liabilities. This was largely due to the changes in the actuarial demographic assumptions, experience adjustments and financial assumptions used in the recent full actuarial valuation on the defined-benefit liabilities. These resulted in an actuarial loss of $534.3 million. The remaining increase was constituted primarily by current service cost and interest cost on the defined-benefit liabilities of $162.6 million and $147.4 million, respectively, which were offset in part by benefits paid of $137.7 million (see figure IV.VII).

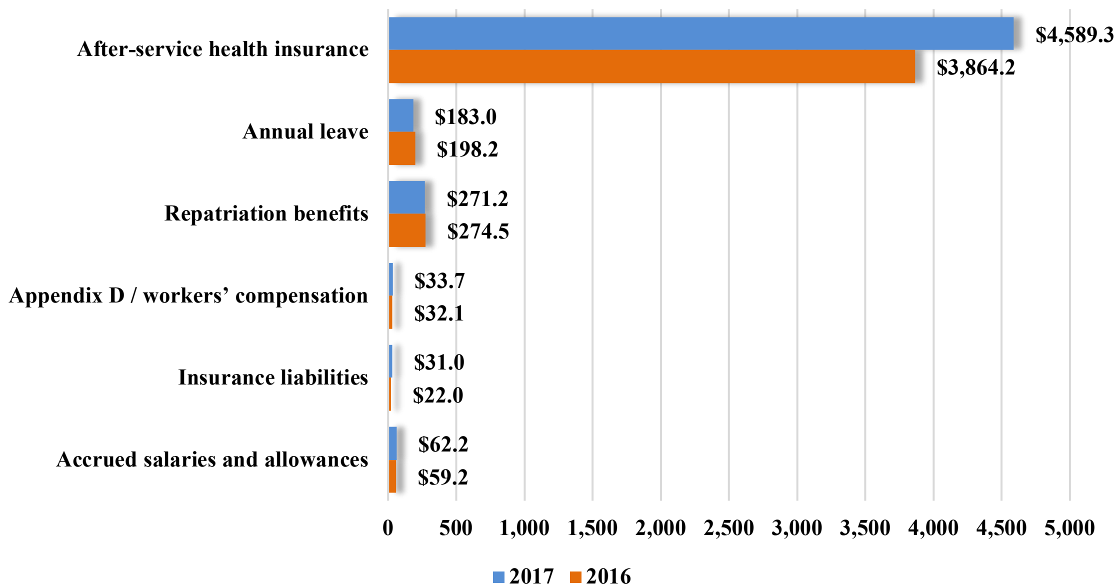
47. The high-level breakdown of the actuarial loss of $534.3 million on the defined-benefit liabilities is as follows:

(a) The main driver of the change in the demographic assumptions was the revised mortality table, which increased the life expectancy and longevity and the probability of marriage at retirement. This resulted in a loss of $519.0 million;

(b) The change in experience adjustments reflected the effects of changes in the census data for both active and inactive staff, which has increased since 2015. This resulted in a loss of $254.1 million;

(c) The impact of the change in financial assumptions was a net gain of $238.8 million, resulting from a declining medical inflation rate curve for both United States and non-United States health care and offset by loss from decreases in the discount rates.

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



Accounts payable and accrued liabilities

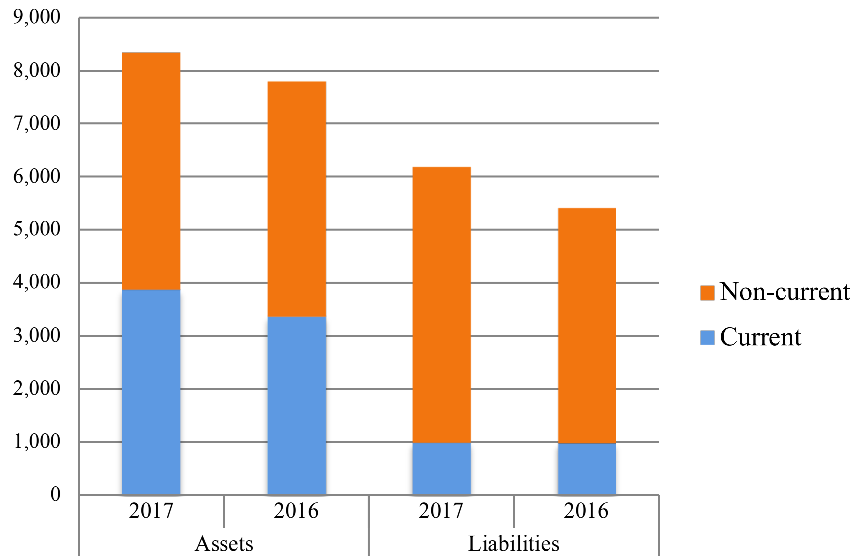
48. Accounts payable and accrued liabilities of $373.3 million (2016: $372.5 million) mainly consist of accruals for goods and services of $96.3 million (2016: $71.1 million) and vendor payables of $72.2 million (2016: $62.5 million).

Assets and liabilities analysis

49. Figure IV.VIII provides an analysis of the structure of the United Nations accounts by current and non-current assets and liabilities as at 31 December 2017 and 31 December 2016, indicating minimal changes between the two years.

Figure IV.VIII
Structure of the United Nations accounts by current and non-current assets and liabilities as at 31 December 2017 and 31 December 2016

(Millions of United States dollars)



	Assets 2017	Assets 2016	Liabilities 2017	Liabilities 2016
Non-current	$4,453.6	$4,412.6	$5,181.5	$4,412.1
Current	$3,867.0	$3,365.3	$995.9	$985.3

Financial performance

Revenue analysis

50. The total revenue of the Organization for 2017 was $6,081.2 million, compared with total expenses of $5,788.9 million, resulting in a surplus of total revenue over total expenses of $292.3 million. The net increase in revenue of $375.2 million was mainly due to an increase in voluntary contributions of $232.5 million (10 per cent increase), an increase in assessed contributions of $53.0 million (2 per cent increase) and an increase in other revenue of $70.9 million (42 per cent increase) attributed primarily to $51.2 million net foreign exchange gains. Two voluntary agreements concluded during the year contributed to the increase in voluntary contributions: one with the Department for International Development of the United Kingdom for a total of GBP 220.0 million over a period of four years, and the other with the Government of Germany for a total of $123.0 million for 2017. The full amount of the agreements was recognized as revenue in 2017 in accordance with IPSAS policies. Figures IV.IX and IV.X provide an analysis of revenue by nature and by segment.

Figure IV.IX
Revenue by nature

(Millions of United States dollars and percentage)

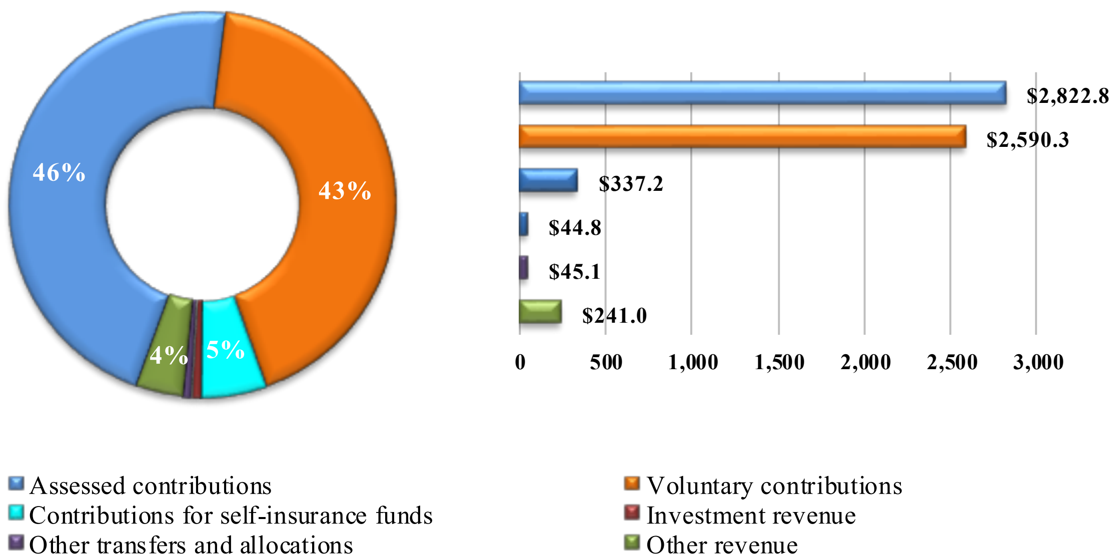
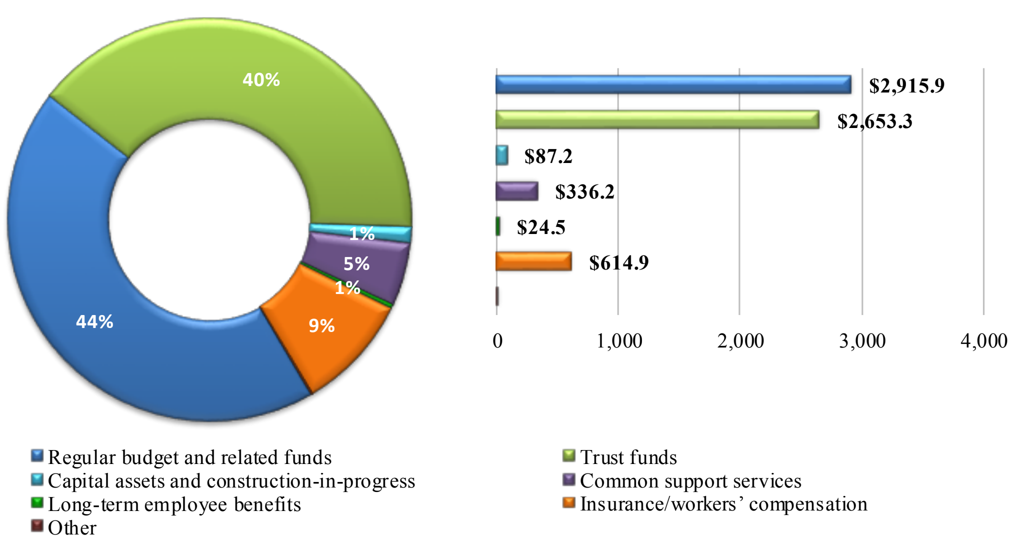


Figure IV.X
Revenue by segment[a]

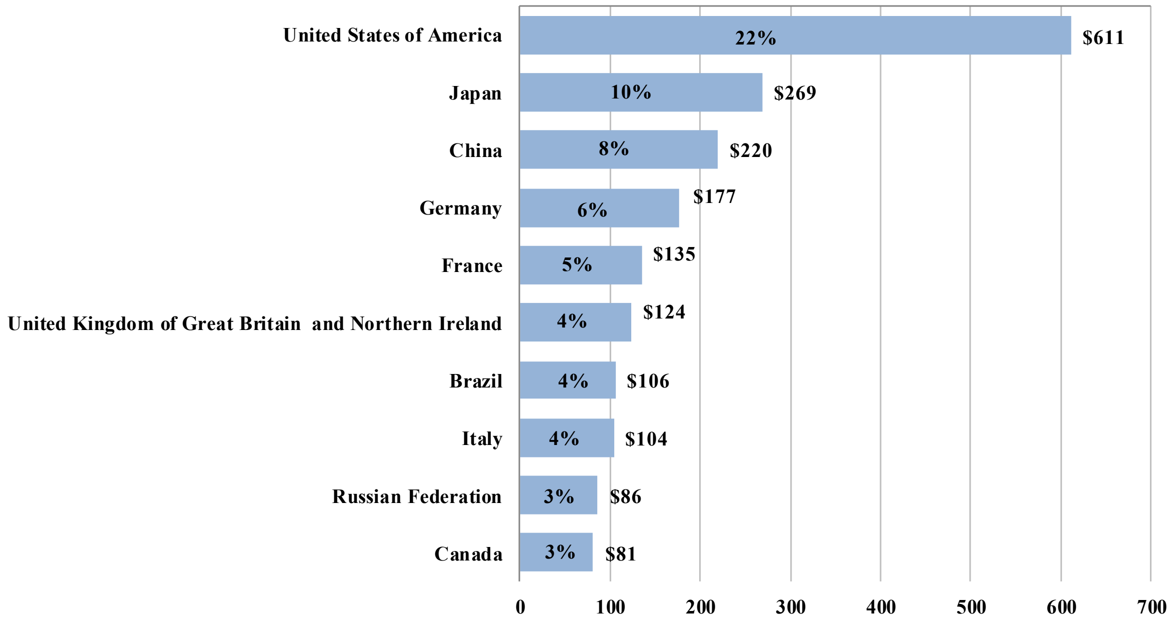
(Millions of United States dollars and percentage)



[a] The figures above do not include inter-segment elimination revenue of $559.9 million.

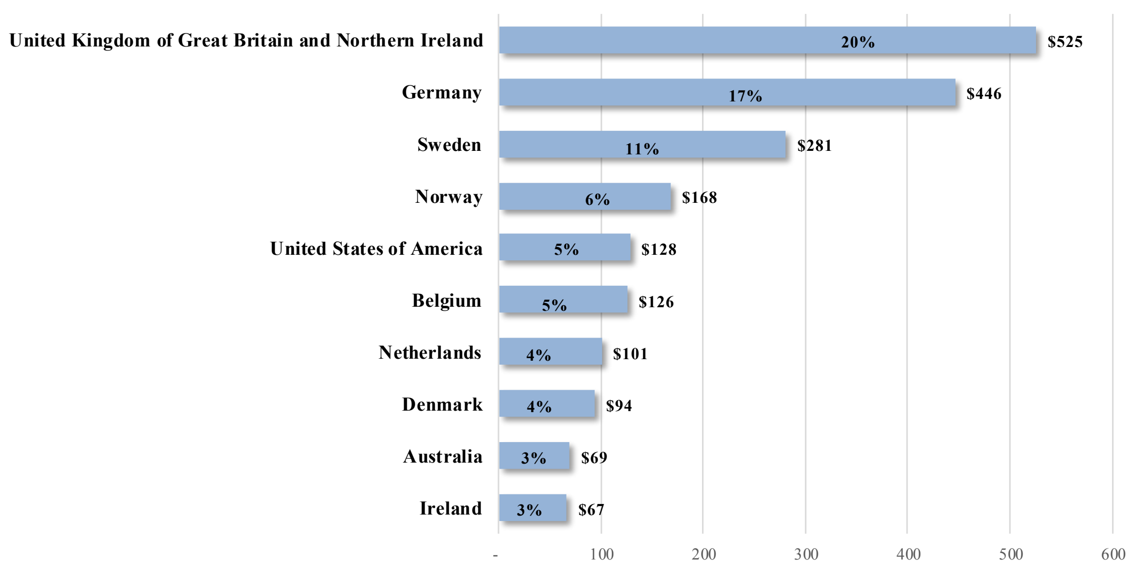
51. Assessed contributions of $2,822.8 million comprised 46 per cent of the funding of the Organization for 2017. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.XI indicates the Member States with the largest assessments for 2017.

Figure IV.XI
Top 10 contributors of assessed contributions
(Millions of United States dollars and percentage)



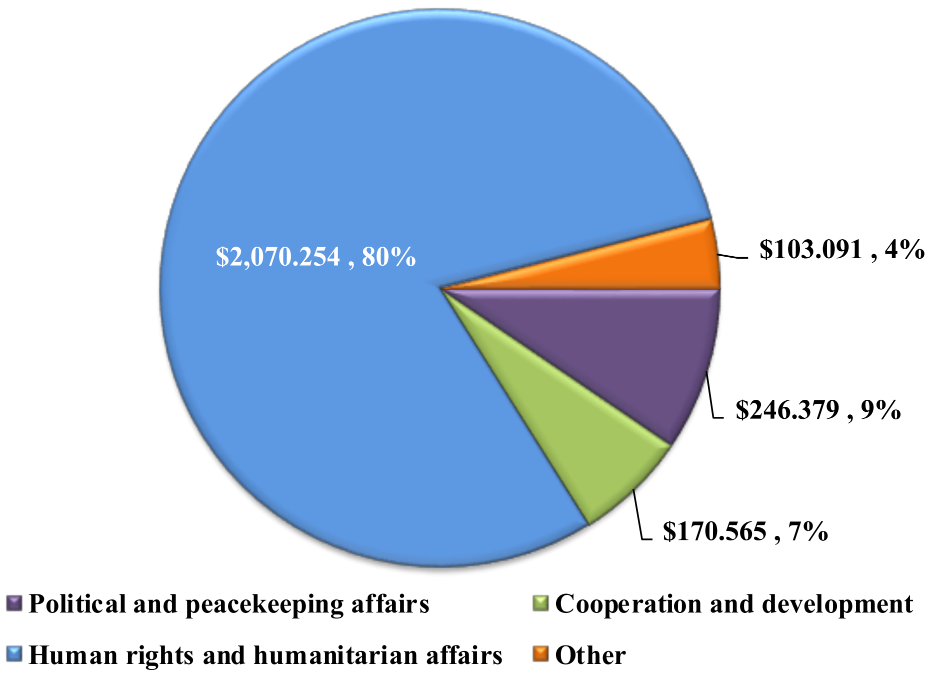
52. Voluntary contributions amounted to $2,590.3 million and comprised 43 per cent of 2017 revenue. Figure IV.XII shows the major voluntary contributors for monetary contributions for 2017. It indicates that the United Kingdom was the major contributor of voluntary monetary contributions.

Figure IV.XII
Major voluntary contributors, monetary contributions
(Millions of United States dollars)



53. Figure IV.XIII 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.XIII
Voluntary contributions by major work pillar
(Millions of United States dollars and percentage)



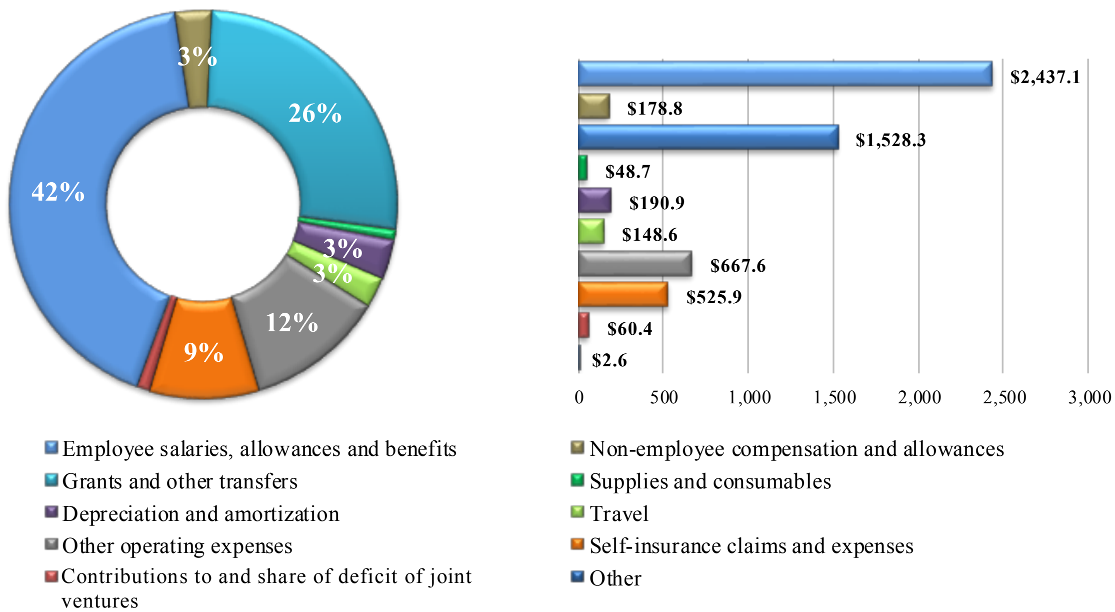
Expense analysis

54. The total expenses of the Organization increased over the course of 2017 by $71.4 million (1 per cent increase) to $5,788.9 million, with the most notable increases being in self-insurance claims and expenses by $44.5 million (9 per cent increase), non-employee compensations by $38.4 million (27.3 per cent increase), employee salaries, allowances and benefits by $37.5 million (2 per cent increase) and other operating expenses by $33.2 (5 per cent increase), offset by decreases in contributions to and share of deficit of joint ventures accounted for on an equity basis by $28.8 million (32 per cent decrease), grants and other transfers by $24.9 million (2 per cent decrease) and depreciation and amortization by $22.8 million (11 per cent decrease).

55. Figure IV.XIV highlights expenses by their nature, showing that the largest categories are employee salaries, allowances and benefits in the amount of $2,437.1 million, or 42 per cent, and grants and transfers to end beneficiaries and implementing partners of $1,528.3 million, or 26 per cent. Other operating expenses of $667.6 million (12 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.XIV
Expenses by nature

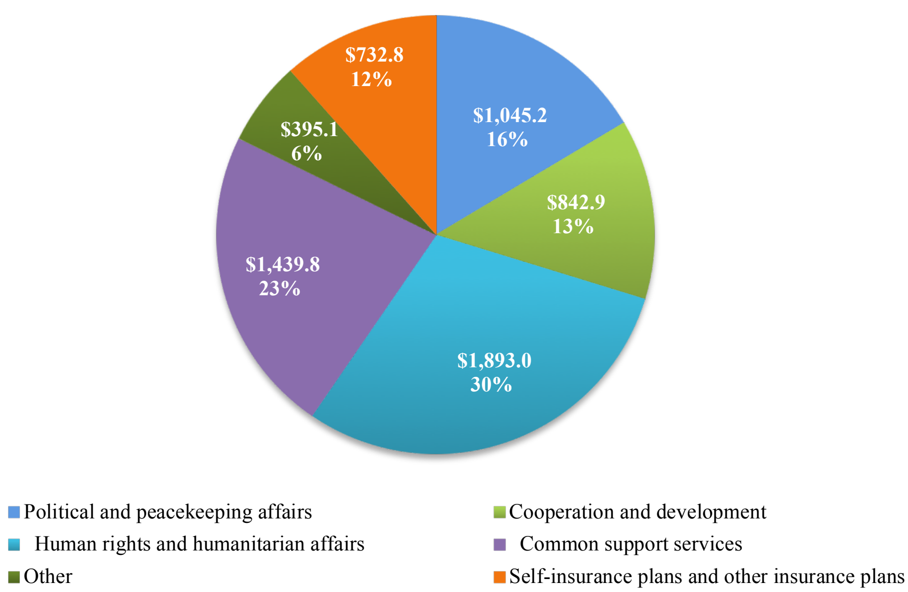
(Millions of United States dollars and percentage)



56. Figure IV.XV highlights expenses by work pillar.

Figure IV.XV
Expenses by work pillar

(Millions of United States dollars and percentage)



57. In 2017, the major pillars of human rights and humanitarian affairs and political and peacekeeping affairs had a net surplus of $487.1 million and $13.7 million, respectively, offset in part by the net deficit for other segments totalling $208.4 million, of which $93.4 million related to the pillar of self-insurance plans and

other insurance plans, $101.7 million related to common support services and $13.5 million related to cooperation and development. 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

58. Net assets of $2,143.2 million as at 31 December 2017 consisted of an accumulated surplus of $2,083.0 million and reserves of $60.2 million and reflect the accumulated effect of the Organization's historical activity. The decrease in net assets over 2017 by $237.2 million (10 per cent decrease) to $2,143.2 million is attributable primarily to actuarial losses on employee benefits liabilities recognized directly in the statement of net assets in the amount of $535.5 million, owing in particular to changes in demographic assumptions, experience adjustments and financial assumptions used in the recent full actuarial valuation, offset in part by the surplus of the year in the amount of $292.4 million.

D. United Nations General Fund and related funds

Budgetary performance of the regular budget

59. 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.

60. 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 Assembly resolutions. The original budget for the biennium 2016–2017 comprises the appropriations and income estimates approved by the Assembly for the biennium in resolutions 70/249 A to C. The final budget represents final amounts authorized for the biennium 2016–2017, after incorporating all changes arising from Assembly resolutions 70/248 A, 71/272 B, 71/280 and 72/253 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 2017 annual budget represents the 2017 revised appropriations, plus the unencumbered balance of 2016. The final 2017 annual budget represents the original budget for 2017 and incorporates authorized final amounts and changes for the biennium 2016–2017. Final expenditures include both commitments and actual amounts incurred in the period.

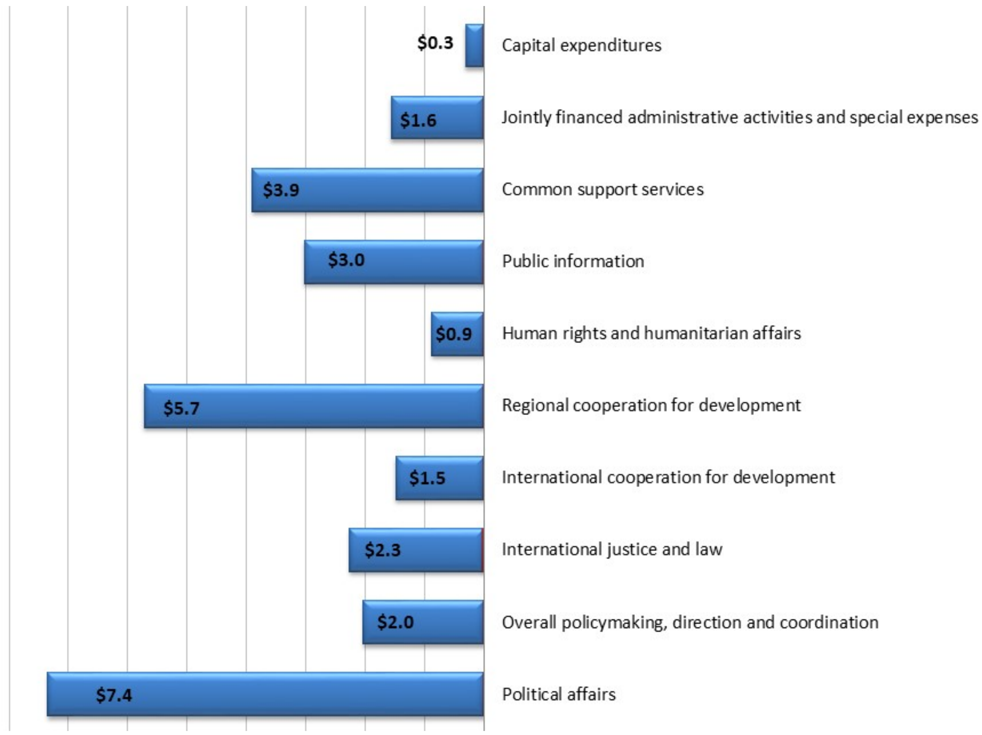
Changes from original budget to final budget

61. In 2017, the final annual budget of $2,941.7 million exceeded the original annual budget of $2,873.1 million by $68.6 million, or 2.4 per cent. Changes to the original budget mainly related to political affairs, international justice and law, international cooperation for development, common support services, safety and security, and staff assessment.

Budget utilization

62. The total budget utilized in 2017 was $2,913.1 million, reflecting a surplus (underutilization) of $28.6 million, or 1.0 per cent of the final annual budget. Figure IV.XVI provides a breakdown of the underutilization by regular budget category.

Figure IV.XVI
Expenditure underutilization
(Millions of United States dollars)



63. Material differences greater than 10 per cent are considered in note 6 to the financial statements.

Regular budget appropriations

64. Presented in table IV.1 is a summary reconciliation of budget appropriations and gross assessments for the biennium 2016–2017 to the amount disclosed in statement II as assessed contributions for 2017.

Table IV.1
Reconciliation of budget appropriations and gross assessments for 2016–2017 to assessed contributions for 2017
(Thousands of United States dollars)

	2016	*2017*	*Total*
Budget appropriations (resolution 70/249 A)	2 700 897	2 700 897	5 401 794
Add: Increased appropriations for the biennium 2016–2017:			
Resolution 70/248 B	–	4 665	4 665
Resolution 70/248 C	–	2 260	2 260
Resolution 71/273 A	–	205 443	205 443
Total 2016–2017 final budget appropriations	**2 700 897**	**2 913 265**	**5 614 162**

	2016	2017	Total
Estimated income (other than staff assessment) for the biennium 2016–2017 (resolution 70/249 B)	22 467	22 467	44 934
Less: Decrease in income (other than staff assessment) for the biennium 2016–2017:			
Resolution 71/273 B	–	(5 762)	(5 762)
Total revised estimated income	**22 467**	**16 705**	**39 172**
Total 2016–2017 final budget appropriations less total estimated income	**2 678 430**	**2 896 560**	**5 574 990**
Add: Net increase in appropriations for the biennium 2014–2015 (resolutions 69/274 A and B and 70/240 A) assessed in 2016 (resolution 70/249 C)	95 160	–	95 160
Less: 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)
Surplus for the biennium 2014–2015	–	(120 030)	(120 030)
	66 758	(120 030)	(53 272)
Gross amounts assessed to Member States in the biennium 2016–2017 (resolutions 70/249 C and 71/273 C)	**2 745 188**	**2 776 530**	**5 521 718**
Non-Member States assessments	**97**	**101**	**198**
Add: IPSAS adjustments[a]	24 567	46 204	70 771
Assessed contributions for 2016–2017 as reported in statement II	**2 769 852**	**2 822 835**	**5 592 687**

[a] 2016 includes deductions of additional 2014–2015 assessments charged to Member States in 2016 and additional appropriations approved for the year 2016. 2017 includes cancellation of prior period obligations for the biennium 2014–2015, additional appropriations approved for the year 2017 and unencumbered balances for the biennium 2016–2017.

E. Liquidity

65. 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 2017, the overall liquidity position of the Organization was positive, as it had sufficient liquid assets to settle its immediate obligations.

66. As at 31 December 2017 and 31 December 2016, liquid funds amounted to $3,334.2 million and $2,920.3 million, respectively, as shown in table IV.2.

Table IV.2
Liquid funds as at 31 December 2017 and 31 December 2016
(Millions of United States dollars)

	2017	2016
Cash and cash equivalents	272.2	820.3
Short-term investments	2 140.3	1 428.8
Assessed contributions receivable	315.0	276.1
Voluntary contributions receivable — current	606.7	395.1
	3 334.2	**2 920.3**

67. Total current liabilities as at 31 December 2017 and 31 December 2016 amounted to $995.9 million and $985.3 million, respectively.

68. Table IV.3 summarizes three key liquidity indicators for the years ended 31 December 2017 and 31 December 2016.

Table IV.3
Liquidity indicators for the years ended 31 December 2017 and 31 December 2016

	2017	*2016*
Ratio of current assets to current liabilities	3.9:1	3.4:1
Ratio of liquid assets to current liabilities	3.3:1	3.0:1
Ratio of liquid assets less accounts receivable to current liabilities	2.4:1	2.3:1
Ratio of liquid assets to total assets	0.4:1	0.4:1
Average months of cash, cash equivalents and investments on hand	5.2	4.9

69. 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 2017, current liabilities were covered by up to 3.9 times from current assets, indicating there are sufficient assets available to pay liabilities should the need arise. An increase of this value from 3.4 in the prior year indicates a higher holding of liquid funds at the end of 2017.

70. The ratio of liquid assets to current liabilities of 3.3 indicates holding of liquid funds was sufficient to cover short-term liabilities. The positive change in the ratio from the prior year of 3.0 also indicates an improvement in the Organization’s overall liquidity.

71. 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 2017, this ratio was 2.4, meaning that the Organization is able to fully cover its current liabilities using its immediately available funds. The positive trend from 2.3 in the prior year is also an indicator of improved liquidity.

72. The ratio of liquid assets to total assets shows the share of the Organization’s liquid funds to total assets. The ratio of 0.4 indicates 40 per cent of the Organization’s total assets are relatively liquid. This ratio remained the same from the previous year.

73. With regard to average months of cash, cash equivalents and investments on hand, as at 31 December 2017, the Organization held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation, amortization and impairment) of $467.4 million for 5.2 months.

74. 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	*2017*	*2016*
Ratio of current assets to current liabilities	1.3:1	1.2:1
Ratio of liquid assets to current liabilities	1.0:1	1.0:1
Ratio of liquid assets less accounts receivable to current liabilities	0.2:1	0.4:1
Ratio of liquid assets to total assets	0.5:1	0.5:1
Average months of cash, cash equivalents and investments on hand	0.2	0.7

F. Looking forward to 2018 and beyond

75. The overall financial position of the United Nations at the end of 2017 was positive with the liquidity being driven predominantly by trust funds. Compared with 2016, a slight decrease in the liquidity position relating to the regular budget was noted, evidenced by the decrease in the average months of liquid assets on hand; this compares with 0.7 months in 2016 and is being actively managed.

76. As to the longer-term risk relating to the unfunded employee benefits liabilities for activities related to the regular budget, the pay-as-you-go approach continues for the present time. For employee benefits liabilities relating to extrabudgetary activities, for some time the Organization has been accruing funds for liabilities relating to workers' compensation and repatriation grants. Effective 1 January 2017, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extrabudgetary activities.

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 $1,264,528 were approved for the year 2017 with respect to the United Nations as reported in volume I. A breakdown of the write-offs is as follows:

Fund/activity	*2017*
United Nations General Fund and related funds	1 195 284
General trust funds	66 862
Other funds	2 382
Total	**1 264 528**

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), losses of property for the United Nations as reported in volume I amounted to $26,874,497 during 2017. The losses are based on the original cost of the property and include write-offs arising from obsolescence, normal wear and tear, shortfalls, thefts, damages and accidents.

Ex gratia payments

4. There were no ex gratia payments made during 2017.

Annex II

Other supplementary information

Statement of financial position of the General Fund and related funds as at 31 December 2017

(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2017*	*31 December 2016*
Assets						
Current assets						
Cash and cash equivalents	7 199	–	53	–	7 252	63 204
Investments	49 390	–	472	–	49 862	107 031
Assessed contributions receivable	314 983	–	–	–	314 983	276 121
Other receivables	21 676	150 657	201 411	(352 068)	21 676	48 758
Inventories	34 308	–	–	–	34 308	19 570
Other assets	64 673	–	–	–	64 673	52 009
Total current assets	**492 229**	**150 657**	**201 936**	**(352 068)**	**492 754**	**566 693**
Non-current assets						
Investments	14 482	–	148	–	14 630	51 538
Property, plant and equipment	287 594	–	–	–	287 594	302 311
Intangibles	10 224	–	–	–	10 224	2 367
Share of joint ventures accounted for using the equity method	6 228	–	–	–	6 228	2 107
Total non-current assets	**318 528**	**–**	**148**	**–**	**318 676**	**358 323**
Total assets	**810 757**	**150 657**	**202 084**	**(352 068)**	**811 430**	**925 016**
Liabilities						
Current liabilities						
Accounts payable and accrued payables	110 679	150 000	–	–	260 679	270 877
Advance receipts	48 646	–	–	–	48 646	24 621
Employee benefits liabilities	45 022	–	–	–	45 022	43 152
Provisions	29 428	–	–	–	29 428	123 063
Other liabilities	352 055	657	–	(352 068)	644	1 339
Total current liabilities	**585 830**	**150 657**	**–**	**(352 068)**	**384 419**	**463 052**

Statement of financial position of the General Fund and related funds as at 31 December 2017 (continued)

(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2017*	*31 December 2016*
Non-current liabilities						
Employee benefits liabilities	20 369	–	–	–	20 369	18 287
Provisions	392	–	–	–	392	392
Share of joint ventures accounted for using the equity method	83 051	–	–	–	83 051	102 051
Other liabilities	1 679	–	–	–	1 679	685
Total non-current liabilities	**105 491**	**–**	**–**	**–**	**105 491**	**121 415**
Total liabilities	**691 321**	**150 657**	**–**	**(352 068)**	**489 910**	**584 467**
Total assets and liabilities	**119 436**	**–**	**202 084**	**–**	**321 520**	**340 549**
Net assets						
Accumulated surplus	119 436	–	202 084	–	321 520	340 549

Statement of financial performance for the year ended 31 December 2017 for the General Fund and related funds

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Revenue		
Assessed contributions	2 822 835	2 769 852
Voluntary contributions	47 261	45 912
Investment revenue	5 761	2 595
Other exchange revenue	39 994	45 150
Total	**2 915 851**	**2 863 509**
Expenses		
Employee salaries, allowances and benefits	1 963 340	1 887 364
Non-employee compensation and allowances	108 463	69 831
Grants and other transfers	215 342	275 106
Supplies and consumables	31 991	32 570
Depreciation and amortization	41 914	41 023
Impairment	194	1 082
Travel	70 445	68 278
Other operating expenses	444 375	408 359
Finance costs	55	121
Contributions to/share of joint ventures	60 683	89 125
Other expenses	1 728	5 090
Total	**2 938 530**	**2 877 949**
Deficit for the year	**(22 679)**	**(14 440)**

Operational revenue and expenses of the Tax Equalization Fund[a]

(Thousands of United States dollars)

	United States of America	*Other Member States*	*31 December 2017*	*31 December 2016*
Staff assessment receipts from:				
United Nations regular budget	56 799	201 378	258 177	253 030
Peacekeeping operations	53 976	135 621	189 597	183 052
International tribunals	3 326	9 856	13 182	12 938
Interest revenue split	440	1 336	1 776	328
Total staff assessment revenue	**114 541**	**348 191**	**462 732**	**449 348**
Staff costs and other	104 576	–	104 576	97 901
Contractual services	72	–	72	286
Credits given to other Member States for:				
United Nations regular budget	–	198 307	198 307	196 590
Peacekeeping operations	–	130 989	130 989	135 854
International tribunals	–	8 336	8 336	9 091
Total expenses	**104 648**	**337 632**	**442 280**	**439 722**
Net excess of revenue over	**9 893**	**10 559**	**20 452**	**9 626**

[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 2017. An amount of $20.4 million representing excess of revenues over expenses has been added to cumulative surplus balances during 2017.

Chapter V

Financial statements for the year ended 31 December 2017

Operations of the United Nations as reported in Volume I

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	Note 7	272 239	820 343
Investments	Note 8	2 140 326	1 428 837
Assessed contributions receivable	Note 9	314 993	276 145
Voluntary contributions receivable	Note 10	606 697	395 136
Other receivables	Note 11	156 941	144 777
Inventories	Note 12	34 481	19 686
Other assets	Note 13	341 299	280 368
Total current assets		**3 866 976**	**3 365 292**
Non-current assets			
Investments	Note 8	722 162	741 169
Voluntary contributions receivable	Note 10	561 900	434 563
Property, plant and equipment	Note 15	3 048 699	3 128 851
Intangible assets	Note 16	113 158	104 840
Share of joint arrangements accounted for using the equity method	Note 24	7 716	3 179
Total non-current assets		**4 453 635**	**4 412 602**
Total assets		**8 320 611**	**7 777 894**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 17	373 308	372 518
Advance receipts	Note 18	72 580	41 661
Employee benefits liabilities	Note 19	229 883	216 007
Provisions	Note 20	114 003	206 219
Tax equalization liability	Note 21	88 653	74 795
Other liabilities	Note 22	117 490	74 133
Total current liabilities		**995 917**	**985 333**

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Non-current liabilities			
Employee benefits liabilities	Note 19	4 940 304	4 234 157
Provisions	Note 20	392	392
Share of joint arrangements accounted for using the equity method	Note 24	83 051	102 051
Other liabilities	Note 22	157 709	75 529
Total non-current liabilities		**5 181 456**	**4 412 129**
Total liabilities		**6 177 373**	**5 397 462**
Net of total assets and total liabilities		**2 143 238**	**2 380 432**
Net assets			
Accumulated surplus	Note 25	2 082 989	2 322 881
Reserves	Note 25	60 249	57 551
Total net assets		**2 143 238**	**2 380 432**

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 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Revenue			
Assessed contributions	Note 26	2 822 835	2 769 852
Voluntary contributions	Note 26	2 590 289	2 357 807
Contributions for self-insurance funds[a]	Note 28	337 221	342 457
Other revenue[a]	Note 27	240 998	170 132
Other transfers and allocations	Note 26	45 097	42 966
Investment revenue	Note 30	44 794	22 784
Total revenue		**6 081 234**	**5 705 998**
Expenses			
Employee salaries, allowances and benefits	Note 29	2 437 107	2 399 617
Non-employee compensation and allowances		178 816	140 446
Grants and other transfers	Note 29	1 528 328	1 553 243
Supplies and consumables		48 741	55 229
Depreciation and amortization	Notes 15 and 16	190 904	213 729
Impairment	Note 15	310	1 082
Travel		148 631	142 992
Other operating expenses	Note 29	667 553	634 372
Self-insurance claims and expenses	Note 28	525 880	481 402
Finance costs	Note 33	55	121
Contributions to and share of deficit of joint arrangements accounted for on an equity basis	Note 24	60 435	89 192
Other expenses	Note 29	2 112	6 060
Total expenses		**5 788 872**	**5 717 485**
Surplus/(deficit) for the year		**292 362**	**(11 487)**

[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 2017

(Thousands of United States dollars)

	Accumulated surplus	*Reserves*	*Total net assets*
Net assets as at 1 January 2016	**2 388 809**	**58 771**	**2 447 580**
Changes in net assets			
Actuarial losses on employee benefits liabilities (note 25)	(48 353)	–	(48 353)
Share of changes recognized by joint arrangements directly in net assets (note 24)	(7 308)	–	(7 308)
Transfers to/from reserves	1 220	(1 220)	–
Deficit for the year	(11 487)	–	(11 487)
Total changes in net assets	**(65 928)**	**(1 220)**	**(67 148)**
Net assets as at 31 December 2016 (note 25)	**2 322 881**	**57 551**	**2 380 432**
Changes in net assets			
Actuarial losses on employee benefits liabilities (note 25)	(535 477)	–	(535 477)
Share of changes recognized by joint arrangements directly in net assets (note 24)	5 921	–	5 921
Transfers to/from reserves	(2 698)	2 698	–
Surplus for the year	292 362	–	292 362
Total changes in net assets	**(239 892)**	**2 698**	**(237 194)**
Net assets as at 31 December 2017 (note 25)	**2 082 989**	**60 249**	**2 143 238**

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 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Cash flows from operating activities			
Surplus/(deficit) for the year		**292 362**	**(11 487)**
Non-cash movements			
Depreciation and amortization	Notes 15 and 16	190 904	213 729
Impairment of property, plant and equipment	Note 15	310	1 082
Actuarial (loss)/gain on employee benefits liabilities		(535 477)	(48 353)
Share of changes in net assets recognized by joint arrangements	Note 24	5 921	(7 308)
Net loss on disposal of property, plant and equipment and inventory		2 393	–
Transfers, donations of assets and other additions	Note 26	(1 965)	(23 635)
Changes in assets			
(Increase)/decrease in assessed contributions receivable	Note 9	(38 848)	113 161
(Increase)/decrease in voluntary contributions receivable	Note 10	(338 898)	(245 998)
(Increase)/decrease in other receivables	Note 11	(12 164)	(47 521)
(Increase)/decrease in inventories	Note 12	(14 795)	(1 659)
(Increase)/decrease in other assets	Note 13	(60 931)	49 730
(Increase)/decrease in share of joint arrangements assets accounted for using the equity method	Note 24	(4 537)	(110)
Changes in liabilities			
Increase/(decrease) in share of joint arrangements liabilities accounted for using the equity method	Note 24	(19 000)	23 688
Increase/(decrease) in accounts payable and accrued liabilities	Note 17	790	(74 626)
Increase/(decrease) in advance receipts	Note 18	30 919	18 397
Increase/(decrease) in employee benefits liabilities	Note 19	720 023	180 047
Increase/(decrease) in provisions	Note 20	(92 216)	(6 655)
Increase/(decrease) in Tax Equalization Fund liability	Note 21	13 858	(21 216)
Increase/(decrease) in other liabilities	Note 22	111 624	(5 891)
Investment revenue presented as investing activities	Note 30	(44 794)	(22 784)
Net cash flows from operating activities		**205 479**	**85 878**

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Cash flows from investing activities			
Pro rata share of net decrease/(increase) in cash pool	Note 30	(692 482)	312 726
Investment revenue presented as investing activities	Note 30	44 794	22 784
Acquisitions of property, plant and equipment	Notes 15 and 26	(96 773)	(77 450)
Proceeds from disposal of plant and equipment	Note 15	647	164
Acquisitions of intangibles	Notes 16 and 26	(23 682)	(9 111)
Net cash flows from/(used in) investing activities		**(767 496)**	**249 113**
Cash flows from financing activities			
Borrowings	Note 22	13 913	–
Net cash flows from/(used in) financing activities		**13 913**	–
Net increase/(decrease) in cash and cash equivalents		(548 104)	334 991
Cash and cash equivalents — beginning of year		820 343	485 352
Cash and cash equivalents — end of year	Note 7	**272 239**	**820 343**

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 2017

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual revenue and expenditure (budget basis)*[b]	*Difference (percentage)*[c]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*		
Revenue						
Assessed contributions (net of staff assessment)	4 870 446	5 129 103	2 574 642	2 589 122	2 577 925	-0.4
Staff assessment	486 415	507 475	263 680	271 616	254 240	-6.4
General income	41 227	46 499	20 821	25 678	28 983	12.9
Services to the public	3 706	(298)	(1 236)	938	(167)	-117.8
Total revenue	**5 401 794**	**5 682 779**	**2 857 907**	**2 887 354**	**2 860 981**	**-0.9**
Expenditure						
Regular budget						
Overall policymaking, direction and coordination	735 550	753 230	375 549	380 882	378 845	-0.5
Political affairs	1 380 540	1 471 500	798 628	784 929	777 578	-0.9
International justice and law	94 821	123 832	46 676	63 154	60 883	-3.6
International cooperation for development	464 598	484 501	239 084	247 182	245 689	-0.6
Regional cooperation for development	542 600	557 817	291 750	298 585	292 862	-1.9
Human rights and humanitarian affairs	359 775	389 522	202 239	204 310	203 428	-0.4
Public information	188 022	189 281	95 306	97 025	93 999	-3.1
Common support services	589 119	613 324	300 467	318 971	315 065	-1.2
Internal oversight	40 214	41 256	19 829	20 937	20 937	0.0
Jointly financed administrative activities and special expenses	164 693	161 186	91 049	87 487	85 916	-1.8
Capital expenditures	97 091	109 155	51 002	50 381	50 068	-0.6
Security and safety	234 295	252 442	115 134	129 293	129 293	0.0
Development account	28 399	28 399	–	–	–	–
Staff assessment	482 077	507 334	244 110	256 305	256 305	0.0
Subtotal, regular budget	5 401 794	5 682 779	2 870 823	2 939 441	2 910 868	**-1.0**
Other publicly available budgets						
Capital master plan		Not applicable	2 281	2 281	2 246	-1.5
Total expenditure	**5 401 794**	**5 682 779**	**2 873 104**	**2 941 722**	**2 913 114**	**-1.0**
Net total	–	–	**(15 197)**	**(54 368)**	**(52 133)**	–

[a] Refer to note 6, paragraph 106.

[b] Actual annual expenditure includes outstanding commitments of $135.9 million for the regular budget and $8.2 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 2017 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; renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa and the seismic retrofitting of the secretariat building at the Economic and Social Commission for Asia and the Pacific in Bangkok;

(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 2018–2019, 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 6.2, the Secretary-General transmitted the financial statements as at 31 December 2017 to the Board of Auditors by 31 March 2018. 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 30 July 2018.

Measurement basis

12. These financial statements are prepared using the historical-cost convention, except for real estate assets (other than prefabricated buildings) in special political missions 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 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) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) 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;

(c) 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);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019;

(e) Public sector measurement: the objectives of this project include to (i) issue amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17 to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

21. The IPSAS Board issued the following standards: IPSAS 34 to 38 in 2015 effective 1 January 2017, IPSAS 39 in 2016 effective 1 January 2018 and IPSAS 40 in 2017 effective 1 January 2019. The impact of these standards on the Organization's financial statements 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 requirements of the repealed IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected 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. The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. A desk review and assessment of United Nations volume I control and interests in other arrangements was performed and confirmed the result of the previous review that there are no changes following the adoption of the new standard.
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.

Standard	*Anticipated impact in the year of adoption*
	A desk review and assessment of all the arrangements between the United Nations and all its activities was performed and confirmed the result of the previous review that there is no existence of such temporary joint control or significant influence eliminated under IPSAS 36 in place of IPSAS 7. 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. 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 to net assets and/or obligations for net liabilities, 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 system-wide carried out a review of the arrangements between its organizations and joint arrangements. Such review conducted by means of a survey revealed no changes to the arrangements as previously concluded in the review performed by the Organization.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for interest in other entities. A desk review and assessment of the impact of IPSAS 38 on the United Nations and all its activities was performed and confirmed the result of the previous review that there are no impacts following the adoption of the new standard.
IPSAS 39	Currently, IPSAS 39 will have no impact on the Organization since the “corridor method” on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS in 2014. The Organization does not have any plan assets; therefore, there is no impact from application of the net interest approach prescribed by the standard. IPSAS 39 became effective on 1 January 2018. Further analysis will be carried out in the future, should the Organization procure plan assets.
IPSAS 40	There is currently no impact on the Organization from the application of IPSAS 40, as to date there are no public sector combinations which fall under volume I. Any such impact of IPSAS 40 on the Organization’s financial statements will be evaluated for application by the Organization by 1 January 2019, the effective date of the standard, should such combinations occur.

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 the 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, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, i.e. the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method. Voluntary contribution receivables, trade receivables and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months. 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 are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Other assets

34. 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

35. 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

36. 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. Standard rates of 4 per cent and 8 per cent of the cost of purchase are used in place of actual associated costs incurred for offices at Headquarters and away from Headquarters and special political missions, respectively. Inventory acquired through non-exchange transactions, i.e. donated goods, is 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.

37. 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.

38. 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 moving average methods based on records available in Umoja. 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.

39. 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

40. Heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in the notes thereto.

Property, plant and equipment

41. 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. Standard rates of 4 per cent and 20 per cent of the cost of purchase are used in place of actual associated costs incurred for offices at Headquarters and away from Headquarters and special political missions, respectively;

(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. Effective January 2018, new constructions in the special political missions shall be 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.

42. 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 component 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

43. In exceptional cases, the recorded useful lives for some assets converted for IPSAS reporting may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset. Although the total useful life entered in the asset master record looks beyond standard useful life, the remaining useful life when calculated from the date of capitalization remains within the asset class prescribed range.

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 are 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 assets 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 Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

70. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund and the Organization, in line with the other participating organizations in the Fund, are not in a position to identify the Organization's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Organization has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. The Organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

71. 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

72. 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.

73. **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, excluding actuarial gains and losses, are recognized in the statement of financial performance.

Provisions

74. 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.

75. 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

76. 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.

77. 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.

78. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

79. 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

80. Commitments are future expenses to be incurred by the Organization with respect to open contracts 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 the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Assessed contributions

81. 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

82. Voluntary contributions and other transfers that 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. However, when cash is received subject to specific conditions, recognition of revenue is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

83. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officers programme and fundraising activities conducted by another party, such as contributions from the United Nations Foundation to the United Nations Fund for International Partnerships (UNFIP). In the case of the Junior Professional Officers programme, revenue is recognized in the period that the Junior Professional Officer provides service, and in the case of United Nations Foundation contributions to UNFIP, the revenue is recognized when a cash disbursement authorization is received. Unused funds returned to the donors are netted against voluntary contributions.

84. 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.

85. 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

86. 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.

87. 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

88. 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

89. 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.

90. 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.

91. 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.

92. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

93. 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.

94. 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 arrangements

95. A joint arrangement is an arrangement by which two or more parties have joint control through a binding arrangement which gives those parties joint control of the arrangement. This 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 37: Joint arrangements, as either a:

(a) Joint operation whereby the parties to the arrangement have rights to assets and obligations for liabilities. The Organization 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; or

(b) Joint venture whereby the parties to the arrangement have rights to the net assets and/or obligations for net liabilities. The Organization will account for its interest using the equity method. The equity method initially records the interest 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.

Multi-partner trust funds

96. 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.

97. 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.

98. Where joint control exists but the Organization is not considered to be the principal, the activities are considered joint operations and accounted for as described above.

Note 4
Prior-period reclassifications and adjustments

99. The Organization made a reclassification of $7.9 million previously recorded as other revenue to contributions for self-insurance funds, resulting in a restatement of comparatives for these revenue areas. The reclassified amount relates to contributions of insurance premiums for self-insurance schemes received from other entities. There is no impact on the overall financial position and performance of the Organization as a result of this reclassification.

(Thousands of United States dollars)

	As reported 31 December 2016	*Prior-period reclassifications*	*As restated 31 December 2016*
Statement of financial performance extract			
Revenue			
Contributions for self-insurance funds	334 589	7 868	342 457
Other revenue	178 000	(7 868)	170 132

Note 5
Segment reporting

100. 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.

101. In order to provide details on how the Organization's activities are managed and financed, segment reporting information by fund group for the statement of financial position and the statement of financial performance 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; renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa and seismic retrofitting of the secretariat building at the Economic and Social Commission for Asia and the Pacific in Bangkok.

Segment	*Activities in segment*
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	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.

102. Segment reporting information by fund group is supplemented by segment reporting on the performance by pillar, which 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.

Segment	*Activities in segment*
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.
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.
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.

103. 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 2017

(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	7 252	136 545	16 567	24 398	8 198	66 289	12 990	–	272 239
Investments	49 862	1 213 330	60 415	217 293	73 005	410 741	115 680	–	2 140 326
Assessed contributions receivable	314 983	–	10	–	–	–	–	–	314 993
Voluntary contributions receivable	–	601 638	–	13	–	1	5 045	–	606 697
Other receivables	21 676	25 120	–	78 167	–	31 976	2	–	156 941
Inventories	34 308	–	–	173	–	–	–	–	34 481
Other assets	64 673	266 254	221	3 586	–	6 296	269	–	341 299
Total current assets	**492 754**	**2 242 887**	**77 213**	**323 630**	**81 203**	**515 303**	**133 986**	**–**	**3 866 976**
Non-current assets									
Investments	14 630	380 845	18 963	68 205	22 915	180 294	36 310	–	722 162
Voluntary contributions receivable	–	561 900	–	–	–	–	–	–	561 900
Property, plant and equipment	287 594	31 959	2 724 822	4 257	–	–	67	–	3 048 699
Intangible assets	10 224	2 838	95 383	4 477	–	210	26	–	113 158
Share of joint ventures accounted for using the equity method	6 228	–	1 488	–	–	–	–	–	7 716
Total non-current assets	**318 676**	**977 542**	**2 840 656**	**76 939**	**22 915**	**180 504**	**36 403**	**–**	**4 453 635**
Total assets	**811 430**	**3 220 429**	**2 917 869**	**400 569**	**104 118**	**695 807**	**170 389**	**–**	**8 320 611**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	260 679	53 769	10 209	29 471	20	11 853	7 307	–	373 308
Advance receipts	48 646	15 097	38	3 682	–	2	5 115	–	72 580
Employee benefits liabilities	45 022	10 975	391	3 188	138 284	31 633	390	–	229 883
Provisions	29 428	181	–	–	–	84 394	–	–	114 003

	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	–	–	–	–	–	–	88 653	–	88 653
Other liabilities	644	107 459	3 507	180	–	–	5 700	–	117 490
Total current liabilities	**384 419**	**187 481**	**14 145**	**36 521**	**138 304**	**127 882**	**107 165**	**–**	**995 917**
Non-current liabilities									
Employee benefits liabilities	20 369	–	–	–	4 908 330	11 605	–	–	4 940 304
Provisions	392	–	–	–	–	–	–	–	392
Share of joint ventures accounted for using the equity method	83 051	–	–	–	–	–	–	–	83 051
Other liabilities	1 679	76 384	79 598	48	–	–	–	–	157 709
Total non-current liabilities	**105 491**	**76 384**	**79 598**	**48**	**4 908 330**	**11 605**	**–**	**–**	**5 181 456**
Total liabilities	**489 910**	**263 865**	**93 743**	**36 569**	**5 046 634**	**139 487**	**107 165**	**–**	**6 177 373**
Net of total assets and total liabilities	**321 520**	**2 956 564**	**2 824 126**	**364 000**	**(4 942 516)**	**556 320**	**63 224**	**–**	**2 143 238**
Net assets									
Accumulated surplus/(deficit)	321 520	2 956 564	2 824 126	364 000	(4 942 516)	496 071	63 224	–	2 082 989
Reserves	–	–	–	–	–	60 249	–	–	60 249
Total net assets	**321 520**	**2 956 564**	**2 824 126**	**364 000**	**(4 942 516)**	**556 320**	**63 224**	**–**	**2 143 238**

All funds

Statement of financial position by fund group as at 31 December 2016

(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	63 204	417 504	27 160	83 443	21 793	160 481	46 758	–	820 343
Investments	107 031	738 392	48 090	147 735	38 585	266 216	82 788	–	1 428 837
Assessed contributions receivable	276 121	–	24	–	–	–	–	–	276 145
Voluntary contributions receivable	349	393 919	–	300	–	2	566	–	395 136
Other receivables	48 409	9 227	1	64 663	–	20 670	1 807	–	144 777
Inventories	19 570	–	–	116	–	–	–	–	19 686
Other assets	52 009	218 046	557	3 432	35	5 410	879	–	280 368
Total current assets	**566 693**	**1 777 088**	**75 832**	**299 689**	**60 413**	**452 779**	**132 798**	**–**	**3 365 292**
Non-current assets									
Investments	51 538	355 553	23 156	71 137	18 580	181 341	39 864	–	741 169
Voluntary contributions receivable	–	434 545	–	17	–	1	–	–	434 563
Property, plant and equipment	302 311	20 956	2 802 562	3 022	–	–	–	–	3 128 851
Intangible assets	2 367	2 248	97 193	2 795	–	189	48	–	104 840
Share of joint ventures accounted for using the equity method	2 107	–	1 072	–	–	–	–	–	3 179
Total non-current assets	**358 323**	**813 302**	**2 923 983**	**76 971**	**18 580**	**181 531**	**39 912**	**–**	**4 412 602**
Total assets	**925 016**	**2 590 390**	**2 999 815**	**376 660**	**78 993**	**634 310**	**172 710**	**–**	**7 777 894**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	270 877	48 111	10 466	22 389	44	15 506	5 125	–	372 518
Advance receipts	24 621	11 956	63	5 021	–	–	–	–	41 661
Employee benefits liabilities	43 152	10 924	417	2 962	135 160	23 210	182	–	216 007
Provisions	123 063	181	–	–	–	82 975	–	–	206 219

	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	–	–	–	–	–	–	74 795	–	74 795
Other liabilities	1 339	65 210	3 691	–	–	–	3 893	–	74 133
Total current liabilities	**463 052**	**136 382**	**14 637**	**30 372**	**135 204**	**121 691**	**83 995**	**–**	**985 333**
Non-current liabilities									
Employee benefits liabilities	18 287	–	–	–	4 203 758	12 112	–	–	4 234 157
Provisions	392	–	–	–	–	–	–	–	392
Share of joint ventures accounted for using the equity method	102 051	–	–	–	–	–	–	–	102 051
Other liabilities	685	5 676	69 168	–	–	–	–	–	75 529
Total non-current liabilities	**121 415**	**5 676**	**69 168**	**–**	**4 203 758**	**12 112**	**–**	**–**	**4 412 129**
Total liabilities	**584 467**	**142 058**	**83 805**	**30 372**	**4 338 962**	**133 803**	**83 995**	**–**	**5 397 462**
Net of total assets and total liabilities	**340 549**	**2 448 332**	**2 916 010**	**346 288**	**(4 259 969)**	**500 507**	**88 715**	**–**	**2 380 432**
Net assets									
Accumulated surplus/(deficit)	340 549	2 448 332	2 916 010	346 288	(4 259 969)	442 956	88 715	–	2 322 881
Reserves	–	–	–	–	–	57 551	–	–	57 551
Total net assets	**340 549**	**2 448 332**	**2 916 010**	**346 288**	**(4 259 969)**	**500 507**	**88 715**	**–**	**2 380 432**

Statement of financial performance by fund group for the period ended 31 December 2017

(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	2 822 835	–	–	–	–	–	–	–	2 822 835
Voluntary contributions	47 261	2 514 974	19 699	4 144	–	–	4 211	–	2 590 289
Contributions for self-insurance funds	–	–	–	–	–	598 872	–	(261 651)	337 221
Other revenue	39 931	1 317	6 612	321 171	23 388	5 910	3 770	(161 101)	240 998
Other transfers and allocations	63	115 200	59 606	7 413	–	–	–	(137 185)	45 097
Investment revenue	5 761	21 820	1 299	3 515	1 093	10 162	1 161	(17)	44 794
Total revenue	**2 915 851**	**2 653 311**	**87 216**	**336 243**	**24 481**	**614 944**	**9 142**	**(559 954)**	**6 081 234**
Expenses									
Employee salaries, allowances and benefits	1 963 340	410 675	12 738	139 272	172 837	18 523	1 903	(282 181)	2 437 107
Non-employee compensation/allowances	108 463	59 108	98	5 377	–	29	6 251	(510)	178 816
Grants and other transfers	215 342	1 437 879	–	8 011	–	–	4 993	(137 897)	1 528 328
Supplies and consumables	31 991	13 508	138	3 049	–	8	5	42	48 741
Depreciation and amortization	41 914	5 086	142 446	1 401	–	35	22	–	190 904
Impairment	194	57	59	–	–	–	–	–	310
Travel	70 445	68 394	142	2 877	–	49	8 425	(1 701)	148 631
Other operating expenses	443 034	150 178	23 893	158 331	(94)	16 842	13 033	(137 664)	667 553
Self-insurance claims and expenses	1 341	21	–	4	–	524 557	–	(43)	525 880
Finance costs	55	–	–	–	–	–	–	–	55
Contributions to and share of deficit of joint ventures on an equity basis	60 683	–	(248)	–	–	–	–	–	60 435
Other expenses	1 728	173	–	211	–	–	–	–	2 112
Total expenses	**2 938 530**	**2 145 079**	**179 266**	**318 533**	**172 743**	**560 043**	**34 632**	**(559 954)**	**5 788 872**
Surplus/(deficit) for the year	**(22 679)**	**508 232**	**(92 050)**	**17 710**	**(148 262)**	**54 901**	**(25 490)**	**–**	**292 362**

Statement of financial performance by fund group for the period ended 31 December 2016

(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	2 769 852	–	–	–	–	–	–	–	2 769 852
Voluntary contributions	45 912	2 286 840	15 638	7 026	–	–	2 391	–	2 357 807
Contributions for self-insurance funds	37	–	–	1	7 868	528 036	–	(193 485)	342 457
Other revenue	45 056	4 263	29 884	281 311	4 551	12 018	6 840	(213 791)	170 132
Other transfers and allocations	57	97 306	85 084	262	–	–	28 399	(168 142)	42 966
Investment revenue	2 595	13 774	1 009	2 316	509	1 790	795	(4)	22 784
Total revenue	**2 863 509**	**2 402 183**	**131 615**	**290 916**	**12 928**	**541 844**	**38 425**	**(575 422)**	**5 705 998**
Expenses									
Employee salaries, allowances and benefits	1 887 364	392 523	20 650	130 474	158 517	14 913	2 218	(207 042)	2 399 617
Non-employee compensation/allowances	69 831	60 198	1 927	3 896	–	–	5 031	(437)	140 446
Grants and other transfers	275 106	1 415 512	9 957	18 457	–	–	2 358	(168 147)	1 553 243
Supplies and consumables	32 570	12 511	8 428	1 774	–	5	3	(62)	55 229
Depreciation and amortization	41 023	4 793	167 053	824	–	18	18	–	213 729
Impairment	1 082	–	–	–	–	–	–	–	1 082
Travel	68 278	65 637	363	4 788	–	–	5 662	(1 736)	142 992
Other operating expenses	406 941	230 708	44 107	121 967	42	23 987	4 467	(197 847)	634 372
Self-insurance claims and expenses	1 418	21	–	–	–	479 990	3	(30)	481 402
Finance costs	121	–	–	–	–	–	–	–	121
Contributions to and share of deficit of joint ventures on an equity basis	89 125	–	67	–	–	–	–	–	89 192
Other expenses	5 090	555	–	484	–	52	–	(121)	6 060
Total expenses	**2 877 949**	**2 182 458**	**252 552**	**282 664**	**158 559**	**518 965**	**19 760**	**(575 422)**	**5 717 485**
Surplus/(deficit) for the year	**(14 440)**	**219 725**	**(120 937)**	**8 252**	**(145 631)**	**22 879**	**18 665**	**–**	**(11 487)**

Statement of financial performance by pillar for the period ended 31 December 2017

(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*	*Eliminations*	*Total*
Revenue													
Assessed contributions	794 719	62 628	633 826	206 740	103 833	–	124 152	28 906	868 031	–	–	–	2 822 835
Voluntary contributions	246 379	5 820	170 565	2 070 254	2 958	188	–	4 703	29 803	59 619	–	–	2 590 289
Contributions for self-insurance funds	–	–	–	–	–	–	–	–	–	–	598 872	(261 651)	337 221
Other revenue	2 111	–	2 441	1 296	95	–	17	–	366 841	–	29 298	(161 101)	240 998
Other transfers and allocations	10 192	138	13 767	91 072	20	–	–	–	67 019	74	–	(137 185)	45 097
Investment revenue	5 579	132	8 780	10 753	135	25	–	1 216	6 429	507	11 255	(17)	44 794
Total revenue	**1 058 980**	**68 718**	**829 379**	**2 380 115**	**107 041**	**213**	**124 169**	**34 825**	**1 338 123**	**60 200**	**639 425**	**(559 954)**	**6 081 234**
Expenses													
Employee salaries, allowances and benefits	515 267	40 072	592 529	392 294	94 004	572	90 668	4 449	786 581	11 492	191 360	(282 181)	2 437 107
Non-employee compensation/ allowances	66 567	7 415	58 941	22 159	6 094	156	101	1 671	15 469	724	29	(510)	178 816
Grants and other transfers	123 823	10 083	78 594	1 337 505	–	–	–	30 407	58 116	27 697	–	(137 897)	1 528 328
Supplies and consumables	33 503	161	2 224	3 493	435	1	796	2	8 014	62	8	42	48 741
Depreciation and amortization	28 456	71	1 767	4 693	200	–	342	–	155 065	275	35	–	190 904
Impairment	194	–	–	57	–	–	–	–	59	–	–	–	310
Travel	33 271	3 330	47 244	45 689	1 029	48	2 576	808	14 934	1 354	49	(1 701)	148 631
Other operating expenses	243 905	7 652	55 259	87 075	7 886	–	5 597	3 524	373 008	4 565	16 746	(137 664)	667 553
Self-insurance claims and expenses	3	–	1 341	19	–	–	–	–	–	–	524 560	(43)	525 880
Finance costs	–	–	–	–	–	–	–	–	55	–	–	–	55
Contributions to and share of deficit of joint ventures on an equity basis	–	–	4 133	–	–	–	28 681	–	27 621	–	–	–	60 435
Other expenses	259	11	889	24	36	–	–	–	874	19	–	–	2 112
Total expenses	**1 045 248**	**68 795**	**842 921**	**1 893 008**	**109 684**	**777**	**128 761**	**40 861**	**1 439 796**	**46 188**	**732 787**	**(559 954)**	**5 788 872**
Surplus/(deficit) for the year	**13 732**	**(77)**	**(13 542)**	**487 107**	**(2 643)**	**(564)**	**(4 592)**	**(6 036)**	**(101 673)**	**14 012**	**(93 362)**	**–**	**292 362**

Statement of financial performance by pillar for the period ended 31 December 2016

(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*	*Eliminations*	*Total*
Revenue													
Assessed contributions	766 093	61 387	663 868	188 560	101 464	–	133 201	28 460	826 819	–	–	–	2 769 852
Voluntary contributions	294 150	4 806	380 261	1 554 146	2 004	652	2 375	224	24 183	95 006	–	–	2 357 807
Contributions for self-insurance funds	31	–	6	–	–	–	–	–	1	–	535 904	(193 485)	342 457
Other revenue	5 226	20	4 396	3 430	1 075	–	13	–	353 184	10	16 569	(213 791)	170 132
Other transfers and allocations	2 809	261	51 601	69 186	30	100	–	–	85 404	1 717	–	(168 142)	42 966
Investment revenue	3 162	75	4 244	7 325	79	35	39	802	4 460	268	2 299	(4)	22 784
Total revenue	**1 071 471**	**66 549**	**1 104 376**	**1 822 647**	**104 652**	**787**	**135 628**	**29 486**	**1 294 051**	**97 001**	**554 772**	**(575 422)**	**5 705 998**
Expenses													
Employee salaries, allowances and benefits	520 333	36 452	566 101	349 360	93 866	1 966	103 929	3 658	747 912	9 652	173 430	(207 042)	2 399 617
Non-employee compensation/ allowances	50 255	7 065	41 250	24 748	1 124	562	142	1 497	12 536	1 704	–	(437)	140 446
Grants and other transfers	87 616	15 150	112 308	1 368 858	–	614	3 002	29 893	70 437	33 512	–	(168 147)	1 553 243
Supplies and consumables	31 002	215	2 658	3 997	332	6	1 110	2	15 862	102	5	(62)	55 229
Depreciation and amortization	28 606	170	2 214	4 493	190	–	417	–	177 451	170	18	–	213 729
Impairment	1 082	–	–	–	–	–	–	–	–	–	–	–	1 082
Travel	33 493	3 168	48 462	35 894	1 528	430	2 474	1 087	14 956	3 236	–	(1 736)	142 992
Other operating expenses	201 206	4 120	86 113	138 272	12 742	1 818	4 730	2 565	332 835	23 789	24 029	(197 847)	634 372
Self-insurance claims and expenses	2	6	1 430	–	–	–	–	–	4	–	479 990	(30)	481 402
Finance costs	–	–	–	–	–	–	–	–	121	–	–	–	121
Contributions to and share of deficit of joint ventures on an equity basis	–	–	36 608	–	–	–	25 131	–	27 453	–	–	–	89 192
Other expenses	418	27	637	68	53	99	53	6	4 697	71	52	(121)	6 060
Total expenses	**954 013**	**66 373**	**897 781**	**1 925 690**	**109 835**	**5 495**	**140 988**	**38 708**	**1 404 264**	**72 236**	**677 524**	**(575 422)**	**5 717 485**
Surplus/(deficit) for the year	**117 458**	**176**	**206 595**	**(103 043)**	**(5 183)**	**(4 708)**	**(5 360)**	**(9 222)**	**(110 213)**	**24 765**	**(122 752)**	**–**	**(11 487)**

Note 6
Comparison to budget

104. 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 revenue and expenditure on a comparable basis.

105. Approved budgets are those that permit expenses to be incurred, including income estimates, and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations and income estimates authorized by Assembly resolutions.

106. The original budget for the biennium 2016–2017 is the budget approved by the General Assembly for the biennium on 23 December 2015 in resolutions 70/249 A to C. The final budget represents final amounts authorized for the biennium 2016–2017, after incorporating all changes arising from Assembly resolutions 70/248 A, 71/272 B, 71/280 and 72/253 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 2017 annual budget represents the 2017 revised appropriations, plus the unencumbered balance of 2016. The final 2017 annual budget represents the original budget for 2017 and incorporates authorized final amounts and changes for the biennium 2016–2017. Final expenditures include both commitments and actual amounts incurred in the period.

107. Explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual revenue and 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*
Revenue:	
General income	The difference between the original and final annual budget is primarily due to higher than anticipated revenues from: (a) bank interest resulting from a higher average account balance and an increase in the interest rate in the United States of America from 0.5 per cent to 1.25 per cent in 2017; and (b) miscellaneous income attributable mainly to reimbursement from other funds and programmes for the costs related to the administration of justice. The difference between the final annual budget and the actual revenue primarily relates to higher revenues under miscellaneous income.
Services to the public	The difference between the original and final annual budget as well as between the final annual budget and actual net revenue is primarily attributable to lower than anticipated revenues from: (a) sales of philatelic items both at Headquarters and in Vienna; (b) sales of printed publications; (c) bookings of guided tours at Headquarters; and (d) the temporary suspension of royalty payments from the vendor for Headquarters catering operations as part of an interim agreement.

Budget part	*Material differences greater than 10 per cent*
Expenditure:	
International justice and law	The difference between the original and final annual budget primarily reflects appropriation of the commitment authorities for the subventions to the Extraordinary Chambers in the Courts of Cambodia and to the Residual Special Court of Sierra Leone as presented in the Secretary-General's report A/72/606 and approved by the General Assembly in resolutions 72/253 A and B. The difference between the final budget and actual expenditure (budget basis) has a non-material variance.
Security and safety	The difference between the original and final annual budget primarily relates to the overtime costs of 24/7 security operations in New York, Nairobi and Santiago as presented in the Secretary-General's report A/72/606 and approved by the General Assembly in resolutions 72/253 A and B. The difference between the final budget and actual expenditure (budget basis) has a non-material variance.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

108. 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, 2017

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(2 913 114)**	–	–	**(2 913 114)**
Basis differences	(97 497)	(119 808)	–	(217 305)
Entity differences	(2 865 144)	–	13 913	(2 851 231)
Presentation differences	6 081 234	(647 688)	–	5 433 546
Actual amounts in statement of cash flows (statement IV)	**205 479**	**(767 496)**	**13 913**	**(548 104)**

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2016

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis (statement V)	**(2 805 475)**	–	**(2 805 475)**
Basis differences	(42 934)	(86 397)	**(129 331)**
Entity differences	(2 802 719)	–	**(2 802 719)**
Presentation differences	5 737 006	335 510	**6 072 516**
Actual amounts in statement of cash flows (statement IV)	**85 878**	**249 113**	**334 991**

109. 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 commitments against the budget which do not represent a cash flow must be eliminated. Similarly, IPSAS-specific differences, such as payments against prior-year commitments and investing cash flows relating to acquisition of property, plant and equipment or intangibles are included as basis differences to reconcile to the statement of cash flows.

110. 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.

111. 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.

112. 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 2017 proportion of the biennium.

113. The table below presents the difference between biennial budget amounts, which is prepared on a modified cash basis, and actual revenue and expenditure on a comparable basis.

(Thousands of United States dollars)

	Publicly available budget		*Actual biennial revenue and expenditure (budget basis)*	*Difference (percentage)*
	Original biennial	*Final biennial*		
Revenue				
Assessed contributions (net of staff assessment)	4 870 446	5 129 103	5 071 172	-1.1
Staff assessment	486 415	507 475	506 279	-0.2

	Publicly available budget		*Actual biennial revenue and expenditure (budget basis)*	*Difference (percentage)*
	Original biennial	*Final biennial*		
General income	41 227	46 499	54 317	16.8
Services to the public	3 706	(298)	(1 634)	448.3
Total revenue	**5 401 794**	**5 682 779**	**5 630 134**	**-0.9**
Expenditure				
Regular budget				
Overall policymaking, direction and coordination	735 550	753 230	751 193	-0.3
Political affairs	1 380 540	1 471 500	1 464 156	-0.5
International justice and law	94 821	123 832	121 561	-1.8
International cooperation for development	464 598	484 501	483 008	-0.3
Regional cooperation for development	542 600	557 817	552 091	-1.0
Human rights and humanitarian affairs	359 775	389 522	388 640	-0.2
Public information	188 022	189 281	186 255	-1.6
Common support services	589 119	613 324	609 416	-0.6
Internal oversight	40 214	41 256	41 256	0.0
Jointly financed administrative activities and special expenses	164 693	161 186	159 615	-1.0
Capital expenditures	97 091	109 155	108 842	-0.3
Security and safety	234 295	252 442	252 442	0.0
Development account	28 399	28 399	28 399	0.0
Staff assessment	482 077	507 334	507 334	0.0
Subtotal, regular budget	**5 401 794**	**5 682 779**	**5 654 208**	**-0.5**
Other publicly available budgets				
Capital master plan	Not applicable		64 381	–
Total expenditure	**5 401 794**	**5 682 779**	**5 718 589**	**0.6**
Net total	**–**	**–**	**(88 455)**	**–**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Main pool (notes 30 and 31)[a]	248 774	798 955
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	10 225	9 716
Euro pool (notes 30 and 31)	8 474	1 577
Other cash and cash equivalents	4 766	10 095
Total	**272 239**	**820 343**

[a] Includes non-convertible Syrian pounds equivalent to $0.027 million (2016: $0.045 million).

114. Cash and cash equivalents include trust fund moneys totalling $136.5 million (2016: $417.5 million) held for the specific purposes of the respective trust funds. Similarly, an amount of $54.3 million (2016: $122.4 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	*Insurance/ workers' compensation funds*	*Other investments*	*Total 31 December 2017*
Current				
Main pool (notes 30 and 31)	1 213 330	401 937	513 004	2 128 271
Euro pool (notes 30 and 31)	–	–	–	–
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	8 804	–	8 804
Derivative instruments: currency forwards	–	–	3 251	3 251
Subtotal	**1 213 330**	**410 741**	**516 255**	**2 140 326**
Non-current				
Main pool (notes 30 and 31)	380 845	126 161	161 024	668 030
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	54 132	–	54 132
Subtotal	**380 845**	**180 293**	**161 024**	**722 162**
Total	**1 594 175**	**591 034**	**677 279**	**2 862 488**

(Thousands of United States dollars)

	Trust fund investments	*Insurance/ workers' compensation funds*	*Other investments*	*Total 31 December 2016*
Current				
Main pool (notes 30 and 31)	738 392	251 970	424 229	1 414 591
Euro pool (notes 30 and 31)	–	–	–	–
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	14 246	–	14 246
Subtotal	**738 392**	**266 216**	**424 229**	**1 428 837**

	Trust fund investments	*Insurance/ workers' compensation funds*	*Other investments*	*Total 31 December 2016*
Non-current				
Main pool (notes 30 and 31)	355 553	121 329	204 275	681 157
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	60 012	–	60 012
Subtotal	**355 553**	**181 341**	**204 275**	**741 169**
Total	**1 093 945**	**447 557**	**628 504**	**2 170 006**

115. 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 $4.4 million (2016: $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 2017	*31 December 2016*
Member States	570 601	494 697
Allowance for doubtful assessed contributions receivable	(255 608)	(218 552)
Total assessed contributions receivable	**314 993**	**276 145**

Note 10
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2017*
Voluntary contributions	608 094	561 900	1 169 994
Voluntary contributions in kind	–	–	–
Allowance for doubtful voluntary contributions receivable	(1 397)	–	(1 397)
Total voluntary contributions receivable	**606 697**	**561 900**	**1 168 597**

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2016
Voluntary contributions	401 367	434 563	835 930
Voluntary contributions in kind	187	–	187
Allowance for doubtful voluntary contributions receivable	(6 418)	–	(6 418)
Total voluntary contributions receivable	**395 136**	**434 563**	**829 699**

116. The non-current voluntary contributions receivable of $561.9 million (2016: $434.6 million) as at 31 December 2017 represents the discounted value of future year receivables. The current voluntary contributions receivable includes $62.2 million (2016: $33.2 million) of consolidated voluntary contributions receivable of the United Nations Development Programme Multi-partner trust fund. The non-current voluntary contributions receivable also includes $42.9 million (2016: $36.2 million) of consolidated voluntary contributions receivable of the United Nations Development Programme Multi-Partner Trust Fund.

Note 11
Other accounts receivable: receivables from exchange transactions and loans

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Loans receivable — loans provided by the Central Emergency Response Fund	24 000	8 000
Receivables due from peacekeeping operations (note 32)	47 376	47 376
Receivables due from jointly financed activities fund	50 074	50 000
Other accounts receivable	88 370	97 319
Subtotal	**209 820**	**202 695**
Allowance for doubtful receivables due from peacekeeping operations (note 32)	(47 376)	(47 376)
Allowance for doubtful other receivables	(5 503)	(10 542)
Total other receivables	**156 941**	**144 777**

Loans provided by the Central Emergency Response Fund

117. The General Assembly decided in its resolution 60/124 of 15 December 2005 to upgrade the former Central Emergency Revolving Fund, which provided loans only, to the current Central Emergency Response Fund, incorporating a grant element. During 2017, the loan component of the Central Emergency Response Fund granted two loans of $22.0 million and $20.0 million to the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), respectively. The loan to FAO was fully repaid in 2017 and the $20.0 million loan to UNRWA was outstanding as at 31 December 2017 and repaid on 5 February 2018, before the due date in 2018. The loan component of the Central Emergency Response Fund also includes an outstanding balance of $4.0 million for a loan to the United Nations Children's Fund granted in 2016, which was due for repayment in 2017.

Note 12
Inventories

(Thousands of United States dollars)

Inventory reconciliation	*Held for sale*	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory as at 1 January 2016	1 614	87	280	16 046	18 027
Purchased in period	1 436	75	172	12 593	14 276
Total inventory available	**3 050**	**162**	**452**	**28 639**	**32 303**
Consumption	(1 030)	(77)	(80)	(11 345)	(12 532)
Impairment and write-offs	(2)	–	(78)	(5)	(85)
Total inventory as at 31 December 2016	**2 018**	**85**	**294**	**17 289**	**19 686**
Purchased in period	903	173	378	26 572[a]	28 026
Total inventory available	**2 921**	**258**	**672**	**43 861**	**47 712**
Consumption	(864)	(188)	–	(12 174)	(13 226)
Impairment and write-offs	(4)	–	–	(1)	(5)
Total inventory as at 31 December 2017	**2 053**	**70**	**672**	**31 686**	**34 481**

[a] Includes a $11.7 million adjustment which represents previous purchases not reported in previous years, due to the inclusion of items which were previously classified as expendable property type equipment in Galileo and were not included in the reported non-financial inventories as per the methodology for recognizing non-financial inventory. These materials are now included in the scope of the reported non-financial inventory.

Note 13
Other assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Advances to United Nations Development Programme and other United Nations agencies	20 533	17 287
Advances to vendors	1 399	2 728
Advances to staff	34 302	37 408
Advances to military and other personnel	5 080	4 674
Deferred charges	15 203	7 474
United Nations Development Programme Multi-Partner Trust Fund advances (note 23)	260 307	206 690
Other	4 475	4 107
Total other assets	**341 299**	**280 368**

Note 14
Heritage assets

118. 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 donation and bequest. There were no significant additions during 2017.

119. 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

120. In accordance with IPSAS 17, the IPSAS implementation opening balances in the 2014 financial statements for real estate assets (buildings and infrastructure) were initially recognized at depreciated replacement cost, while machinery and equipment, vehicles, furniture and fittings and communications and information technology equipment were valued using historical cost. The useful lives as defined in the United Nations useful life catalogue for each main IPSAS asset class had been used to calculate the depreciation on a straight-line basis. Subsequently, all valuations of property, plant and equipment were measured using historical cost, with the exception of real estate assets (other than prefabricated buildings) 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. With the decommissioning of Galileo in August 2017, and subsequent migration to Umoja, actual cost will be used in valuing all new real estate construction starting from January 2018.

121. The net book value of property, plant and equipment as at 31 December 2017 was $3,048.7 million compared with $3,128.9 million as at 31 December 2016. The total cost of acquisitions and transfers during 2017 was $102.0 million.

122. During the year, the Organization disposed of assets with a total cost of $26.9 million (net book value of $3.0 million) comprising mainly $9.2 million (net book value of $2.7 million) relating to real estate assets and $17.7 million (net book value of $0.3 million) for machinery and equipment, furniture and fixtures, vehicles and communications and information technology equipment assets.

123. An impairment review of buildings, infrastructure and equipment was conducted and no significant impairment was identified, as the assets 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

124. The opening balance for assets under construction was $76.5 million (2016: $40.4 million) relating primarily to $52.4 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, $15.9 million for the construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters, buildings and infrastructure assets in special political missions of $3.3 million and renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa of $2.4 million. The strategic heritage plan of the United Nations Office at Geneva has a total projected cost of SwF 836.5 million ($855.3 million at the United Nations official exchange rate at 31 December 2017) as finally adopted by the General Assembly in its resolution 70/248 A. Expenditures had been incurred during 2015 to 2017 based on Assembly resolutions 69/262, 70/248 A and 71/272 A. The project is expected to last until 2023. The refurbishment and renovation is co-financed by an interest-free refundable loan from the Government of Switzerland for the amount of SwF 400 million (see note 22).

125. During the year, additions of $74.3 million (2016: $72.4 million) were capitalized to assets under construction, relating primarily to the refurbishment and

renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($29.8 million), the construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York ($15.3 million), construction of buildings and infrastructure assets in the special political missions ($15.3 million), renovation of Africa Hall at the Economic Commission for Africa ($4.1 million) and leasehold improvements of the blast mitigation project of ($1.0 million) for the Economic and Social Commission for Western Asia building in Beirut.

126. Assets under construction amounting to $45.8 million (2016: $36.3 million) were completed and became operational, including renovation works in Geneva ($2.7 million); construction of buildings (for office and accommodation) and infrastructure assets in the special political missions ($10.5 million); and the construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York ($27.6 million).

127. Assets under construction at year-end amounting to $105.0 million, compared with $76.5 million in 2016, relates primarily to $81.4 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, construction of buildings and infrastructure assets in special political missions of $8.1 million, renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa of $5.1 million and flexible workspace construction at United Nations Headquarters of $2.3 million.

128. The objective of the renovation of Africa Hall is to address the inadequacies related to building safety and functionality and to transform Africa Hall into a rejuvenated facility that complies with the highest international standards for conference facilities. By its resolution 70/248 A, section IX, the General Assembly approved the project scope, schedule and maximum overall cost in the amount of $56.9 million. Stages 1 and 2 have been completed and the project has proceeded to stages 3 and 4 and the establishment of a multi-year construction-in-progress account. The appropriation of an amount of $13.4 million under the proposed programme budget for the biennium 2016–2017 has been fully disbursed. The third stage (pre-construction) and the fourth stage (construction) are still in progress. The project is expected to be completed in 2021.

Finance lease assets

129. As at 31 December 2017, the cost of assets under finance leases amounted to $144.1 million ($69.9 million net book value), comprising donated right-to-use assets of $138.5 million at replacement cost ($69.9 million net book value) and commercial lease costing $5.6 million (nil net book value). The donated-right-to-use figure mainly represents the $136.9 million cost of the Vienna International Centre ($69.2 million book value) and the commercial lease represents network switches leased with Cisco.

130. 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 their operations at a nominal rent of 1 Austrian schilling per year.

131. 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. An annual review of the BMS ratio indicated a change in the ratio of 22.76 per cent in 2015 to 22.63 per cent in 2017. However, owing to immaterial impact, this change (representing 0.6 per cent of total Vienna International Centre assets and 0.01 per cent of total property, plant and equipment value) has not been considered in calculating the Vienna International Centre share for United Nations financial reporting. The useful lives applied to the buildings are based on the agreement with the Vienna-based organizations at the time the valuation report was prepared by PricewaterhouseCoopers. The buildings are depreciated in such way that the book value remains in line with the valuation report.

132. In accordance with IPSAS 13, the land arrangement in Vienna where the buildings reside 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.

133. The Organization also took transitional provisions up to 31 December 2014 for leasehold improvements and all such amounts were expensed as incurred. In 2017, the share of leasehold improvements made to the Vienna International Centre buildings amounting to $0.5 million was capitalized.

Property, plant and equipment: 2017

(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 2016	**835 698**	**3 748 970**	**281 767**	**168 959**	**168 270**	**51 311**	**4 693**	**76 461**	**4 874**	**5 341 003**
Additions	–	4 256	–	7 305	9 477	1 332	277	74 335	–	96 982
Disposals	–	(113)	(8 400)	(7 152)	(9 552)	(995)	–	–	(680)	(26 892)
Completed assets under construction	–	12 405	32 197	–	1 110	–	–	(45 825)	113	–
Transfers	–	(8 692)	8 839	2 211	1 932	672	38	–	–	5 000
Cost as at 31 December 2017	**835 698**	**3 756 826**	**314 403**	**171 323**	**171 237**	**52 320**	**5 008**	**104 971**	**4 307**	**5 416 093**
Accumulated depreciation as at 31 December 2016	**–**	**1 812 483**	**143 242**	**103 027**	**115 496**	**34 072**	**2 974**	**–**	**858**	**2 212 152**
Depreciation	–	126 805	16 706	12 717	16 122	3 296	316	–	364	176 326
Disposals	–	(93)	(5 810)	(6 962)	(9 343)	(968)	–	–	(676)	(23 852)
Transfers	–	(3 930)	3 985	1 214	547	607	35	–	–	2 458
Impairment losses	–	59	–	132	117	2	–	–	–	310
Accumulated depreciation as at 31 December 2017	**–**	**1 935 324**	**158 123**	**110 128**	**122 939**	**37 009**	**3 325**	**–**	**546**	**2 367 394**
Net carrying amount										
31 December 2016	835 698	1 936 487	138 525	65 932	52 774	17 239	1 719	76 461	4 016	3 128 851
31 December 2017	**835 698**	**1 821 502**	**156 280**	**61 195**	**48 298**	**15 311**	**1 683**	**104 971**	**3 761**	**3 048 699**

Property, plant and equipment: 2016

(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 2015	**835 698**	**3 722 979**	**278 959**	**159 437**	**159 584**	**51 338**	**4 222**	**40 397**	**1 020**	**5 253 634**
Additions	–	2 323	972	10 353	11 076	2 362	519	72 362	–	99 967
Disposals	–	(1 474)	(395)	(2 370)	(7 723)	(2 452)	(48)	–	–	(14 462)
Completed assets under construction	–	25 296	2 231	–	4 917	–	–	(36 298)	3 854	–
Transfers	–	(154)	–	1 539	416	63	–	–	–	1 864
Cost as at 31 December 2016	**835 698**	**3 748 970**	**281 767**	**168 959**	**168 270**	**51 311**	**4 693**	**76 461**	**4 874**	**5 341 003**
Accumulated depreciation as at 31 December 2015	**–**	**1 677 801**	**127 615**	**90 975**	**106 525**	**31 819**	**2 661**	**–**	**101**	**2 037 497**
Depreciation	–	135 096	15 990	12 842	15 857	3 523	351	–	179	183 838
Disposals	–	(413)	(363)	(1 659)	(7 143)	(1 385)	(48)	–	–	(11 011)
Transfers	–	(1)	–	646	2	99	–	–	–	746
Impairment losses	–	–	–	223	255	16	10	–	578	1 082
Accumulated depreciation as at 31 December 2016	**–**	**1 812 483**	**143 242**	**103 027**	**115 496**	**34 072**	**2 974**	**–**	**858**	**2 212 152**
Net carrying amount										
31 December 2015	835 698	2 045 178	151 344	68 462	53 059	19 519	1 561	40 397	919	3 216 137
31 December 2016	**835 698**	**1 936 487**	**138 525**	**65 932**	**52 774**	**17 239**	**1 719**	**76 461**	**4 016**	**3 128 851**

Note 16
Intangible assets

134. 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.

135. The total carrying value of the Umoja project as at year-end was $72.3 million (2016: $84.3 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 $0.9 million (2016: $1.4 million) on projects other than Umoja were expensed, as they were below the capitalization threshold.

136. In 2017, the estimated useful life of six years for the Umoja project was reassessed. Based on the reassessment, the useful life of Umoja was re-established to 10 years. The 10-year useful life estimate for each sub-asset resulting in an overall amortization period of 15 years better reflects the overall estimated useful life of Umoja.

Intangible assets: 2017

(Thousands of United States dollars)

	Umoja	Other software developed internally	Software acquired externally	Licences and rights	Assets under development: Umoja	Assets under development: Other	Total
Cost as at 31 December 2016	**171 129**	**5 631**	**804**	**126**	**12 920**	**3 104**	**193 714**
Additions[a]	–	9 493	3 643	28	10 117	401	23 682
Completed assets under development	–	3 104	–	–	–	(3 104)	–
Cost as at 31 December 2017	**171 129**	**18 228**	**4 447**	**154**	**23 037**	**401**	**217 396**
Accumulated amortization as at 31 December 2016	**86 856**	**1 762**	**204**	**52**	**–**	**–**	**88 874**
Amortization[b]	11 928	2 618	797	21	–	–	15 364
Accumulated amortization as at 31 December 2017	**98 784**	**4 380**	**1 001**	**73**	**–**	**–**	**104 238**
Net carrying amount							
31 December 2016	84 273	3 869	600	74	12 920	3 104	104 840
31 December 2017	**72 345**	**13 848**	**3 446**	**81**	**23 037**	**401**	**113 158**

[a] Includes post-capitalization of internally developed software in the amount of $3.8 million and acquired software in the amount of $2.5 million.

[b] Includes post-capitalization amortization of internally developed software in the amount of $0.479 million and amortization of acquired software in the amount of $0.307 million.

Intangible assets: 2016

(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 2015	**171 129**	**5 452**	**565**	**126**	**5 265**	**2 066**	**184 603**
Additions	–	–	239	–	7 655	1 217	9 111
Completed assets under development	–	179	–	–	–	(179)	–
Cost as at 31 December 2016	**171 129**	**5 631**	**804**	**126**	**12 920**	**3 104**	**193 714**
Accumulated amortization as at 31 December 2015	**58 277**	**592**	**83**	**31**	**–**	**–**	**58 983**
Amortization	28 579	1 170	121	21	–	–	29 891
Accumulated amortization as at 31 December 2016	**86 856**	**1 762**	**204**	**52**	**–**	**–**	**88 874**
Net carrying amount							
31 December 2015	112 852	4 860	482	95	5 265	2 066	125 620
31 December 2016	**84 273**	**3 869**	**600**	**74**	**12 920**	**3 104**	**104 840**

Note 17
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Payable to vendors	72 179	62 478
Transfers payable	15 606	18 874
Payable to other United Nations entities	15 997	23 665
Accruals for goods and services	96 308	71 071
Accounts payable — other	21 313	45 842
Subtotal	**221 403**	**221 930**
Payable to Member States	1 905	588
Working Capital Fund payable to Member States	150 000	150 000
Subtotal	**151 905**	**150 588**
Total accounts payable and accrued liabilities	**373 308**	**372 518**

Working Capital Fund

137. Balances payable to Member States include the $150.0 million (2016: $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 2017*
Deferred revenue	68 427	–	68 427
Advance receipts from Member States	4 153	–	4 153
Total advance receipts	**72 580**	**–**	**72 580**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
Deferred revenue	17 273	–	17 273
Advance receipts from Member States	24 388	–	24 388
Total advance receipts	**41 661**	**–**	**41 661**

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2017*
After-service health insurance	95 663	4 493 605	4 589 268
Annual leave	16 612	166 383	182 995
Repatriation benefits	22 867	248 319	271 186
Defined end-of-service/post-employment benefits liabilities	**135 142**	**4 908 307**	**5 043 449**
Appendix D/workers' compensation	1 761	31 971	33 732
Pension contributions liabilities	(123)	–	(123)
Insurance liabilities	30 972	–	30 972
Accrued salaries and allowances	62 131	26	62 157
Total employee benefits liabilities	**229 883**	**4 940 304**	**5 170 187**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
After-service health insurance	91 088	3 773 101	3 864 189
Annual leave	16 794	181 366	198 160
Repatriation benefits	25 212	249 291	274 503
Defined end-of-service/post-employment benefits liabilities	**133 094**	**4 203 758**	**4 336 852**
Appendix D/workers' compensation	1 740	30 325	32 065
Insurance liabilities	22 026	–	22 026
Accrued salaries and allowances	59 147	74	59 221
Total employee benefits liabilities	**216 007**	**4 234 157**	**4 450 164**

138. 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 Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2017.

139. The total employee benefits liability increased by $720 million in 2017 largely due to the changes in the actuarial demographic assumptions, experience adjustments and financial assumptions used in the recent full actuarial valuation. These resulted in the actuarial loss of $534 million. The remaining $186 million is constituted by service cost, interest obligation, Appendix D/workers' compensation, insurance liabilities and accrued salaries, offset by benefits paid.

Actuarial valuation: assumptions

140. 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 2017 and 31 December 2016 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/workers' compensation*[a]
Discount rates 31 December 2016	3.44	3.55	3.61	
Discount rates 31 December 2017	3.34	3.50	3.53	
Inflation 31 December 2016	4.00-6.0	2.25	–	2.25
Inflation 31 December 2017	4.00-5.70	2.20	–	2.20

[a] For the Appendix D/workers' compensation valuation, the actuaries applied the discount rates indicated by Aon Hewitt yield curves compared with the Citigroup Pension Discount Curves at prior analysis.

141. For the 2017 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollars , the Eurozone euro and the Swiss franc are those developed by Aon Hewitt and detailed in the actuarial report. This is consistent with the decision of the United Nations Task Force on Accounting Standards — established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination — taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26) endorsed by the General Assembly (resolution 71/272 B, sect. IV). The discount rates reflected in the 2016 after-service liability valuations were based on a weighted blend of per-currency discount rates, themselves calculated based on United States dollar, euro and Swiss franc cash flows. The discount rate for each of the three currencies was derived from a different yield curve: the Citigroup Pension Discount Curve for the United States dollar; the Ernst & Young Eurozone corporate yield curve for the euro; and the Federation bonds yield curve, plus the spread observed between government rates and high-grade corporate bond rates for the Swiss franc.

142. As at 31 December 2017, the salary increase assumptions for the Professional staff category were 8.5 per cent for the age of 23, grading down to 4.0 per cent for the age of 70. The salaries of the General Service staff category were assumed to increase by 6.8 per cent for the age of 19, grading down to 4.0 per cent at the age of 65.

143. 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 2017 were updated to include escalation rates for future years. As at 31 December 2017, these escalation rates were at 4.0 per cent (2016: 4.0 per cent) for non-United States medical plans, health-care escalation rates of 5.7 per cent (2016: 6.0 per cent) for all other medical plans, except 5.5 per cent (2016: 5.7 per cent) for the United States Medicare plan and 4.8 per cent (2016: 4.9 per cent) for the United States dental plan, grading down to 3.85 per cent (2016: 4.5 per cent) over 5 to 10 years for non-United States and 15 years for United States health-care cost. The assumption for 2016 was graded down over 10 years.

144. With regard to the valuation of repatriation benefits as at 31 December 2017, inflation in travel costs was assumed to be 2.20 per cent (2016: 2.25 per cent), on the basis of the projected United States inflation rate over the next 20 years. The assumption for 2016 was over 10 years.

145. 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 per cent; 4–8 years, 1 per cent; and more than eight years, 0.5 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

146. 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)

	2017	*2016*
Net defined-benefits liability as at 1 January	**4 336 852**	**4 135 125**
Current service cost	162 610	155 222
Interest cost	147 428	142 737
Total costs recognized in the statement of financial performance	**310 038**	**297 959**
Benefits paid	(137 726)	(143 036)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets[a]	534 285	46 804
Net defined-benefits liability as at 31 December	**5 043 449**	**4 336 852**

[a] The net cumulative amount of actuarial losses recognized in the statement of changes in net assets is $767.1 million (2016: $232.8 million).

Discount rate sensitivity analysis

147. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate 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 2017	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(783 053)	(23 207)	(16 219)
As a percentage of year-end liability	(17.06)	(8.56)	(8.86)
Decrease of discount rate by 1 per cent	1 041 550	26 927	18 918
As a percentage of year-end liability	22.70	9.93	10.34

31 December 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(655 996)	(24 711)	(16 922)
As a percentage of year-end liability	(16.98)	(9.0)	(8.54)
Decrease of discount rate by 1 per cent	863 524	27 716	19 756
As a percentage of year-end liability	22.35	10.10	9.97

Medical costs sensitivity analysis

148. 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-benefit 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)

2017	*Increase*	*Decrease*		
Effect on the defined-benefit obligation	22.78%	1 045 473	(17.45%)	(800 708)
Effect on the aggregate of the current service cost and interest cost	1.81%	83 162	(1.33%)	(60 936)
Total effect		**1 128 635**		**(861 644)**

2016	*Increase*	*Decrease*		
Effect on the defined-benefit obligation	24.17%	933 970	(16.30%)	(629 966)
Effect on the aggregate of the current service cost and interest cost	2.23%	85 994	(1.35%)	(52 011)
Total effect		**1 019 964**		**(681 977)**

Other defined-benefit plan information

149. Benefits paid for 2017 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-benefit payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined-benefit payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
2018	98 859	23 668	17 198	**139 725**
2017	94 218	26 107	17 401	**137 726**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Millions of United States dollars)

	2016	*2015*	*2014*	*2013*	*2012*
Present value of the defined-benefit obligations	4 337	4 135	4 680	3 537	3 398

Appendix D/workers' compensation costs sensitivity analysis

150. The sensitivity analysis looks at the change in liability resulting from changes in the cost-of-living adjustment as well as changes in assumed discount rates. A change in the cost-of-living adjustment and a change in the assumed discount rates of 1 per cent would have an impact on the measurement of the Appendix D obligation as shown below.

Appendix D costs: Effect of 1 per cent movement in cost-of-living adjustment sensitivity to end-of-year liability

(Thousands of United States dollars and percentage)

	31 December 2017	*31 December 2016*
Increase of cost-of-living adjustment by 1 per cent	4 612	4 033
As a percentage of year-end liability	13.68	12.63
Decrease of cost-of-living adjustment by 1 per cent	(3 753)	(3 432)
As a percentage of year-end liability	(11.13)	(10.75)

Appendix D costs: Effect of 1 per cent movement in assumed discount rates sensitivity to end-of-year liability

(Thousands of United States dollars and percentage)

	31 December 2017	*31 December 2016*
Increase of discount rate by 1 per cent	(3 539)	(3 252)
As a percentage of year-end liability	(10.50)	(10.19)
Decrease of discount rate by 1 per cent	4 410	3 774
As a percentage of year-end liability	13.08	11.82

Accrued salaries and allowances

151. Accrued salaries and allowances comprise $23.0 million (2016: $24.0 million) in accrued salaries, home leave benefits of $33.0 million (2016: $28.0 million) and $6.0 million (2016: $7.0 million) relating to other payables and accruals for repatriation grant payables and other allowances.

United Nations Joint Staff Pension Fund

152. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the 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 only payable 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 Fund as at the valuation date. Each member organization shall contribute to the deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

154. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biannual cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements. An actuarial valuation as at 31 December 2017 is currently being performed.

155. The roll-forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.20 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

156. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

157. During 2017, the Organization’s contributions paid to the Pension Fund amounted to $278.0 million (2015: $272.4 million). Expected contributions due in 2018 are $288.9 million.

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

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 affect the calculation of other long-term and end-of-service employee

benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes is explained 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. This change has been implemented as at 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of 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. This change in eligibility criteria has already been implemented effective 1 January 2017 and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant given to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollar), with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme also changes boarding assistance and education grant travel provided by the organization. Impacts can be seen at the end of the 2017–2018 school year and at the time of settlements.

161. The impact of these changes, other than the education grant, has been fully reflected in the actuarial valuation conducted in 2017.

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 2016	**120 030**	**–**	**3 033**	**572**	**82 976**	**206 611**
Additional provisions made	28 571	–	268	–	84 394	113 233
Amounts reversed	–	–	(1 767)	–	–	(1 767)
Amounts used	(120 030)	–	(676)	–	(82 976)	(203 682)
Provisions as at 31 December 2017	**28 571**	**–**	**858**	**572**	**84 394**	**114 395**
Current	28 571	–	858	180	84 394	114 003
Non-current	–	–	–	392	–	392
Total	**28 571**	**–**	**858**	**572**	**84 394**	**114 395**

(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 2015	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**
Additional provisions made	–	–	2 693	157	82 976	85 826
Amounts reversed	–	–	(811)	(5 460)	–	(6 271)
Amounts used	–	–	(44)	(9 738)	(76 428)	(86 210)
Provisions as at 31 December 2016	**120 030**	**–**	**3 033**	**572**	**82 976**	**206 611**
Current	120 030	–	3 033	180	82 976	206 219
Non-current	–	–	–	392	–	392
Total	**120 030**	**–**	**3 033**	**572**	**82 976**	**206 611**

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 appropriations for the biennium 2016–2017. The amount of $120.0 million established previously was refunded to Member States in January 2017 in accordance with General Assembly resolution 71/273 C. In addition, the Organization established provisions for $0.9 million (2016: $3.0 million) for various ongoing legal claims where it was assessed that the probability of a payout was greater than 50 per cent. Provisions for insurance claims (incurred but not reported) represent 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 insurance administrators by participants, and were estimated at year-end using normal insurance industry practice of estimating the value of such outstanding claims.

Note 21
Tax Equalization Fund liability

163. The Tax Equalization Fund was established under the provisions of the 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 assessed contributions for the regular budget, peacekeeping, the International Residual Mechanism and the international tribunals to Member States that do not levy taxes on the United Nations income of their nationals. 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 financed by the regular budget, peacekeeping, the Residual Mechanism and the international tribunals for taxes paid on their United Nations income. Such reimbursements for taxes paid are 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 2017 was $67.3 million (2016: $46.9 million), consisting of amounts payable to the United States of America at year-end of $23.03 million (2016: $13.1 million) and to other Member States of $44.3 million (2016: $33.8 million). The overall amount payable of the Fund is $88.6 million (2016: $74.8 million), which includes an estimated tax liability of $21.3 million relating to the 2017 and prior tax years (2016: $27.9 million), of which approximately $0.3 million was disbursed in January 2018 and approximately $20.9 million was expected to be settled in April 2018.

Note 22
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2017*
Liabilities for conditional arrangements	107 425	75 933	183 358
Liabilities under donated right-to-use arrangements	3 548	66 255	69 803
Finance lease liabilities	477	–	477
Straight-lining of operating lease	5 775	–	5 775
Borrowings	–	13 913	13 913
Other liabilities	265	1 608	1 873
Total other liabilities	**117 490**	**157 709**	**275 199**

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2016
Liabilities for conditional arrangements	65 184	5 274	70 458
Liabilities under donated right-to-use arrangements	3 733	69 778	73 511
Finance lease liabilities	1 192	477	1 669
Straight-lining of operating lease	3 952	–	3 952
Other liabilities	72	–	72
Total other liabilities	**74 133**	**75 529**	**149 662**

166. The General Assembly, in its resolution 70/248 A, approved the financing of the strategic heritage plan project in part through an interest-free loan from the host country. In resolution 71/272 A, the Assembly invited the Secretary-General to take advantage of the loan package offered by the host country. The Swiss Parliament approved the Secretary-General’s formal loan application and the corresponding loan contract was signed in April 2017 between the Organization and the Fondation des immeubles pour les organisations internationales (FIPOI) (public entity under the Government of Switzerland). The maximum loan amounts assigned to the construction of the new building and the renovation of existing buildings are SwF 125.1 million and SwF 274.9 million, respectively, totalling SwF 400 million. The Organization withdraws funds available under the loan in several tranches each year during the construction and renovation periods, according to the forecasted costs needed for the project. The loan is measured at amortized cost calculated using the effective interest method and the interest rate used is that of a 30-year Swiss federal government bond. As at 31 December 2017, the loan amount withdrawn was SwF 15 million (equivalent to $13.91 million).

Note 23
Controlled multi-partner trust funds

167. 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

168. 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.

169. The Peacebuilding Fund has financed approximately 500 projects in 40 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.

170. In 2016, the Secretary-General announced a new approach to address the critical situation of the cholera outbreak in Haiti and, in collaboration with United Nations agencies, funds and programmes, launched the United Nations Haiti Cholera Response Multi-Partner Trust Fund. The Trust Fund provides a rapid, flexible and accountable platform to support a coordinated response from the United Nations

system and partners. The Fund is led by the Special Adviser to the Secretary-General on the 2030 Agenda for Sustainable Development and Climate Change, who acts as the Chair of the Advisory Committee of the Fund. Accordingly, the Organization is considered as the principal in the Fund.

171. Following the adoption of General Assembly resolution 71/1 of 19 September 2016, entitled "New York Declaration for Refugees and Migrants", the United Nations launched in 2017 the United Nations multi-partner trust fund to support the global compact for safe, orderly and regular migration. This fund was primarily established to support the travel and participation of representatives from developing countries, in particular the least developed countries, and support the activities related to the preparations of the Intergovernmental Conference and its preparatory process. The fund is administered by the United Nations Development Programme Multi-Partner Trust Fund Office, acting as the administrative agent. The Fund Advisory Committee is chaired by the Special Representative of the Secretary-General for International Migration.

172. The multi-partner trust funds where the Organization has control and is the principal are therefore recorded in full in the Organization's financial statements. The revenue and expenses recorded by the United Nations Development Programme Multi-Partner Trust Fund Office, together with information on its financial position, were consolidated on an accrual basis in the Organization's financial statements. A summary of revenue, expenses and net assets of the controlled multi-partner trust funds is shown below.

(Thousands of United States dollars)

	Year ended 31 December 2017				
	Common humanitarian funds	*Peacebuilding Fund*	*Multi-partner trust fund on migration*	*Haiti Cholera Response Fund*	***Total***
Revenue	352 231	93 277	447	6 965	**452 920**
Expenses	(265 826)	(89 521)	(424)	(2 570)	**(358 341)**
Net surplus/(deficit)	**86 405**	**3 756**	**23**	**4 395**	**94 579**
Net assets as at 31 December 2016	115 165	162 439	–	632	**278 236**
Net assets as at 31 December 2017	**201 570**	**166 195**	**23**	**5 027**	**372 815**

(Thousands of United States dollars)

	Year ended 31 December 2016				
	Common humanitarian funds	*Peacebuilding Fund*	*Multi-partner trust fund on migration*	*Haiti Cholera Response Fund*	***Total***
Revenue	239 874	102 037	–	638	**342 549**
Expenses	(298 116)	(57 020)	–	(6)	**(355 142)**
Net surplus/(deficit)	**(58 242)**	**45 017**	**–**	**632**	**(12 593)**
Net assets as at 31 December 2015	173 407	117 422	–	–	**290 829**
Net assets as at 31 December 2016	**115 165**	**162 439**	**–**	**632**	**278 236**

Note 24
Interests in joint arrangements

Interests in joint arrangements accounted for using the equity method

Joint arrangements accounted for using the equity method, as at 31 December 2017

(Thousands of United States dollars)

		Statement of changes in net assets			
	Net assets/ (liability) as at 1 January 2017	*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 2017*
Interest in joint arrangements: non-current assets					
International Trade Centre (ITC)	(16 952)	1 178	(5)	19 448	3 669
Add: reclassification of the net liability balance for ITC as at 31 December 2016	16 952	–	–	–	–
United Nations System Staff College	2 106	–	–	453	2 559
Vienna International Centre Major Repair and Replacement Fund	1 073	–	167	248	1 488
Total non-current assets	**3 179**	**1 178**	**162**	**20 149**	**7 716**
Interest in joint arrangements: non-current liabilities					
United Nations Office at Vienna	(61 707)	12 452	–	(2 465)	(51 720)
Other joint ventures	(23 392)	(7 871)	–	(68)	(31 331)
Less: reclassification of the net liability balance for ITC as at 31 December 2016	(16 952)	–	–	–	–
Total non-current liabilities	**(102 051)**	**4 581**	**–**	**(2 533)**	**(83 051)**
Net interest in joint arrangements	**(98 872)**	**5 759**	**162**	**17 616**	**(75 335)**
Net contribution to joint arrangements[a]				(78 051)	
Statement II: contributions to and share of deficit of joint arrangements accounted for on an equity basis				**(60 435)**	

[a] Represents the 2017 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $59.6 million for the joint financing arrangement contribution, $17.8 million for the ITC contribution, $0.2 million for the United Nations System Staff College contribution and a contribution of $0.5 million to the Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method, as at 31 December 2016

(Thousands of United States dollars)

		Statement of changes in net assets			
	Net assets/ (liability) as at 1 January 2016	*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 2016*
Interest in joint arrangements: non-current assets					
United Nations System Staff College	1 881	90	(28)	163	2 106
Vienna International Centre Major Repair and Replacement Fund	1 188	–	(48)	(67)	1 073
Total non-current assets	**3 069**	**90**	**(76)**	**96**	**3 179**
Interest in joint arrangements: non-current liabilities					
International Trade Centre	(207)	(4 538)	–	(12 207)	(16 952)
United Nations Office at Vienna	(57 402)	(2 035)	–	(2 270)	(61 707)
Other joint ventures	(20 754)	(749)	–	(1 889)	(23 392)
Total non-current liabilities	**(78 363)**	**(7 322)**	**–**	**(16 366)**	**(102 051)**
Net interest in joint arrangements	**(75 294)**	**(7 232)**	**(76)**	**(16 270)**	**(98 872)**
Net contribution to joint arrangements[a]				(72 922)	
Statement II: contributions to and share of deficit of joint arrangements accounted for on an equity basis				**(89 192)**	

[a] Represents the 2016 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $53.6 million for the joint financing arrangement contribution, $18.6 million for the ITC contribution, $0.2 million for the United Nations System Staff College contribution and a contribution of $0.5 million to the Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method: non-current assets

173. 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 2017 core contribution, the Organization’s share is 29.61 per cent (2016: 29.61 per cent). A summary of the financial performance and net assets position of the College is shown below.

174. 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 2017 (2016: $0.5 million), which represents 11.38 per cent of the total revenue received by the Fund in 2017 (2016: 11.38 per cent). Additional information and a summary of the financial performance and net assets position of the Fund are presented below.

175. 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 2017.

176. ITC is a joint venture between the United Nations and the World Trade Organization. Accordingly, the Organization's 50.0 per cent interest, based on its regular budget contribution of $17.8 million in 2017 (2016: $18.6 million), is accounted for using the equity method. A summary of the financial performance and net assets position of ITC is provided below.

Joint arrangements accounted for using the equity method: non-current liabilities

177. The jointly financed activities are established under binding agreements as follows:

(a) **United Nations Office at Vienna**: jointly financed activities of the United Nations in Vienna consist of three activities, 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.

178. These jointly financed activities have the same reporting period as the Organization and are accounted for using the equity method. 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 arrangements accounted for using the equity method: financial statements

Joint arrangements accounted for using the equity method: statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Current assets	82 569	16 533	13 493	18 346	52 809	183 750
Non-current assets	84 608	47	–	233	5 888	90 776
Total assets	**167 177**	**16 580**	**13 493**	**18 579**	**58 697**	**274 526**
Current liabilities	(50 210)	(1 347)	(349)	(20 523)	(41 950)	(114 379)
Non-current liabilities	(109 630)	(6 589)	–	(83 043)	(159 877)	(359 139)
Total liabilities	**(159 840)**	**(7 936)**	**(349)**	**(103 566)**	**(201 827)**	**(473 518)**
Net of total assets and total liabilities	**7 337**	**8 644**	**13 144**	**(84 987)**	**(143 130)**	**(198 992)**
Net assets: accumulated surplus/(deficit)	**7 337**	**8 644**	**13 144**	**(84 987)**	**(143 130)**	**(198 992)**

Joint arrangements accounted for using the equity method: statement of financial performance as at 31 December 2017

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Revenue	127 125	11 349	3 974	45 327	138 943	326 718
Expenses	(88 210)	(9 819)	(1 728)	(49 861)	(146 289)	(295 907)
Surplus/(deficit) for the year	**38 915**	**1 530**	**2 246**	**(4 534)**	**(7 346)**	**30 811**
Net assets/(liabilities) at beginning of year	**(33 903)**	**7 114**	**9 425**	**(100 861)**	**(99 883)**	**(218 108)**
Surplus/(deficit) for the year	38 895[a]	1 530	2 246	(4 592)	(7 289)	30 810
Actuarial gains/(losses) on employee benefits liabilities	2 355	–	–	20 466	(35 958)	(13 137)
Other changes in net assets	(10)	–	1 473	–	–	1 443
Net assets/(liabilities) at year-end	**7 337**	**8 644**	**13 144**	**(84 987)**	**(143 130)**	**(198 992)**
Organization's interest in the joint arrangements (percentage)	**50.00%**	**29.61%**	**11.32%**	**60.85%**	**21.89%**	
Share of surplus/(deficit) for the year	19 448	453	248	(2 465)[b]	(68)[c]	17 616
Share of actuarial gains/(losses) recognized directly in net assets	1 178	–	–	12 452	(7 871)	5 759
Share of other changes in net assets	(5)	–	167	–	–	162
Share of net assets/(liabilities) at year-end	**3 669**	**2 559**	**1 488**	**(51 720)**	**(31 331)**	**(75 335)**

[a] The surplus for the International Trade Centre includes $0.02 million in adjustments relating to prior periods.
[b] Adjusted to reflect change in the interest of the Organization from 61.18 per cent in 2016 to 60.85 per cent in 2017.
[c] Adjusted to reflect change in the interest of the Organization from 23.42 per cent in 2016 to 21.89 per cent in 2017.

Joint arrangements accounted for using the equity method: statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Current assets	53 578	14 161	9 501	21 002	46 992	145 234
Non-current assets	51 450	38	–	260	7 501	59 249
Total assets	**105 028**	**14 199**	**9 501**	**21 262**	**54 493**	**204 483**
Current liabilities	(27 683)	(818)	(76)	(22 956)	(37 028)	(88 561)
Non-current liabilities	(111 248)	(6 267)	–	(99 168)	(117 347)	(334 030)
Total liabilities	**(138 931)**	**(7 085)**	**(76)**	**(122 124)**	**(154 375)**	**(422 591)**
Net of total assets and total liabilities	**(33 903)**	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(218 108)**
Net assets: accumulated surplus/(deficit)	**(33 903)**	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(218 108)**

Joint arrangements accounted for using the equity method: statement of financial performance as at 31 December 2016

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	***Total***
Revenue	66 791	9 491	3 910	39 654	135 658	255 504
Expenses	(91 205)	(8 934)	(4 498)	(44 426)	(139 499)	(288 562)
Surplus/(deficit) for the year	**(24 414)**	**557**	**(588)**	**(4 772)**	**(3 841)**	**(33 058)**
Net assets/(liabilities) at beginning of year	**(414)**	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(169 234)**
Surplus/(deficit) for the year	(24 414)	557	(588)	(4 772)	(3 841)	(33 058)
Actuarial gains/(losses) on employee benefits liabilities	(9 075)	303	–	(3 326)	(3 196)	(15 294)
Other changes in net assets	–	(98)	(424)	–	–	(522)
Net assets/(liabilities) at year-end	**(33 903)**	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(218 108)**
Organization's interest in the joint arrangements (percentage)	**50.00%**	**29.61**	**11.38**	**61.18**	**23.42**	
Share of surplus/(deficit) for the year	(12 207)	163	(67)	(2 270)[a]	(1 889)[b]	(16 270)
Share of actuarial gains/(losses) recognized directly in net assets	(4 538)	90	–	(2 035)	(749)	(7 232)
Share of other changes in net assets	–	(28)	(48)	–	–	(76)
Share of net assets/(liabilities) at year-end	**(16 952)**	**2 106**	**1 073**	**(61 707)**	**(23 392)**	**(98 872)**

[a] Adjusted to reflect change in the interest of the Organization from 61.88 per cent in 2015 to 61.18 per cent in 2016.
[b] Adjusted to reflect change in the interest of the Organization from 22.35 per cent in 2015 to 23.42 per cent in 2016.

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 2015	**363 996**	**2 228 607**	**(4 067 534)**	**477 430**	**3 445 081**	**2 447 580**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 19)	(1 747)	–	(46 804)	198	–	(48 353)
Share of changes recognized by joint ventures directly in net assets (note 24)	(7 260)	–	–	–	(48)	(7 308)
Surplus/(deficit) for the year	(14 440)	219 725	(145 631)	22 879	(94 020)	(11 487)
Total changes in net assets	**(23 447)**	**219 725**	**(192 435)**	**23 077**	**(94 068)**	**(67 148)**
Net assets as at 31 December 2016	**340 549**	**2 448 332**	**(4 259 969)**	**500 507**	**3 351 013**	**2 380 432**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 19)	(2 104)	–	(534 285)	912	–	(535 477)
Share of changes recognized by joint ventures directly in net assets (note 24)	5 754	–	–	–	167	5 921
Surplus/(deficit) for the year	(22 679)	508 232	(148 262)	54 901	(99 830)	292 362
Total changes in net assets	**(19 029)**	**508 232**	**(682 547)**	**55 813**	**(99 663)**	**(237 194)**
Net assets as at 31 December 2017	**321 520**	**2 956 564**	**(4 942 516)**	**556 320**	**3 251 350**	**2 143 238**

Net assets as at 31 December 2017

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	321 520	–	321 520
General trust funds	2 956 564	–	2 956 564
Long-term employee benefits funds	(4 942 516)	–	(4 942 516)
Insurance/workers’ compensation funds	496 071	60 249	556 320
Other funds	3 251 350	–	3 251 350
Total net assets	**2 082 989**	**60 249**	**2 143 238**

Net assets as at 31 December 2016

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	340 549	–	340 549
General trust funds	2 448 332	–	2 448 332
Long-term employee benefits funds	(4 259 969)	–	(4 259 969)
Insurance/workers’ compensation funds	442 956	57 551	500 507
Other funds	3 351 013	–	3 351 013
Total net assets	**2 322 881**	**57 551**	**2 380 432**

Accumulated surplus

179. 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

180. Reserves comprise a premium stabilization reserve amounting to $1.4 million (2016: $1.4 million) with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $58.8 million (2016: $56.1 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

181. Under the provisions of General Assembly resolutions 2053 A (XX) of 15 December 1965 and 3049 A (XXVII) of 19 December 1972, 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 $202.1 million (2016: $200.6 million), of which $48.7 million (2016: $48.7 million) relates to the Fund principal from contributions and $153.4 million (2016: $151.9 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

182. Assessed contributions of $2,822.8 million (2016: $2,769.9 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)

	2017	*2016*
Gross amounts assessed to Member States[a]	2 776 530	2 745 188
Additional assessment[b]	(61 600)	7 967
Additional appropriation approved for the year[c]	61 588	61 600
Appropriation for the shortfall of the capital master plan (see resolution 69/274 A)	–	(45 000)
Cancellation of prior-period obligations for the biennium 2014–2015[d]	(45 243)	–
Utilization of provisions set up for unencumbered balances of 2014-2015 appropriations and reported in 2015 financial statements	120 030	–
Unencumbered balance for the biennium 2016–2017 appropriations set up as provisions in 2017 financial statements[e]	(28 571)	–
Non-member States assessments	101	97
Amount reported in statement II: assessed contributions	**2 822 835**	**2 769 852**

[a] Gross amounts assessed based on resolution 71/273 C and ST/ADM/SER.B/955 for 2017 and resolution 70/249 C and ST/ADM/SER.B/932 for 2016.
[b] 2017 adjustment pertains to the year 2016 and 2016 adjustment pertains to the year 2015.
[c] 2017 pertains to additional appropriations in connection with resolutions 71/272 B, 71/280 and 72/253 A and B. 2016 pertains to additional appropriations in connection with resolutions 70/248 B and C and 71/273 A.
[d] Cancellation of prior-period obligations for the biennium 2014–2015 was approved in resolution 72/263 C as financing for 2018–2019 biennium appropriations; however, it was included in the 2017 financial statements due to the amount being finalized in those statements.
[e] Unencumbered balance of $28.6 million reflects the differences between the final budget and actual expenditure (budget basis) for the biennium 2016–2017.

Voluntary contributions

(Thousands of United States dollars)

	2017	*2016*
Voluntary monetary contributions	2 539 222	2 287 658
Voluntary in-kind contributions	72 211	90 268
Total voluntary contributions	**2 611 433**	**2 377 926**
Refunds	(21 144)	(20 119)
Net voluntary contributions	**2 590 289**	**2 357 807**

183. During 2017, the total amount of voluntary contributions in kind recognized for right-to-use arrangements was $72.1 million (2016: $67.0 million) and voluntary contributions in kind recognized for donated assets was $0.08 million (2016: $23.2 million).

184. The total amount of donor pledges or agreements which have not been formalized or which were subject to fundraising activities as at 31 December 2017 is $50.7 million (2016: $12.4 million).

185. Voluntary monetary contributions include $4.1 million (2016: $4.9 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, and $444.3 million (2016: $339.8 million) in consolidated voluntary contributions of the United Nations Development Programme Multi-Partner Trust Fund.

Other transfers and allocations

(Thousands of United States dollars)

	2017	*2016*
Inter-organizational arrangements	45 092	17 720
Other transfers and allocations	5	25 246
Total other transfers and allocations	**45 097**	**42 966**

Services in kind

186. In-kind contributions of technical assistance, experts, security and other services received during the year are not recognized as revenue and therefore are not included in the in-kind contributions revenue reflected above. In-kind technical assistance/expert services and other in-kind services received by the Organization during the year amounted to $8.01 million (2016: $9.7 million).

Note 27
Other revenue

	2017	*2016 a*
Revenue from services rendered	134 466	121 698
Rental income	28 843	25 348
Revenue-producing activities and other miscellaneous revenue	77 689	23 086
Total other transfers and allocations	**240 998**	**170 132**

[a] Restated to conform with the current presentation (see note 4).

187. Revenue from services rendered comprises revenue generated from software support and maintenance, training and consultancy services provided to external parties. Revenue-producing activities includes revenue from sales of publications, books and stamps. Miscellaneous revenue derives mainly from net exchange gains, sale of equipment and inventories and donation of fixed assets.

Note 28
Health and dental self-insurance plans

188. 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, as well as staff and retirees of certain United Nations entities and agencies;

(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 organizations mostly based in Geneva.

189. 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.

190. 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.

191. 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.

192. 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. Entities and agencies that participate in the United Nations health and dental insurance plans only contribute premiums and have no access or control over the assets or operations of the programme. Such entities include: United Nations Development Programme, United Nations Children's Fund, United Nations Entity for Gender Equality and the Empowerment of Women, United Nations Office for Project Services, United Nations Population Fund, Office of the United Nations High Commissioner for Refugees and United Nations Educational, Scientific and Cultural Organization. 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 2017

(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	22 238	4 254	27 785	54 277
Investments	260 187	49 776	140 520	450 483
Other receivables	28 801	–	2 704	31 505
Other assets	3 625	1 210	271	5 106
Total assets	**314 851**	**55 240**	**171 280**	**541 371**
Liabilities				
Accounts payable and accrued liabilities	8 567	355	–	8 922
Employee benefits liabilities	20 936	1 848	8 232	31 016
Advance receipts	2	–	–	2
Provisions	51 005	8 849	24 540	84 394
Total liabilities	**80 510**	**11 052**	**32 772**	**124 334**
Net of total assets and total liabilities	**234 341**	**44 188**	**138 508**	**417 037**
Net assets				
Accumulated surplus	234 341	44 188	79 659	358 188
Reserves	–	–	58 849	58 849
Total net assets[a]	**234 341**	**44 188**	**138 508**	**417 037**

[a] Net assets of health insurance funds of $417.0 million are included in the net assets of the insurance/workers' compensation funds of $556.3 million (note 25), with the difference of $139.3 million corresponding to net assets of the workers' compensation fund, life insurance fund and general liability fund which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2017

(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	2 568	745	5 114	8 427
Contributions for self-insurance funds[a]	443 286	32 087	114 263	589 636
Total revenue	**445 854**	**32 832**	**119 377**	**598 063**
Expenses				
Self-insurance claims and expenses[b]	387 549	35 996	100 349	523 894
Employee salaries, allowances and benefits	7 540	514	3 974	12 028

	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*
Supplies and consumables	–	–	8	8
Depreciation and amortization	–	–	36	36
Travel		47	3	50
Other operating expenses	19 087	2 235	(4 448)	16 874
Total expenses	**414 176**	**38 792**	**99 922**	**552 890**
Surplus/(deficit) for the year	**31 678**	**(5 960)**	**19 455**	**45 173**

[a] The figure for contributions for self-insurance funds of $589.6 million has been adjusted to eliminate the Organization's contributions of $261.6 million. In addition, an amount of $9.2 million relating to compensation awards has been included to arrive at $337.2 million, as shown in statement II.
[b] The figure for self-insurance claims and expenses of $523.9 million has been adjusted for an amount of $2.0 million of expenses relating to compensation awards and other insurance programmes to arrive at $525.9 million, as shown in statement II.

Self-insurance funds: statement of financial position as at 31 December 2016

(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	71 670	17 609	33 115	122 394
Investments	187 997	46 192	113 461	347 650
Other receivables	11 571	1	4 906	16 478
Other assets	2 765	1 200	234	4 199
Total assets	**274 003**	**65 002**	**151 716**	**490 721**
Liabilities				
Accounts payable and accrued liabilities	8 500	4 005	955	13 460
Employee benefits liabilities	12 686	1 442	8 293	22 421
Provisions	50 154	9 407	23 415	82 976
Total liabilities	**71 340**	**14 854**	**32 663**	**118 857**
Net of total assets and total liabilities	**202 663**	**50 148**	**119 053**	**371 864**
Net assets				
Accumulated surplus	202 663	50 148	62 902	315 713
Reserves	–	–	56 151	56 151
Total net assets[a]	**202 663**	**50 148**	**119 053**	**371 864**

[a] Net assets of health insurance funds of $371.9 million are included in the net assets of the insurance/workers' compensation funds of $500.5 million (note 25), with the difference of $128.6 million corresponding to net assets of the workers' compensation fund, life insurance fund and general liability fund which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2016 (restated[a])

(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	1 627	567	(1 403)	791
Contributions for self-insurance funds[b]	389 376	28 715	109 682	527 773
Total revenue	**391 003**	**29 282**	**108 279**	**528 564**
Expenses				
Self-insurance claims and expenses[c]	346 697	39 532	92 929	479 158
Employee salaries, allowances and benefits	–	136	3 879	4 015
Non-employee compensation and allowances	6 573	(6)	–	6 567
Supplies and consumables	–	–	5	5
Depreciation and amortization	–	–	17	17
Other operating expenses	18 017	3 042	2 771	23 830
Total expenses	**371 287**	**42 704**	**99 601**	**513 592**
Surplus for the year	**19 716**	**(13 422)**	**8 678**	**14 972**

[a] Restated to conform with the current presentation (see note 4).

[b] The figure for contributions for self-insurance funds of $527.8 million has been adjusted to eliminate the Organization’s contributions of $193.5 million. In addition, an amount of $8.1 million relating to compensation awards has been included to arrive at $342.4 million, as shown in statement II.

[c] The figure for self-insurance claims and expenses of $479.2 million has been adjusted for an amount of $2.2 million of expenses relating to compensation awards and other insurance programmes to arrive at $481.4 million, as shown in statement II.

Note 29
Expenses

Employee salaries, allowances and benefits

193. 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 and staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2017	*2016*
Salary and wages	2 043 777	1 977 351
Pension and insurance benefits	360 087	400 514
Other benefits	33 243	21 752
Total employee salaries, allowances and benefits	**2 437 107**	**2 399 617**

Grants and other transfers

194. 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)

	2017	*2016*
Trust fund for strengthening the Office of the Emergency Relief Coordinator[a]	686 066	685 286
Central Emergency Response Fund	409 673	433 383
United Nations General Fund[b]	173 538	196 910
Trust fund for the Peacebuilding Support Office[a]	84 727	49 214
Voluntary Trust Fund for Assistance in Mine Action	64 470	56 396
United Nations Fund for International Partnerships	24 253	27 725
Trust fund in support of political affairs	10 545	14 050
United Nations democracy trust fund	8 908	7 461
Total major funds that incurred expenses of grants and other transfers	**1 462 180**	**1 470 425**
Other funds	66 148	82 818
Total grants and other transfers[a]	**1 528 328**	**1 553 243**

[a] Includes grants and transfers to implementing partners through the multi-partner trust funds of $266.0 million (2016: $277.7 million).
[b] Includes grants provided to related party entities (note 32).

195. 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

196. 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)

	2017	*2016*
Rent — offices and premises[a]	177 241	147 191
Rental — other	7 669	7 745
Bad debt/doubtful debt expenses	28 626	22 430
Net foreign exchange losses[b]	–	38 156
Other[c]	454 017	418 850
Total other operating expenses	**667 553**	**634 372**

[a] Includes contributions in kind for donated right-to-use arrangements.
[b] Net foreign exchange gains of $51.2 million are included in other revenue of statement II and disclosed in note 27.
[c] Includes contracted services, acquisition of goods relating to items not meeting the capitalization thresholds, maintenance expenses and other expenses.

Other expenses

197. Other expenses relate to ex gratia and compensation claims and other miscellaneous expenses.

(Thousands of United States dollars)

	2017	*2016*
Ex gratia and compensation claims	1 273	4 704
Other/miscellaneous expenses	839	1 356
Total other expenses	**2 112**	**6 060**

Note 30
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: main pool[a]	Notes 8 and 31	2 128 271	1 414 591
Short-term investments: euro pool	Notes 8 and 31	–	–
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	8 804	14 246
Derivative instruments: currency forward contracts	Note 8	3 251	–
Total short-term investments		**2 140 326**	**1 428 837**
Long-term investments: main pool	Notes 8 and 31	668 030	681 157
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	54 132	60 012
Total long-term investments		**722 162**	**741 169**
Total fair value through the surplus or deficit investments		**2 862 488**	**2 170 006**
Cash and cash equivalents			
Cash and cash equivalents: main pool	Notes 7 and 31	248 774	798 955
Cash and cash equivalents: euro pool	Notes 7 and 31	8 474	1 577
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 7	10 225	9 716
Cash and cash equivalents — other	Note 7	4 766	10 095
Total cash and cash equivalents		**272 239**	**820 343**
Receivables from exchange and non-exchange transactions and loans			
Assessed contributions	Note 9	314 993	276 145
Voluntary contributions	Note 10	1 168 597	829 699
Other receivables	Note 11	156 941	144 777

	Reference	*31 December 2017*	*31 December 2016*
Other assets (excluding advances and deferred charges)	Note 13	588	742
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**1 913 358**	**2 071 706**
Total carrying amount of financial assets		**4 775 846**	**4 241 712**
Of which relates to financial assets held in main pool	Note 31	3 045 075	2 894 703
Of which relates to financial assets held in euro pool	Note 31	8 474	1 577
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accident		73 161	83 974
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	Note 17	373 308	372 518
Tax Equalization Fund liability	Note 21	88 653	74 795
Other liabilities	Note 22	22 038	5 693
Total carrying amount of financial liabilities		**483 999**	**453 006**
Summary of net revenue from financial assets			
Net cash pool revenue		37 599	22 551
Net United Nations Staff Mutual Insurance Society against Sickness and Accident gain/(loss)		4 376	(1 542)
Other investment revenue		2 819	1 775
Total net revenue from financial assets		**44 794**	**22 784**

[a] Short-term investments include accrued investment revenue of $9.1 million (2016: $8.0 million) and $0.268 million (2015: $0.376 million) for the main pool and the United Nations Staff Mutual Insurance Society against Sickness and Accident, respectively.

Financial risk management

Overview

198. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

199. 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

200. 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

201. 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.

202. 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

203. 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

204. 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)

	Allowance for doubtful receivables			
	Assessed contributions	*Voluntary contributions*	*Other receivables*	*Total*
As at 31 December 2015	204 158	4 774	53 227	262 159
Bad debt/doubtful debt expenses	14 394	2 364	5 672	22 430
Amounts written off	–	(769)	(758)	(1 527)
Other adjustments	–	49	(223)	(174)
As at 31 December 2016	**218 552**	**6 418**	**57 918**	**282 888**
Bad debt/doubtful debt expenses	37 056	(3 662)	(4 875)	28 519
Amounts written off	–	(508)	(604)	(1 112)
Other adjustments	–	(851)	440	(411)
As at 31 December 2017	**255 608**	**1 397**	**52 879**	**309 884**

205. 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 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	309 518	19 024	241 978	742
One to two years	43 522	19 041	45 043	13 735
More than two years	217 561	217 543	207 676	204 075
Total	**570 601**	**255 608**	**494 697**	**218 552**

206. 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 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	1 026 777	–	690 124	–
Less than one year	293 023	–	253 695	–
One to two years	5 969	1 492	37 364	9 051
Two to three years	3 149	1 890	5 826	3 482
More than three years	50 895	50 895	51 803	51 803
Total	**1 379 813**	**54 277**	**1 038 812**	**64 336**

Credit risk: cash and cash equivalents

207. At year-end, the Organization had cash and cash equivalents of $272.2 million (2016: $820.3 million), which is the maximum credit exposure on those assets.

Credit risk: currency forward contracts

208. 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”.

Credit risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

209. 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 285,930 shares (2016: 322,430 shares) of iShares SMI (Switzerland).

210. 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 2017				*Ratings as at 31 December 2016*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+/A*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+/A*	*Not rated*
Standard & Poor's	18.9	68.9	12.2		15.5	76.1	8.4	
Fitch	3.1	46.6	12.2	38.1	4.3	58.3	8.4	29.0
	Aaa	*Aa1/Aa3*	*A1*	*Not rated*	*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*Not rated*
Moody's	23.6	70.4	6		18.8	75.9	5.3	

Financial risk management: liquidity risk

211. 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.

212. 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.

213. 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

214. 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 seven years (2016: less than seven years). The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

215. 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 (2016: 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 2017

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	373 308	–	–	373 308
Tax Equalization Fund liability	88 653	–	–	88 653
Other liabilities	6 517	–	15 521	22 038
Total	**468 478**	**–**	**15 521**	**483 999**

Maturities for financial liabilities as at 31 December 2016

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	372 518	–	–	372 518
Tax Equalization Fund liability	74 795	–	–	74 795
Other liabilities	5 216	–	477	5 693
Total	**452 529**	**–**	**477**	**453 006**

Financial risk management: market risk

216. 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

217. 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 1.23 years (2016: 1.40 years), which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Market risk: currency risk

218. 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.

219. 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.

220. 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 Colombian pesos, euros and Swiss francs, along with 58 other currencies, as shown below.

Currency exposure as at 31 December 2017

(Thousands of United States dollars)

	United States dollar	*Colombian peso*	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	3 011 282	15 434	7 816	7 000	3 543	3 045 075
Euro cash pool	–	–	8 474	–	–	8 474
Subtotal	**3 011 282**	**15 434**	**16 290**	**7 000**	**3 543**	**3 053 549**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	–	73 161	–	73 161
Total	**3 011 282**	**15 434**	**16 290**	**80 161**	**3 543**	**3 126 710**

Currency exposure as at 31 December 2016

(Thousands of United States dollars)

	United States dollar	*Colombian peso*	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 867 626	2 614	11 391	476	12 596	2 894 703
Euro cash pool	–	–	1 577	–	–	1 577
Subtotal	**2 867 626**	**2 614**	**12 968**	**476**	**12 596**	**2 896 280**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	–	83 974	–	83 974
Total	**2 867 626**	**2 614**	**12 968**	**84 450**	**12 596**	**2 980 254**

Currency risk: sensitivity analysis

221. 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 2017		*As at 31 December 2016*	
	Effect on net assets/ surplus or deficit		*Effect on net assets/ surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 298	(1 298)	1 297	(1 297)
Colombian peso (10 per cent movement)	1 543	(1 543)	261	(261)
Swiss franc (10 per cent movement)	8 016	(8 016)	8 445	(8 445)

Currency risk: forward contracts

222. In 2017, 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 various United Nations offices in Geneva, Vienna and The Hague being exposed to risks arising primarily from fluctuations in payments for staff costs in Swiss francs and euros. Net realized foreign exchange losses from those contracts amounted to $9.7 million (gains in 2016: $11.6 million) for the year. The losses were recorded against staff costs, resulting in an increase in employee benefits expenses. There were 24 (2016: 24) forward contracts outstanding as at 31 December 2017 with a notional amount of SwF 324.6 million and €48 million with an unrealized gain of $3.3 million, maturing in 2018.

Other market price risk

223. 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, a change in those prices can only alter cash flows by an immaterial amount.

Accounting classifications and fair value

224. 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, except for non-current voluntary contributions receivable, which are reported at amortized cost calculated using the effective interest method as at 31 December 2017.

Fair value hierarchy

225. 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).

226. 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.

227. 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.

228. 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 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Exchange — traded fund	25 526	–	25 526	26 795	–	26 795
Bonds — corporate	7 615	–	7 615	36 773	–	36 773
Bonds — non-United States agencies	1 135	–	1 135	8 206	–	8 206
Bonds — non-United States sovereigns	–	–	–	–	–	–
Bonds — supranationals	28 391	–	28 391	2 107	–	2 107
Total[a]	**62 667**	**–**	**62 667**	**73 881**	**–**	**73 881**

[a] The total amount does not include accrued investment revenue of $0.262 million (2016: $0.376 million).

Note 31
Financial instruments: cash pools

229. 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.

230. 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.

231. As at 31 December 2017, the cash pools held total assets of $8,100.2 million (2016: $9,039.8 million), of which $3,053.6 million (2016: $2,896.3 million) was due to the Organization, and its share of revenue from cash pools was $37.6 million (2016: $22.6 million).

Summary of assets and liabilities of the cash pools as at 31 December 2017

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	5 645 952	–	5 645 952
Long-term investments	1 779 739	–	1 779 739
Total fair value through surplus or deficit investments	**7 425 691**	–	**7 425 691**
Loans and receivables			
Cash and cash equivalents	636 711	13 709	650 420
Accrued investment revenue	24 098	–	24 098
Total loans and receivables	**660 809**	**13 709**	**674 518**
Total carrying amount of financial assets	**8 086 500**	**13 709**	**8 100 209**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	3 045 075	8 474	3 053 549
Payable to other cash pool participants	5 041 425	5 235	5 046 660
Total liabilities	**8 086 500**	**13 709**	**8 100 209**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2017

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	104 576	(1)	104 575
Unrealized gains/(losses)	874	–	874
Investment revenue from cash pools	**105 450**	**(1)**	**105 449**
Foreign exchange gains/(losses)	7 824	1 610	9 434
Bank fees	(853)	–	(853)
Operating expenses of cash pools	**6 971**	**1 610**	**8 581**
Total revenue from and expenses of cash pools	**112 421**	**1 609**	**114 030**

Summary of assets and liabilities of the cash pools as at 31 December 2016

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	4 389 616	–	4 389 616
Long-term investments	2 125 718	–	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**	–	**6 515 334**
Loans and receivables			
Cash and cash equivalents	2 493 332	6 161	2 499 493
Accrued investment revenue	24 961	–	24 961
Total loans and receivables	**2 518 293**	**6 161**	**2 524 454**
Total carrying amount of financial assets	**9 033 627**	**6 161**	**9 039 788**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	2 894 703	1 577	2 896 280
Payable to other cash pool participants	6 138 924	4 584	6 143 508
Total liabilities	**9 033 627**	**6 161**	**9 039 788**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	73 903	–	73 903
Unrealized losses	(13 474)	–	(13 474)
Investment revenue from cash pools	**60 429**	**–**	**60 429**
Foreign exchange gains/(losses)	(5 105)	728	(4 377)
Bank fees	(646)	–	(646)
Operating expenses of cash pools	**(5 751)**	**728**	**(5 023)**
Total revenue from and expenses of cash pools	**54 678**	**728**	**55 406**

Financial risk management

232. 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.

233. 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.

234. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

235. 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.

236. 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.

237. 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[a]

(Percentage)

Main pool	*Ratings as at 31 December 2017*				*Ratings as at 31 December 2016*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*	*AAA*	*AA+/AA/AA-*	*BBB*	*Not rated*
Standard & Poor's	30.5	65.5	4.0	–	33.6	55.1	5.6	5.7
Fitch	61.3	30.6	–	8.1	62.4	28.3	0.0	9.3
	Aaa	*Aa1/Aa2/Aa3*			*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	55.3	44.7			50.3	49.7		
Commercial papers (short-term ratings)								
	A-1+/A-1				*A-1*			
Standard & Poor's	100.0				100.0			
	F1+				*F1*			
Fitch	100.0				100.0			
	P-1				*P-1*			
Moody's	100.0				100.0			
Reverse repurchase agreement (short-term ratings)								
	A-1+				*A-1+*			
Standard & Poor's	100.0				100.0			
	F1+				*F1+*			
Fitch	100.0				100.0			
	P-1				*P-1*			
Moody's	100.0				100.0			
Term deposits (Fitch viability ratings)								
	aaa	*aa/aa-*	*a+/a/a-*		*aaa*	*aa/aa-*	*a+/a*	
Fitch	–	44.2	55.8		–	48.1	51.9	

[a] No investments were held as at 31 December 2017 in the euro pool.

238. 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

239. 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

240. 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 four years (2016: five years). The average durations of the main pool and the euro pool were 0.61 years (2016: 0.71 years), which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

241. 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 2017

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	**35.96**	**26.97**	**17.98**	**8.99**	–	**(8.99)**	**(17.97)**	**(26.96)**	**(35.94)**
Total, euro pool	–	–	–	–	–	–	–	–	–
Total	**35.96**	**26.97**	**17.98**	**8.99**	–	**(8.99)**	**(17.97)**	**(26.96)**	**(35.94)**

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2016

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	**39.85**	**29.88**	**19.92**	**9.96**	–	**(9.96)**	**(19.91)**	**(29.87)**	**(39.82)**
Total, euro pool	–	–	–	–	–	–	–	–	–
Total	**39.85**	**29.88**	**19.92**	**9.96**	–	**(9.96)**	**(19.91)**	**(29.87)**	**(39.82)**

Other market price risk

242. 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

243. 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 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	355 262	–	355 262	697 676	–	697 676
Bonds — non-United States agencies	1 190 050	–	1 190 050	1 903 557	–	1 903 557
Bonds — non-United States sovereigns	124 892	–	124 892	124 854	–	124 854
Bonds — supranational	173 275	–	173 275	213 224	–	213 224
Bonds — United States treasuries	610 267	–	610 267	586 739	–	586 739
Main pool — commercial papers	671 945	–	671 945	149 284	–	149 284
Main pool — term deposits	–	4 300 000	4 300 000	–	2 840 000	2 840 000
Subtotal, main pool	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 334**	**2 840 000**	**6 515 334**
Euro pool — bonds						
Non-United States sovereigns	–	–	–	–	–	–
Euro pool — term deposits	–	–	–	–	–	–
Subtotal, euro pool	–	–	–	–	–	–
Total	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 334**	**2 840 000**	**6 515 334**

Note 32
Related parties

Key management personnel

244. 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.

245. The aggregate remuneration paid to 11 (full-time equivalent) (2016: 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)

	2017	*2016*
Salary and post adjustment	3 012	3 527
Other monetary entitlements	892	631
Non-monetary benefits	1 200	1 200
Total remuneration for the year	**5 104**	**5 358**

246. A residence, with an annual rental fair value equivalent of $1.2 million (2016: $1.2 million), is provided to the Secretary-General free of charge. A family member of key management personnel was employed by the Organization and $0.01 million (2016: $0.113 million) was transacted by the Organization with the close family member in the year. Advances made to key management personnel are those made against entitlements in accordance with the Staff Regulations of the United Nations and Staff Rules; any such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

247. The Organization provides grants to related party entities as shown below.

Grants provided to related party entities

(Thousands of United States dollars)

	2017	*2016*
United Nations Office on Drugs and Crime	30 638	30 142
United Nations Environment Programme	25 389	23 970
United Nations Human Settlements Programme	13 564	14 100
International Trade Centre	17 885	18 695
United Nations Entity for Gender Equality and the Empowerment of Women	8 009	7 781
United Nations Relief and Works Agency for Palestine Refugees in the Near East	30 430	28 599
Office of the United Nations High Commissioner for Refugees	43 326	41 045
Total	**169 241**	**164 332**

Trust fund activities related to peacekeeping and tribunal operations

248. The following funds relating to peacekeeping and tribunal operations are structured as trust funds and, accordingly, appear in the financial statements of the United Nations. The reserves and fund balances of these related trust funds as at year-end are shown below.

Financial results for activities related to peacekeeping operations funded by trust funds for the fiscal year ended 31 December 2017

(Thousands of United States dollars)

Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Trust fund in support of the delimitation and demarcation of the Ethiopia-Eritrea border	1 440	23	–	1 463
Trust fund for Somalia — unified command	398	6	–	4 04
Trust fund in support of the implementation of the Agreement on a Ceasefire and Separation of Forces signed in Moscow on 14 May 1994	8	–	–	8
Trust fund for the police assistance programme in Bosnia and Herzegovina	313	5	–	318
Trust fund in support of United Nations peacemaking and peacekeeping activities	3 549	(1 010)	206	2 333
Trust fund in support of the Department of Peacekeeping Operations	65 347	8 920	15 596	58 672
Trust fund to support the peace process in the Democratic Republic of the Congo	2 666	33	144	2 555
Trust fund to support the United Nations Interim Administration in Kosovo	1 069	17	–	1 086
Trust fund to support the Ituri Pacification Commission	7	–	–	7
Trust fund in support of the peace process in the Sudan	700	11	–	711
Trust fund for the African Union-United Nations Joint Mediation Support Team for Darfur	6 572	229	45	6 756
Trust fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad	1 706	27	–	1 733
Sub-fund of the United Nations trust fund in support of the African Union Mission in Somalia	34 147	10 053	24 726	19 475
Trust fund to support lasting peace in Darfur	383	4	2	385
Trust fund for support to the African-led International Support Mission in Mali	1 023	9	431	601
Trust fund in support of peace and security in Mali	24 663	39 298	10 650	53 311
Trust fund for the United Nations Operation in Côte d'Ivoire	171	3	6	167
Trust fund in support of the political transition in Haiti	849	9	120	738
Trust fund in support of the African-led International Support Mission in the Central African Republic	248	(47)	–	201
Trust fund in support of peace and security in Libya	44	1	–	45
Trust fund in support of the elimination of Syrian chemical weapons	819	(377)	–	442
Total	**146 122**	**57 217**	**51 926**	**151 414**

Financial results for activities related to peacekeeping operations funded by trust funds for the fiscal year ended 31 December 2016

(Thousands of United States dollars)

Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Trust fund in support of the delimitation and demarcation of the Ethiopia-Eritrea border	1 431	9	–	1 440
Trust fund for Somalia — unified command	395	3	–	398
Trust fund in support of the implementation of the Agreement on a Ceasefire and Separation of Forces signed in Moscow on 14 May 1994	8	–	–	8
Trust fund for the police assistance programme in Bosnia and Herzegovina	311	2	–	313
Trust fund in support of United Nations peacemaking and peacekeeping activities	3 928	(125)	254	3 549
Trust fund in support of the Department of Peacekeeping Operations	50 755	29 956	15 364	65 347
Trust fund to support the peace process in the Democratic Republic of the Congo	2 137	569	40	2 666
Trust fund to support the United Nations Interim Administration in Kosovo	1 062	7	–	1 069
Trust fund to support the Ituri Pacification Commission	7	–	–	7
Trust fund in support of the peace process in the Sudan	696	4	–	700
Trust fund for the African Union-United Nations Joint Mediation Support Team for Darfur	6 671	51	150	6 572
Trust fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad	1 695	11	–	1 706
Sub-fund of the United Nations trust fund in support of the African Union Mission in Somalia	26 534	26 820	19 207	34 147
Trust fund to support lasting peace in Darfur	790	16	423	383
Trust fund for support to the African-led International Support Mission in Mali	5 731	(4 717)	(9)	1 023
Trust fund in support of peace and security in Mali	13 750	18 094	7 181	24 663
Trust fund for the United Nations Operation in Côte d'Ivoire	262	2	93	171
Trust fund in support of the political transition in Haiti	1 020	8	179	849
Trust fund in support of the African-led International Support Mission in the Central African Republic	3 344	(2 970)	126	248
Trust fund in support of peace and security in Libya	44	–	–	44
Trust fund in support of the elimination of Syrian chemical weapons	2 456	(1 637)	–	819
Total	**123 027**	**66 103**	**43 008**	**146 122**

Financial results for activities related to tribunal operations funded by trust funds for the fiscal year ended 31 December 2017

(Thousands of United States dollars)

Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Voluntary fund to support the activities of the international tribunal established by Security Council resolution 827 (1993)	443	985	850	578
Trust fund for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda	130	(129)	–	1
Trust fund to support the activities of the International Residual Mechanism for Criminal Tribunals	101	131	26	206
Total	**674**	**987**	**876**	**785**

Financial results for activities related to tribunal operations funded by trust funds for the fiscal year ended 31 December 2016

(Thousands of United States dollars)

Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Voluntary fund to support the activities of the international tribunal established by Security Council resolution 827 (1993)	1 035	(247)	345	443
Trust fund for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda	113	28	11	130
Trust fund to support the activities of the International Residual Mechanism for Criminal Tribunals	100	1	–	101
Total	**1 248**	**(218)**	**356**	**674**

Receivables due from peacekeeping operations

249. The Organization has receivables in the amount of $37.4 million (2016: $37.4 million) and $10.0 million (2016: $10.0 million) due from 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 those doubtful receivables.

Note 33
Leases and commitments

Finance leases

250. The Organization leases certain communications and information technology equipment under commercial finance leases and holds some donated right-to-use real estate arrangements that meet the criteria of finance leases. As at year-end, commercial finance leased assets had been fully depreciated (2016: $1.4 million) and the carrying value of donated right-to-use arrangements meeting the finance lease recognition criteria totalled $69.8 million (2016: $73.5 million). The major portion of the donated right-to-use amount relates to the $69.2 million (2016: $72.9 million) interest in the Vienna International Centre, with the remaining amount relating to 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 for 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 $0.055 million (2016: $0.121 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 2017	69 192	610	–	**69 802**
As at 31 December 2016	72 861	650	1 403	**74 914**

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 2017	*As at 31 December 2016*
Due in less than 1 year	474	1 134
Due in 1 to 5 years	–	477
Total present value of minimum finance lease payments	**474**	**1 611**
Future finance charges	3	58
Total minimum finance lease payments	**477**	**1 669**

Operating leases

252. The Organization has entered into several operating lease agreements for land, offices, residential space and machinery and equipment. While some of the agreements are under commercial terms, others are for space provided to the United Nations by host Governments on a free-of-charge or nominal-fee basis. Rental value equivalent was estimated and recognized as an expense and in-kind contributions were presented in the statement of financial performance as voluntary contributions revenue. Operating lease expenses for the year total $184.9 million (2016: $154.9 million). 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 2017	*As at 31 December 2016*
Due in less than 1 year	68 850	68 804
Due in 1 to 5 years	177 015	151 008
Due after 5 years	56 301	87 752
Total minimum operating lease obligations	**302 166**	**307 564**

253. The operating leases are generally for a term of between 1 and 10 years, with some leases allowing an extension beyond the expiry date and/or permitting early termination with notice to the landlord of 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration rent increases in accordance with the terms of 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 shown below.

Operating leases receipts

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Receipts due in less than 1 year	7 813	12 530
Receipts due in 1 to 5 years	22 436	31 203
Receipts due after 5 years	3 568	7
Total minimum operating lease receipts (undiscounted)	**33 817**	**43 740**

255. As at 31 December 2017, the total of future minimum sublease payments expected to be received under subleases were $9.1 million (2016: $3.9 million).

Contractual commitments

256. At 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 2017	*As at 31 December 2016*
Transfer of moneys to implementing partners	216 036	229 325
Property, plant and equipment	149 016	51 455
Intangibles	5 317	6 767
Goods and services	332 913	285 082
Total open contractual commitments	**703 282**	**572 629**

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, administration of justice claims (cases brought by current or former United Nations staff members against the Secretary-General) and any 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 2017, there were no contingent liabilities relating to commercial claims and other claims of a private law nature (2016: $0.14 million). Contingent liabilities relating to administration of justice claims as at 31 December 2017 were estimated at $0.40 million (2016: none).

259. No contingent liabilities arose from the Organization's interest in jointly controlled entities or joint arrangements over which the Organization has significant influence.

Contingent assets

260. In accordance with IPSAS 19, the Organization 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 2017, 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

261. 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.

18-11014 (E) 140818
1811014