A/74/5 (Vol. I)

United Nations

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

Volume I
United Nations

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

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Note

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

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Letter dated 29 March 2019 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to submit herewith the financial statements of the United Nations, volume I, for the year ended 31 December 2018, which I hereby approve. The financial statements have been completed and 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 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations as reported in volume I for the year ended 31 December 2018.

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

Chapter I

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

Opinion

We have audited the financial statements of the operations of the United Nations as reported in volume I, which comprise the statement of financial position (statement I) as at 31 December 2018 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 2018, 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 2018, 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

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 2018. The audit included an examination of financial transactions and operations at United Nations Headquarters in New York, the offices at Geneva, Vienna and Nairobi and other entities, including the regional commissions, country offices, missions and projects. The Board has also reported separately on the implementation of the information and communications technology strategy and Umoja.

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 2018 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 2018 remains sound. Approximately 98 per cent of the regular budget was consumed in 2018, leaving an under expenditure of approximately $59.86 million. The Administration needs to continue to strengthen core business processes in finance, global communications, humanitarian affairs, procurement and capital budget management.

The Board continues to note that, although the process of preparation of the financial statements has been largely automated, certain manual adjustments still need to 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 $523.11 million was reported for the year 2018 (2017: surplus of $292.36 million), with total revenue of $6,790.43 million (2017: $6,081.23 million) and expenses of $6,267.32 million (2017: $5,788.87 million). For the regular budget, actual expenditure incurred was $2,812.35 million against a final budget of $2,872.21 million, indicating an under expenditure of $59.86 million.

Overall, net assets increased by $1,070.66 million, from $2,143.24 million as at 31 December 2017 to $3,213.90 million as at 31 December 2018, mainly on account of actuarial gains of $530.52 million on the valuation of long-term employee benefit liabilities. Long-term employee benefit liabilities decreased by $345.39 million, from $4,940.30 million in 2017 to $4,594.91 million in 2018.

The overall financial ratios of the United Nations as reported in volume I are sound. However, nearly 78 per cent of the $3,553.63 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. There was lack of visibility on the apportionment of liabilities (in particular long-term employee benefit liabilities) between regular budget and extrabudgetary resources.

The Board noted that the liquidity of the regular budget was low during 2018. Borrowing from the Working Capital Fund in the year 2017 could not be repaid in 2018. Furthermore, borrowings amounting to $201 million from the United Nations Special Account and $301.66 million from closed peacekeeping missions was resorted to for funding of temporary liquidity mismatches. Out of these, borrowings of $28.24 million from the Special Account and $301.66 million from closed peacekeeping missions were recouped by the end of the year.

Preparation of the financial statements

As in the previous year, the Secretariat presented the 2018 financial statements for audit by 31 March 2019, the date prescribed in the Financial Regulations and Rules of the United Nations. The 2018 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 legacy systems employed in all entities, except the International Court of Justice, have been migrated to Umoja.

Intrafund eliminations were carried out in the business planning and consolidation module of Umoja to arrive at the financial statements as reported in volume I. The Board noticed that of the 10 principles employed for intrafund eliminations, one, regarding cost recovery, was carried out manually, with the remainder being carried out on the basis of auto-elimination. The manual elimination involved a manual review of over 40,000 individual transactions, resulting in eliminations of $369.18 million. Furthermore, the Administration also had to carry out manual or reverse eliminations in a total amount of $197.8 million to rectify incorrect eliminations made in the automated system.

The Board had reported a similar issue in its previous report (A/73/5 (Vol. I)) and notes that the Administration has yet to take corrective steps to address the need for manual interventions. The process is still dependent on the informal knowledge and experience of personnel carrying out closing activities using this module.

Cost recovery

United Nations Headquarters, offices away from Headquarters and the regional commissions provide a wide range of administrative and central support services to other departments and offices of the Secretariat, United Nations system entities and external stakeholders. However, the Administration has not developed a comprehensive framework or policy to guide accounting for cost recovery for these activities, including listing approved services and identifying responsible persons for these activities and the method for apportioning common overheads.

Valuation of defined benefit plans

The actuarial valuation of defined benefits plans was carried out for active and retired staff of the operations of the United Nations as reported in volume I of the financial statements and of peacekeeping operations. However, the apportionment of the liability for retirees was done on the basis of the proportion of retirees pertaining to 2009, as the Administration was unable to segregate the current proportion of retirees pertaining to the two entities. This affected the accuracy of the liabilities as reflected in the financial statements for volume I.

The staff costs as reported in the financial statements for volume I were funded through both the regular budget and extrabudgetary resources. The long-term employee benefit liabilities, however, were not divided between these two fund groups. Identification of the share of after-service health insurance liability pertaining to extrabudgetary resources and its reflection in the financial statements would contribute to improved transparency and assist in monitoring the funding levels achieved against the liability, especially as funding for after-service health insurance liabilities for staff financed through extrabudgetary resources started in 2017.

End-of-service benefits valuation by the actuary is based on the participant data, retiree medical information and other information provided by the United Nations. Accuracy of the valuation exercise depends on the accuracy of the information provided. The Board noted gaps and anomalies in the information provided to the actuary and in the respective Umoja data. The Board noted that some key assumptions that could potentially affect the valuation of after-service health insurance liabilities were not up to date.

Internal controls over medical insurance expenditure

The United Nations has established health and dental self-insurance plans for its staff and retirees. The Board noted a lack of an adequate internal control mechanism to provide assurance over and maintain the costs of the health insurance programme. This issue was also covered in the previous report of the Board (A/73/5 (Vol. I)). During the current audit, the Board noticed gaps in data that affected recognition of plan participants and assessment of medical expenditure and claims, which raised concerns on the existence of adequate controls over medical insurance.

Variances were seen in the list of medical insurance fraud and presumptive fraud cases provided by the office of the Controller and the list provided by the Health and Life Insurance Section. The Board noted that the contractual framework for the reporting of fraud and presumptive fraud cases by the third-party administrators was not uniform. The Board found only a single agreement that provided for reporting of fraud and presumptive fraud. As such, the Board could not gain assurance that all the fraud and presumptive fraud cases had been reported by the third-party administrators to the Secretariat.

There was no information on or assessment of the status of recovery of amounts fraudulently obtained, and no follow-up on recovery of such amounts by the Health and Life Insurance Section or reporting by the local human resources partners to the Section. Furthermore, there was no enabling framework regarding accountability for recoveries in cases of fraudulent claims from active staff members and retirees in the agreements with the third-party administrators.

Treasury management

The Treasury at United Nations Headquarters is responsible for the administration of bank accounts, receipt and disbursement of funds and investment of surplus funds. Its functions consist of management of cash, investments and banking relations.

The processes and procedures adopted for cash management and payment processing after the introduction of Umoja and the related roles and duties of the responsible staff were not formally approved and documented. There was no mechanism to forecast cash outflows (beyond the next two days), and information on cash inflows was available on a daily basis only after the completion of transfers of funds from all contribution-receiving bank accounts.

The Treasury manages a significant amount of resources. Investments managed by the Treasury amounted to $6.74 billion as at 31 December 2018 for the United Nations as reported in volume I and other United Nations entities participating in the cash pool. The Board noted that the information considered in making investment decisions and the decision-making process were not documented. Furthermore, the present system of estimating cash flows was limited and the lack of documented criteria for fixing liquid cash levels worked as a constraint on taking optimal investment decisions.

The United Nations uses various currencies because of the inherent nature of its global operations, but hedging is not carried out for currencies other than the euro and the Swiss franc. A robust system to assess requirements for various currencies, based on a comprehensive analysis of historical trends and plans for the respective year, would promote better management of foreign currency risks. The Administration had agreements for currency hedging with only three banks. The practice followed by the Administration was to split contracts equally among those three banks, resulting in the award of the contract becoming a fait accompli, irrespective of the rates offered by the individual banks. This does not appear to be in the interest of the United Nations in terms of obtaining the most competitive rates.

Sustainable Development Goals

At the global level, a substantial number of indicators for review and follow-up of the Sustainable Development Goals remain in tiers II and III in the absence of an accepted methodology, standards of measurement and data. Regional disparities in data availability and inadequate data disaggregation by age and gender were noted. Not all of the indicators for the targets to be achieved by 2020 had reached tier I, which raised concerns about their measurability and hence the ability to assess their achievement.

A significant identified need existed for augmenting capacity in the area of data and statistics, across the regions; that need was not being fully met at present. The Department of Economic and Social Affairs of the Secretariat did not reflect the specific needs expressed by countries in the voluntary national reviews when identifying their capacity-building requirements. Capacity development projects taken up under the United Nations Development Account were delayed and carried over to subsequent tranches.

Obtaining funding is a critical requirement for implementation of the Sustainable Development Goals. Financing constraints were often faced by Member States across the regions in their efforts to advance the Goals. The Department of Economic and Social Affairs and the regional commissions are mandated to provide capacity-building support and policy advice to meet needs for finances. There is a need for a more focused and regular feedback mechanism on the policy prescriptions regarding financing, and hence a case for more structured engagement of the Department with the regional commissions and Member States in this regard.

Procurement management

On several occasions, the General Assembly and oversight bodies have requested and recommended the development of performance indicators for the procurement function. For example, the Assembly has requested the development of a comprehensive system to measure the function’s efficiency and cost-effectiveness. The Board acknowledges the various efforts made by the Procurement Division to monitor and measure its performance, in particular that of its sections. However, the Board found that the Division did not have in place a comprehensive framework and system to routinely measure and report in a coherent manner concerning whether its objective to ensure efficient, cost-effective, transparent, timely and high-quality procurement had been met. The Board could not identify a formal strategy to specify relevant performance measures for the procurement function or for their implementation.

If the procurement value is below $40,000, the procurement officer may obtain informal quotes via telephone, email, fax or in person or via quotations available on the Internet (the request for quotations method). The Board found that 20 out of 168 purchase orders (12 per cent) made under requests for quotations exceeded the threshold of $40,000. The Board reviewed seven cases in detail and noted that in none of those cases had requisitioners and procurement officers substantiated the estimated value. In three of the seven cases, one sole vendor submitted a quotation. In another three cases, the Procurement Division received two quotations. In one of these cases, the vendor withdrew the quote and in another case, the quote was not technically compliant.

Support services

Non-compliance with the policy to purchase air tickets in advance was seen across business areas. The Plant Engineering Section was not able to complete planned maintenance according to the schedule of the original equipment manufacturers. Some of the main departments and offices of the Secretariat were yet to prepare a record retention schedule so as to ensure identification and preservation of important documents and records.

Global communications

Digitization of 2.54 million documents identified as important was pending even two decades after the adoption of the General Assembly resolution on the subject. Slow progress on digitization of 5,964 maps poses a risk of further deterioration and loss. The digitization of the remaining assets in the audiovisual archives needs to be accelerated to prevent further deterioration and to aid preservation. Providing a single point of access to United Nations information has not yet been achieved in the absence of harmonization of the libraries of the United Nations Secretariat that do have an online repository.

The vulnerability assessment of the effectiveness of security controls and threats to social media accounts has not yet been done.

Humanitarian affairs

There was a significant backlog in monitoring visits and financial spot checks related to country-based pooled funds, including those under multi-partner trust fund administrative arrangements. Financial and programmatic reporting by the implementing partners is an important aspect of the accountability framework. The Board noticed delays in the submission of final financial statements pertaining to county-based pooled fund projects by United Nations partners and non-governmental organizations (NGOs) in 60.78 per cent and 37.20 per cent of cases respectively. The delay in submission of final narrative reports was 51.69 per cent for United Nations partners and 34.36 per cent for NGOs. Similarly, in the case of country-based pooled funds under multi-partner trust fund administrative arrangements, delays in the submission of final financial statements were seen in 75.31 per cent of cases by United Nations partners and in 45.84 per cent of cases by NGOs, and delays in submission of final narrative reports were seen in 61.34 per cent of cases by United Nations partners and 33.62 per cent of cases by NGOs.

The Board noticed that performance of audits was pending for 778 country-based pooled fund projects with disbursements of $354.56 million and for 519 such funds under multi-partner trust fund administrative arrangements with disbursements of $1,165.61 million. Similarly, refunds of $7.18 million and $35.45 million were due from implementing partners for 341 country-based pooled funds projects and 421 such projects under multi-partner trust fund administrative arrangements respectively.

Out of 272 projects processed by the Office for the Coordination of Humanitarian Affairs of the Secretariat in the Democratic Republic of the Congo during 2018, 247 were awarded to NGOs with a value of $166.84 million. The Board noticed instances of non-compliance with the provisions of the Democratic Republic of the Congo Humanitarian Fund Operational Manual in awarding a large number of these projects, including awarding projects to NGOs without following the prescribed budget ceilings corresponding to their risk ratings and awarding projects to ineligible NGOs.

The Office for the Coordination of Humanitarian Affairs used various information technology systems for financial management which were not integrated with Umoja. The Board noticed that this led to duplication of efforts in the recording, regular monitoring and reconciliation of transactions. Furthermore, during a test check of data in the Democratic Republic of the Congo, the Board noticed significant issues in the data relating to country-based pooled fund projects in the grant management system. Dual management of country-based pooled funds under multi-partner trust fund administrative arrangements (the managing agent for the common humanitarian fund in the Democratic Republic of the Congo was the United Nations Development Programme (UNDP), while the Multi-Partner Trust Fund Office was the administrative agent) also contributed to data management issues.

Capital projects

Strategic heritage plan of the United Nations Office at Geneva

The Board acknowledges that the strategic heritage plan team has taken substantial steps in the construction of building H and the design and tender procedure for the renovation of the Palais des Nations.

Nevertheless, there are areas of concern related to the timely completion of the project, and further enhancements are needed in the field of project governance. Moreover, the United Nations Office at Geneva has not yet established a handover procedure manual with clear lines of responsibilities to ensure a smooth handover from the contractor.

The current strategic heritage plan independent risk management firm does not report directly to the project owner.

The United Nations Office at Geneva has not yet established comprehensive handover procedures.

Other projects

The planning for the flexible workplace project underwent frequent changes in terms of the extent and budgeting of the project, leading to delays and the postponement of the potential benefits of the project. The findings in the post-occupancy evaluation report indicated that the advantages of mobility and using the collaboration spaces were not fully utilized.

In view of the additional extensions to works under the Africa Hall project, the project bears a higher risk of cost escalation and time delays.

Recommendations

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

Preparation of the financial statements

(a) **Undertake a comprehensive review of the functionalities of the Umoja business planning and consolidation module and take the necessary corrective action to eliminate the need for manual adjustments and interventions in the preparation of the financial statements;**

Defined benefit plans

(b) **Revise the basis for apportionment of the after-service health insurance liability between retirees of the United Nations as reported in volume I and those of peacekeeping operations to reflect their current proportion;**

(c) **Value and disclose separately in the financial statements the employee benefit liability for regular budget and extrabudgetary resources;**

Internal controls over medical insurance expenditure

(d) **Take urgent measures to strengthen the internal controls over processing and payment of insurance claims;**

(e) **Develop a suitable mechanism for better coordination to ensure complete and comprehensive reporting of cases of fraud and presumptive fraud, and take steps to make it mandatory for all cases of fraud and presumptive fraud to be reported, as they come to notice, by all third-party administrators;**

Treasury management

(f) **Document and formally approve the processes to be followed for the cash management function after Umoja, and finalize, formalize and document the structure, roles and duties of related staff;**

(g) **Document the processes underlying investment decisions and transparently record reasons for choosing a particular investment instrument, trading partner or period of maturity;**

(h) **Improve the system of forecasting cash flows, and assess liquidity requirements to support effective cash management and optimal investment decisions;**

(i) **Carry out a review of the hedging programme, increase the number of counterparties having International Swaps and Derivatives Association agreements, and revise the policy of equal splitting of agreements among the counterparties so as to derive advantage from the most competitive market rates while limiting credit exposure in accordance with the defined guidelines;**

Sustainable Development Goals

(j) **Intensify efforts towards the development of indicators and ensuring availability of data related to them, in collaboration with the custodian agencies;**

(k) **Establish appropriate processes to ensure consistency in reporting, and inform the stakeholders through disclosures about changes and inconsistencies in critical data when publishing them;**

(l) **In the context of reform, set up structured protocols for collaboration among the Department of Economic and Social Affairs, the regional commissions, United Nations country teams and concerned Member States for financing support, so as to obtain feedback on the financing policies;**

(m) **Ensure timely completion of project activities under the United Nations Development Account in support of Member States' capacity-building needs, which would complement the implementation of the 2030 Agenda for Sustainable Development;**

Procurement management

(n) **Implement a comprehensive system to coherently measure the efficiency, effectiveness and cost-effectiveness of the procurement function in line with related requests from the General Assembly and previous oversight recommendations, and regularly inform the Assembly about progress in that regard;**

(o) **Ensure that the procurement policy framework clearly requires that procurement officers substantiate their estimation of the target value before initiating a request for quotations and that the framework sets out how to proceed with the procurement process if the value exceeds the established threshold;**

(p) **Ensure that the procurement policy framework clearly requires that procurement staff must obtain at least three quotations so as to ensure economy, efficiency and fair market prices. In exceptional cases where only one quotation is received, the reasons for selecting that quotation need to be recorded;**

Global communications

(q) **Accelerate the digitization of the audiovisual archives, assess requirements for additional funds for the project and make efforts to obtain such funds in order to complete the digitization of important United Nations documents and audiovisual records;**

Humanitarian affairs

(r) **Make sustained efforts to improve monitoring visits and financial spot checks to carry out important assurance and monitoring activities concerning implementing partners and to ensure timely receipt of financial and programmatic reports for effective monitoring of implementing partners;**

(s) **Make sustained and time-bound efforts to clear the backlog of audits and follow up on pending audit recommendations, and take the action necessary to ensure that all pending refunds are received back from implementing partners in a timely fashion;**

(t) **Prepare a definite plan with clear timelines for migration to Umoja Extension 2 functionalities so as to eliminate duplication of efforts and minimize investment in software systems;**

Capital projects

Strategic heritage plan

(u) **Require that the risk management firm send the quarterly risk report directly to the project owner rather than through the office of the project executive, as is current practice;**

(v) **Ensure that the strategic heritage plan team develops a handover procedure manual in close cooperation with the Facilities Management Section of the United Nations Office at Geneva. This would ensure that the responsibilities, procedures and expected handover documents are clear for the strategic heritage plan team and the Section. The goal must be to hand over the sections from the**

contractor to the strategic heritage plan team and the Facilities Management Section at the same time;

Flexible workspace project

(w) **Monitor and manage the remaining work to ensure completion of the flexible workspace project by 2020, within the estimated cost;**

Africa Hall project

(x) **Minimize the accumulated delays, without compromising quality, to avoid the risk of cost escalation in the Africa Hall project.**

Follow-up on previous recommendations

As at 31 December 2018, of the 167 previous recommendations outstanding up to the year ended 31 December 2017, 13 (8 per cent) had been fully implemented, 149 (89 per cent) were under implementation, 4 (2 per cent) had not been implemented and 1 was overtaken by events (1 per cent). The Board noted that steps had been taken towards implementation for nearly 89 per cent of the outstanding recommendations and that action on a significant number of recommendations depends on the ongoing initiatives for Umoja Extension 2, the annual programme budget and the Secretary General's reforms. The Administration should build on the momentum and ensure implementation of the recommendations within a defined time frame.

Key facts

$6.79 billion	Total revenue
$6.27 billion	Total expenses
$0.52 billion	Surplus for the year
$9.18 billion	Assets
$5.97 billion	Liabilities
$3.21 billion	Total net assets
$2.54 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 the peacekeeping operations, the United Nations Compensation Commission, the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, 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 2018 financial statements were prepared under the International Public Sector Accounting Standards (IPSAS) and comprise five separate primary statements supported by explanatory notes.

Secretary-General's reforms

4. The reforms of the Secretary-General cover the areas of management, peace and security, and development. The Board was informed that the Secretary-General had established a reform coordination structure under the joint leadership of the Deputy Secretary-General and the Chef de Cabinet, with the objective of creating a unified and cohesive change management programme across all three areas of reform. The new organizational structures, which were planned to be enablers for the reforms, took effect on 1 January 2019. The status of the reforms, as well as of the preparatory and change management processes for their implementation, is summarized below.

Management reform

5. Two new departments, the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, were created within the existing resources of the former Department of Management and Department of Field Support from 1 January 2019. The objective was to improve the effectiveness and accountability of the Organization's efforts to implement its mandates through a decentralized Secretariat where responsibility for mandates is aligned with authority for managing resources and decision-making is located closer to the point of delivery. The two new departments are set up as follows:

(a) The Department of Management Strategy, Policy and Compliance has three pillars: the Office of Programme Planning, Finance and Budget; the Office of Human Resources; and the Business Transformation and Accountability Division. The Board was informed that the activities to prepare for the new department had been completed by 31 December 2018;

(b) The Department of Operational Support has four key pillars: the Office of Support Operations; the Office of Supply Chain Management; the Division of

Administration, New York, which provides consolidated support to clients in departments and offices based at Headquarters in New York; and the Division for Special Activities, which delivers a dedicated capacity to provide planning and support for surge efforts to client entities in special situations.

6. Under the reforms, the Office of Information and Communications Technology has been entrusted with a global mandate and has dual reporting to the Department of Management Strategy, Policy and Compliance and the Department of Operational Support. The Board was informed that change management teams, which worked in close collaboration, had been set up in both the newly created departments. It was also informed that the reforms were implemented out of existing resources, with some assistance from extrabudgetary resources and the cost-sharing arrangement for the resident coordinator system. Furthermore, the management reform also affected all entities in the Secretariat as a result of the new framework for delegation of authority.

7. The Board was informed that, as requested by the General Assembly in its resolution 72/266 B, the Secretary-General will present a report on the implementation of the management reforms to the Assembly for its consideration during the main part of its seventy-fifth session.

Peace and security reform

8. The peace and security pillar has been restructured into two new departments, the Department of Political and Peacebuilding Affairs and the Department of Peace Operations, which jointly oversee eight new regional divisions. The Board was informed that the budget reform and delegation of authority had had a significant impact on the processes of the Department of Political and Peacebuilding Affairs. It was informed that the processes of the two departments had been reviewed and revised, and that a process improvement expert would be recruited to incorporate the delegations and subdelegations of authority into the review process. It was acknowledged that challenges had been faced in establishing the delegation of authority, as processes had to be devised and templates created to ensure its proper review, approval and implementation. The Board was informed that a transition team had been created, which was expected to continue for a six-month period after implementation of the new structure to oversee the change. Several workshops had been organized to communicate changes and incorporate recommendations. The Board was informed that the reforms were largely implemented with existing resources.

9. The Board was informed that, as requested by the General Assembly in its resolution 72/262 C, the Secretary-General will present a report on the implementation of the peace and security reform to the Assembly for its consideration during the main part of its seventy-fifth session.

Development system reform

10. In the reform of the development system, the resident coordinator function has been delinked from the United Nations Development Programme (UNDP) and brought under the purview of the Secretariat. As part of this transformation, the Development Operations Coordination Office, previously headed by UNDP, is now a stand-alone office within the Secretariat, renamed as the Development Coordination Office. The Board was informed that the capacities of the new Office and of the offices of the resident coordinators were being progressively reinforced, in line with the Secretary-General's implementation plan of September 2018 for the inception of the new resident coordinator system. The funding of the resident coordinator system is through a hybrid model composed of three funding streams: voluntary contributions, a cost-sharing arrangement among United Nations Sustainable

Development Group entities, and a levy on tightly earmarked contributions to United Nations development activities. The Board was informed that the transition to the new structure, with the Development Coordination Office at its core, was ongoing and that a number of key reviews and new guidance and tools for United Nations country teams would continue to be rolled out in the course of 2019, with full implementation of the reform expected to require a longer-term transition. The Board was also informed that change management was being coordinated by the United Nations development system transition team, under the close oversight of the Deputy Secretary-General, and that the specific operational transition of the resident coordinator system would follow the steps and timelines publicly communicated in the Secretary-General's implementation plan. A performance management scorecard for the resident coordinator system is currently under development.

B. Mandate, scope and methodology

11. 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 2018 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.

12. The Board conducted the audit at various offices and divisions at United Nations Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to visiting operations, projects and offices in the Democratic Republic of the Congo and Nigeria and the regional commissions in Addis Ababa, Bangkok, Beirut, Geneva 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

13. 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 2018 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. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to support its audit opinion.

14. 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, treasury management, the Sustainable Development Goals, procurement management, support services, humanitarian affairs, global communications and the strategic heritage plan of the United Nations Office at Geneva.

C. Findings and recommendations

Follow-up on previous recommendations

15. As at 31 December 2018, of the 167 outstanding recommendations up to the year ended 31 December 2017, 13 (8 per cent) had been fully implemented, 149 (89 per cent) were under implementation, 4 (2 per cent) had not been implemented and 1 (1 per cent) was overtaken by events (see annex I).

16. Furthermore, as at 31 December 2018, out of the 43 outstanding recommendations up to the year ended 31 December 2017 for the strategic heritage plan project, 26 (60 per cent) had been fully implemented, 15 (35 per cent) were under implementation and 2 (5 per cent) had not been implemented (see annex II). Similarly, for the capital master plan, out of the 20 outstanding recommendations up to the year ended 31 December 2017, 5 (25 per cent) had been fully implemented and 15 (75 per cent) were under implementation as at 31 December 2018 (see annex III).

17. Table II.1 sets out the status of implementation of recommendations for the financial statements as reported in volume I, 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).

Table II.1
Status of implementation of recommendations

Report	*Number of recommendations*	*Recommendations pending as at 31 December 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2018*
A/65/5 (Vol. I), chap. II	72	1		1			1
A/67/5 (Vol. I), A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/Corr.2, chap. II	40	2	1	1			1
A/69/5 (Vol. I) and A/67/5 (Vol. I)/Corr.1, chap. II	28	15		14	1		15
A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II	26	16		16			16
A/71/5 (Vol. I)	44	26		26			26
A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II[a]	53	36	4	29	3		32
A/73/5 (Vol. I)	71	71	8	62		1	62
Total	**334**	**167**	**13**	**149**	**4**	**1**	**153**

[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 were presented in the report of the Board of Auditors on the strategic heritage plan (A/73/157).

18. The Board noticed that an updated status of the outstanding recommendations was not provided by the Administration for 28 recommendations. The Board noted the need to further improve the rate of implementation, especially in respect of recommendations that have been pending for more than two years. The Board also noted that, in a significant number of cases, the required action for pending recommendations was stated to be part of the implementation of Umoja Extension 2, the shift to an annual programme budget and implementation of the Secretary-General's reforms. Furthermore, preliminary actions have been initiated for a number of cases, but further work is required to actually implement the recommendations.

Annex I 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 seven of the outstanding recommendations have been reiterated in the present report. Significant issues being reiterated in the present report include:

(a) Review of the functionalities of the Umoja business planning and consolidation module;

(b) Development of a mechanism for complete and comprehensive reporting of cases of fraud and presumptive fraud;

(c) Strengthening internal controls over processing and payment of medical insurance claims.

D. Financial performance and management

Financial overview

19. An overall surplus of $523.11 million was reported for the year 2018 (2017: surplus of $292.36 million), with a total revenue of $6,790.43 million (2017: $6,081.23 million) and expenses of $6,267.32 million (2017: $5,788.87 million). For the regular budget, actual expenditure incurred was $2,812.35 million against a final budget of $2,872.21 million, indicating an underexpenditure of $59.86 million implying consumption of 97.9 per cent of the regular budget in 2018.

20. Overall, net assets increased by $1,070.66 million, from $2,143.24 million as at 31 December 2017 to $3,213.90 million as at 31 December 2018. This increase was mainly attributable to actuarial gains of $530.52 million on the valuation of employee benefit liabilities. The actuarial valuation of employee benefit liabilities for 2018 was a roll forward from the previous year and the gains were predominantly the result of an increase in the discount rates. Long-term employee benefit liabilities decreased by $345.39 million, from $4,940.3 million in 2017 to $4,594.91 million in 2018.

21. 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.

22. The Board has examined a range of key financial ratios (see table II.2), the details of which are given in the paragraphs below.

Table II.2
Financial ratios

Description of ratio	*31 December 2018*	*31 December 2017*	*31 December 2016*
Current ratio[a]			
Current assets: current liabilities	4.23	3.88	3.41
Total assets: total liabilities[b]			
Assets: liabilities	1.54	1.35	1.44
Cash ratio[c]			
Cash plus short-term investments: current liabilities	2.84	2.42	2.28
Quick ratio[d]			
Cash plus short-term investments plus accounts receivable: current liabilities	3.84	3.51	3.11

Source: Analysis by the Board of the United Nations financial statements (volume I) for 2016, 2017 and 2018.

[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.

23. The Board noted that the overall financial ratios of the operations of the United Nations as reported in volume I are sound. However, nearly 78 per cent of the $3,553.63 million in cash and investment balances are restricted because they relate to balances of trust funds and self-insurance funds.

24. The Board further analysed those ratios relating to the regular budget and related funds alone, the results of which are tabulated below.

Table II.3
Financial ratios of regular budget and related funds

Description of ratio	*31 December 2018*	*31 December 2017*	*31 December 2016*
Current ratio			
Current assets: current liabilities	1.1	1.3	1.2
Total assets: total liabilities			
Assets: liabilities	1.41	1.66	1.58
Cash ratio			
Cash plus short-term investments: current liabilities	0.1	0.2	0.4
Quick ratio			
Cash plus short-term investments plus accounts receivable: current liabilities	0.95	1.02	1.07

Source: Analysis by the Board of the United Nations financial statements (volume I) for 2016, 2017 and 2018.

25. The Board noted low liquidity in the regular budget during 2018. The Board also noticed that amounts borrowed from the Working Capital Fund in 2017 could not be repaid in 2018. Furthermore, amounts of $201 million borrowed from the United

Nations Special Account and $301.66 million borrowed from closed peacekeeping missions were used to cover temporary liquidity mismatches. Of these borrowings, $28.24 million borrowed from the Special Account and $301.66 million borrowed from closed peacekeeping missions were recouped by the end of the year.

Preparation of the financial statements

26. As in the previous year, the Secretariat presented the 2018 financial statements for audit by 31 March 2019, the date prescribed in the Financial Regulations and Rules. The 2018 financial statements were generated from Umoja using the business planning and consolidation module and other tools, with adjustments in the data drawn from Umoja.

Finalization of accounts

27. The financial statements for 2018 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 most of the financial statements and note disclosures. The Board was informed that the module offers automatic aggregation of data from the Umoja enterprise resource planning central component and from the multi-partner trust funds for activities controlled by the United Nations, and undertakes further data enrichment to arrive at the figures in the financial statements and data for the notes to the financial statements.

28. The enrichment process involved automatic elimination of 10 categories of transactions through data elimination and enrichment, which included eliminations among funds for cross-borrowing, allocations, programme support costs/indirect costs, transfer of property, plant and equipment, cost recovery and tax equalization. The Board noticed that the rule for the elimination of cost-recovery transactions was not working and therefore the process was carried out manually. This involved manual review of over 40,000 individual transactions and resulted in eliminations of $369.18 million.

29. The Board also noticed that the Administration had to carry out manual and reverse eliminations of a total of $197.8 million to rectify incorrect eliminations made in the automated system. These manual eliminations and adjustments were required because the automatic elimination principles did not work properly in the business planning and consolidation module, with some transactions being eliminated wrongly. It was noticed that the system had even eliminated some transactions where the partner fund column was blank and therefore no elimination should have been done. The Board also noticed a short elimination of $2.34 million which the Administration could not explain.

30. In addition, the Administration conducted manual adjustments in several other cases concerning balances related to multi-partner trust funds, inventory-related reclassifications and adjustments for transactions relating to the tax equalization fund, inventories and health insurance.

31. The Board had reported a similar issue in its previous report (A/73/5 (Vol. I)) and recommended that urgent steps be taken to strengthen the business planning and consolidation module to eliminate the need for manual adjustments and interventions. The Board noted that the Administration had yet to analyse the core reasons and take corrective steps to eliminate the need for manual interventions. With such large-scale manual interventions, the process had become dependent on the informal knowledge and experience of the personnel carrying out the closing activities using this module. The Board noted that although the team had dealt with these complex transactions

appropriately for the 2018 financial statements, the process remained vulnerable to human error.

32. **The Board reiterates the recommendation that the Administration undertake a comprehensive review of the functionalities of the Umoja business planning and consolidation module and take the necessary corrective action to eliminate the need for manual adjustments and interventions in the preparation of the financial statements.**

33. The Administration accepted the recommendation to strengthen the Umoja business planning and consolidation module and stated that it would work with the Umoja team to implement further automation of business planning and consolidation so as to eliminate, to the extent possible, manual interventions in the preparation of the financial statements.

Outstanding commitments

34. The reported expenditure for the biennium 2016–2017 included unliquidated obligations of $135.90 million. These were required to be closed by 31 December 2018 in line with the provisions of financial regulation 5.4. In its previous report (A/73/5 (Vol. I)), the Board recommended that the Administration improve the scrutiny of open commitments at year-end in line with the provisions of the Financial Regulations and Rules so as to ensure the timely surrender of unencumbered balances to the Member States. The Board had also noted in its previous report, following a test check, that outstanding commitments of $24.23 million had been created for goods and services that were not delivered in 2017 and that this was not in line with the provisions of the Financial Regulation and Rules.

35. The Administration disclosed that unliquidated obligations of $25.19 million pertaining to the biennium 2016–2017 would need to be cancelled, which would amount to 19 per cent of the total unliquidated obligations that had been created. The Board noted that the cancelled unliquidated obligations for the bienniums since 2006 ranged from 12 per cent to 28 per cent.

36. The Board noticed that commitments valued at $4.67 million were open pertaining to the bienniums 2012–2013, 2014–2015 and 2016–2017, with $3.5 million of that amount pertaining to the biennium 2016–2017. The Board also noticed that the funds related to those commitments were being utilized during 2019.

37. The Board was informed that in a very small number of cases, because of operational and budgetary challenges and where entities provide appropriate evidence that significant and genuine circumstances have delayed the liquidation of the commitment, an exception is approved by the Controller. It was also informed that the Administration conducts a review of all open commitment balances and these balances are liquidated centrally, after review by the Finance Division and the Procurement Division. Furthermore, a technical issue in relation to down payment requests was noted and resolved and a small number of purchase orders, which were related to exceptional approvals by the Controller, were not liquidated for the biennium 2016–2017. Some travel commitments could not be liquidated because of an issue with the travel batch liquidation programme, which was being resolved.

38. While appreciating the need for budget availability for important operational projects, the Board could not find any authority governing the process for exceptions to be granted by the Controller, and accordingly did not find any criteria for identifying and selecting these cases. Furthermore, this action was not in line with the provisions of the Financial Regulations and Rules, under which, in regulations 5.3 and 5.4, the balance of appropriations are to be surrendered after 12 months following

the budget period, while allowing funding of any remaining valid outstanding commitments from the subsequent appropriation.

39. **The Board reiterates its recommendation that the Administration strengthen its scrutiny of open commitments after the closure of the budget period and that action be taken on open outstanding commitments at the end of 12 months after the budget period according to the provisions of the Financial Regulations and Rules.**

40. The Administration, while agreeing to review and clear the outstanding commitments after closure of the budget period, stated that the recommendation to compulsorily cancel and fund these commitments at the end of the 12-month period may not be possible in a very small number of cases owing to operational and budgetary challenges.

Capitalization and disposal of assets

Property, plant and equipment

41. The Board carried out a test check of capitalization of assets acquired in 2018 and noticed various inaccuracies in the accounting. The Board noticed that 38 items were capitalized despite their values being below the threshold of $5,000, as specified in the accounting policy, 15 assets were capitalized using a capitalization threshold that pertained to a different class of assets and 38 assets were not capitalized despite their values being above the capitalization threshold specified in the accounting policy. The Board also noticed that the capitalization was affected by inherent limitations in the material master database, where once an item is initially recognized as capitalizable or non-capitalizable, all subsequent purchases of that item are recognized solely on that basis, irrespective of the amount involved in subsequent acquisitions.

42. The Administration stated that it would explore ways of strengthening the system of asset capitalization and consideration would be given to the practical implementation of the policy. Going forward, it would continue to review these discrepancies to assess their significance and materiality, and changes might be applied to the material master database, if required.

43. The Board noted that the prescribed process for disposal of assets commences with the creation of a service notification for write-off or disposal of assets. This notification is verified and the case is submitted to the Headquarters Property Survey Board and the Controller for approval, following which the asset is derecognized and subsequently disposed of. The Board, during a test check of asset disposal cases in 2018, noticed that 18 assets valued at $3.4 million were physically disposed of during 2015, 2016 and 2017, but were recorded as disposals in 2018. These assets continued to be included in the accounts and depreciation was charged until July 2018.

44. The Board also noted that there was a time lag between creation of service notifications and eventual write off and disposal of the assets. The Board noticed that there were 23 assets for which service notifications were created during 2015 and 2016 but which were awaiting disposal on 31 December 2018. The Board also noticed that there were 60 assets for which service notifications created during 2015 and 2016 were awaiting approval.

45. The Administration stated that the actual physical disposal of assets was executed in a timely manner, but it faced administrative delays in updating the related service notifications in Umoja to reflect the status of the write-off and disposal process. The Administration said it would further strengthen the monitoring of the performance of the action owners in the write-off and disposal process, identify bottlenecks and put in place measures to expedite the processing of disposal actions.

46. **The Board reiterates the recommendation that the Administration review and appropriately strengthen the system of asset capitalization in view of the inaccuracies noticed. The Board further recommends that internal controls over disposal of assets be strengthened and all necessary disposal processes be completed on time.**

47. The Administration accepted the recommendation.

Intangible assets

48. An amount of $38.21 million was included in intangible assets during 2018 by transfer from assets under construction. This included $26.19 million for integrated enhancements and $12.02 million for three Umoja Extension 2 modules.

49. The Board was informed that the enhancements to Umoja Integration (Foundation and Extension 1) were capitalizable improvements to Umoja as a whole, as they were intended to enhance the existing functionality. The enhancements were capitalized at the level of the asset master record by spreading the capitalization across multiple years, in amounts of $5.26 million in 2015, $7.64 million in 2016, $5.22 million in 2017 and $8.07 million in 2018. However, no adjustments were made to the prior year figures and amortization was charged from 2018.

50. The Administration stated that during a year-end review it was noted that the costs captured for enhancements to Umoja Integration should have been settled to the final asset in prior years and that the adjustment was made and posted in 2018 only to recognize the costs related to the enhancements introduced in prior years. Only the asset master records were adjusted so that amortization would be correctly calculated going forward.

51. The Board noted that the transfer of amounts from assets under construction and the retrospective capitalization in earlier years was not in line with the provisions of IPSAS 31: Intangible assets. Furthermore, if it was a question of correcting an error from a prior period, then, in accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors, the errors should have been corrected retrospectively.

52. The Board also noticed that the three Umoja Extension 2 modules for which $12.02 million was capitalized under intangible assets were the implementing partner management module, the fundraising and donor relationship management module and the strategic planning, budgeting and performance management module. However, none of these three modules was completely deployed and the implementation of the functionalities remained limited at the end of 2018.

53. The Administration stated that the deployment of these three modules had occurred in 2018 with the base functionality being available for use. Additional enhancements were made in the subsequent period. The roll-out of certain modules was deliberately limited to a few entities and not all the Secretariat entities would be expected to use these modules. Furthermore, the effect of the finalization of these subcategories of assets on the amortization of expenses in the 2018 financial statements totalled $115,320, which was considered immaterial. The Administration agreed, however, to conduct a review of the expected useful lives of these new subcategories of assets to ensure that their expected useful lives were representative of the expected future economic potential of the intangible assets.

54. The Board noted that IPSAS 31 provides that amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The Board is of the view that the status of deployment of these Umoja Extension 2 modules and the related functionalities did not meet this criterion, as only 4 out of 24 processes of the strategic

planning, budgeting and performance management module, 2 out of 17 processes of the fundraising and donor relationship management module and none of the 10 processes of the implementing partner management module had been deployed by the end of December 2018.

55. The Board also noticed that $1.92 million was spent on upgrading software licences and charged as operating expenses. However, the upgrading of the licences was in the nature of a major upgrade to the software which also increased the functionality and should have been capitalized.

56. The Administration stated that it would strengthen the process of ensuring that these costs were correctly identified in the future and correctly capitalized as either assets under construction or final assets, as appropriate. It further stated that the processes to improve internal controls and to ensure that enhancements to functionality were correctly captured was in progress and would be achieved through the establishment of additional cost objects and monitoring of expenditure. The Administration added that it would carry out the adjustment involving capitalization of the amount related to the Umoja software system in 2019.

57. **The Board recommends that the Administration review and appropriately strengthen the system of capitalization of intangible assets and improve the alignment of capitalization of Umoja with the deployment of the functionality concerned.**

58. The Administration, while accepting the recommendation, stated that the Umoja software system was capitalized in 2019 and a cost collector in Umoja was created to analyse software purchases for capitalization.

Inventory migrated from Galileo

59. The accounting policy for valuation of inventories states that inventory is valued at the moving average price and is reported at the lower of the moving average price or net realizable value (in respect of inventories held for sale) or current replacement cost (in respect of inventories held for consumption).

60. The inventory data of the special political missions was migrated from Galileo into Umoja as at 31 July 2017. While the inventory in Umoja was identified by a unique product identifier, the inventory brought in from Galileo, with different properties and stock identifications, was grouped under certain generic product identifiers in Umoja. Furthermore, the actual dates of receipt of these items were not incorporated into Umoja.

61. The Board noted that grouping products with different specifications and values into common product identifiers resulted in a distortion of moving average prices of relevant products and therefore affected the comparison of the net realizable value or current replacement cost with the moving average prices of other products. This affected the proper valuation of inventory as reported in the financial statements to the extent of the other prices. The Board also noted that the problems associated with linking migrated products with relevant product identifiers in the Umoja material master database had the potential to create challenges in further procurement of these items through Umoja.

62. The Board also noted that in the absence of the actual dates of receipt of these items, it would be difficult to determine the obsolescent, slow-moving and non-moving items of inventory.

63. **The Board recommends that the Administration take measures to clean up the data migrated from Galileo to address the data quality issues in inventories**

and that it carry out physical verification exercises in all the special political missions.

64. The Administration acknowledged the comments of the Board on the importance of cleansing activities related to inventories and materials management and stated that the Department of Operational Support had launched a physical inventory reconciliation and optimization project in October 2018 to review the accuracy of inventory records in Umoja. The project had made good progress as of June 2019. The Administration added that it had adopted a targeted approach towards inventory ageing analysis and identification of obsolete and slow-moving stocks and that, given the levels of inventory holdings across all entities and the thousands of items that would require review, it expected that this would be a time-consuming process if it was to achieve optimal results.

Cost recovery

65. United Nations Headquarters, offices away from Headquarters and the regional commissions provide a wide range of administrative and central support services to other departments and offices of the Secretariat, United Nations system entities and external stakeholders. The Board noticed that an interoffice memorandum was issued in March 2015 containing an instruction to credit all cost recoveries for services to a central account created for that purpose. This was followed by multiple interoffice memorandums which provided guidance to service providers and recipients on cost-recovery activities and the procedure for carrying out this activity in Umoja. Furthermore, the service providing entities were told to forecast their cash flows and request adjustments in the timing of billing for internal cost recovery and allocation of revenue for spending so as to ensure timely payments to business partners.

66. The Board noticed that the Administration had not yet developed a comprehensive framework or policy for cost-recovery activities that could have guided the administration of accounting for cost-recovery activities, including listing of approved services, identification of responsible persons for these activities and identifying the method for apportionment of common overheads (see also serial number 107 in annex I to the present report).

67. Furthermore, during a test check of the status of cost recovery at the special political missions, the Board noticed that 17 of the missions had not submitted their cost plans or liquidity forecasts. As a result, those missions were not allotted any budget out of the cost-recovery funds.

68. The Administration stated that 14 of the 17 special political missions had recoveries only directly from the staff payroll, such as recoveries for telephone calls or liberty mileage, and the amount was less than $78,000 for all 14 missions. Furthermore, the entire recovery amount for special political missions for 2018 amounted to $23.5 million.

69. The Board noted from the reply that at least 3 of the 17 special political missions had costs other than from the staff payroll and there was a risk that expenditure relating to cost-recovery activities of these missions was met through a fund not assigned for cost recovery.

70. The Board also noticed that $10.04 million was outstanding in the cost-recovery fund for services rendered to external entities. This included $5.70 million pertaining to the period before 2018, with $3.55 million being outstanding up to three years and $2.15 million being outstanding for more than three years.

71. **The Board recommends that the Administration develop a comprehensive policy and guidelines detailing an approved list of services under each activity, devising a method for apportioning common overheads relating to cost-recovery**

activities and designating responsible persons at the entity level to promote accountability and transparency in the review and monitoring of cost-recovery activities.

72. **The Board also recommends that the Administration take the necessary action for realizing outstanding receivables for cost-recovery activities and that it carry out regular follow-up for timely recovery of these outstanding amounts.**

73. The Administration accepted the recommendations and stated that it was in the process of developing a comprehensive policy document, which was expected to be issued before the end of 2019, and that it would make every effort to ensure timely collection.

Cash balances in funds

74. The Board noted that the Financial Regulations and Rules provide that payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member State was assessed. The Financial Regulations and Rules also provide that advances made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed to the Fund as soon as receipts from contributions are available for that purpose. The Board noted that an advance of $150.66 million taken in July 2017 from the Working Capital Fund was not recouped during 2018.

75. The Administration stated that the regular budget had run into severe cash liquidity problems and the Financial Regulations and Rules provided for temporary advances from the Working Capital Fund for regular budget expenditures pending receipt of contributions, as well as for certain budgetary appropriations of the Organization that, due to timing difference, would be approved by the General Assembly at a later stage, and that they authorize the United Nations to temporarily bridge the need for financing additional budgetary needs. It also stated that the overall liquidity situation had forced the Administration to take extraordinary measures to utilize not only cash from the regular budget liquidity reserve funds (Working Capital Fund and United Nations Special Account), but also to temporarily borrow from closed peacekeeping missions to meet the need for liquidity. The Administration further stated that cross borrowing from closed peacekeeping missions, whether to support active missions or the regular budget, have historically been reported and fully disclosed to the Advisory Committee on Administrative and Budgetary Questions and Member States and the disclosure of the affected borrowings has been transparent. It was further stated that these were extraordinary circumstances, that all borrowings were made with the proper approval of senior management and that there were already proposals before the Assembly to address the liquidity issues.

76. The Board also noticed that during 2018, the cash balances in fund 10UNA (for Umoja under the regular budget) dipped below zero on at least five occasions (the period from 31 August 2018 to 4 September 2018). The Board also noticed that the combined cash balance of the three funds, 10UNA, 10WCA and 10STA, was negative during these five days according to the position of cash balances as reflected in Umoja. The Board noted that Umoja was stated to have cash controls in place at the fund level, yet there were cases of payments being made from fund 10UNA during these days.

77. The Administration stated that certain payments, such as payroll payments, are by design not subject to cash control and that this is necessary so as not to disrupt the overall payroll process. As such, there were times when the regular budget, even after benefiting from the cash in the liquidity reserve funds, may temporarily have a negative cash balance until additional cash has been secured through receipt of contributions or further borrowing.

78. The Board also noticed that inter-fund transfers at year-end were carried out after the close of the financial year. Therefore, it was difficult to analyse and determine the exact instances of negative balances and level of cash balances at the fund level at any given date.

79. **The Board recommends that the Administration improve the maintenance of the audit trail to enable a better review of the cash position at the fund level.**

80. The Administration stated that cash control was effectively managed within Umoja at the fund level, with specific decisions being made for exceptions where that was required to avoid the disruption of processes.

Valuation of defined benefits plans

81. Employee benefits liabilities of $4.82 billion constituted a significant portion (80.73 per cent) of the total liabilities of the financial statements of the United Nations as reported in volume I. Defined end-of-service liabilities constituted 97.61 per cent ($4.705 billion) of the total employee benefits liabilities. The defined end-of-service liabilities were determined by independent actuaries. The Board noticed various issues relating to aspects of the valuation and disclosure of these liabilities, which are discussed below.

Share of the financial statements of the operations of the United Nations as reported in volume I

82. The United Nations accounts for after-service health insurance benefits, repatriation benefits and accumulated annual leave (commuted to cash upon separation from the Organization) as defined benefit plans, which together constitute end-of-service benefits and are actuarially valued. The last full actuarial valuation was carried out in 2017, with 2018 being the roll forward year. The Board noticed that in the 2018 actuarial valuation, all demographic and financial assumptions remained the same except the discount rate, which was revised.

83. The Board noted that the net after-service health insurance obligation was split into three components, namely, liability on account of current retirees, fully eligible active employees and not fully eligible active employees.

84. The Board noticed that the Administration was unable to segregate retirees into those retiring from positions under the regular budget, extrabudgetary resources and peacekeeping operations. Liabilities for retirees were determined by the actuary for the group as a whole, with 77 per cent of the liability apportioned to the regular budget, 15 per cent to peacekeeping operations and 8 per cent to extrabudgetary resources. Accordingly, 85 per cent of the current liability relating to retirees was being allocated to the operations (regular budget and extrabudgetary resources) of the United Nations as reported in volume I. Thus, a liability of $2.483 billion was apportioned to the financial statements as reported in volume I for 2018, from a total liability of $2.925 billion for current United Nations retirees.

85. The Board was informed by the Administration that the apportionment of the liability relating to retirees was done on the basis of the composition of active employees in 2009 and that it was in the process of accumulating data to subdivide retired personnel into the three fund groups.

86. The Board noted that the proportion of active employees as at 31 December 2007 was 63.2 per cent for the operations of the United Nations as reported in volume I and 36.8 per cent for peacekeeping (the ratio of active employees as reported in volume I to peacekeeping being approximately 2:1). A decade later, as at 31 December 2017, that proportion was about 50 per cent each for the financial statements as reported in volume I and peacekeeping (the ratio of active employees for volume I to

peacekeeping now being 1:1). The change in proportion of active employees in peacekeeping vis-à-vis volume I over the past decade indicates that it would be reasonable to expect that the proportion of retirees belonging to each of these categories would also have changed.

87. Therefore, in the opinion of the Board, liability on account of after-service health insurance was not reflected appropriately in the financial statements as reported in volume I, especially as it was allocated based on a ratio that was more than a decade old.

88. **The Board recommends that the Administration revise the basis for apportionment of the after-service health insurance liability between the financial statements of the operations of the United Nations as reported in volume I and in volume II (peacekeeping) to reflect the current ratio of employees and thus the appropriate share of employee benefit liabilities on account of after-service health insurance.**

89. The Administration accepted the recommendation to revisit the apportionment of the after-service health insurance liability relating to retirees, and revise it if necessary.

Allocation between the regular budget and extrabudgetary resources

90. The Board noticed that the actuarial report apportioned the defined benefits liabilities between regular budget and extrabudgetary resources at 86 per cent and 14 per cent, respectively. The basis of allocation was not disclosed in the actuarial report. The Board noted that in the report of the Secretary-General on after-service health insurance (A/64/366), the details of retirees segregated by funding source were given, where extrabudgetary resources funded around 10 per cent of the total retirees for the operations of the United Nations as reported in volume I. Furthermore, although the information on the retiree population on the basis of funding source was not available, the ratio of active employees as at 31 December 2017 was 75:25 (regular budget: extrabudgetary resources), excluding temporary appointments, which indicates that the share of retirees among these two fund groups would also have changed to some extent, with a greater share of retirees from positions funded by extrabudgetary resources.

91. The Board also noticed that in the notes to the financial statement for volume I, the financial position is disclosed by fund group, with the details of current liabilities divided mainly between the regular budget and trust funds. However, the long-term employee benefit liabilities were not segregated between these two fund groups.

92. The Board was informed that as the entity is liable for both regular budget and extrabudgetary staff liabilities, distinguishing liabilities on these lines is unnecessary and that the liability relating to retirees is determined by the actuary for the group as a whole and then apportioned. The Board noted that the General Assembly in its resolution 61/264 recognized that after-service health insurance benefit liabilities had been accrued from all sources of funding and there was a need to specifically identify the sources of accrued after-service health insurance benefit liabilities.

93. Furthermore, a payroll charge amounting to a monthly accrual equivalent to 3 per cent of gross salary (6 per cent in 2019) plus post adjustment had been applied from 2017 to all posts funded by voluntary contributions to provide for the unfunded employee benefits arising from individual voluntary contributions, so that when the liability is incurred a reserve fund would provide a proportionate contribution towards the actual payment of the entitlement.

94. The Board is of the view that identifying the share of the after-service health insurance liability arising from different fund groups, especially extrabudgetary

resources, would help to allow a continual overview of the amount of the after-service health insurance liability relating to extrabudgetary resources and monitoring of the funding levels achieved. Furthermore, disclosure of that information in the financial statements would help to bring a greater level of transparency.

95. **The Board recommends that the Administration value and disclose the employee benefit liability separately for the regular budget and extrabudgetary resources in the financial statements for the operations of the United Nations as reported in volume I.**

96. The Administration accepted the recommendation.

Issues regarding data quality

97. The end-of-service benefits valuation by the actuary is based on the participant data, retiree medical information and other information provided by the United Nations. According to the actuarial report for 2018, the results of the valuation are dependent on the accuracy of the data, as the actuary does not audit the data but reviews it for reasonableness and consistency. In addition, according to the actuarial report, the calculations are not based on the aggregated data related to the beneficiaries but are performed individually on the actual data provided by the United Nations.

98. The Board test checked the quality of the census data as at 31 October 2017 for assurance on completeness and accuracy, as this has significant implications for the current valuation. The Board noticed the following gaps and anomalies between the data in Umoja and the census data provided to the actuary. Moreover, the Board noticed some instances where key assumptions were not updated, which could potentially affect the current valuation of after-service health insurance liabilities, as follows:

(a) The date of retirement and identification of the entity from which the employee retired were missing for approximately 50 per cent of retirees. The Board noted that this was a huge gap in the data and compounded the inability of the Administration to segregate retirees between fund groups. The Board also noted that the lack of this data could affect the calculation of separation benefits and the validation of the eligibility of participants;

(b) The actuary assumed an age difference of three years between spouses for the valuation. The Board noticed that the average age difference was approximately five years. Furthermore, there were no validation controls in the system for the date of birth of the spouse. In a test check, a case was noticed with the date of birth in the census and in Umoja indicating the age of the spouse to be a little over 2 years old. The Board is of the view that when the age difference between spouses based on actual data is reviewed for impact in the next full valuation exercise (as the Administration assured would be the case), the underlying data on dates of birth should be correct. This was also imperative because the date of birth is one of the parameters that differentiates various members covered under one policy;

(c) The Board was unable to identify the status of 643 participants included in the census data as being retirees or surviving dependants. Furthermore, the database included participants who were potentially classified as retirees with an age of less than 16 years. The Administration confirmed that this was an error, but stated that retirees who are less than 18 years old are assumed to be surviving dependants. The Board is of the view that assumptions on the eligibility of participants who are not fully identified is a risk that needs to be urgently addressed;

(d) The Board noticed inclusion of a deceased retiree, on the basis of the records in Umoja, in the census data. The Administration stated that if the information is included, the actuary will assume that the spouse is still alive;

(e) Surviving dependants included children, whose date of birth affects the calculations. The Board noticed that children were listed against the employee index number alongside the spouse of the employee, which resulted in a risk of the age difference computation getting distorted;

(f) In 185 cases the retiree or United Nations contribution was not indicated for a medical insurance plan, even though coverage existed. The Administration stated that the contribution variable was not used in the actuarial valuation. However, the Board noted that there was a significant risk of including ineligible participants in the actuarial calculations in the absence of this information. Furthermore, the lack of this information in the database could also result in a risk of participants claiming medical benefits for periods during which they did not contribute or for which they were not eligible;

(g) Local after-service health insurance data, mainly for medical insurance plans, was maintained outside of Umoja in peace missions, offices away from Headquarters and the regional commissions. The Board was informed that a project was under way to migrate medical insurance plan retiree records into Umoja.

99. The Board also noted that the claim rates under medical plans were part of the demographic assumptions used for the actuarial valuation. IPSAS 39: Employee benefits, provides that assumptions about medical costs include specific changes in medical costs. It was disclosed in the notes to the financial statements as reported in volume I that per capita claim costs for after-service health insurance were updated to reflect recent claims and enrolment experience. However, the Board noticed that the underlying medical claim cost information was last updated in 2013 and was adjusted annually to reflect medical inflation. The Board was informed that per capita claim costs were updated every five years and will be updated for the next actuarial valuation, in 2019.

100. The Board noted that the Secretary-General had stated in his report on managing after-service health insurance liabilities (A/68/353) that a full census and medical claims review was to be conducted every two to three years except when significant changes in staffing levels occurred (when it would have to be done earlier), in accordance with accepted actuarial principles. Furthermore, the third-party administrators provided per capita claims information every year, in which health trends were summarized in terms of plan members, sickness burdens and claim statistics. The Board is of the view that not testing the validity of the assumptions, despite claims data being available, could potentially affect the actuarial valuation.

101. **The Board recommends that the Administration identify the key data elements that validate the eligibility of participants and incorporate the necessary validation controls to ensure mandatory capturing of these key data elements in the system.**

102. The Administration, while accepting the recommendation, stated that the census extract already incorporated several data elements whose sole purpose was data validation. The Board noted that the issues related to the availability and quality of data highlighted above indicated the need for review and resultant mitigation measures in the existing system.

103. **The Board recommends that information about surviving dependants who are children be reflected separately in the data on retirees to ensure that age-gap calculations are correct. The Board also recommends that the Administration**

identify and update the correct status of the 643 cases where participants have not been identified either as surviving dependants or retirees.

104. The Administration, while accepting the recommendation, stated that there was already a surviving dependant field in the census template. However, the census extract is dependent on the underlying human resources data, which sometimes have limitations. The Board noted that the quality of the human resources data potentially affects the quality of the census data used for the actuarial valuation and, therefore, the Administration needs to take action to identify the gaps and perform the necessary mitigation measures.

105. **The Board recommends that the Administration ensure that the periodicity for revising medical claims costs is consistent at least with the timing of the full actuarial valuation.**

106. The Administration, while accepting the recommendation, stated that in 2013 it had been internally decided, owing to the amount of time and labour involved and based on acceptable industry practices, to revise the claims cost calculations every five years instead of every two years. It also stated that it was currently actively working with the actuary and the third-party administrators to update the per capita claims cost information and that it intended to resume its prior practice and update the calculations during full valuation years.

Official status files

107. The administrative instruction contained in document ST/AI/108 defines the composition of official status files, which contain all records relating to a staff member's career in the Secretariat, such as the personal history form, correspondence regarding recruitment, letters of appointment, notification of personnel actions, periodic reports, letters of commendation, letters regarding reprimand or disciplinary action and papers relating to family status, allowances, leave and visa status.

108. As a complement to paper-based official status files, some documentation related to recruitment and administration of staff is held electronically in such tools as Umoja and Inspira.

109. At the United Nations Office at Geneva, an internal note was issued by the Human Resources Management Section in March 2019 communicating the procedure and a template form to facilitate requests for transmission of official status files in the event of staff moving between entities administered by the Office.

110. According to the budget of the United Nations Office at Geneva (A/72/6 (Sect. 29F)), a function of the Division of Administration is to provide guidance on the interpretation of the Staff Regulations and Rules and other human resources-related policies to managers and staff (ibid., para. 29F.2 and table 29F.14, item 7).

111. During the audit of the United Nations Office at Geneva, the Board reviewed 19 samples of official status files and the corresponding records in Umoja and made the following observations:

(a) The official status file was not transferred if the staff member worked within the Secretariat at different entities or duty stations. None of the documents related to periods at other entities or duty stations were included in the official status file, such as the letter of appointment or correspondence on the recruitment process, although the administrative instruction defines the content of the official status file as reflecting the development of the staff member's career in the Secretariat. These documents were also not readily available in Umoja;

(b) Regarding the correspondence on the appointment, the Board did not find a justification for the step in grade granted at the initial appointment of the staff member in the official status file for some of the files sampled;

(c) Documents such as university certificates and letters of appointment were lacking in a number of files;

(d) Documents relating to family status and allowances, such as birth certificates, marriage certificates, evidence of school attendance and supporting documents for repatriation, were lacking in a number of the files.

112. Furthermore, the sampled official status files at the United Nations Office at Geneva were all organized differently, some with detailed information and others with almost no information. Decisions and supporting documents based on Umoja, Inspira and other electronic tools were lacking in the official status files and not cross-referenced. These documents serve as the basis for determining salary and allowances and therefore are necessary in the official status file for the traceability and justification of the payment. While Umoja indicated a personnel action, such as when a staff member had left the organization, the details were not reflected in the official status file. The Board is aware that the separation decision, for example, is reflected in Umoja, but nevertheless without an electronic registry, duplicate record keeping is necessary since the official status file still serves as the major source of reference.

113. The Board is aware of the discussions under way about the general content of official status files and creating a digital registry. The Board also recognizes that an update of the administrative instruction requires a global solution across the Secretariat. In the meantime, the Board considers it necessary that the Human Resources Management Service at the United Nations Office at Geneva guide the human resources staff concerned on the content and procedures for record-keeping, especially given the core function of the Division of Administration to provide direction and coordination in human resources management. The Office should ensure that official status files are complete and properly managed.

114. The Administration stated that official status files were not moved during temporary appointments and that the official status files for staff holding temporary appointments would have less information than those for long-serving staff.

115. The Administration agreed that signed letters of appointment, educational certificates, personal identification documents and documents reflecting the personal status of the staff member and eligible family members, as well as evidence of relocation for payment of the repatriation grant, should be placed in the official status file.

116. The Administration clarified that documentation held electronically in Umoja and Inspira was not printed for paper-based filing as this would be redundant. It also stated that the actions which supported the basis for the salary and allowances paid were traceable in Umoja or Inspira. It concluded that Umoja and Inspira were the official repositories of documentation for the Secretariat.

117. The Board holds that the official status file should reflect the career development of the staff member in the Secretariat. Given that certain payments might be influenced by periods of prior employment in the Secretariat at different duty stations, the Board considers it necessary for the official status file to include critical supporting documents regarding prior employment or, in cases where a reappointment of the former staff member takes place within one year, regarding separation. Therefore, the internal note issued by the Human Resources Management Service in March 2019 should be extended to include transfers of official status files within the entire Secretariat.

118. The Board further holds that decisions and supporting documents within Umoja, Inspira and other electronic tools as a basis for determining salary and allowances are necessary in the official status file for the traceability and justification of the payment. At least they need to be cross-referenced. For example, a short checklist of one page could be included in the official status file, which should define the minimum requirements for paper documents. In addition, human resources staff could tick off the relevant boxes to indicate what underlying documents can be found in the paper file and what documents are available in electronic systems.

119. **The Board recommends that the Administration at the United Nations Office at Geneva develop guidelines or a standard operating procedure to direct what decisions and documents should be recorded in official status files until a Secretariat-wide solution is introduced.**

120. The Administration agreed with the recommendation.

Review of staff classifications in Umoja

121. The Board noted that the non-staff category of employees was not eligible for after-service health insurance benefits. During a review of payments of United Nations contributions for after-service health insurance in the December 2018 payroll expenditure report, the Board noticed that 7,838 members were classified as non-staff members but it could locate the majority of them in the list of retirees as at 31 December 2017. The Board was informed that these retirees were migrated into Umoja around 2015 and were classified as "non-staff". However, there were 258 individuals who could not be located in the list of retirees. The Board was informed that the Administration performed sample checks and these individuals were either United Nations retirees with no after-service health insurance record or retirees and survivors from other organizations.

122. The Administration stated that for United Nations retirees in the list with no after-service health insurance record, the transitional measure taken at the time of Umoja implementation was not terminated following the expiration of the benefits records in Umoja. As a result, the subsidy charge continued to be posted, including in the December 2018 payroll. The Administration further stated that it would take the necessary action to review and correct any outstanding records and would request an adjustment or correction to the subsidy postings. It would also conduct a review of the staff who had been converted to the status of "separated" upon retirement, since Umoja does have a unique status as "retiree".

123. The Board is of the view that continuing the United Nations contribution to the after-service health insurance reserve for retirees with no after-service health insurance record was avoidable over these years and better monitoring of data quality and status had the potential to avoid these instances.

124. **The Board recommends that the Administration review the classification of the status of employees to ensure that data in Umoja is consistent with the actual status, undertake a comprehensive review of retiree data to ensure their quality and accuracy in the granting of post-retirement benefits and classify retirees as a category that can be uniquely identified.**

125. **The Board also recommends that the Administration review the personal benefits and contribution data of employees, retirees and dependants for completeness, consistency and validation in Umoja and reconcile them with other sources such as payroll payments and eligibility lists sent to the third-party administrators.**

Internal controls over medical insurance expenditure

126. The United Nations has established health and dental insurance plans as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and managed in two locations: United Nations Headquarters in New York and the United Nations Office at Geneva. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to the members. The plans are administered by third-party administrators on behalf of the United Nations or, in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accidents, self-administered. The United Nations acts as the principal for the self-insurance arrangements, that is, as the party being exposed to the risks and rewards associated with the plans. 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. They send weekly emails to the United Nations which replenishes the plans in the amount of the claims that were paid during the previous week. During 2018, the United Nations contributed 63 per cent of total contributions towards the self-insurance schemes and the total insurance claims paid amounted to approximately $524.8 million.

127. The Board had noted the lack of an adequate internal control mechanism to provide assurance over and maintain the costs of the health insurance programme in its previous report (A/73/5 (Vol. I)), and recommended that the Administration review and strengthen formal arrangements with the third-party administrators and put in place a system of regular open-book auditing of their functioning at the earliest possible date.

128. The Board was informed that the Administration monitors the claim costs of all health insurance schemes and was in the process of adjusting the reporting of technical results by the third-party administrators to improve control in respect of utilization and average costs of claims in each category of health care. The Administration also stated that the third-party administrators provided monthly information on the total amount of claims paid in reports emailed to the Health and Life Insurance Section or through online portals where the reports can be accessed to verify the monthly claims payments. Auditing individual claims to determine if the right payment was made can only be done by claim auditors trained to audit medical claims. The last audit of the payment of claims was completed in 2010 and preparations were under way to obtain bids for a new audit.

129. The Board noticed the following issues during its test check of medical insurance expenditure:

(a) The index numbers of employees, retirees and spouses were not correlated with the subscriber identification numbers in the paid claims files submitted by the third-party administrators. Furthermore, there were cases of missing subscriber identification numbers, claims numbers and invoice numbers in the paid claims file and missing identification numbers for spouses in the latest available census data. The Board noted that this status potentially affected the recognition of plan participants in the claims data submitted by the third-party administrators. Furthermore, the third-party administrators should have been provided with lists of eligible participants by the Administration. However, due to missing identification numbers, the Board noted that there was a need to obtain assurance concerning the completeness and accuracy of the data provided;

(b) During the test check, cases of absence of details regarding descriptions of diagnoses and errors in the classification of claims were noticed. These errors, apart from reflecting on the quality of claim information, could potentially affect the assessment of medical expenditure by type of disease;

(c) During the review of the census data, instances were noticed where retirees had a medical insurance plan indicated against their name, but there were no details of insurance contributions from either the retiree or the United Nations. Furthermore, the Administration did not respond to the Board's enquiry as to whether the Administration continuously monitored plan contributions due from active staff and retirees and had mechanisms to check for members claiming insurance when they were not contributing or were no longer eligible for medical insurance;

(d) Requests for details of retirees whose medical claims were processed by the third-party administrators for selected months together with the details of plan participants for the same months along with their monthly contributions were not responded to by the Administration. Similarly, requests for the details of total claims together with the total costs of the claims and operational costs in respect of each third-party administrator along with the category of health care were also not responded to by the Administration;

(e) The Board noted that, according to the report of the Secretary-General on managing after-service health insurance liabilities (A/70/590), the working group on after-service health insurance of the High-level Committee on Management recommended that the United Nations system organizations should negotiate collectively with the third-party administrators to optimize pricing for administrative services and network access and explore the feasibility of establishing and maintaining a common database that captures the demographic and plan information, summarized claims data, terms and conditions of third-party administration agreements, staff costs and summarized fraud information. This recommendation was endorsed by the Advisory Committee on Administrative and Budgetary Questions (see A/71/815). However, no action had been taken by the Administration to implement the recommendation and the Board was informed that the information was not contained in a consolidated database.

130. The Board is of the view that in the absence of any internal review of claims paid, the gaps in terms of the quality of claims data and demographic information relating to plan participants and the lack of a comprehensive database on fraud and on the terms of reference of and contractual terms and conditions with the third-party administrators, the present system provides little assurance on the existence of adequate controls in the area of medical insurance expenditure.

131. **The Board recommends that the Administration take urgent measures to devise an appropriate review mechanism and protocol, develop a capacity for periodic internal reviews on claims data so as to obtain assurance on the claims and costs reported by the third-party administrators and put in place a formal feedback mechanism with the third-party administrators.**

132. **The Board further recommends that the Administration review the third-party administrator reporting templates for gaps in data quality and standardization and streamline the data elements in the paid claims files to enable authentication of subscribers and expenditure, help identify red flags and carry out correct and comprehensive classification of claims.**

133. The Administration, while accepting the recommendations, stated that it was working on issuing a request for proposals for the claims audit. At this stage, a request for expressions of interest had been issued, which would close during July 2019. The Administration was also working on issuing a request for proposals for the provision of health insurance services, which would include reporting templates to ensure

streamlining the data elements in the paid claims files and to enable authentication of subscribers and expenditure.

Internal controls over medical insurance fraud cases

Reporting of cases to the Board

134. The Board had recommended in its previous report (A/73/5 (Vol. I)) that the Secretariat devise a suitable mechanism to ensure better coordination between the Office of the Controller, OIOS and other Secretariat offices for a complete and comprehensive reporting of cases of fraud and presumptive fraud.

135. The Board received a list of fraud and presumptive fraud cases in 2018 for the financial statements as reported in volume I from the Financial Policy and Internal Controls Service of the Office for Programme Planning, Budget and Accounts for the Secretariat as a whole. The Board was also provided by the Health and Life Insurance Section with a list of medical insurance fraud or presumptive fraud cases pertaining to 2018. The Board noticed that 17 of the cases reported by the Health and Life Insurance Section had not been reported in the list provided by the Financial Policy and Internal Controls Service. Thus, gaps continue to exist in the complete and comprehensive reporting of fraud and presumptive fraud cases within the Organization.

136. **The Board reiterates its recommendation for the development of a suitable mechanism for better coordination aimed at complete and comprehensive reporting of cases of fraud and presumptive fraud.**

137. **The Board also recommends that the Administration review the processes involved in reporting fraud to the office of the Controller by constituent offices of the Secretariat and establish timelines and process flows for information-sharing between the Secretariat, third parties, offices away from Headquarters, field offices, missions and OIOS to ensure complete and comprehensive reporting of fraud and presumptive fraud cases.**

138. The Administration acknowledged that some cases of medical insurance fraud were not included in some of the lists provided to the Board and stated that it took note of the observation and would streamline the process in reporting fraud to ensure complete and comprehensive reporting of fraud and presumptive fraud.

Complete reporting of fraud and presumptive fraud cases to United Nations

139. While the health benefit programmes are self-funded, the United Nations has engaged outside companies as third-party administrators for the overall administration of the various medical and dental plans and for the adjudication of claims. The Board was informed that the third-party administrators share fraud-related information, but only once their investigation units have finalized the investigation and found that there was fraudulent activity. These reports are submitted by the Health and Life Insurance Section to OIOS for investigation. The Board was also informed that in the legal system of the United States of America, laws concerning medical privacy and the operations of third-party administrators based in the United States (Aetna and Empire Blue Cross) are such that the administrators are required to notify the legal authorities for proper handling and processing. The Board noted that an agreement with a third-party administrator provided that it would not be liable for any amounts it did not successfully recover. It appears therefore that in cases of fraud there is no liability on the part of the third-party administrator.

140. The Board test checked the framework in place for reporting of fraud and presumptive fraud cases by the third-party administrators, particularly considering the risk that the administrators may not have an incentive to track and report on fraud

cases. The Board could find a specific provision for timely reporting of fraudulent cases to the United Nations in only one agreement with the third-party administrators. The Board noticed that all reported cases in the list of fraud and presumptive fraud given to the Board pertained only to that administrator. In this scenario, the Board was not able to draw assurance that all the fraud/presumptive fraud cases have been reported by the third-party administrators, especially as there is no mechanism in place for the United Nations to check for fraud.

141. The Board also noticed that there was no database on the total number of medical fraud cases that may have occurred across all the insurance plans. The Administration stated that it had created an Excel file and would request quarterly reports on the status of each of the cases from all the other third-party administrators.

142. **The Board recommends that the Administration take steps to make it mandatory that all cases of fraud and suspected fraud be reported, as they come to notice, by all third-party administrators.**

143. The Administration accepted the recommendation and stated that it was working with the third-party administrators to ensure that all cases of fraud and suspected fraud are reported.

Follow-up on identified cases of fraud

144. During a review of the status of recovery of unduly paid amounts in respect of medical claims, the Board was informed that if the third-party administrators were able to recover the unduly paid amounts, they reprocessed the claims in their claims database as if the claim was never paid and informed the United Nations that the amounts were recovered. If unduly paid amounts were not recovered, the cases remained open or unresolved. The Administration also stated that as the third-party administrators were the administrators of the health plans and were responsible for processing claims by following and applying the plan rules in accordance with the plan design, they were in the best position to recover any overpayment, including any unduly received reimbursement from active staff members and retirees.

145. The Board had noted in its previous report (A/73/5 (Vol. I)) that the agreements between the United Nations and the third-party administrators were not standardized. The Board carried out a test check of agreements with different third-party administrators but did not notice an enabling framework regarding accountability for recoveries in cases of fraudulent claims from active staff members and retirees.

146. The Board noticed that there was no information on or assessment of the status of recovery of amounts fraudulently paid. There was no follow-up on the recovery of such amounts by the Health and Life Insurance Section and there was no requirement to report on this aspect by the local human resources partners to the Section. Furthermore, there was no focal point entrusted with the responsibility to maintain oversight over the recovery of such amounts. The Section did not receive or ask for periodic feedback from OIOS on issues identified in its investigation of fraud cases. The arrangements in place currently appeared to be totally dependent on the ability of the third-party administrators to recover the amounts, with inadequate oversight or follow-up.

147. The Board also noticed from the list of fraud and presumptive fraud cases that in two of the four reported medical insurance cases, both pertaining to separated employees, the concerned office appeared unaware of the process to be followed. In the third case, the matter was recorded for information as the plan member had resigned a year and a half before the office was informed of the case. In the fourth case, it was recorded that “United Nations staff members are self-insured and when

committing insurance fraud it impacts their own premium rates and their future rates as well as availability of services."

148. In this scenario, the Board could not obtain an assurance on the existence of a system for effective corrective action when cases of fraud come to notice or on the recovery of amounts fraudulently claimed in case of medical claims fraud.

149. **The Board recommends that the Administration put in place a formal mechanism for monitoring recovery of unduly paid amounts and actively pursue the recoveries. The Board also recommends that a focal point be designated centrally with the responsibility to carry out the monitoring and follow-up.**

150. **The Board recommends that the Administration issue clear guidelines on the processes to be followed in cases of established fraud and the time frames within which action should be completed.**

151. **The Board recommends that the Administration establish a mechanism for regular and periodic feedback between OIOS and the Health and Life Insurance Section.**

152. The Administration accepted the recommendations and stated that it was working on establishing a formal mechanism.

E. Treasury management

153. The Treasury at United Nations Headquarters is responsible for the administration of bank accounts, receipt and disbursement of funds and investment of surplus funds. These functions are governed by the Financial Regulations and Rules and the Finance and Budget Manual.

154. Cash management functions include computation of cash requirements to replenish the United Nations house banks, payment processing, maintaining business partner banking details, dealing with payment exceptions and investigating cases of failed payments. Investments are managed mainly in two money market/fixed income pools: the investment pool at United Nations Headquarters for United States dollar-denominated investments; and the investment pool for euro-denominated investments. In addition, the management of investments for the United Nations Staff Mutual Insurance Society against Sickness and Accidents pool is also carried out in the Treasury. The global banking operations function mainly consists of managing the banking relationships of the United Nations worldwide.

Cash management functions

155. The Treasury ascertains the daily cash position by pooling all incoming funds that were collected in the United Nations deposit account. Payment proposals are also collated. If receipts exceed payment requirements, the balance of the funds is invested. If payment requirements exceed receipts, investments are liquidated.

Organizational structure and documentation

156. The Board noted that the introduction of Umoja had resulted in changes in the functioning of the Treasury. However, the new practices and processes were still at a nascent stage and the Board noticed that:

(a) The processes and procedures adopted for cash management and payment processing after the introduction of Umoja were neither documented nor formally approved;

(b) The roles and duties of the staff in the Treasury were not documented. The staff team structure was also not finalized or formalized;

(c) The training requirements for the staff have not been analysed or documented;

(d) The roles and responsibilities of cashiers not located at United Nations Headquarters vis-à-vis that of the Cashiers Section at Headquarters and the overall cash management functions and procedures were not documented and remained unclear.

157. The Board noted that the absence of formal procedures, structure, roles and responsibilities to govern the cash management function resulted in a weak governance framework, carried a high risk of weak internal controls over the important cash management functions and also carried the risk that procedures and processes might not be applied consistently. The Board also noticed a need to reassess the staffing requirement, which could potentially affect the functioning of the Treasury particularly in the new environment and processes after the initiation of Umoja.

158. The Administration stated that it had documented the cash management procedure and the role of staff in that regard and that this would be submitted for approval. It also stated that the training needs of the staff would be looked into and a proposal would be formulated accordingly.

159. **The Board recommends that:**

(a) **The processes to be followed for the cash management function with the initiation of Umoja be documented and formally approved as a priority;**

(b) **The Administration take steps to finalize, formalize and document the structure, roles and duties of the Treasury staff;**

(c) **The roles and responsibilities of cashiers not located at Headquarters for cash management functions and their functional relationship with the Treasury at headquarters be formalized.**

160. The Administration accepted the recommendations.

Payment processing

161. The Board noted that not all payments were processed through a single daily transaction run[1] in Umoja at the Treasury. There were several cases not covered by the daily transaction run, as summarized below:

(a) Cashiers not located at Headquarters could independently process payments in Umoja. The Treasury had issued circulars requesting the field offices not to process payments in an ad hoc manner, but the practice has continued. In a test check for a three-month period, the Board noticed instances of 21 offices independently executing payment runs in Umoja and making 1,504 payments. Such outflows from field missions and offices away from Headquarters would not be known to the Treasury in a timely manner, which in turn poses difficulties for comprehensive assessments of cash requirements;

(b) The Board was informed that the external offices could independently process, batch and release payments under the Central Emergency Response Fund for

[1] The Treasury has a cycle of two business days for payments. Payment proposals are received through Umoja by executing a process run every day at a specified time in the morning (6 a.m.). The payments are processed for payment by the Treasury (on a date, known as “T”) for disbursement after two business days (known as “T plus 2”).

humanitarian aid, other international development projects and urgent payments. The Board noted that 1,145 payments (for the Central Emergency Response Fund and other payments) for a value of $519.83 million were released by individual offices over an eight-month period. For these transactions, the Umoja payment runs were carried out at different times of the day and the Treasury was requested through email messages to release payments without observing the "T plus 2" rule;

(c) Payroll was processed separately and the payroll processing was staggered over various days in a month. The Treasury received email requests from cashiers not located at Headquarters for off-cycle payroll payments, which were processed outside the scheduled "T plus 2" system, including being run on Sundays and holidays. Such unscheduled off-cycle processing affected the accuracy of the computations of daily cash requirements and replenishment of house bank accounts by the Treasury, as the field missions and external offices batched and released payments to banks even before the Treasury provided the required funds.

162. Thus, with independent processing of payments by the field offices and the payroll batch run being generally outside the "T plus 2" mechanism, forecasting cash outflows even two days in advance was difficult, which, apart from affecting the efficiency of the cash management function, also affected informed and optimal investment decisions. The Board also noticed that the actual payments were not monitored by the Treasury.

163. The Administration stated that a cash forecast for a longer period can be useful for investment management. The Treasury is working with the Umoja team to establish a cash forecast report. Furthermore, it has already started to centralize the execution of the Umoja payment run and would further enforce the policy to disallow its local execution unless approved by the Treasury. It had already advised the external offices to abide by the practice of setting up the payroll payment due date to "T plus 2" at the earliest. An enhancement to the payroll scheduling process in Umoja had been developed and was planned for phased implementation during the second half of 2019. The system of monitoring actual payments was in the discussion stage and would require further resources. The Administration also stated that the new cash management procedure introduced in May 2018 allowed the Treasury to optimize invested cash by reducing the idle balance at the house banks (the daily average idle balance is less than $70 million compared with over $400 million in the past) and that the daily average idle balance may be reduced further with an improved cash management procedure that the Treasury was working on.

164. **The Board recommends that:**

(a) **The Administration introduce a system to utilize the information available in Umoja for estimating cash outflows over a longer period, enabling more refined forecasts of liquidity outflow, which also has the potential to help in better management of investments;**

(b) **Payroll disbursement be aligned with the mechanism used by the Treasury for processing other payments for better cash management for the Organization.**

165. The Administration stated that the Treasury would work with the Umoja team to develop a cash forecast report for liquidity management and, in collaboration with the Payroll Section, would formulate a proposal for aligning the payroll payments with the mechanism used for processing other payments.

Exceptions in payment processing

166. The Board noticed that the daily Umoja payment run at the Treasury created a list of exceptions containing payment proposals not validated by Umoja and hence

not processed for payment. During a test check of exceptions, the Board noticed that the number of daily transactions categorized as exceptions ranged from 10,910 to 17,235, their share of the total number of transactions being as high as 48.24 per cent to 86.27 per cent. The Board noticed that the reasons given for a large portion of these exceptions (55.88 per cent to 93.90 per cent of the exceptions) were not specific and there was a lack of clarity among staff on how to deal with these exceptions and on which section was responsible for taking steps to resolve the problems.

167. The Board also noticed that 11,853 transactions involving payments of $68.56 million were classified as exceptions on 31 December 2018. Out of these, 8,454 transactions (71.32 per cent) involving payments of $62.98 million pertained to a period prior to 27 December 2018 and 3,246 transactions involving payment of $27.15 million pertained to 2017 and earlier.

168. The accumulation of exceptions implied delayed payments and carried the risk of claims for penalties as well as potential reputational risk for the Organization. Such a high proportion of exceptions also indicated that there were problems relating to data validations and controls in the payment processing chain at stages before the involvement of the Treasury, which needed to be addressed. Moreover, holding large numbers of payable items as exceptions without systematic and time-bound procedures for resolution could result in overloading of the system and affect processing speeds.

169. The Board also noticed instances of transactions with the same or similar parameters appearing as exceptions twice in the Umoja payment run reports, implying that a transaction categorized as an exception could be run a second time without deleting the earlier transaction. This opens up the possibility that payment for a particular exception item could be made by creating another payable document, even as the original transaction continues to remain on the exception list.

Investigation of non-payment or returned payment notices from banks

170. The Treasury monitored and investigated cases of non-, rejected or returned payments notified by the banks. Cases that needed to be investigated were received via email and SWIFT messages from banks. In addition, beneficiaries (vendors, employees and business partners) could open cases to claim non-receipt of funds.

171. The Board noticed that there was no consolidated record of these cases. The Administration estimated that there were around 5–10 such cases a day (100–200 a month). Furthermore, the time required to clear some of the investigated cases was substantial (running into months in certain cases). However, the staff in the Treasury responsible for conducting investigations were not exclusively devoted to this work and several cases of investigations were pending. There was no management information system report or mechanism for monitoring this function.

172. The Board noted that the prolonged time taken for resolving these cases constituted a potential reputational risk and underscored the need for structured monitoring and follow-up of these cases.

173. The Administration stated that it would put together a resource proposal so that the items under exception and investigations are processed in due time. It accepted that the exception list required a daily review and that the number of items in the exception list should be a key performance indicator that should always be monitored.

174. **The Board recommends that the Administration:**

(a) **Expedite clearance of pending items classified as exceptions and as under investigation and incorporate such clearances in the overall monitoring mechanism of the Treasury going forward;**

(b) **Review reasons for the very high number of exceptions and take the necessary mitigation measures to reduce the proportion of exceptions generated.**

175. The Administration accepted the recommendations and stated that the Treasury would develop and implement a process for managing the payment exception list. The key performance indicators would be included as part of the performance evaluation of the process.

Balances in bank accounts

176. One of the main responsibilities of the Treasury is to manage balances in bank accounts and ensure cash availability in the house banks to make the obligated payments. The Board noticed that a discretionary buffer was maintained in house bank accounts for the field missions and offices away from Headquarters to make urgent payments. The Board was informed that the cash balance (including the buffer amount) on 31 December 2018 was $2.14 million. However, the quantum of the buffer to be maintained was neither formally approved nor documented.

177. The Board reviewed the end-of-day balances in the accounts with the major house banks (Citibank United States account and Bank of America United States account) for the period April to December 2018 and noticed that the balance was negative on 15 days (including 5 holidays) for the Citibank account and 4 days (including 2 holidays) for the Bank of America account, which leaves open the possibility of a need to pay an overdraft fee (an overdraft fee of $4,907 had to be paid on the Bank of America account). A test check of balances in the house banks also showed negative balances on various days in nine other banks. The Board did not notice payment of any overdraft charges in these cases.

178. The Administration informed the Board that it would establish a due process for establishing buffer limits of liquidity in the house bank accounts. Furthermore, when the cash management procedure was improved the need for a buffer in most house banks would disappear and it was presently working on the enhancement of such cash management procedures. The Administration also assured the Board that the Treasury reviewed the account balances on a daily basis and took immediate action within a day so that an overdraft did not exceed one day. The process would be reviewed and documented for further transparency.

179. The Board took note of the steps taken by the Treasury for improving cash management. However, the Board noticed that cases of negative balances in certain bank accounts persisted in 2019, indicating a need for further improvement in the processes being followed.

180. **The Board recommends that the Administration:**

(a) **Improve the process for review and management of bank balances to avoid overdrafts and the consequent risk of potential delays in payments and levy of overdraft fees;**

(b) **Review buffer limits of liquidity in house banks and set formal limits for individual house banks.**

181. The Administration accepted the recommendations and stated that these would be addressed as part of the enhancement of the cash management procedure.

Investment management functions

182. Investment decisions are taken on a daily basis by the staff responsible for investments based on the opening balance with the United States banks, instruments maturing on the day and the amount of cash automatically transferred between accounts, which could be a positive or negative amount depending on the net

availability of cash after meeting all payments. Investment processes include trades by an investment officer and the generation of trade tickets after an investment is made. Trade tickets are system generated and contain all details of the trade: the name of the counterparty, the type of instrument, the issue date, the date of the trade settlement, the maturity date and the rate of interest. Details of the trade are entered manually on trade logs which are signed by two people: the person who makes the trade and a second investment officer. The details of these logs are entered into Umoja by the investment assistant and the trade logs are scanned and sent by mail to the Investment Accounting Unit.

Documentation of investment decisions

183. Investment decisions taken by the Treasury are guided by the United Nations Investment Management Guidelines, which specify that the objective of investment is to preserve capital and ensure sufficient liquidity while earning a competitive rate of return on each investment pool. These Guidelines also specify various investment parameters, including Treasury-specific limits, counterparty limits and duration targets for investments. The amount invested on 31 December 2018 was $6.74 billion, indicating a significant amount of resources being invested by the Treasury.

184. The Board noted that OIOS, in its report 2016/105 of 16 September 2016 on the audit of investment management in the Office of Programme Planning, Budget and Accounts, had observed that there was no documentation of the rationale supporting investment decisions and recommended that an investment operations manual should be developed to guide investment operations, which should cover, among other things, the requirement for documenting the supporting rationale for investment decisions. The Administration was yet to take action on that recommendation. The Board noted that the process of arriving at investment decisions was not documented and the investment officers maintained their personal records, informally, for arriving at the investment decisions taken by them.

185. The Board noticed that the approved investment parameters and investment guidelines were embedded in the Bloomberg Asset and Investment Manager portfolio management system.[2] However, since interest rates on deposits offered by various banks were assessed manually, non-maintenance of documentation of individual investment decisions resulted in vulnerabilities in the system which could lead to sub-optimal investments without breaching the embedded rules. For example, it was possible for investments to be made with a counterparty within the approved treasury limits, even though the counterparty did not offer the highest rate. Furthermore, there was no system of communicating investment decisions to the Treasurer for approval.

186. The Board test checked the rough working notes of the investment officer relating to time deposits and noted that these notes did not document the decision-making process and considerations that went into the particular investment decisions. Moreover, reasons for choosing a specific investment instrument over others and justification for selecting a three-month maturity in all cases were also not documented. It was not clear from the notes whether the requests for quotations for time deposits were sent to all eligible banks. Rates offered by different banks were also not uniformly documented.

187. The Administration accepted the need for documentation of the rationale for investment decisions and stated that there was no need for approval by the Treasurer for trades as there were several layers of approval and monitoring, including that by

[2] The Bloomberg Asset and Investment Manager portfolio management system is the front-end compliance system providing pre-trade, post-execution and end-of-day compliance information.

the compliance officer (i.e. the finance officer responsible for risk) who signs off on each trade, post facto, to demonstrate compliance with the Investment Guidelines.

188. The Board noted that the role of the compliance officer was limited to post-trade compliance checks, which did not assess the optimality of the trade. The Board is of the view that a review of trades by the Treasurer, at least for a small sample periodically, would further help to mitigate decision risks in trades.

189. **The Board recommends that the Administration document the processes underlying investment decisions covering reasons for choosing a particular investment instrument, trading partner and period of maturity.**

Investment management

190. The investment strategy during 2017 and 2018 endorsed durations[3] ranging from 0.25–0.50 at the lower end to 1.00–1.25 at the higher end with a lower duration bias. The Board noticed that over 70 per cent of investments were done as overnight and same day investments. Investments with a longer maturity of up to one year were significantly fewer and no investment was done in instruments with a maturity of more than one year. The bias towards overnight investments was explained as being primarily to take advantage of rising federal funds rates.

191. The Board noted that OIOS, in its report dated 16 September 2016 on investment management, had identified the need to frame a documented criterion for fixing liquid cash levels to be held. The Board noticed that this was not done. The Board also noticed that considering the actual daily cash flows (cash-in positions and payouts), balances were still available for investment during 2017 and 2018 and these balances were routinely kept in overnight instruments. An analysis of the rates of return during 2017 and 2018 revealed that the rate of return was higher on instruments of one-month maturity on 246 out of 250 business days in 2017 and on 137 out of 250 business days in 2018 vis-à-vis the overnight rates. The rates for three-month time deposits were also consistently higher than overnight rates in both years. As the ability to estimate cash flow was limited, the information available for investment decision-making also remained constrained.

192. The Administration stated that amounts were held because of uncertainty over outflows and the lack of visibility of inflows until funds are already received, and that currently it had no advance visibility in the system for large or unusual payments. Until 2018, notifications that contributions had been received arrived in the Investment Section later in the day, when it was not possible to use the funds for longer than overnight investments. This position had improved in 2018 with such notifications being received earlier in the day, which allowed them to be considered in the decision on longer maturity investments. It also agreed to perform an analysis of stability of cash flows to improve liquidity forecasting.

193. **The Board recommends that the Administration improve the system of forecasting of cash flows and assess liquidity requirements to support effective cash management and optimal investment decisions.**

Investment in overnight deposits

194. During 2017 and 2018, more than 70 per cent of investments were made in overnight investment instruments of US Bank and the United States Federal Reserve Bank. The Board was informed that, in general, funds were placed at the higher rate,

[3] Duration range is the approved maturity limits of investment instruments: 0.25 translates to 3 months, 0.50 translates to 6 months and 1.25 translates to 15 months.

but balances were split when a very large amount was held in overnight funds (say $1 billion), to avoid very high exposure in one bank.

195. The Board noted that there was no uniformity in the way the balances were divided between the two banks and larger balances were not always placed in the bank offering a higher rate of return. The Board noticed six instances during the year when funds exceeding $1 billion were kept in the bank offering a lower rate of interest. Furthermore, all interest income accruing on investments on maturity were, by default, swept into the US Bank account, without considering the relative benefit of its rates. The Board noted that this practice had an implication for the amount of interest earned on the overnight investments.

196. The Administration, while accepting the observation, stated that in the past it had visibility over amounts available for overnight investment only later in the day. Therefore, new deposits to the pool could not be moved until the following day. During 2018, the position had improved and currently information concerning sweeps of funds and flows to and from the investment pool is received earlier in the day, allowing the full value of overnight funds to be placed at the most advantageous rate. It also stated that consideration was given to splitting large balances to reduce credit risk.

197. The Board notes that while the practice of investing in overnight balances has a low liquidity risk, such investment decisions should primarily be based on the best available, risk-adjusted investment return.

198. **The Board recommends that the Administration monitor bank rates closely so as to ensure that overnight balances are placed in the bank offering the higher rates within levels of acceptable counterparty risks.**

199. The Administration accepted the recommendation and stated that it monitors the overnight rates on a daily basis and overnight balances are kept with the institution offering the better overnight rate while also taking into consideration credit risk when balances are large.

Updating of the Asset and Investment Manager portfolio management system

200. The finance officer responsible for risk maintains the pre-trade compliance review rules in the Asset and Investment Manager system, which should be in harmony with the Investment Guidelines and specific limits set by the Treasury. Any changes in the parameters necessitated by changes in credit ratings or addition of banks and brokers must be incorporated into the system. It is important to update the parameters in the Asset and Investment Manager system with no time lag so as to ensure that the trades comply with all the parameters and limits, particularly as there is no pre-trade verification.

201. The Board noticed that no timelines were fixed internally for incorporating duly approved changes of trade parameters in the Asset and Investment Manager system. A review of modifications carried out in the system (as reflected in the system activity log) indicated delays of over 30 days in updating the downgrading of the credit of a bank, even though a change in the treasury limit consequent to the downgrade took effect immediately. The Board also noticed delays of over a month in incorporating four banks into the system after they were added to the list of recommended brokers and dealers and their treasury limits had been fixed. Instances where decisions on limits on durations of investments were not updated in a timely fashion were also noticed (decisions taken in Investment Committee meetings on 29 June 2017 and 15 December 2017 were updated in the Asset and Investment Manager system only on 25 July 2017 and 15 March 2018 respectively).

202. The Administration stated that new banks are not added as eligible potential business partners in the system right away and such addition took place only when a new trade was being considered or was in progress. Furthermore, as the durations of portfolios did not change over a short period of time, updating in the Asset and Investment Manager system was postponed.

203. The Board noted that delayed updating of duration limits and credit downgrades created vulnerabilities in the functioning of the Asset and Investment Manager system.

204. **The Board recommends that compliance procedures and rules related to the Asset and Investment Manager system should be constantly monitored and any change in the parameters of pre-trade compliance rules should be updated in the system within a reasonable period of time.**

205. The Administration accepted the recommendations and stated that the rules for the Asset and Investment Manager system would be constantly monitored and that changes would be updated promptly.

Currency hedging strategy

Hedging strategy

206. The United Nations has exposure to various currencies owing to the inherent nature of its global operations, but hedging is not carried out for currencies other than the euro and the Swiss franc. The Board noticed that the amounts to be hedged were decided on the recommendation of the Programme Planning and Budget Division, based on confidence in non-United States dollar budget projections for a specific budget cycle. Thereafter, the forward contracts were made for a period of 12 months.

207. The Board noticed that the hedging programme covered expenditure only in euros and Swiss francs. The Board did not find any assessment of the actual quantum of foreign currencies used in the regular budget. The Board is of the view that a robust system of assessment of requirements for various currencies based on a comprehensive analysis of historical trends and plans for the immediate year would promote better management of foreign currency risks.

208. **The Board recommends that the Administration maintain information on the actual usage of hedged currencies in the regular budget. The Board also recommends that projected requirements for different currencies and historical data of actual usage of those currencies be made part of the analysis for the preparation of the currency hedging programme.**

209. The Administration accepted the recommendations and stated that it would work to build reports to analyse prior-period actual usage of hedged currencies by budget type in preparation for determining amounts to be hedged.

Engagement of hedging partners

210. The policy of the United Nations concerning foreign exchange mandates, inter alia, that currency transactions should be executed at the best price, involve competition with at least three counterparties simultaneously providing bids for each currency transaction and ensure a transparent audit trail of the transaction.

211. The Board noticed that during 2017 and 2018, bids were obtained from three banks and hedging contracts (in euros and Swiss francs) were executed with these banks. The following issues were noticed regarding these currency transactions:

(a) International Swaps and Derivatives Association agreements were entered into with three banks during 2015 and 2016. The basis of selecting only these three banks for entering into hedging agreements was not clarified to the Board;

(b) The Board was informed that details of competitive quote history for 2017 were not available. The audit trail for currency transactions in 2017 was, thus, not available;

(c) On studying the hedging contracts entered into in 2018, the Board noticed that the contracts were awarded for each individual month to the bank offering the better rates for that month, starting with the longest duration contracts. Once one third of the volume was allocated to one bank, that bank was excluded for the remaining months. This was apparently done to meet the requirement of splitting the allocations between the banks;

(d) The fact that there were agreements with only three banks, coupled with the practice of equally allocating contracts among them, led to a scenario where contracts for the 12 months in a year were divided equally among all three banks for a four-month period each. This policy design, where each bank would mandatorily get a contract for four months, lacked the competitive tension required to get the best rates for the Organization. The practice also resulted in a situation where contracts were not awarded at the best available rates in 6 out of 12 instances for Swiss franc forward contracts (involving hedging of SwF 324.60 million) and in 4 out of 12 instances for euro forward contracts (involving hedging of €48 million) during 2018.

212. **The Board recommends that the Administration carry out a review of its hedging programme, increase the number of counterparties having International Swaps and Derivatives Association agreements and revisit the policy of equal splitting of agreements among the counterparties so as to derive advantage from the most competitive market rates while limiting the credit exposure in accordance with the defined guidelines.**

213. The Administration stated that it did not agree with the Board's recommendation to consider awarding contracts based on the rate alone, as there would be no consideration given to credit exposure. The Treasury had a clear process in place whereby the most competitive rate was chosen for each month, while also taking into consideration the requirement to limit credit exposure. Getting quotes from three counterparties with which the United Nations has International Swaps and Derivatives Association agreements is considered a sufficient number to get market rates. The United Nations foreign currency hedging and budget rates guidelines (dated 22 January 2016) state that the hedging programme should be allocated between the financial institutions with which the Organization has executed an International Swaps and Derivatives Association document in order to reduce credit risk.

214. The Board noted that the practice of splitting contracts equally among only the three available banks resulted in a scenario where winning the contract became a fait accompli for a bank, irrespective of the rates it offered, and this did not appear to be in the interest of the United Nations for obtaining the most competitive rates. The Board also noted that the foreign currency hedging and budget rates guidelines neither provided for an equal split among the financial institutions with which the Organization has executed an International Swaps and Derivatives Association agreement nor prohibited increasing the number of financial institutions with which the Organization could execute such agreements. Therefore, the Board holds the view that the Administration needs to review its hedging programme to explore the possibility of increasing the number of counterparties for such agreements, revisit the policy of equal splitting of hedging among the counterparties and consider allowing greater opportunities for competition in matching the lowest rate, which will help to

reduce the counterparty risk and also ensure that the best rates become available to the Organization.

Global banking operations

215. The Treasury is responsible for opening banks accounts, negotiating the signing of the master banking agreements, documentation and participation agreements with the bank's branches, closing of bank accounts, maintaining relationships with the banks, maintaining and getting approved a panel of bank signatories and banking administration.

Opening and closure of bank accounts

216. The house bank account concept was adopted after the introduction of Umoja. This was also intended to curtail the number of bank accounts being operated by the United Nations at its various offices around the world. The Board was informed that there were 448 bank accounts before the introduction of the house bank system, which had gone down to 259 bank accounts in Umoja and 10 bank accounts outside Umoja by 2018, and that 2 new bank accounts were opened and 9 bank accounts were closed during 2018.

217. The Board noticed that the Treasury had not conducted a comprehensive review to identify the bank accounts which could be considered for closure and had not prepared a schedule for closing the bank accounts so identified. Furthermore, no exercise had been undertaken to identify the requirements for any new accounts that could be required after the introduction of house bank concept.

218. The Board noted that in accordance with the Finance and Budget Manual of 2012 (para. 10.02.1), the Treasurer selects banks in which the Organization's funds are held based on a competitive process. However, the Board also could not find any documented criteria for selecting a bank at which to open an account. The Board also noticed that closing and opening of accounts was being undertaken based on email requests made by field offices.

219. The Board noted from a test check of records that a pre-printed checklist was used for recording various actions taken with respect to closure of accounts. The Board noted the following issues in this regard:

(a) Several items on the checklist, such as dates for sending notices for database access, SAP and Umoja master list updating, were not always filled in;

(b) An instruction to close an account was sent 20 days after the receipt of the formal request for closure of the account;

(c) Banks took 8–23 days to debit the account being closed. Furthermore, there was a difference in the amount being debited from the closed account to the amount credited to the house bank account;

(d) No specific timelines were prescribed for completion of the process to close bank accounts in Umoja after the accounts were physically closed. As a result, bank accounts remained open in Umoja even after their physical closure;

(e) The data in Umoja showed the number of bank accounts to be 276. The Board was informed that the list contained 30 house bank accounts which had been closed. However, these accounts were active in Umoja with negative balances ranging from minus $62,830 to minus $485,657 in 13 of the 30 closed house bank accounts.

220. The Administration attributed the time taken for closing accounts to a need for a preliminary review of requests for closure before the account closing letter was prepared, the requirement to obtain the approval of the Treasurer and the internal

process and timeline banks may have for closing accounts. It was also informed that a bank account could not be closed in Umoja unless confirmation had been received from the bank that the account was closed. Furthermore, the delegation of authority in respect of the opening and closing of bank accounts rested with the Controller and the Treasurer and accounts were opened and closed in accordance with their instructions based on operational requirements.

221. The Board noted that there should be a formal, documented mechanism spelling out the criteria to be used for opening and closing bank accounts, which would also help to provide better transparency and objectivity in the necessary decision-making process.

222. **The Board recommends that the Administration consider the feasibility of formally laying down a minimum set of requirements for the selection of a bank, along with adopting a standard operating procedure for opening and closing of bank accounts.**

223. The Administration did not accept the recommendation and stated that the delegation of authority in respect of the opening and closing of bank accounts rested with the Controller and the Treasurer. Accounts were opened and closed on the basis of their instructions based on operational requirements. The processes and procedures varied from one country to another and from one bank to another. Laying down formal criteria was not feasible owing to the large number of countries in which the United Nations operated.

224. The Board appreciates the challenges faced in operating with different banking systems across the globe. The Board is of the opinion that laying down a minimum set of requirements for the selection of a bank would aid transparency and would help to ensure compliance with the provisions of the Finance and Budget Manual regarding the selection of a bank based on a competitive process.

F. Sustainable Development Goals

225. In its resolution 70/1, the General Assembly adopted the 2030 Agenda for Sustainable Development, which constitutes an agenda for transforming the world and a plan of action for people, planet and prosperity. The 17 Sustainable Development Goals and 169 targets providing the framework of the 2030 Agenda demonstrate the scale and ambition of this new universal agenda. The Goals are integrated, indivisible and balance the three dimensions of sustainable development: economic, social and environmental.

226. The primary responsibility for the implementation of the 2030 Agenda rests with the Member States. The high-level political forum on sustainable development under the auspices of the General Assembly and the Economic and Social Council has a central role in overseeing the follow-up and review process at the global level. In its resolution 71/313, the Assembly adopted the global indicator framework for the review and follow-up of the Goals and targets.

227. The Department of Economic and Social Affairs is a vital interface between global policies and national action in the economic, social and environmental spheres. It supports the work of the General Assembly, the Economic and Social Council and the high-level political forum. It works with Member States, other United Nations system entities, NGOs and other stakeholders to support the follow-up and review of the 2030 Agenda by the United Nations intergovernmental bodies. The Department is the hub for the financing for development process and guides international efforts to finance sustainable development for all.

228. The 2030 Agenda recognizes the significance of the regional dimension of development. The regional commissions have been assigned explicit and implicit mandates to assist Member States in integrating the three dimensions of sustainable development, provide technical support for the implementation of the Sustainable Development Goals through effective leveraging of the means of implementation and facilitate effective follow-up and review. The regional commissions are the outposts of the United Nations and are situated in the five regions of the world: the Economic Commission for Europe (ECE), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic Commission for Africa (ECA) and the Economic and Social Commission for Western Asia (ESCWA).

229. The Board reviewed the role of the Department and the regional commissions as vital organs of the Secretariat in relation to the implementation of the 2030 Agenda by supporting the development process through the Agenda, facilitating the indicator framework, promoting the availability of means of implementation, capacity-building and follow-up and review at the global and regional levels. The observations of the Board in this regard are presented in a synthesized form in the following paragraphs.

Indicators and data

230. The 2030 Agenda contains 17 Sustainable Development Goals and 169 targets under the Goals at the global level. These Goals and targets are to be reviewed using a set of global indicators for which data are to be collected and reviewed at the national, regional and global levels to track the progress made. The follow-up and review at the global level is to be done at the high-level political forum based on the global indicator framework. The progress on the Goals is reported annually through the progress report on the Goals prepared by the Secretary-General in cooperation with the United Nations system organizations. The Department of Economic and Social Affairs serves as the secretariat for the forum.

231. The Inter-Agency and Expert Group on Sustainable Development Goal Indicators is the intergovernmental group responsible for the development and implementation of the global indicator framework for the implementation of the Goals. The Group is composed of Member States, with regional and international agencies and other stakeholders as observers. The Statistics Division is the secretariat for the Group. A total of 244 global indicators have been identified and these are expected to be complemented by indicators at the regional and national levels to be developed by Member States.

Status of indicators and data availability

Data availability at the global level

232. Indicators are classified into three tiers based on their level of methodological development and availability of data at the global level.

(a) **Tier I**: indicator is conceptually clear; internationally established methodology and standards are available; data are regularly produced for at least 50 per cent of countries and of the population in every region where the indicator is relevant;

(b) **Tier II**: indicator is conceptually clear; internationally established methodology and standards are available but data are not regularly produced by countries;

(c) **Tier III**: indicator has no internationally established methodology or standards yet available; methodology and standards are being (or will be) developed or tested.

233. The data availability on the indicators and their progress since 2016 is described in the following paragraphs.

Table II.4
Classification of Sustainable Development Goal indicators

	2016			2019		
Year/tier of indicators	*Tier I*	*Tier II*	*Tier III*	*Tier I*	*Tier II*	*Tier III*
All indicators (244)[a]	98	49	78	105	98	34

[a] There were 7 indicators in multiple tiers and 12 indicators were not classified in 2016.

234. As can be seen from table II.4, a number of indicators still remain in tier III. The availability of information at the goal/target level is as follows:

(a) No goal has all its indicators in tier I;

(b) Only 58 targets have all their indicators in tier I, for 23 targets under nine Goals all the indicators are in tier III, and none of the targets of Goals 5, 12 and 13 have all their indicators in tier I;

(c) The Inter-Agency and Expert Group on Sustainable Development Goal Indicators downgraded 18 indicators to a lower tier in the updated tier classification of 4 April 2019;

(d) Four[4] tier III indicators had no custodian agencies.

235. The Board noted that as the secretariat of the Inter-Agency and Expert Group, the Department of Economic and Social Affairs did not obtain regular reports from custodian agencies about their progress. The Department was not in a position to evaluate the status of indicators that do not have data, metadata and methodology unless there was communication with the custodian agencies.

Data availability at the regional level

236. The information obtained from some of the regional commissions indicated that there were significant challenges faced in data availability across different regions, as follows:

(a) According to “SDG data availability for African countries”, published in February 2018 by the African Centre for Statistics, 114 indicators had no data for any of the 54 countries of the region, with a data list being available (meaning that at least one country had data on the indicator) for only 130 indicators. The availability of data against the indicators was as low as 71 indicators in one country. ECA reported that 36 of its member States had data on at least 40 per cent of the indicators, but none of the countries could reach 50 per cent, although ECA had set itself a target of 20 member States having at least one data point for 50 per cent of a regional set of indicators for Agenda 2063: The Africa We Want and the 2030 Agenda;

(b) In the Asia-Pacific Sustainable Development Goal data availability report (ESCAP/RFSD/2018/INF/2), ESCAP stated that data availability across the 17 Goals is uneven, but over 50 per cent of the indicators have at least some data available. It is pointed out that across the 244 global indicators, a trend analysis at the regional level is possible for only about one fourth (i.e. 64) of the indicators. Based on the voluntary national reviews presented at the high-level political forum in 2017, ESCAP

[4] Indicators 1.a.1, 1.a.3, 1.b.1, and 12.a.1.

also highlighted the lack of high quality, reliable and disaggregated data as one of the main barriers facing its member States;

(c) There was substantial variation in national capacity across the Latin America and Caribbean region, where 11 countries had statistics on more than 30 per cent of the indicators, while five countries had statistics on less than 15 per cent of them. Only 13 of the region's 33 countries had defined baselines for the indicators. ECLAC felt there was a need to make special efforts in countries with missing baselines. The lack of a defined baseline coupled with non-availability of data was likely to affect the monitoring of the 2030 Agenda in the region.

Disaggregation of data

237. The follow-up and review of the 2030 Agenda is dependent on quality, accessible, timely and reliable disaggregated data to help with the measurement of progress in implementing the Agenda and to ensure that no one is left behind. Disaggregation by age and gender would ensure that the 2030 Agenda commitments are translated into effective action for all nations and people and all segments of society.

238. Out of the 244 Sustainable Development Goal indicators, 53 require data to be disaggregated on the basis of gender and 44 require disaggregation on the basis of age. The Board noted that only 16 indicators have some data disaggregated by gender while 24 indicators have some data disaggregated by age. This indicates that the desired data disaggregation has not yet been achieved at the global level in several critical areas of sustainable development.

Measurement of indicators to be achieved by 2020

239. Some of the targets of the Sustainable Development Goals are to be achieved by 2020. These targets are to be measured through 26 indicators. The Board noticed that in 2019, 17 of these indicators were in tier I, 4 were in tier II and 5 were in tier III. This raises concerns regarding the measurability of these indicators and hence the ability to undertake assessment regarding progress and achievement of these targets.

240. The Administration stated that there was no need to have all indicators in tier I to measure a target and that the global Sustainable Development Goal report included many tier II indicators. The Administration informed the Board that the Inter-Agency and Expert Group expected several of the tier III indicators to be reclassified to tier II in the coming months and was working to identify proxies for some indicators. If the methodology was stalled for any of these indicators, that would be addressed in the 2020 comprehensive review.[5] The Administration also stated that it had very limited influence on the issue of progress for activities falling under the mandate of custodian agencies, but would continue its advocacy efforts. The Administration also stated that a lack of data was attributable to many factors, including human and technical limitations at the country level, and addressing these gaps required significant investments in time and resources to build national capacities. This needed support from the entire United Nations system and international community in addition to the Department of Economic and Social Affairs.

241. While the Board agrees that some measurement may be possible for a target with some indicators in tier II, a comprehensive assessment of progress (i.e. at least

[5] Two comprehensive reviews of the indicator framework are planned, the results of which are to be submitted for consideration and decision by the Statistical Commission at its 2020 and 2025 sessions. This could include the addition, deletion, refinement or adjustment of indicators based on methodological development, usefulness and sufficiency in tracking the progress of the target/ Goal and development of new indicators that are more suitable.

50 per cent of the countries and of the population in each region where the indicator is relevant) can only be achieved when data across all indicators are available globally. Further, the Department of Economic and Social Affairs, as the secretariat for the Inter-Agency and Expert Group and in its support for the high-level political forum, has an important role to play.

242. **The Board, considering the large number of indicators that are in tiers II and III, including indicators for targets to be achieved by 2020, recommends that the Department of Economic and Social Affairs intensify its efforts towards the development of indicators and to ensuring the availability of data related to them, in collaboration with the custodian agencies.**

Capacity-building for data and statistics

243. The General Assembly, emphasizing the commitment towards engaging in systematic follow-up and review of the implementation of the 2030 Agenda over the 15-year implementation period, resolved to support developing countries, in particular African countries, least developed countries, small island developing States and landlocked developing countries, in strengthening the capacity of national statistical offices and data systems to ensure access to high-quality, timely, reliable and disaggregated data (resolution 70/1).

244. The Board noted that some regional commissions were making efforts to focus regionally in the follow-up and review process. The Board found that ECLAC intends to promote the establishment of a Sustainable Development Goal regional database with data from the global indicator framework and additional regional indicators identified by member countries to facilitate regionally comparable analysis for monitoring the progress in achieving the Goals. A set of 31 regional indicators had been identified and these were in the phase of being defined. ESCWA had taken an initiative to create a regional framework for the environment-related Goals and intended to further refine and expand the framework to all the Goals. The Board also noted that ESCAP had established a help desk on the Goals and a gateway for providing support on tools related to the Goals and an up-to-date overview of the progress to achieve the Goals in the region.

245. The Board noted that all the regional commissions had subprogrammes related to statistics and were involved in capacity-building of their member States in this regard. Some of the identified capacity development needs and specific interventions noticed in the regional commissions are summarized below.

(a) The Board noted that the ECE member States had highlighted a need for capacity development in the modernization of their official statistics, statistics for the Sustainable Development Goals, population and housing censuses, economic statistics and geospatial information systems ahead of the 2018 meeting of the Conference of European Statisticians. The countries of Eastern Europe, the Caucuses and Central Asia, in response to global assessments of national statistical systems, also listed quality management and process documentation as an important area. The Board observed that ECE had received requests for capacity-building in data and statistics from member States (1 in 2016, 8 in 2017 and 15 in 2018). ECE could address these requests except for four requests received in 2018, which could not be addressed for want of resources. ECE also informed the Board that the demand for statistical support for reporting on the Goals was constantly increasing and building capacity for the Goals was a long-term task that required sustainable financial and human resources. Especially in the countries of Eastern Europe, the Caucuses and Central Asia, there was a lot of demand and limited financial capacities in this regard;

(b) The Statistical Conference of the Americas of ECLAC had framed a strategic plan for the period 2015–2025, which included a vision for developing the capacities of national statistical systems to prepare the statistics that would be required for monitoring the Goals and targets of the 2030 Agenda. The Board noted that ECLAC had conducted comprehensive annual surveys of the national statistical capabilities of the countries in Latin America and the Caribbean to produce data on Sustainable Development Goal indicators. The process to identify national statistical capacities, consisting of a self-evaluation questionnaire on producing indicators for the 2030 Agenda, was started in 2016 and had been conducted every year since. The Board observed that of the 33 countries in the Latin America and Caribbean region, 24 had completed the survey in 2016 and 25 in 2017, with the remaining countries not responding to the surveys. The Board, while examining the capacity of countries to provide statistics on the indicators, observed that it varied significantly across the region;

(c) ESCAP identified in its regional road map for implementing the 2030 Agenda priority areas of cooperation, among which the availability of and access to high quality data and statistics was identified as essential for measuring and achieving the Sustainable Development Goals. The road map envisions the strengthening of national statistical systems by providing capacity-building support to them. ESCAP, in its report based on a synthesis of voluntary national reviews (ESCAP/RFSD/2018/INF/2) highlighted the main challenges faced by its member States, which included a lack of high-quality, reliable and disaggregated data as one of the main barriers. ESCAP, in a response to the Board, stated that the need for capacity-building in statistics had existed for 80 per cent of the countries in all the years from 2016 to 2018, and that 95 per cent of capacity-building requests were addressed in 2016 and 2017 and 90 per cent were addressed in 2018. ESCAP, in the same response, informed the Board that the unaddressed requests were either because of a lack of funding, limited staff availability or limitations concerning lead times.

246. Thus, there is a significant, identified need for capacity-building in augmenting capacities to produce data and statistics so as to ensure more comprehensive measurement using the Sustainable Development Goal indicators. This need is not being fully met at present.

247. **The Board recommends that the Administration augment the capacity-building efforts for Member States, with a special emphasis on the least developed countries, small island developing States and landlocked developing countries.**

248. The Administration stated that every effort was being made by the Department of Economic and Social Affairs to prioritize support to countries in special situations when requested and that the recommendation could only be implemented if additional resources were available.

Inconsistent basis for reporting global data on the Sustainable Development Goals

249. The global Sustainable Development Goals report is based on a master set of data prepared by the Department of Economic and Social Affairs with inputs from many international and regional organizations in response to the mandate of the General Assembly (resolution 70/1) to provide an annual assessment of progress towards achieving Goals. The Department prepares the global progress report on the Goals annually on the basis of the global indicator database it maintains for tracking progress on the Goals. The accuracy and comparability of the data against various parameters is key to monitoring progress on the Goals. The report provides important inputs to the deliberations of Member States at the high-level political forum.

250. The global report has been presented for 2016, 2017 and 2018. The Board observed that for reporting on the proportion of the world's workers living with their families on less than $1.90 per person per day (under Goal 1), the base year considered

was 2000. The global report for 2018 mentioned the baseline figure in 2000 to be 26.9 per cent, while the global report for 2016 had indicated the same statistic as 28 per cent. The change in the baseline affected the comparability of the achievement reported on this parameter in 2016 (reported to be 10 per cent in 2015 compared with 28 per cent in 2000) and 2018 (reported to be 9.2 per cent in 2017 compared with 26.9 per cent in 2000).

251. The Department explained that when new data become available from countries, the custodian agencies update the whole data series, including the data for previous years, which affects the global aggregate values. The custodian agencies associated with the data would need to be consulted for a better explanation.

252. While noting the response of the Department, the Board considers that the global report reviews the progress in the implementation of the 2030 Agenda and is essential to United Nations negotiations and global policy decisions. Hence it is essential that any revision in the data featured in the report is suitably explained in the report itself to avoid confusion. The year 2000 has been used in both reports as the base year and hence the data should have been checked for consistency and any inconsistency ought to have been explained in the report. There needs to be a mechanism for checking such inconsistencies in data, especially when the data are obtained from other entities (the custodian agencies).

253. The Department in reply stated that a complete explanation for every indicator cannot be published in the report, which has a limit of 8,500 words, but that it would consider adding a more explicit reference in the footnote contained in the report to guide readers to its website. The Department further stated that it agreed with the importance of clearly explaining year-to-year differences in the data series compiled by the custodian agencies and that reference to explanations provided in the metadata would be added where the editorial rules allowed.

254. **The Board recommends that the Administration establish appropriate processes to ensure consistency in reporting and inform the stakeholders through disclosures about changes and inconsistencies in critical data when they are published, with the help of the custodian agencies.**

255. The Administration accepted the recommendation.

Voluntary national reviews

Status of the voluntary national reviews

256. In accordance with paragraph 84 of resolution 70/1, the high-level political forum, under the auspices of the Economic and Social Council, carries out regular reviews which are voluntary and State-led and involve various stakeholders. In his report on critical milestones towards coherent, efficient and inclusive follow-up and review at the global level (A/70/684), the Secretary-General encourages all countries to conduct more voluntary national reviews. The Secretary-General states that the United Nations system stands ready to support countries in conducting the voluntary national reviews. Member States prepare these reviews to demonstrate progress in implementing the Sustainable Development Goals and to highlight challenges and gaps in implementation for consideration by the high-level political forum. The Secretary-General states that each country could consider carrying out up to two voluntary national reviews at the high-level political forum by 2030.

257. The progress in conducting voluntary national reviews in various regions was discussed in a meeting of the Department of Economic and Social Affairs and the regional commissions in September 2018 in preparation for the high-level political forum. It was decided to aim for near universal voluntary national reviews by the end of 2019, which was the final year of the first review cycle. It was expected that this

would present scenarios for supporting countries in special situations and ensuring they are not left behind. Over the period 2016–2018, 102 out of 194 countries presented voluntary national reviews. There were 16 countries which had presented reviews two (15) or three (1) times.

Data variances in the Sustainable Development Goal database and the voluntary national reviews

258. As the secretariat to the high-level political forum, the Department compiles a synthesis report of the voluntary national reviews, which provides a summary of measures taken by countries to achieve individual Sustainable Development Goals.

259. The Board, in its limited examination of the voluntary national reviews and the database maintained by the Department, observed that there were significant data inconsistencies in respect of a few indicators for some countries. In response to the Board's observation, the Department replied that it did not have the mandate to validate data in the voluntary national review reports, as those are State-led reviews. The Department had worked with partner agencies to develop guidelines and sensitize Governments on the importance of working closely with national statistical offices in preparing the reviews. Moreover, data presented in the voluntary national reviews, even if obtained from national statistical systems, would have some differences with the Goals indicator database, which are international data series adjusted for international data comparability.

260. The Board is of the view that information on specific indicators should be unique. Variances in information quoted in voluntary national reviews with that maintained in the Goals database needs to be studied and reconciled.

261. The Department, while accepting the importance of data consistency, reiterated that the national reviews were voluntary and it did not have a mandate to validate the contents of the reviews. However, the Department stated that there could be a more structured approach to the preparation of voluntary national reviews in the next phase if the General Assembly decides to make improvements based on lessons learned in first four-year cycle (2016–2019) of the reviews.

262. The Board considers reconciliation of data against specific indicators to be important as these data sets are expected to be the basis on which progress on the Sustainable Development Goals would be measured and future development policies framed. It also would help the Secretary-General to respond to the request of the General Assembly to ensure the harmonization and consistency of data and statistics for the indicators used to follow up and review the Sustainable Development Goals and targets (resolution 71/313, para. 5).

263. The Administration stated that the 2030 Agenda gave countries great flexibility on which indicators or data to use in their voluntary national reviews and there was no mandate given by Member States to the Department of Economic and Social Affairs for it to undertake a reconciliation.

Follow-up of capacity development requirements identified in voluntary national reviews

264. The voluntary national review synthesis reports are prepared by the Department based on the reviews submitted by the Member States and list their capacity-building needs. The Board noticed, however, that these requirements were not registered as capacity development requests in the Department's central repository. The central repository of capacity-building needs is a component of the new departmental strategy for capacity development, which the Department adopted in 2017. A technical advisory group on capacity development has been established as a forum for

discussion of capacity development requests, assessment as to whether the Department has the expertise to respond to the needs and, if it does not, identification of other entities that can address the demands. The requests collated in the central repository are expected to form the basis for the discussions.

265. The Board noticed that the central repository of capacity development requests often did not indicate details of the requesting institution, total budget, funding allocated and source of funding, for example. In addition, the requests and their status were not systematically updated. The Board did not find evidence of the process by which the Department interacted with other United Nations entities with the requisite expertise to service some of the requests received. The Board noted that some requests were kept under consideration instead of being transferred, for example requests for capacity development for blue growth, which could have been transferred to the Food and Agriculture Organizations of the United Nations which specializes in that area.

266. The Board noted that the central repository could act as an effective tool for capacity-building. Alignment of the synthesis reports on the voluntary national reviews with this repository could help to better focus on the capacity-building needs of Member States. During a test check, the Board noticed a few mismatches. According to the voluntary national review synthesis report, Kenya had expressed a capacity-building requirement in statistics and the management of information, but according to the central repository the technical assistance provided to Kenya was to develop and implement a plan of action which will be the basis for specific strategies for sustainable promotion and protection of the family. Similarly, in the 2018 synthesis report, Armenia, Cabo Verde, Mali and Jamaica flagged resource mobilization as an area for capacity-building. However, according to the central repository, projects on capacity-building in designing a project proposal on sustainable forest management (workshop and advisory services) and support to follow up and review implementation of the Goals as well as share experiences with other countries were identified as areas of support. There were no projects or requests listed under Armenia, Cabo Verde or Mali in the central repository. The capacity-building requirements flagged in the voluntary national review reports by Member States have thus not been integrated into the central repository of the Department. This may lead to a situation where capacity-building support actually provided to some countries does not match their needs.

267. The Board also noted that while the Department is providing support to countries to take up the voluntary national review process by compiling the synthesis reports and updating the voluntary national review handbook for best practices, there was no prescribed procedure to follow up on the voluntary national review process. The Department did not have a mechanism to leverage country interaction and information generated in the process to identify and address gaps and challenges in implementation of the Sustainable Development Goals.

268. The Department replied that voluntary national reviews were an additional avenue, as were the resident coordinators and requests to senior officials of the Department and the regional commissions. The Department stated that only direct requests based on information provided by the Department’s divisions to the Capacity Development Programme Management Office were included in the repository. The repository was intended to capture requests for assistance expressed by countries that fall within the Department’s mandated responsibilities, and coordination of country-level needs for assistance emanating from the reviews may best be addressed by the resident coordinators. The Department also stated that it would keep collaborating with other entities such as the regional commissions.

269. The Board notes that the objective of the United Nations Development Account is to support developing countries in their implementation of the 2030 Agenda in

response to expressed needs and demands from Member States, as well as recommendations and decisions made in the intergovernmental processes and relevant governing bodies. The Board is of the view that the Department of Economic and Social Affairs, being both the secretariat of the high-level political forum and the programme manager of the Development Account, could prepare a complete, consolidated repository that would help it to attain better collaboration with other entities and deliver its mandate effectively in both capacities.

270. **The Board recommends that the Administration consider reflecting all capacity-building requests in the central repository, including those recorded in the voluntary national reviews, and carry out regular updating of the repository to appropriately reflect the status of the requests.**

271. The Administration stated that the responsibility of the Department of Economic and Social Affairs for capacity-building requests contained in the voluntary national reviews related only to those that fell within its expertise. The synthesis report produced by the Department was intended for use by the United Nations system and other stakeholders (e.g. the donor community) to support the capacity development needs expressed by Member States in their reviews.

272. The Board notes the response of the Administration. The Board also notes that the Department of Economic and Social Affairs is the programme manager for Development Account projects which are implemented by 10[6] entities of the United Nations Secretariat and hence it is in a position to manage capacity development projects where it lacks specific expertise. The Board considers it important to consider the capacity-building needs expressly indicated by the Member States in their voluntary national reviews before deciding on capacity-building projects for their support.

Financing for development

273. The financing requirements of the 2030 Agenda involve drawing upon national, international, multilateral and private sources of finance. The assessment of financing requirements made in the *World Investment Report 2014: Investing in the SDGs – an Action Plan*[7] by the United Nations Conference on Trade and Development (UNCTAD) estimated total investment needs to be in the order of $5 trillion to $7 trillion per year at the global level. Furthermore, total annual investment needs in developing countries were estimated to be about $3.9 trillion, with current investment levels leaving a gap of around $2.5 trillion. Therefore, support for the financing of the 2030 Agenda has been identified as a core function of the United Nations development system.

Capacity-building requirements related to financing

274. The Secretary-General in his foreword to the *Financing for Sustainable Development Report 2019*[8] expressed his concern that the changes in financing for sustainable development are not happening at the required scale or necessary speed and, as a result, many key investments for achieving the Sustainable Development Goals remain unfunded. The report mentions that mobilizing sufficient financing remains a major challenge in implementing the 2030 Agenda. Despite signs of progress, investments that are critical to achieving the Goals remain underfunded.

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[6] The Department of Economic and Social Affairs, the five regional commissions, UNCTAD, the United Nations Environment Programme, UN-Habitat and the United Nations Office on Drugs and Crime.

[7] United Nations publication, Sales No. E.14.II.D.1.

[8] Ibid., Sales No. E.19.I.7.

Interest in sustainable financing is growing, but the transition to sustainability in the financial system is not happening on the required scale.

275. The Board also observed that in the voluntary national review synthesis report of 2018, countries had noted that a critical condition for the implementation of the Sustainable Development Goals was the availability and effective and efficient use of financial and other resources. The Board, during its audit of the regional commissions, also noted that ESCAP, in its report based on the voluntary national reviews presented before the high-level political forum in 2017 (ESCAP/RFSD/2018/2), highlighted that one of the main challenges faced by the Member States was the need to identify and explore financing mechanisms, including foreign investment and innovative means of financing for development. The report stated that Member States[9] had stressed the need to find innovative means of financing the 2030 Agenda. Malaysia and Indonesia also wanted to explore financing mechanisms such as public-private partnerships, crowdfunding, philanthropy, corporate social responsibility programmes and green financing. The Board also noted that according to the report of the Regional Forum on Sustainable Development for the ECE region in 2018, financing was a common constraint faced when Member States were trying to advance various Goals.

Initiatives of the Secretariat for financing for the Sustainable Development Goals

Department of Economic and Social Affairs

276. The Department of Economic and Social Affairs has been envisioned (A/72/124-E/2018/3) as being at the forefront of financing for development, including as the "docking station" for financing for development at the global level, working closely with international financial institutions and the World Bank. The Department is the secretariat of the annual Economic and Social Council forum on financing for development follow-up mandated in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development. It serves as the coordinator and substantive editor of the Inter-Agency Task Force on Financing for Development's annual financing for sustainable development report, with the five[10] major institutional stakeholders of the financing for development process playing a leading role. It also provides substantive and organizational support to the Development Cooperation Forum.[11]

277. The Board notes that some of the significant activities and initiatives taken up by the Department regarding financing for development are as described below:

(a) The Department is the substantive editor of the financing for sustainable development report, which provides evidence and analysis and includes generic policy advice and guidance;

(b) The Department undertakes a biennial survey for the Development Cooperation Forum and provides policy recommendations. In 2018, 58 countries participated in the accountability survey;[12]

[9] Afghanistan, Azerbaijan, Bangladesh and Iran (Islamic republic of).

[10] World Bank Group, International Monetary Fund, World Trade Organization, UNCTAD and UNDP.

[11] In its resolution 67/290, the General Assembly decided that the meetings of the high-level policy forum under the auspices of the Economic and Social Council would take into account the work of the Development Cooperation Forum. Established in 2007, the Forum has mandates to: (a) review trends in international development cooperation, including strategies, policies and financing; (b) promote greater coherence among the development activities of different development partners; and (c) strengthen normative and operational links in the work of the United Nations and other mandates as have been decided by Assembly from time to time.

[12] Development Cooperation Forum, study on national mutual accountability and transparency in development cooperation.

(c) The Department carries out capacity-building activities in specific areas of financing. This notably includes the capacity development programme in tax cooperation for developing countries at the international, national and subnational levels and municipal asset management;

(d) The Department has launched an initiative to close the Sustainable Development Goal investment gap to address the challenge of mobilizing additional financing for the Goals from public, private and blended sources. Activities include organization of the first Sustainable Development Goals Investment Fair in April 2018;

(e) Some instances of collaboration with the regional commissions were also noticed. The Financing for Sustainable Development Office collaborated with ECLAC in delivering a project in the Dominican Republic aimed at reviewing the country's system of tax incentives. The Office also collaborated with ECA in delivering a workshop on practical issues in protecting the tax base of developing countries in 2017, which was attended by 40 delegates from 23 African countries.

Regional commissions

278. The Board noted that the regional commissions, in cooperation with regional banks and organizations, are expected to mobilize their expertise and existing mechanisms that could focus on thematic aspects of the Addis Ababa Action Agenda. The Board was informed that in addition to convening regional consultations on financing for development, with support from ministries of finance, central banks, the private sector, civil society, regional development institutions and regional think tanks, the regional commissions had also produced reports, analyses and policy advice for Member States on alternative and innovative sources of financing. The Board, during its audit of the regional commissions, observed the following:

(a) ESCAP stated that its Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development, which held its first session in 2017, was a key intergovernmental forum to understand the needs of Member States related to financing for development. ESCAP has also organized four Asia-Pacific high-level dialogues on financing for development between 2014 and 2017. It also published its first book dedicated to financing for development in 2018. ESCAP also pointed out that it was not the only United Nations entity assisting Member States on financing for development at the country level and an important role in that regard had been assigned to UNDP by the Secretary-General (see A/72/124-E/2018/3). ESCAP informed the Board that it engages with UNDP and intended to undertake activities for assistance on financing in the second half of 2019;

(b) ECE had not reviewed the capacity gaps in financing within the region, but it stated that it supported the development of skills related to different aspects of public-private partnership projects at the request of interested Governments;

(c) ECA had restructured its Macroeconomic Policy Division and four[13] sections in the Division were reorganized into three areas, namely, macroeconomic policy and planning, development planning (working in particular on realigning the Sustainable Development Goals and the goals under Agenda 2063 and developing toolkits for aligning the two sets of goals), and economic governance and public finance. The work on finance and the private sector (subprogramme 1) previously carried out under the Division was moved to the new area of private sector development and finance as subprogramme 3, aimed at accelerating transformation

[13] Macroanalytics, development planning, the private sector and finance, and economic governance.

by leveraging the role and resources of the private sector, with an emphasis on increasing private sector investment in various sectors;

(d) ECLAC had proposed a debt for climate adaptation swap initiative which included channelling pledged climate funds to write down Caribbean debt through debt-for-climate-adaptation swaps and creation of the Caribbean Resilience Fund to provide financing for investment in climate resilience, green growth and structural transformation in the economies of the region. The Board observed that the initiative, although a very significant one initiated in 2015, was still under progress. ECLAC stated that by June 2019, the profiles of three pilot Caribbean countries to join the initiative would be submitted to the Green Climate Fund and ECLAC would advocate for positive responses from the International Monetary Fund and the World Bank.

279. In response to the Board's query regarding the mechanisms of the Department of Economic and Social Affairs to assess whether the policy advice incorporated in the financing for sustainable development report provided the required support at the country level, the Department replied that the report was the basis for country negotiations on the outcome document of the forum on financing for development follow-up. The Department informed the Board that United Nations delegates routinely shared the report with ministries, which was evident by the number of hits on the website. The Department also informed the Board that, as at 26 June 2019, there had been over 9,000 unique page views on the web page for the *Financing for Sustainable Development Report 2019* (which was issued on 4 April 2019), compared with about 4,000 views for the 2018 report over the same period. The Department also informed the Board that it was working in collaboration with United Nations country teams and distributing the report to regional commissions and the country teams.

280. The Board noticed that the Department did not have any formal regular communication channel to collaborate on issues of common interest with the regional commissions concerning capacity-building in the area of financing. The Board also noted that the Department had not received any requests from United Nations country teams seeking policy advice on South-South cooperation. Moreover, Member States had reported voluntarily for the Sustainable Development Goal investment fair, but there was no formal reporting mechanism in this regard.

281. The Board considers that, as a policymaking entity, the Department needs to have a mechanism to understand the requirements of Member States so that the policy prescriptions it frames remain relevant. The Board was informed that there was a mechanism to seek views from Member States through surveys and direct engagement, and from the United Nations system through the Inter-Agency Task Force on Financing for Development. The Board was also informed that staff members consulted bilaterally with Member States to understand their needs. While appreciating this response, the Board feels that a regular feedback on how well the existing policy prescriptions are working on the ground across regions and Member States is essential for the Department to be able to refine future policy guidance. Since the Department does not work at the regional or country level, it should have a channel for obtaining such information through entities working at those levels. While the existing channels of communication in terms of intergovernmental forum discussions at bodies such as the forum on financing for development, the Inter-Agency Task Force or the Development Cooperation Forum and their side events do provide the Department with some inputs in this regard, a more functional, focused and intensive communication protocol may need to be considered with the regional commissions and the United Nations country teams on issues related to financing for the Sustainable Development Goals. In addition, there are numerous agencies working in the field of financing for the Goals and coherence among the multitude of advisory, aid and lending agencies is necessary to ensure that Member

States derive optimum benefits. The Board is of the view that the Department is best placed to coordinate among these agencies, given its unique positioning.

282. The Department replied that it actively communicated and engaged with Member States and United Nations entities and that it was currently working with the Development Coordination Office on establishing a mechanism to provide support to the regional commissions and United Nations country teams. Strengthening collaboration with the regional commissions was one of the main goals of its reform.

283. **The Board recommends that the Administration set up structured protocols in the context of reforms for collaboration among the Department of Economic and Social Affairs, the regional commissions, the United Nations country teams and concerned Member States on financing support so as to obtain feedback on the financing policies.**

284. The Administration stated that there were mechanisms already in place to seek views from Member States on financing for development, such as surveys and direct engagements.

285. The Board appreciates that some degree of coordination and communication takes place through intergovernmental forum discussions such as the Inter-Agency Task Force on Financing for Development (annual) and the Development Cooperation Forum (biennial) and acknowledges some instances of collaboration with the regional commissions on financing. The Board, however, emphasizes the need for a more structured and regular coordination mechanism for ensuring that feedback is appropriately built into the policy prescriptions of the Department of Economic and Social Affairs regarding financing.

Capacity development and United Nations Development Account projects

286. In its resolution 52/12 B, the General Assembly established the United Nations Development Account as a mechanism to fund capacity development projects of economic and social entities of the United Nations, namely, the Department of Economic and Social Affairs, the regional commissions, UNCTAD and others. The objective of the Development Account is to fund capacity development projects in priority areas of the United Nations development agenda that benefit developing countries, in response to expressed needs and recommendations and decisions made in intergovernmental processes and relevant governing bodies. The Under-Secretary-General of the Department is the programme manager of the Development Account. A steering committee of United Nations entities implementing Development Account projects advises and assists the Under-Secretary-General in the strategic management and coordination of the activities related to the Development Account.

287. The Capacity Development Programme Management Office of the Department of Economic and Social Affairs is responsible for the management of Development Account projects. Two bienniums, called tranches, are provided to complete the projects. The General Assembly approved 158 Development Account projects with a project value of $103.50 million for tranches 9 to 11 for the bienniums 2014–2015 to 2018–2019, of which 30 projects (19.59 per cent) amounting to $25.42 million were allotted to the Department for implementation.

Implementation rate of United Nations Development Account projects

288. A total of 59 Development Account projects were to be implemented in the period 2014–2017 under tranche 9 and 43 projects were to be implemented under tranches 10 and 10 A in the period 2016–2019. The guidelines for the preparation of project documents for tranche 11 made it essential to report the progress of the projects in terms of implementation rates based on the project budget and progressive

expenditure. A review of progress reports on the implementation of Development Account projects in tranches 9 and 10 indicated poor implementation rates for the projects, as shown in table II.5.

Table II.5
Implementation rates of Development Account projects

Report/source and status date	*Tranche number*	*Number of projects*	*Number of projects with low implementation rates*	*Implementation rate range (percentage)*
Ninth progress report (April 2015)	9 (2014–2017)	59	37	Below 5
Tenth progress report (June 2017)	9 (2014–2017)	59	22	Below 50
Tenth progress report (May 2017)	10 and 10A (2016–2019)	43	20	Below 5
Audit by the Board of Auditors (January 2019)	10 and 10A (2016–2019)	43	10 of 27 projects allotted to the Department of Economic and Social Affairs and the regional commissions	50 and below
Audit by the Board of Auditors (January 2019)	11 and 11A (2018–2021)	56	14 of 37 projects allotted to the Department of Economic and Social Affairs and the regional commissions	Below 5

289. The Department replied to the Board that implementation rates had improved in the past three tranches owing to early allocation of funds. Rates in the early stages of a project were lower, as larger items were normally budgeted during the second or third year. It was expected that most projects would have an average implementation rate of 90 per cent at closure and that all entities had internal monitoring mechanisms to track implementation and address problems.

290. The Department stated that the eleventh progress report had been issued, which included the latest figures. A perusal of the report indicated that even in May 2019, nine projects of tranche 10 and 10A had implementation rates below 50 per cent, while six projects of tranche 11 and 11A had implementation rates below 5 per cent.

Implementation of capacity development projects

291. The Board also audited certain capacity development projects implemented by the Department and/or the regional commissions and found shortcomings in their implementation as discussed below:

(a) *Fostering institutional development for participatory approaches towards the achievement of the Sustainable Development Goals in Western Asia (project 1617AE, budget of $666,000)*. ESCWA undertook this project in tranche 10 based on the fact that over half of all the countries in the region had suffered significant damage to physical infrastructure, social and economic activities and governance institutions as a result of conflict, crisis and transition. The project was undertaken with the objective of building the capacity of ESCWA member States to utilize technology to increase transparency and accountability and to adopt more effective and efficient participatory approaches in order to address the root causes of conflict and prevent its potential relapse. The project started in January 2016 and was to be completed by December 2019. The Board observed that although ESCWA took up some activities for implementing the project, quite a few activities, such as an introductory workshop, awareness generation, consultative meetings, a survey, the establishment of national committees of practice and translation of training materials, were yet to be delivered, in contrast to the plan for completion of all major activities in first three years (the third year being 2018). In July 2019, the Administration informed the Board that as at the end of June 2019, all but two original project activities remained to be implemented (which were in progress) and two new activities had been added. Additional funds of $100,000, as well as a one-year extension with a new set of activities, have been approved by the Development Account Committee for the project;

(b) *Evidence-based policies for the sustainable use of energy resources in the Asia-pacific region (project 1617AD, budget of $666,000)*. ESCAP implemented this project with an objective of strengthening the capacities of policymakers in the region to develop stronger, evidence-based policy and planning for the sustainable use of energy resources and the implementation of Goal 7 (to ensure access to affordable, reliable, sustainable and modern energy for all). The project was implemented for five countries in the region during the period June 2016 to December 2019. The Board noted that most of the activities under the project, such as regional and subregional workshops, seminars, training and a policy survey, were not carried out on schedule, which resulted in 45 per cent of the allocated budget being unutilized until December 2018, even though the project was in its final year (2019). ESCAP stated that the delay in the inception of the project was due to the unexpectedly long process of approval from project countries and the project had a revised workplan;

(c) *Programme on statistics and data (project 1617A, budget of $10 million)*. This was a global Development Account project aimed at strengthening the capacities of national statistical systems in developing countries to produce indicators pertaining to the Sustainable Development Goals. The participants in the project, which was in support of Goal 17, included the Department of Economic and Social Affairs, all the regional commissions and some other United Nations agencies. The project work was initiated in August 2016 with an end date of December 2019. On analysis of the expenditure against the allotted budget, the Board noted that expenditure incurred in 2017 and 2018 within ESCAP was only 42 per cent and 72 per cent, respectively.[14] Furthermore, the activities of component 5 of the project (conducting desk studies on availability of information and data gaps in existing household surveys and advisory missions to target countries, led by ECLAC), planned for 2017 and 2018, were not complete until February 2019. The Board also observed that activities such as conducting national studies and organizing national workshops planned for completion in 2017 and 2018 were yet to be completed.

292. The Board also observed that the Department did not in the end take up 2[15] out of 30 projects proposed in tranche 10 to support the review and follow-up of the 2030 Agenda through policy integration. The Department replied that there were delays because of internal restructuring and refocusing of resources and responsibilities within the Department and that projects were cancelled as they could not be reasonably implemented within the time frame for tranche 10. The Board noted that after doing a considerable amount of field work, including problem analysis and preparing a logical framework, not taking up the projects, which were related to crucial aspects of the 2030 Agenda, delayed the contribution of the Department in relevant area of capacity-building for the Sustainable Development Goals. The Department stated that it had reviewed the capacity of project managers to implement the projects and would complete them successfully in tranche 12.

293. **The Board recommends that the Administration ensure timely completion of the project activities to support Member States in their capacity-building needs in a timely manner, which would support the implementation of the 2030 Agenda for Sustainable Development.**

294. The Administration accepted the recommendation.

[14] Amounting to $269,562 of $642,750 and $532,177 of $738,450.

[15] Projects 1617D and 1617E.

Consultative status of non-governmental organizations

295. Under the 2030 Agenda, all countries and stakeholders, including civil society, commit to working together to achieve sustained and inclusive economic growth, social development and environmental protection. The Economic and Social Council has a formal framework for NGO participation. Article 71 of the Charter of the United Nations provides for suitable arrangements for consultation with NGOs. The consultative relationship with the Council is governed by resolution 1996/31, which outlines eligibility requirements for consultative status, rights and obligations of NGOs with consultative status, procedures for withdrawal or suspension of consultative status, the role and functions of the Committee on Non-Governmental Organizations and the responsibilities of the Secretariat in supporting the consultative relationship.

296. The Committee on Non-Governmental Organizations is a standing committee of the Council comprising 19 members elected from among Member States based on equitable geographical representation. The Committee, inter alia, considers applications for consultative status by NGOs. The Committee's recommendations are forwarded to the Council for decision. Based on the type of organization and the field of activity, consultative relationships are granted to NGOs under three categories: general consultative status, special consultative status and roster status.

297. The Non-Governmental Organizations Branch of the Department of Economic and Social Affairs, which provides services to the Committee, is responsible for screening applications for consultative status from NGOs and providing advice and information concerning NGOs to the Committee. The applications are then submitted to the Committee. Members of the Committee have observed in various sessions that the 2030 Agenda relies heavily on the support and partnership of NGOs for successful implementation.

Consideration of new applications for non-governmental organization status

298. To be considered for consultative status, NGOs provide information on their activities, status, budget and other aspects, through a detailed questionnaire which is reviewed by the Branch and revised with its advice in a significant number of cases. Once the applications are finalized, they are submitted to the Committee. The Board reviewed the number of applications received annually for consultative status, the number of applications placed before the Committee at its sessions and the number of NGOs recommended or deferred by the Committee, and observed that:

(a) The processing of new applications received in the Branch was delayed. The Department informed the Board that these delays were largely on account of an increased workload, leading to a backlog of applications submitted to the Committee. There have also been a considerable number of deferred applications over the years;

(b) Delays by the Branch in the processing and submission of applications to the Committee were highlighted by the NGO Committee at its sessions in 2017 and 2018.

299. The Department has stated (E/2018/32 (Part II), para. 33) that with the adoption of the 2030 Agenda, both NGOs and civil society have shown considerable interest in contributing to the work of the United Nations and there has been an increase in applications. The workload of the Branch far exceeded its capacity to deliver on its commitments and the potential for backlogs in the submission of applications has increased significantly, leading to inordinate delays in NGOs obtaining consultative status. The Department also stated that there was a need to replace the old information technology system and enhance manpower for a more efficient processing of applications.

300. The Board considers that delays in providing consultative status to NGOs results in the postponement of opportunities to form partnerships with civil society, which also plays an important role in the implementation of the 2030 Agenda.

Review of activities of non-governmental organizations

301. The Economic and Social Council stipulates (see resolution 1996/31) that NGOs with general and special consultative status are to submit to the Committee, through the Secretary-General, every fourth year, a brief report of their activities, specifically concerning support given to the work of the United Nations. The Committee on Non-Governmental Organizations monitors the contributions made by the NGOs to the work of the Council through these quadrennial reports. The Non-Governmental Organizations Branch processes the quadrennial reports before submission to the Committee for review.

302. The Department stated that it had no statistics on the exact number of quadrennial reports of NGOs that highlight specific initiatives relating to the Sustainable Development Goals. The increasing number of reports was a challenge for the old information technology system. It also highlighted the need to develop and support an interactive knowledge management platform for dissemination and collection of information about NGOs with consultative status, including sharing and exchanging best practices and information and enabling an interactive engagement of NGOs with the United Nations system, and to maintain and update the websites, online tools, databases and communities of practice of the Branch.

303. **The Board recommends that the Administration upgrade the information technology resources of the Non-Governmental Organizations Branch to ensure efficient and timely processing of new applications for consultative status from NGOs, as well as processing of the increasing number of quadrennial reports. The Department of Economic and Social Affairs should also monitor the initiatives by NGOs that are related to the Sustainable Development Goals.**

304. The Administration accepted the recommendation.

G. Procurement management

305. The Procurement Division is responsible for acquisitions to meet the operational requirements of United Nations Headquarters, peacekeeping missions, special political missions and offices away from Headquarters. For 2018, the Procurement Division reported 832 active contracts with a not-to-exceed value of $13.64 billion, including 213 contracts that became effective in 2018.

Performance measurement for the procurement function

306. On several occasions, the General Assembly and oversight bodies have requested and recommended developing performance indicators for the procurement function. The Assembly specifically requested the Secretary-General to develop a comprehensive system to measure the efficiency and cost-effectiveness of the procurement function.[16] In their reports, OIOS and the Board have noted the lack of performance indicators and recommended that they be developed.[17]

[16] Resolutions 52/226 A, para. 5, 54/14, para. 33, and 55/247, para. 13.

[17] OIOS audit of procurement management in the Secretariat (AH2008/513/01; A/64/369), OIOS review of issues identified in recent oversight reports on procurement activities (2013/007), A/63/5 (Vol. 1), paras. 151 and 152, A/71/5 (Vol. I), para. 251, and A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, paras. 242 and 243.

307. The Board used these previous requests and recommendations to review the current key performance indicators to measure the procurement function's performance.

308. The Procurement Division stated that performance data was collected and measured in the outputs and expected accomplishments reported on as part of regular budget and support account budget performance reports. The Board found that the relationship between expected accomplishments and indicators was sometimes difficult to identify. Overall, the Board found that the five indicators reported were not adequate to assess the achievement of the stated objective of the Organization to ensure efficient, cost-effective, transparent, timely and high-quality procurement (A/72/6 (Sect. 29 D), table 29D.13). For example, the objective of cost-effectiveness was not put into a relationship with any expected accomplishment or indicator of achievement.

309. The Board found that offices away from Headquarters reported efficient and effective procurement activities as being their objective. They used the same expected accomplishments and the same indicators of achievement as Headquarters, except for one indicator. Consequently, the shortcomings the Board identified above also apply to the offices' performance reporting.

310. In 2011, the Procurement Division initiated a project to develop key performance indicators. In 2013, the Secretary-General reported that eight key performance indicators related to efficiencies in the procurement process, sourcing and overall effectiveness had been implemented. The implementation of up to 12 additional indicators was reported to depend on the finalization of Umoja (A/67/683/Add.2, para. 10). The Procurement Division stated that since the implementation of Umoja, data collection had been disrupted and it was not in a position to fully replicate the indicators from the 2011 project. The Division stated that between 2013 and 2018 the continued deployment of Umoja functionalities did not allow for configuration or development of changes that would enable the use of these, or similar, key performance indicators.

311. The Board reviewed the performance measures currently used and found that performance was measured primarily at the section level. The Procurement Division stated that performance data from the sections was analysed by each section, as each section was delegated the authority to self-monitor and track performance and to escalate bottlenecks and issues as needed to higher management.

312. The sections of the Procurement Division tracked internal processing times for various parts of the procurement process for each procurement case. This included tracking dates for the tender period, technical evaluation period and the Headquarters Committee on Contracts review and approval period, among others. Three specific performance indicators had been used to measure the time needed for tender preparation, commercial evaluation and contract preparation. In addition, the Division used two indicators to measure service delivery to missions: the time needed to submit cases from the Local Committee on Contracts to the Headquarters Committee on Contracts and the processing time for requests for local procurement authority.

313. The Board found the following weaknesses in the current performance measurement for the procurement function. The current system:

(a) Primarily measured transactional elements to record timelines for individual cases;

(b) Did not aggregate the sections' performance data on a regular basis or provide a basis for comparing one period with another although three performance indicators had been defined;

(c) Captured actual and planned timelines from the source selection plan, but did not analyse whether and how often these timelines had been met;

(d) Did not capture aspects of cost-effectiveness;

(e) Measured procurement effectiveness only through the recording of the number of proposals received for some cases, and no additional measures of procurement effectiveness were in place;

(f) Captured service quality aspects such as client satisfaction primarily informally, using feedback received offline, face-to-face and by other means, while a related survey instrument had been used in only less than 10 per cent of the solicitations;

(g) Was decentralized and did not allow for assessment of the overall efficiency, effectiveness or cost-effectiveness of the procurement function, as requested by the General Assembly and oversight bodies.

314. Overall, the Board found that the Procurement Division did not have in place a comprehensive framework and system to routinely measure and report in a coherent manner whether the Organization's objective to ensure efficient, cost-effective, transparent, timely and high-quality procurement has been met. Consequently, the Division was not in a position to report on the impact and potential achievements of various reform efforts in the area of procurement or to identify strengths and weaknesses in the procurement function and opportunities for improvement. The absence of a performance management system in line with requests of the General Assembly and previous oversight recommendations put the efficiency and effectiveness of the Organization's procurement function at risk.

315. The Board notes interdependency with other stakeholders, weaknesses regarding data availability and quality and different performance reporting needs of stakeholders. The Board acknowledges the various efforts made by the Procurement Division to monitor and measure performance achieved, in particular in its sections and through the pilot project to use SharePoint for better reporting.

316. **The Board recommends that the Administration revise the indicators of achievements for the new proposed programme budget documents to ensure that the indicators clearly relate to the expected accomplishments and objectives of the procurement function.**

317. **The Board recommends that the Administration implement a comprehensive system to coherently measure the efficiency, effectiveness and cost-effectiveness of the procurement function in line with related requests from the General Assembly and previous oversight recommendations and regularly inform the General Assembly about related progress.**

318. The Administration accepted the recommendations.

Exceptions to the use of formal methods of solicitation

319. Pursuant to financial rule 105.16 (a), the United Nations may solicit a single vendor only if one of the nine exceptions is met, for instance that the Under-Secretary-General for Management determines that a formal solicitation will not give satisfactory results.

320. The Board reviewed 18 contracts and 8 purchase orders issued under financial rule 105.16 (a) (i)–(ix). The Board found that in seven cases the reasons for using an exception had not been recorded consistently. The categories recorded in Umoja, the statement of award and the waiver differed. Furthermore, the records did not fully justify the use of the exceptions. In some cases, a tight time frame or insufficient

planning seemed to have caused the need to waive competitive bidding, or questionable justifications such as "previous experience with the United Nations" had been recorded. For example, a contract for change management consulting services with a value of $380,000 was directly awarded to a consulting firm. The records stated that the firm was the only vendor who was able to provide the service because of its consulting experience with other United Nations entities. Furthermore, the records stated that a different consulting firm conducted a functional review of the entity in 2016 with an "excellent final product".

321. The Administration stated that the requisitioner sometimes selected a financial rule which the procurement officer had to change during the procurement process. Exceptions were often subject to operational pressure, such as the change management consulting services mentioned above.

322. The Board considers it important that exceptions to the use of formal methods of solicitation be properly justified to comply with the Financial Regulations and Rules. The Board holds that "previous experience with the United Nations" cannot justify the exceptions to a competitive bidding exercise as a significant number of vendors have had contracts with the United Nations.

323. **The Board recommends that the Procurement Division provide guidance to procurement officers to ensure consistent and proper interpretation of the subcategories of financial rule 105.16 (a) and related documentation requirements.**

324. The Administration accepted the recommendation.

Request for quotations

325. In accordance with financial rule 105.16 (a)(x), the United Nations does not have to use formal methods of solicitation when the value of the procurement is below the threshold of $40,000. The procurement officer obtains informal quotes via telephone, email, fax, in person or from quotations available on the Internet.

326. The Board noted that 20 out of 168 (12 per cent) purchase orders under this financial rule exceeded the applicable threshold of $40,000. The values ranged from $44,400 to $306,000. The Board reviewed six purchase orders and one contract in detail. In none of these seven cases had requisitioners and procurement officers substantiated the estimation that the target value was below $40,000. Instead, procurement officers requested requisitioners to confirm that the target value would remain below the threshold. In three out of seven cases, one sole vendor submitted a quotation. In another three cases, the Procurement Division received two quotations. In addition, the Board noted that requisitioners could influence the procurement exercise as the Division asked them to suggest vendors.

327. The Board considers it important that procurement actions comply with the threshold established for requests for quotations and that estimations be justified. It holds that in cases in which the estimate is close to the threshold, procurement officers should consider using formal methods of solicitation to ensure an effective international competition. Furthermore, in cases in which the threshold is exceeded, procurement officers should consider rebidding. The Board considers it vital that requisitioners not be given the opportunity to exert undue influence on the procurement exercise by suggesting preferred vendors. Furthermore, the procurement officer should obtain at least three quotations to assess which quotation offers the best value for money.

328. The Administration stated that in some of the cases it was not aware that the value would exceed the threshold. In addition, sometimes procurement activities had to fulfil critical needs.

329. **The Board recommends that the procurement policy framework clarify that procurement officers must substantiate their estimation of the target value before initiating the request for quotation and how to proceed with the procurement process if values exceed the threshold.**

330. The Administration concurred that best efforts had to be made based on market knowledge and specifications. The new procurement manual would clarify this. However, exceeding the threshold was sometimes inevitable.

331. **The Board recommends that the procurement policy framework clarify that procurement staff need to obtain at least three quotations to ensure economy, efficiency and fair market prices. In exceptional cases where only one quotation is received, the reasons need to be recorded.**

332. The Administration accepted the recommendation.

Records of procurement activities

333. The Procurement Manual, in chapter 15.10, specifies the documents to be maintained in a case file and the annex outlines the proposed filing and indexing system. The Manual further states that a good audit records trail is critical to prevent confusion in the management of files owing to the dynamic nature of the procurement function and the mobility of staff.

334. The Board found that the Procurement Division did not use a coherent approach to filing. The files were not labelled in a uniform manner and had different contents and structures. None of the files reviewed included an index to help ensure that all relevant documents were filed. The files reviewed did not include all relevant documents, for example, the request for expression of interest, acknowledgement letters and copies of security instruments. Other documents were filed more than once.

335. Since the roll-out of Umoja cluster 4 in November 2015, Umoja has been used as a single platform for procurement. For the audit, the Procurement Division provided a list of contracts and purchase awards. The Board found that not all the information was included in the list. Also, procurement staff recorded inaccurate data in Umoja, such as the financial rule, the effective date or the number of bids received. The Board reviewed data for all 463 solicitations recorded from 2018 and found that 25 per cent of solicitations did not record the estimated target value and 38 per cent recorded questionable target values between $0.01 and $8. It was only after the audit that the Procurement Division verified the data provided and found that the data recorded in Umoja on the number of bids received was inaccurate for 233 solicitations. The Board found that even the verified data showed discrepancies with the number of bids received and recorded by sections.

336. The Board holds that a comprehensive and proper audit trail is crucial in case of staff rotation, in case the award is challenged and for audit purposes. The Board holds that the current extent of lacking or inaccurate data recorded in Umoja makes reliable automatic reporting or compliance monitoring impossible. The Board emphasizes that relevant information needs to be recorded in Umoja to allow for capitalizing on the abilities of Umoja to provide comprehensive reporting and automatic controls.

337. **The Board recommends that the Administration ensure that procurement staff complete all Umoja necessary fields required for reporting and monitoring and implement the filing guidance already in place.**

338. The Administration accepted the recommendation.

Implementation of an electronic tendering system

339. In his report on the procurement activities in the United Nations Secretariat (A/73/704), the Secretary-General stated that procurement offices had been testing an electronic platform to issue tender documents and receive supplier's submissions since March 2015. The Procurement Division had found that electronic tendering was an efficient, effective, user-friendly and reliable mechanism. The Division would introduce electronic tendering in 2019 as the standard for all tender exercises conducted throughout the Secretariat.

340. In February 2019, the Procurement Division stated that together with stakeholders it was reviewing potential electronic sourcing tools. The Board found that, in most cases, the Division did not use an electronic tendering system. Procurement officers prepared the solicitation documents outside Umoja and sent them to suppliers via email. Suppliers often submitted offers in hard copies. The steps had to be recorded manually or in other applications. Comprehensive automated reporting was not possible.

341. The Board holds that the current process is cumbersome and error prone. An electronic tendering system would facilitate the process and its proper documentation. At the same time, an electronic tendering system would entail costs for the Secretariat. Some electronic tendering systems use cloud computing, which would have to comply with United Nations policies.[18] It would be beneficial if the information could be linked with the Umoja data. The Administration would have to establish an implementation schedule for all affected procurement sections.

342. **The Board recommends that the Procurement Division, together with the relevant stakeholders, carry out a comprehensive comparative analysis of electronic tendering systems, the associated costs (initial costs, costs related to necessary changes and running costs) and integration opportunities with Umoja as part of the basis for the decision on which system to select.**

343. The Administration stated that it would conduct a comparative analysis of electronic tendering systems as it moves forward with the implementation of electronic tendering in 2019.

H. Support services

Advance purchase of air tickets

Low compliance with the 16-day advance purchase policy

344. The United Nations arranges for travel of its staff, their eligible family members, members of governing bodies, meeting participants and consultants. The Administration confirmed in 2018 that, on average, a ticket purchased 14 days or more in advance of the travel date was $200 cheaper compared with a ticket purchased later. The Administration informed the Board that an analysis of ticketing data for United Nations Headquarters for the first half of 2018 demonstrated an average savings of $290 per ticket (14.1 per cent) with advance purchase of tickets.

345. In accordance with the existing administrative instruction (ST/AI/2013/3, para. 3.3), all travel arrangements, including advance booking and purchase of tickets, should be finalized 16 calendar days before commencement of official travel. The traveller or travel administrator for non-staff must submit the travel requests 21 days before the planned travel date so as to meet the 16-day advance purchase

[18] For example, United Nations Secretariat information and communications technology technical procedure on cloud computing (INF.09.PROC).

policy target. They must provide a justification for travel requests submitted less than 21 days before the travel date. A summary of advance ticket bookings at Headquarters over the period 2015–2018 is summarized in table II.6, which also indicates the average days of advance purchase in two scenarios, namely tickets booked 14 days in advance and those which were not booked within 14 days.

Table II.6.
Summary of advance ticket booking, 2015–2018

	14-day advance booking				*Other bookings*				*Total*	
Year	*Number of tickets*	*Amount (millions of United States dollars)*	*Average number of days*	*Percentage of tickets*	*Number of tickets*	*Amount (millions of United States dollars)*	*Average number of days*	*Percentage of tickets*	*Number of tickets*	*Amount (millions of United States dollars)*
2015	5 239	12.16	27.8	29.78	12 351	30.00	5.5	70.22	17 590	42.16
2016	3 606	7.98	25.6	18.84	15 537	36.22	5.2	81.16	19 143	44.20
2017	6 870	15.70	25.8	36.99	11 704	25.00	5.9	63.01	18 574	40.70
2018	8 275	17.25	25.7	40.39	12 213	25.96	6.4	59.61	20 488	43.21
Average	**5 998**	**13.27**	**26.23**	**31.50**	**12 951**	**29.30**	**5.75**	**68.50**	**18 949**	**42.57**

346. The Board observed that out of 14,873 travel requests (which could have multiple tickets) processed in 2018 at United Nations Headquarters, 8,200 travel requests (55 per cent of total ticketing) were not compliant with the 16-day advance booking rule. The business area (entities, offices and department) analysis revealed that the majority of the 60 business areas had significant levels of non-compliance at above 50 per cent of total ticketing. United Nations Headquarters, which was the business area with the highest number of requests, had a low compliance rate. Furthermore, there were six[19] departments/fund centres which had processed a substantial number of travel requests (100 or more) within 2018 with a non-compliance rate of between 51 per cent and 91 per cent.

347. The Board observed that, as was pointed out in its previous audit report (A/73/5 (Vol. I), para. 170), the date of approval by the travel processing office was taken as a "proxy" for the date of ticket purchase. The data provided by the Travel and Transportation Section did not indicate the actual date of booking of the ticket, and hence compliance with the 16-day rule is assessed vis-à-vis the period between the date of the travel request (by the traveller) and the date of notification (by the travel processing office) to the travel management company for ticket booking.

348. The Board observed that the Travel and Transportation Section has standardized the reasons for not booking tickets prior to 16 days from 1 April 2018 into seven categories, with "other reason" as a residual category, and the traveller must select the reason for non-compliance. Scrutiny of the reasons for non-compliance with the 16-day rule for 6,316 tickets issued after 1 April 2018 indicates that late event planning (37.30 per cent) was the major reason, followed by "other reason" (23.21 per cent). Reasons were not mentioned in the relevant column in 436 cases of delayed

[19] Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Development States, 147 travel requests/91 per cent non-compliance; Department of Political Affairs, 1,337 travel requests/67 per cent non-compliance; regular programme of technical cooperation, 271 travel requests/56 per cent non-compliance; Department of Economic and Social Affairs, 1,631 travel requests/56 per cent non-compliance; Office for the Coordination of Humanitarian Affairs, 281 travel requests/51 per cent non-compliance; and Office for Disarmament Affairs, 200 travel requests/51 per cent non-compliance.

ticket requests. The Administration stated that these cases could be those where delays occurred in some part of the approval process causing the travel processing office approval to be within the 16-day window.

349. The Board observed during the audit of the regional commissions that there was a comparatively higher non-compliance for non-staff travel and that the reasons for this included late nomination of participants by Member States, unpredictable security situations at the venues, delays of institutions in designating participants, delayed coordination with the counterpart organization, late event planning and last minute demands from external organizers of events.

350. The Board also observed that the travel management company is expected to issue tickets within 24 hours of receiving the "approve and award" email from the United Nations travel team. After receiving permission to proceed from the travel processing office, the travel management company reaches out to the traveller with a proposed itinerary and the company needs to wait for an affirmation from the traveller to issue the ticket. The Board noted that currently there was no policy that mandated travellers to respond within a fixed period to the travel management company. The Board noticed that in 4.24 per cent of cases in the data provided by the Travel and Transportation Section the traveller had delayed the confirmation, which led to the non-compliance with the advance purchase rule.

351. **The Board recommends that the Administration further refine the non-compliance categories and differentiate tolerance levels for non-compliance based on the nature of the travel and the traveller. The Administration should also guide the traveller to respond to travel management company requests promptly to ensure better compliance with the advance ticketing policy.**

352. The Administration accepted the recommendation.

Inadequate plant maintenance

353. The Plant Engineering Section maintains and operates physical facilities and plant, including through the provision of custodial, heating, ventilation and air conditioning, electrical and other maintenance services. Preventive maintenance of major equipment and installations pursuant to prescribed norms helps to ensure a safer and more efficient working environment.

354. The Board observed that preventive maintenance was being done both in-house and by contractors. The Plant Engineering Section stated that, in general, it follows the recommended maintenance provided by the original equipment manufacturer, but the scope is reduced owing to manpower or budget constraints to a level believed to be reasonable and effective by the technicians responsible for the maintenance. The Board observed that there was no comprehensive scientific basis for reduction in the periodicity of preventive maintenance, which was reviewed and reduced to levels considered to be minimally sufficient by technical staff to ensure continued reliable operation.

355. The Administration stated that the equipment for which the periodicity was reduced does not present a safety concern and the issue was currently being reviewed by an independent maintenance consultant, which was a professional engineering firm.

356. The Board also compared the performance against the planned preventive maintenance and its documentation in Umoja within the year. According to the process defined when a preventive maintenance work order is classified as "completed", the foreman closes it as being "technically completed" in Umoja and, subsequently, when the work order is assessed as having been completed according to the required standards, it is then closed as "confirmed and technically completed". The Board observed that there was a difference between the status of "technically

completed" and of "confirmed and technically completed" as entered in Umoja, indicating non-assessment of work standards as summarized in table II.7.

Table II.7
Shortfalls in preventive maintenance planned and executed during 2018

Shop (step 1)	*Released (i.e. planned) (step 2)*	*Technically completed (step 3)*	*Completion (percentage) (step 4)*	*Planned hours (step 5)*	*Completed hours (step 6)*	*Completion hours (percentage) (step 7)*	*Confirmed and technically completed (step 8)*
Pumps	264	170	64.4	360	266	73.9	103
Electrical	2 774	1 777	64.1	9 974	2 670	26.8	50
Heating, ventilation and air conditioning	5 353	3 925	73.3	20 546.7	14 572.5	70.9	3 343
Plumbing	211	203	96.2	988	948	96.0	172
Total	**8 602**	**6 075**	**70.6**	**31 868.7**	**18 456.5**	**57.9**	**3 668**

357. The Board observed that only 70 per cent of the planned works were "technically completed" and only 60 per cent of the "technically completed" works were "assessed for the requisite standards and confirmed".

358. The Plant Engineering Section acknowledged that retraining staff to properly confirm all work orders has been a recent point of emphasis, as it allows for more accurate calculation of the actual time spent by technicians to complete jobs. The Section also stated that all work orders that have been technically completed are believed to have been performed to the required standards. The Board feels that confirmation is a formal assurance of work being done in accordance with standards and should be adhered to.

359. **The Board recommends that the Administration review the preventive maintenance schedule based on the periodicity prescribed by the original equipment manufacturer and professional advice. The Plant Engineering Section should ensure that the planned plant maintenance works are completed, reviewed for standards and recorded in Umoja.**

360. The Administration accepted the recommendation.

Quality of service and client satisfaction

361. The Board observed that 18,115 service requests were logged for United Nations Headquarters in 2018 through the enterprise service management system (iNeed). These requests are managed through the system from the time of their initial reporting until their resolution. The Plant Engineering Section stated that there was no policy for turnaround time, but service level agreements were established in the system to set a target turnaround time for specific service areas.

362. The Section further stated that the targets in the service level agreements for requests for service versus responding to incidents, especially in some areas, needed to be revised as the priority was on resolving incidents and restoring operations back to normal. These agreements are internal aspirational targets set by the Office of Central Support Services for specific service areas and there is no established policy requiring 100 per cent compliance. The compliance level based on customer satisfaction surveys is taken into consideration as a performance indicator for the quality of services provided by the Office.

363. The Board observed that the overall compliance with service level agreements was 56 per cent in 2018, and that compliance was rated at lower than 50 per cent for

a number of services. The mandatory targets could be differentiated from the aspirational targets so as to better measure compliance with mandatory service requirements. Furthermore, the customer satisfaction survey, being optional, was available for only 2,540 requests (14 per cent of cases).

364. **The Board recommends that the Plant Engineering Section define the mandatory service levels and move towards measuring full compliance for reasonable service requests with increased levels of feedback through surveys or other measures to assess client satisfaction.**

365. The Administration accepted the recommendation and stated that it would conduct a comprehensive review of all services provided with a particular focus on improved compliance with mandatory service requirements. The targets will also be reassessed to ensure that the target turnaround times are appropriate. The Administration will also explore alternative means, in addition to the iNeed surveys, of soliciting feedback to better assess client satisfaction.

Non-preparation of retention schedules for records

366. The Archives and Records Management Section is responsible for the identification and preservation of paper and digital records of enduring value originating from offices at United Nations Headquarters and any ad hoc bodies created by the Security Council, including peace operations. In accordance with Secretary-General's bulletin ST/SGB/2007/5, all departments and offices must develop and implement a policy regarding the retention of their records, including transitory records, through a records retention schedule subject to approval by the Section.

367. The Board observed that the Archives and Records Management Section has created a website on which policy guidelines and instructions for record management, including file classification, retention schedules, transfers, storage, retrieval and disposal, have been published. The Section has detailed the procedure for transferring records to it in the guidelines on transfer of records.

368. The Board also observed that 33 offices had a retention schedule approved by the Section. The Section informed the Board that some of the important departments and offices still did not have a records retention schedule, including the Office for the Coordination of Humanitarian Affairs, the Department of Global Communications, the Department of Safety and Security and the Office of the Special Adviser on Africa.

369. The Section has developed a self-assessment tool (questionnaire) for record management for offices, which is to be filled out by the departments and offices and sent to the Section. The Board noticed that although the questionnaire was sent to all Headquarters departments in 2015 and to all peacekeeping operations in 2017, only approximately half of them had responded.

370. The Section stated that it had followed up with the focal points from the departments, offices and peacekeeping operations but strictly in an advisory capacity. The responsibility for compliance rests with the departments and offices, not with the Section. The self-assessment tool aims to assist departments and offices to identify areas of priority for performance improvement and the Section can only provide support and advice in effecting improvements.

371. The Board is of the opinion that more effective action is needed from the Archives and Records Management Section to coordinate with the departments for early preparation of retention schedules.

372. **The Board recommends that the Archives and Records Management Section interact with the focal points of the departments, offices and missions to ensure preparation of retention schedules followed by review by the Section.**

373. The Administration accepted the recommendation.

I. Global communications

374. The Department of Public Information was established in 1946 as one of the eight original departments of the United Nations under General Assembly resolution 13 (I). The key functions of the Department include determining and coordinating messaging and strategic communications on priority issues, producing multimedia and multilingual news and feature content for publicly accessible websites of the United Nations and external media; monitoring news coverage; developing and updating the United Nations website (www.un.org); and developing and implementing campaigns, outreach programmes, events and publications.

375. With a view to adapting its capacity and work to the current trends of global communication, the Department recently initiated a reform process. The reform process encompasses, inter alia, initiatives for resource mobilization, administrative reforms, impact measurement, innovation, internal collaboration and partnerships. These initiatives commenced in 2018 and are expected to be completed by the end of December 2019. As a part of the reform, the Department has been renamed the Department of Global Communications.

376. The Department of Global Communications, headquartered in New York, operates globally through a network of 59 centres worldwide (United Nations Regional Information Centre for Western Europe, located in Brussels; two United Nations Information Services, located in Geneva and Vienna; 48 United Nations Information Centres across Africa (15), the Americas (10), the Arab States (8), Asia and the Pacific (11) and Europe and the Commonwealth of Independent States (4); and eight United Nations Offices based in Armenia, Azerbaijan, Belarus, Eritrea, Georgia, Kazakhstan, Ukraine and Uzbekistan).

Digitization efforts

377. The United Nations holds a unique repository of documents, maps and audiovisual records, some of which date from its inception in 1945. The preservation of these records through digitization and improving their accessibility are imperatives of the Department of Global Communications.

Digitization of United Nations documents

378. The United Nations holds 20 million official documents and maps. An estimated 17 million of these documents pertain to the pre-digital era[20] (before 1993) and exist only in print form, often in fragile and brittle condition. The General Assembly requested the Secretary-General to complete the task of uploading all important older United Nations documents on the United Nations website in all six official languages on a priority basis, so that these archives are available to Member States through that medium. Subsequently, the Assembly has repeatedly requested digitizing and uploading of "important"[21] older documents in all official languages.

[20] From 1993 onwards, all official parliamentary documents have been produced in digital formats.

[21] Official records of major United Nations organs, including resolutions, meeting records, reports of committees, commissions and other major bodies, budgetary and financial reports and reports of preparatory meetings for major United Nations conferences (see the report of the Advisory Committee on Administrative and Budgetary Questions in document A/66/7 and A/66/7/Corr.1).

379. In response, the Dag Hammarskjöld Library identified 3 million documents (pertaining to 1945–1992) as important and in need of urgent digitization and commenced in-house digitization of these documents in July 1998. Subsequently, in 2005, the Library at the United Nations Office at Geneva joined the activity. In 2014, the Department for General Assembly and Conference Management obtained funding from the Government of Qatar to digitize United Nations parliamentary documents and partnered with the Dag Hammarskjöld Library in a joint digitization project. The operational control of the project was with the Library, while the Department for General Assembly and Conference Management provided staff for scanning and document optimization. The Board noticed that as the project progressed, the personnel engaged by the Department on the project declined from 15 in June 2014 to five in August 2018.

380. With the combined efforts of the Dag Hammarskjöld Library and the United Nations Office at Geneva Library and the resources from the project, a total of 464,036 parliamentary documents were digitized up to January 2019, which constituted 15 per cent of the documents identified to be "important" in 1998. More than two decades after the General Assembly resolution, 2.54 million documents identified as important and in need of digitization were yet to be digitized.

Digitization of maps

381. The Dag Hammarskjöld Library has approximately 8,000 United Nations-authored maps produced using geospatial information services and maintained on paper. To meet the increasing demand within the United Nations and the Member States for these maps to be available online, in-house map digitization was launched in January 2017. As of January 2019, 2,036 (around 25 per cent) of the maps have been digitized and made available in the United Nations digital library, leaving 5,964 maps to be digitized, which may take up to 2023.

382. The Department of Global Communications attributed the slow progress in the digitization of documents and maps to a lack of internal resources and informed the Board that the resource constraints had been brought to the notice of 28 permanent missions. The Board noticed that the General Assembly has also emphasized the time frame for the completion of the digitization effort. The Department pointed to a lack of resources for preparing such a time frame and informed the Board that if funds were not a constraint, it would take about five years to complete the digitization. The Board, however, noticed that the Department had never sought any budgetary resources from the Assembly on this account. In fact, the Department has only recently prepared an estimate of a funding requirement of $14.7 million to be raised through contributions from Member States and external foundations to complete the digitization project. The Board noticed that the detailed proposal was yet to be prepared and placed before Assembly.

383. The slow progress in digitizing documents and maps heightens the risk of further deterioration of important and unique documents, which are already fragile and brittle. The objective of facilitating online searches and referencing and enhancing transparency through digitization also remains unachieved.

Digitization of audiovisual archives

384. The majority of the historical audiovisual materials of the United Nations are stored in analog physical media which are already obsolete or in the process of becoming lost and inaccessible. The sustainability of such formats and the permanence of the contents are threatened by several factors, such as natural decay, lack of playback equipment and environmental conditions. The General Assembly, in its resolution 67/124 B (para. 65), stressed the urgency for the digitization of the

audiovisual records of the United Nations to prevent further deterioration of these unique historical archives and to explore avenues of support for digitization, including working with interested partners to ensure that its radio, television, film and photographic archives are preserved and are accessible.

385. In October 2015, the Department initiated a project for the digitization of the United Nations audiovisual archives, funded by the Government of Oman with a voluntary contribution of $4.5 million. According to the strategic and operational plan prepared for the project, selected items stored in identified media would be retrieved and delivered to contractors for digitization. The digitized records would be absorbed into the media asset management system and uploaded with complete metadata on the audiovisual library website. The digitization was to be implemented in a phased manner, over approximately five years (starting in the first quarter of 2016 and ending in the first quarter of 2021) and envisaged digitization of 70 per cent of the available audiovisual collection.

386. The Board noticed that the progress of the project was slow. By the first quarter of 2019 (three years after project implementation), only 27 per cent of the film, 11 per cent of the video and 19 per cent of the audio archives had been digitized, even though $2.04 million, accounting for almost half of the available funds, had been spent.

387. The Board also noticed that out of 22,119 items selected for digitization, 4,330 items were not eligible for digitization owing partly to the deteriorated condition of the records, indicating the urgency of digitization. Of the balance, 17,754 items had been digitized, but the metadata verification of only 5,028 items (28 per cent of the digitized items) had been completed. The Board noticed that 5,142 items[22] had been uploaded into the media asset management system, only 49 per cent of which were posted in the audiovisual library. Thus, there was a gap even after digitization.

388. The Department of Global Communications attributed the pace of progress to numerous quality control efforts as well as start-up activities, including the engagement of external vendors providing digitization and offsite storage of audiovisual archives, a time-consuming curation and selection process based on the value of the collection to be digitized, incomplete information (metadata) about the contents, requiring further research on primary and secondary sources, and the lack of capacity of the existing media asset management system.

389. Considering that 45 per cent of the project funds ($2.04 million out of $4.5 million) has been spent in digitizing 18 per cent of the records (17,754 records digitized out of 99,987), there is a significant funding risk that may further hinder the project’s progress. This risk will heighten over time as technologies and manpower required to access these records become more difficult to find and costlier to acquire and maintain. In fact, experts estimate that by 2028, there will be no equipment to read analog audiovisual formats. Hence the need for faster digitization.

390. **The Board recommends that the Administration assess the requirement, make efforts to obtain the necessary funds and set and adhere to a firm time frame for digitization of old and important United Nations documents at the earliest.**

391. The Administration accepted the recommendation and further informed the Board that a fundraising proposal (for extrabudgetary resources) had been prepared to address the immediate need to digitize one million United Nations documents, currently in very brittle condition, through a five-year project (2020–2025). The remaining 1.5 million documents in need of digitization will be addressed through

[22] Certain assets may have multiple parts, such as two film reels and two sides of an audio cassette.

in-house digitization based on existing human resources, provided these resources do not dwindle over time.

392. **The Board recommends that the Administration accelerate digitization of the audiovisual archives and also assess additional funding requirements for the project and make efforts to obtain such funds for completing the digitization of its audiovisual records.**

393. The Administration accepted the recommendation and informed the Board that it would assess whether additional funds would be needed and, if so, would consult with the donor and, if necessary, seek additional support.

Uploading of material in the United Nations Digital Library System

394. In its report of September 2011, the working group on library improvements recommended that the planned United Nations digital repository should be fully supported and promoted and that it should provide long-term preservation for United Nations documents. The General Assembly resolved (resolution 67/124) that the then Department of Public Information should implement the recommendations of the working group.

395. The Dag Hammarskjöld Library has developed a central United Nations repository, offering access to diverse United Nations digital content (books, parliamentary documents, publications, maps, voting information and speeches) and in May 2017 launched the United Nations Digital Library System to meet the need for a systematized approach to collecting, preserving and sharing the Organization's research results with both internal and external audiences.

396. The Dag Hammarskjöld Library has been creating metadata of parliamentary documents produced digitally by the Department for General Assembly and Conference Management and uploading it to the Digital Library. It has uploaded 548,414 born-digital parliamentary documents related to 45 United Nations bodies to the Digital Library. The Dag Hammarskjöld Library also continued to upload 464,036 turned-digital parliamentary documents to the Digital Library. The Dag Hammarskjöld Library claimed that there was no backlog of documents (born- or turned-digital) to be uploaded to the Digital Library.

397. The Board checked whether all born-digital publications (historical, i.e. print, and recent, i.e. digital) were available in the Digital Library and was informed that not all born-digital publications were in the Digital Library and that the Dag Hammarskjöld Library was in the process of collecting these publications.

398. **The Board recommends that the Administration accelerate the uploading of born-digital parliamentary documents and publications in the United Nations Digital Library System for effective sharing of information with internal and external audiences.**

399. The Administration accepted the recommendation.

Synchronization of various United Nations libraries with the United Nations Digital Library System

400. In September 2011, the working group on library improvements had recommended that the planned United Nations digital repository should provide improved global access to the Organization's digital assets and ensure a single point of access to United Nations information. The digital information is accessed by users around the world through a network of depository libraries. At present, there are 355 depository libraries located in 136 countries and territories, which include national,

parliamentary, public and university libraries, as well as libraries at research institutes and think tanks.

401. The digital assets of the United Nations are maintained in a number of United Nations libraries. The Board observed that the following libraries of the United Nations had not yet been synchronized with the Digital Library:

(a) Addis Ababa: ECA Knowledge and Library Services Section;

(b) Dakar: Library of the African Institute for Economic Development and Planning;

(c) Bangkok: ESCAP Library;

(d) Mexico City: ECLAC Subregional Headquarters in Mexico, Information Resources and Documents Distribution Centre;

(e) Santiago: ECLAC Hernán Santa Cruz Library;

(f) Tokyo: Library of the United Nations University.

402. In the absence of synchronization of United Nations Secretariat libraries that do have an online repository, the purpose of providing a single point of access to United Nations information may not be achieved.

403. The Department of Global Communications stated that action to absorb external collections will be performed in collaboration with the libraries of the regional commissions without abolishing local electronic repositories as soon as funds and human resources are available to the Dag Hammarskjöld Library. This phase would also include enhancement of both online crawling capability and a digital preservation layer for the Digital Library. The Department also stated that considerable financial resources were necessary, including additional human resources, to create basic metadata and digitize (i.e. scan) the various print materials. As the budget of the Department is being decreased, extrabudgetary resources would be essential to accelerate these processes.

404. The Department further informed the Board that the Dag Hammarskjöld Library was drafting a comprehensive proposal to address both the digitization of historically important United Nations parliamentary documents and the need for modern software and advanced online dissemination. The time-bound action plan is integral to the fundraising proposal, which will be circulated to all Member States in the second quarter of 2019. The Library will also seek support from charitable institutions in New York. The proposal will include a five-year action plan to accelerate the digitization of content and the enhancement of services offered by the United Nations central digital repository.

405. **The Board recommends that the Administration (the Department of Global Communications and the Office of Information and Communications Technology) formulate a time-bound action plan to assimilate or link to the digital contents of the six libraries that already have a local digital repository in place.**

406. The Administration accepted the recommendation and informed the Board that within the context of the working group on the Dag Hammarskjöld Library for the year 2025, which had devised the five-year plan for the Library’s development, it was preparing a plan to absorb, aggregate or link to the three existing Secretariat library repositories. The digital content from the current United Nations libraries in Beirut, Geneva and Vienna had already been absorbed into the United Nations Digital Library System.

Social media

407. In June 2011, the Department of Global Communications published guidelines on social media (DPI/2573) on iSeek for the staff, volunteers, consultants and interns responsible for posting content on social media platforms for professional organizational communication. These guidelines aim to set out an overarching set of ideas to be considered when employing social media for professional communications and outreach, including outlining potential risks and challenges, and to provide a framework for using social media tools effectively and in line with existing United Nations policy and protecting the privacy of individuals, including colleagues, depicted in social media materials (for example in videos and photographs) and the Organization from misrepresentation on social media.

408. One of the key principles for professional communications was that the creation of new accounts should be considered carefully with supervisors and colleagues, taking planning, staff and monitoring into account. Posting on social media platforms requires sound editorial judgment with due attention being paid to content, organizational priorities and user preferences. The social media accounts of the Department of Global Communications and their potential reach is shown in table II.8.

Table II.8
Social media accounts in the Department of Global Communications

Account owner	*Number/(percentage) of accounts*	*Potential reach (number of followers)*
Department of Global Communications		
United Nations Information Centres	237 (70)	4 319 579
Flagship accounts[a]	32 (10)	46 398 248
News and Media Division accounts	31 (9)	3 653 884
Outreach Division accounts	31 (9)	662 944
Strategic Communications Division accounts	6 (2)	679 818
Total	**337 (100)**	**55 714 473**

[a] Facebook, Instagram and Twitter accounts in eight languages and eight other miscellaneous accounts.

409. The Board observed that the access logins and passwords of staff members operating some of the social media accounts were not consistently removed when those staff members separated from the Department or the relevant team. The Board observed that, despite having 337 social media accounts with a reach of about 55.71 million followers, vulnerability assessment reports to verify the effectiveness of security controls and identify threats on the social media accounts has not been done so far. Furthermore, 47 out of 237 (20 per cent) social media accounts of the United Nations Information Centres were administered or registered with email addresses[23] other than @un.org.

[23] Gmail (37), Yahoo (9) and Hotmail (1).

410. The Department stated that following requests from resident coordinators, United Nations country teams and United Nations communication groups at the local level, there were instances where social media accounts were created for United Nations Information Centres and these started accumulating followers before a standard was introduced with the publication of the Department's guidelines on social media in June 2011. Once the guidelines were in place, the local administrators of these accounts may not have had the appropriate resources to manage the process of migrating content and followers to new accounts that adhere to the guidelines, including on the use of external (other than @un.org) email address and in terms of conducting a vulnerability assessment.

411. The Department further stated that the Information Centres Service within the then Department of Public Information had initiated a project in 2017 to streamline the administration of Facebook accounts held by the Information Centres, requiring a Department of Global Communications staff member from Headquarters to be added as an account administrator, thereby streamlining oversight to a focal point with an @un.org email address. The project was expected to include other platforms, but due to exigencies of services related to several ongoing reform tracks, it was put on hold. The Department also informed the Board that a new policy on the institutional use of social media for the Secretariat was being developed.

412. **The Board recommends that the Administration establish controls to ensure that United Nations social media accounts reflect the ownership of the United Nations and schedule a vulnerability assessment on all social media accounts at the earliest.**

413. The Administration accepted the recommendation and stated that the social media policy for institutional accounts (ST/SGB/2019/5) was issued in May 2019. As part of its implementation process, the heads of all Secretariat entities were required to review and approve new and existing social media accounts based on criteria contained in the policy, including the accuracy and quality of content and secure and safe practices of account management. The Administration was also to conduct a review of all social media accounts by the end of the year.

J. Humanitarian affairs

414. The Office for the Coordination of Humanitarian Affairs is responsible for bringing together humanitarian actors to ensure a coherent response to emergencies and for 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.

415. Humanitarian contributions are regulated by the Financial Regulations and Rules of the United Nations, the Procurement Manual and policies and guidelines for operating activities issued by the Office for the Coordination of Humanitarian Affairs. The Office discharges its functions through 2 headquarters offices, 5 regional offices and 30 field offices. The Office manages two mechanisms for pooled funding, namely, the Central Emergency Response Fund and country-based pooled funds, allowing donors to pool their contributions.

416. 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 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. The Secretary-General

envisioned in 2016 to increase the funding through the Response Fund to $1 billion by 2018. The mobilization of resources for the Response Fund amounted to $555.3 million (55 per cent of its target) for 2018.

417. Country-based pooled funds are multi-donor humanitarian financing instruments created by the Emergency Relief Coordinator. 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 responsible for leading and coordinating humanitarian assistance in a country experiencing an emergency. In 2016, the Secretary-General envisioned increasing the overall proportion of humanitarian appeal funding requirements channelled through country-based pooled funds to 15 per cent of the needs identified in a humanitarian response plan, which are prepared for a protracted or sudden onset emergency that requires international humanitarian assistance. Country-based pooled funds garnered contributions of $950.2 million in 2018[24] against an envisaged target of $2.53 billion.[25]

Resource mobilization

Office for the Coordination of Humanitarian Affairs donor support group and private funding

418. The Office for the Coordination of Humanitarian Affairs, in its strategic plan for 2018–2021, envisaged enhancing the sustainability of its financial resources by having a broader donor base for extrabudgetary resources and creating long-term political and financial commitments from its donors through the donor support group.[26] The Office was working to achieve this through fundraising and relationship management with all Member States and select private and public institutions.

419. The Board reviewed the funding from the donor support group and private institutions for the past three years and noticed that there was a marginal growth from 27 to 29 in the number of members of the support group in that time period. The Board noted that the Office was highly dependent on the donor support group, as more than 95 per cent of its contributions came from its members. Furthermore, the level of contributions from private institutions was negligible and no targets were fixed for funding from that source.

420. The Administration stated that it had initiated a feasibility study of private funding for the Central Emergency Response Fund. The study will look at the viability of targeting foundations, high net worth individuals and crowdfunding as a means to diversify the funding base of the Response Fund. The results of the study are expected to be available in 2019. It also informed the Board that in the case of the country-based pooled funds, donors have certainty regarding the country the funds will be spent in and, through the respective advisory boards, are kept informed of allocation strategies and recipients before decisions are made.

421. **The Board recommends that the Administration endeavour to widen the donor base, including by increasing the number of members in the Office for the Coordination of Humanitarian Affairs donor support group to reduce vulnerability in mobilizing resources.**

[24] Compared with $700.4 million in 2016 and $832.0 million in 2017.

[25] Requirements under humanitarian response plans amounted to $16.90 billion during 2018.

[26] The Office for the Coordination of Humanitarian Affairs donor support group is a group of donors which advise the Office on policy, management, budgetary and financial questions. Members of the support group commit to providing political, financial and technical support towards fulfilling the Office’s mandated coordination activities. More than 95 percent of the Office’s contributions come from the donor support group.

422. The Administration agreed with the recommendation and stated that increasing the number of members of the donor support group was part of the Office's 2018–2021 resource mobilization strategy.

Multi-year and unearmarked funding

423. The Office, in its strategic plan for 2018–2021, envisaged multi-year funding commitments from existing donors so as to increase the predictability of its income and establish a healthy balance between earmarked and unearmarked funding so as to allow for flexible funding.

424. The Board reviewed funding for the Office for the past three years and noticed that multi-year funding as a percentage of total funding increased from 13.03 per cent in 2016 to 39.72 per cent in 2018, that the share of multi-year funding agreements as a percentage of total agreements increased from 15.87 per cent in 2016 to 23.47 per cent in 2018 and that the share of unearmarked receipts in total funding increased from 38.74 per cent in 2016 to 47.33 per cent in 2018. However, no specific targets were set for the level of unearmarked funding required by the Administration.

425. The Administration stated that, in practical terms, donors faced a tension between providing predictable funding for long-term crises and retaining the flexibility to respond to new, sudden-onset crises. Those donors that have not already adopted multi-year funding face the most challenging legal, budgeting and political constraints, and are therefore not shifting to multi-year agreements. The Office tries to maximize unearmarked funding opportunities from all donors, but the scope to increase unearmarked funding is very much contingent on what donors can do, given evolving legal and political constraints.

426. **The Board recommends that the Administration continue to proactively advocate the increase of multi-year funding for more predictable financial resources and set targets for unearmarked funding for more focused efforts.**

427. While agreeing with the recommendation, the Administration stated that increasing multi-year funding is a part of the Office's 2018–2021 resource mobilization strategy.

Country-based pooled funds

428. There were 17 country-based pooled funds managed by the Office for the Coordination of Humanitarian Affairs, out of which six were under multi-partner trust fund administrative arrangements. In such cases, contributions from multiple donors were pooled and the pooled funds were allocated for supporting specific goals. For two[27] out of the six trust fund arrangements, the Office was the managing agent and the Multi-Partner Trust Fund Office was the administrative agent, while for the remaining four,[28] UNDP was the managing agent and the Multi-Partner Trust Fund Office was the administrative agent. Disbursements from multi-partner trust funds to all United Nations agencies were made by the Multi-Partner Trust Fund Office, while disbursements to NGOs were done by the respective managing agents. The Office for the Coordination of Humanitarian Affairs was responsible for overseeing the allocation process, programmatic monitoring and reporting for all the six country-based pooled funds under multi-partner trust fund administrative arrangements, while financial reporting, spot checks and audit were carried out by the respective managing agents.

[27] Afghanistan and Somalia.

[28] Central African Republic, Democratic Republic of the Congo, Sudan and South Sudan.

429. There were 2,182 country-based pooled fund projects (amounting to $1,362.64 million) in operation during 2018, out of which 367 projects (amounting to $221.29 million) were closed and 1,815 projects (amounting to $1,141.35 million) were open at the end of 2018. These projects were managed entirely by the Office for the Coordination of Humanitarian Affairs. Under the multi-partner trust funds, 2,048 projects (amounting to $745.20 million) were in operation during 2018, all of which were open at the end of 2018.

430. 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 Nigeria and the Democratic Republic of the Congo. The Board noted some areas for improvement, which are presented in the following paragraphs.

Deviations relating to project approvals

431. Paragraph 7.2.1 of the Democratic Republic of the Congo Humanitarian Fund Operational Manual provides that risk analysis of partners is carried out by analysing the capacity of partners, which determines their eligibility. The risk rating of a partner could be low, moderate, significant or high. Annex 12 of the Operational Manual contains an operational modality matrix, which specifies the maximum project budget corresponding to each of the four risk ratings of the partner and the duration of the project. The Manual also aligns financial reporting, narrative reporting and monitoring to the risk rating of the partner and to the duration and value of the project.

432. The Board noted that 272 projects were processed in the Democratic Republic of the Congo in 2018, out of which 247 were awarded to NGOs with a project value of $166.84 million. The Board noticed instances of non-compliance with the provisions of the Operational Manual in awarding these projects, which are summarized as follows:

(a) A total of 18 projects, with a combined project budget of $36.56 million, were awarded to various NGOs without following the prescribed budget ceilings corresponding to their risk ratings;

(b) Five projects with a combined project budget of $4.01 million were awarded to NGOs which were not eligible;

(c) The duration of seven projects with a combined project budget of $12.68 million was more than the maximum allowed duration of 24 months;

(d) A total of 16 projects were awarded to NGOs even though the project budget exceeded the maximum allowed ceiling of $1.4 million for NGOs.

433. The Board also noted that the oversight over these projects was weak, with prescribed monitoring visits not carried out or carried out after project completion in six cases; financial spot checks not conducted or conducted after project completion in five cases; and with departure from the provisions of the operational guidelines.

434. The Administration informed the Board that for 19 of these projects the award represented an unintentional deviation from the operational modalities and for 7 projects, the funding was agreed prior to the introduction of country-based pooled fund operational modalities. In respect of 12 projects, the Administration provided specific reasons for the discrepancies. It also stated that the operational modalities were not automated in the grant management system and that a new functionality will prevent such unintentional deviations in the future.

435. The Board noted that the deviations from the operational modalities, apart from being a violation of the prescribed guidelines, also resulted in exposing these funds to higher risks.

436. **The Board recommends that the Administration ensure that the operational modalities for the approval of projects are strictly adhered to and that deviations, if any, follow prescribed processes and are well documented.**

437. The Administration, while accepting the recommendation, stated that the operational modalities are not automated in the grant management system and a new functionality, intended to be rolled out in 2020, will prevent such unintentional deviations in the future.

Project monitoring

438. In accordance with paragraph 204 of the Operational Handbook for Country-based Pooled Funds, field site monitoring is a critical component of the overall monitoring framework to verify that projects funded from country-based pooled funds are delivering against targeted outputs and to allow the Humanitarian Coordinator to assess the qualitative aspects of programme implementation. Furthermore, in accordance with paragraph 205, financial spot checks are to be conducted to assess the soundness of the internal controls and the accuracy of the financial records of the partner. The recommendations made during monitoring visits and financial spot checks need to be followed up with the implementing partners to make these monitoring tools meaningful and effective.

439. The Board noticed the status of project monitoring activities as shown in table II.9.

Table II.9
Status of project monitoring activities

Type of project	*Total monitoring visits required*	*Monitoring visits not carried out/ (value of projects in millions of United States dollars)*	*Total financial checks required*	*Financial checks not carried out/ (value of projects in millions of United States dollars)*
Country-based pooled fund projects	1 269	320 (224.95)	561	199 (118.83)
Country-based pooled fund projects under multi-partner trust fund administrative arrangements	885	221 (103.62)	1 002	602 (201.94)

440. The Board also noticed that the implementing partners had not reported action on a large number of recommendations in various individual pooled funds, which required close follow-up to ensure that timely action is taken on the recommendations.

441. The Administration acknowledged that despite consistent and significant efforts to seek compliance with the guidelines, there remained a disparity between funds under multi-partner trust fund administrative arrangements and funds managed by the Office for the Coordination of Humanitarian Affairs. The Administration also informed the Board that it was discussing the issue with UNDP and the Multi-Partner Trust Fund Office towards consolidation of the managing agent function under the Office for the Coordination of Humanitarian Affairs by January 2020. The Administration attributed the delays in project monitoring to temporary staffing constraints and the lack of access to project areas due to security reasons. It stated that the development of the monitoring toolkit had significantly improved the quality and support for monitoring across funds and the compliance rate was expected to improve in 2019.

442. While the Board notes the practical difficulties highlighted by the Administration, it stresses that concerted efforts are needed for more effective project

monitoring, especially as a significant amount of funds is transferred for country-based pooled fund projects.

443. **The Board recommends that sustained efforts be made to improve monitoring visits and financial spot checks to carry out important assurance and monitoring activities over the implementing partners.**

444. The Administration agreed with the recommendations and stated that to address the inconsistent compliance with the guidelines, it would assume full responsibility for funds on 1 January 2020, and that it would continue to work on strengthening monitoring and financial spot checks.

Financial and programmatic reporting

445. Financial and programmatic reporting by implementing partners are important aspects of the accountability framework for country-based pooled funds. According to paragraph 267 of the Operational Handbook for Country-Based Pooled Funds, the partners must submit the final financial statements and the final narrative reports within two calendar months after the end of project implementation. Furthermore, paragraph 211 of the Handbook states that for United Nations agencies, upon completion of projects final financial statements will be due no later than 30 June of the following year.

446. The Board noticed the status of submission of final financial statements, as shown in table II.10.

Table II.10
Status of submission of final financial statements

Type of project	*Implemented by*	*Total number of projects (amount in millions of United States dollars)*	*Number of projects with final financial statement:*		
			not submitted (amount in millions of United States dollars)	*submitted with delays*	*submitted with delays of more than 30 days*
Country-based pooled fund projects	NGOs	1 322 (669.06)	12 (6.82)	481	200
	United Nations partners	153 (193.34)	18 (26.15)	93	67
Country-based pooled fund projects under multi-partner trust fund administrative arrangements	NGOs	1 243 (447.78)	54 (16.00)	545	281
	United Nations partners	126 (109.43)	45 (56.57)	61	53
Overall status		**2 844**	**129**	**1 180**	**601**

Source: Grant management system.

447. The Board noticed that, overall, nearly 5 per cent of the final financial statements were not received and 42 per cent were received with delays, of which 50 per cent were received with delays of more than 30 days.

448. The Board noticed the status of submission of final narrative reports, as shown in table II.11.

Table II.11
Status of submission of final narrative reports

Type of project	Implemented by	Total number of projects	Number of projects with final narrative reports: not submitted	submitted with delays	submitted with delays of more than 30 days
Country-based pooled fund projects	NGOs	1 320	–	448	155
	United Nations partners	305	19	153	90
Country-based pooled fund projects under multi-partner trust fund administrative arrangements	NGOs	1 377	–	463	188
	United Nations partners	293	11	173	93
Overall status		**3 295**	**30**	**1 237**	**526**

Source: Grant management system.

449. The Board noticed that, overall, 38 per cent of the final narrative reports were received with delays, of which 42 per cent were received with delays of more than 30 days.

450. The Board noted that non-submission and delayed submission of final financial and narrative reports went against the provisions of the agreements with implementing partners, which could potentially weaken the accountability mechanisms for the funds and lead to failure to detect problems in project delivery in time.

451. The Administration stated that while no action was being taken in cases where funding or project delivery was not put at risk owing to delayed reporting, in more serious scenarios of non-compliance, it suspended or terminated project agreements; made a partner ineligible; and might even include the partner in the list of cases of fraud and presumptive fraud. It also informed the Board that the partner performance tool was rolled out in 2018 in the grant management system to track and score partner performance during the project implementation stage. The fraud module of the system was being developed and this would help to segregate the projects over which there were compliance concerns.

452. The Board, while noting the efforts explained by the Administration, is of the view that the status of financial and programmatic reporting reflected the need for early improvement, especially taking into consideration the inherent financial, programmatic and reputational risks involved. Furthermore, the status of action taken against cases of serious non-compliance was not clear to the Board.

453. **The Board reiterates the recommendation that sustained efforts are needed to ensure timely receipt of financial and programmatic reports for effective monitoring of implementing partners.**

454. **The Board also recommends that the Administration utilize the partner performance index and introduce the planned fraud management tool to address risks to funding and project delivery.**

455. The Administration accepted the recommendation and stated that to support the timely receipt of reports, an automated reminder would be sent to partners when reports were past due. The fraud case management module is under development and will be rolled out in 2020.

Status of audits

456. According to paragraph 267 (iii) of the Operational Handbook, projects are to be audited within two months of the clearance of the final financial statement. In accordance with paragraph 267 (v), following the closure of a project and its audit, partners will be notified by the Office for the Coordination of Humanitarian Affairs about the exact amount to be refunded, when such refund is due. Partners have one month from the date of notification to refund amounts due.

457. The Board noticed that out of 1,269 country-based pooled fund projects, the audit was not completed for 778 projects[29] (67.83 per cent), for which $354.56 million had been disbursed. These projects were at various stages of being audited. There were delays of over 90 days in the audit of 659 projects (84.70 per cent) out of 778 delayed cases. Furthermore, there was no tracking of audits in respect of 122 projects with disbursements of $138.23 million.

458. The Board also noticed that out of 1,361 projects with country-based pooled funds under multi-partner trust fund administrative arrangements, the audit was not completed for 519 projects[30] (48.7 per cent) with disbursements of $1,165.61 million. These projects were at various stages of being audited. There were delays of more than 90 days in the audit of 482 projects (92.87 per cent). Furthermore, there was no tracking of audits in respect of 296 projects with disbursements of $149.87 million.

459. The Board noticed that a significant number of audits were pending despite concluding long-term agreements for audit of all pooled funds in June 2018 to overcome the delays in audits.

Status of follow-up of audit recommendations

460. The Board noticed that follow-up for the majority of audit recommendations was pending. Out of 416 recommendations directed towards implementing partners pertaining to 255 country-based pooled fund projects, no action had been taken in respect of 87 recommendations (20.91 per cent). Similarly, out of 395 recommendations directed towards implementing partners pertaining to 303 country-based pooled fund projects under multi-party trust fund administrative arrangements, no action was taken in respect of 245 recommendations (62.03 per cent).

461. The Board noted with concern that some of these recommendations pertained to critical or high-risk findings, such as non-maintenance of funds in the prescribed account, payments made through modes other than crossed cheques or direct transfer to corporate bank accounts of vendors and purchase orders not prepared for procurement, and it was important to follow up on these recommendations to check their implementation.

Status of refunds

462. The Board noticed that refunds of $7.18 million were due from implementing partners for 341 projects under various country-based pooled funds for which allocations had been made during 2015–2018. These 341 projects were at various stages of audit and included 28 projects (with refunds of $1.09 million due) for which an audit had not even been triggered.

463. The Board also noticed that refunds of $35.45 million were due from implementing partners for 421 projects of country-based pooled funds under multi-partner trust fund administrative arrangements for which allocations had been made during 2010–2018. This amount included $7.37 million pending from

[29] Allocated between 2014 and 2018.
[30] Allocated between 2010 and 2017.

implementing partners which had not reported any expenditure for 42 projects, making these high-risk cases.

464. An analysis of the ageing of refunds due is shown in table II.12.

Table II.12
Status of ageing of refunds due

	Country-based pooled fund projects		*Country-based pooled fund projects under multi-partner trust fund administrative arrangements*	
Years since refund became due	*Number of projects*	*Amount (millions of United States dollars)*	*Number of projects*	*Amount (millions of United States dollars)*
More than five years	–	–	58	1.73
More than three years	33	0.78	171[a]	17.35[a]
More than two years	145	3.07		
More than one year	145	2.60	99	6.81

[a] Covers both two- and three-year periods since refund became due as separate data are not available.

465. The Board noted that auditing of projects and follow-up of audit recommendations are important components of the accountability framework for country-based pooled funds. Delays in carrying out the audits and lack of proper follow-up on the significant audit recommendations reflected weak monitoring and control systems over the projects being implemented by the implementing partners.

466. The Administration reiterated that the audits of projects were being done under long-term agreements from June 2018 to clear the existing audit backlog as well as to bring projects up to date concerning audit requirements. The Administration detailed constraints being faced as the system contract had started with a large backlog of various projects with big levels of funding. It also stated that the system contract had exposed the Office for the Coordination of Humanitarian Affairs to problems regarding capacity, both at the field level and at the headquarters offices. The Administration attributed part of the delay in processing refunds to slow processes with United Nations agencies.

467. **The Board reiterates the recommendation that the Administration make sustained and time-bound efforts to clear the backlog of audits, follow up on the pending audit recommendations and take the necessary action to ensure timely receipt of all pending refunds from implementing partners.**

468. The Administration accepted the recommendation and stated that with the launch of the global long-term agreements for performing audits, significant progress had been made in clearing the backlog in 2018 and 2019. Furthermore, it would work closely with UNDP and the Multi-Partner Trust Fund Office to request their urgent support to address the outstanding refunds from partners.

Interest on country-based pooled fund grants

469. In accordance with the Operational Handbook for Country-Based Pooled Funds and the grant agreements, all funds received by NGOs from the Office for the Coordination of Humanitarian Affairs are to be deposited into a separate, interest-bearing bank account, interest is required to be apportioned annually to the undisbursed balance of the grant and unspent grant, and any unused interest accrued on the undisbursed balance of funds is to be returned to the Office. The grant

agreement with United Nations agencies also contains clauses for accounting of interest and refunding of unspent funds.

470. The Board noticed during its test check of projects in Nigeria and the Democratic Republic of the Congo that none of the projects accounted for any interest earned or accrued on the country-based pooled fund grants. The country offices also did not consider the accrual or earning of interest on unspent balances at the time of disbursement of second or subsequent tranches. Moreover, no recommendations in this regard had been made during the financial spot checks carried out in respect of these projects.

471. The Administration stated that the interest generated by the project funds at the administrative agent level is shown in the multi-partner trust fund gateway. When the project fund is transferred from the Multi-Partner Trust Fund Office to the UNDP global account, there is no specific account for the Democratic Republic of the Congo Humanitarian Fund, so there is no way to identify any interest directly linked to the pooled fund. In accordance with the agreement, NGOs are required to return interest income, if any, but as there is no project-specific bank account, it is difficult to identify interest linked to country-based pooled funds. Furthermore, no interest income had been reported by any implementing partner in the financial reports submitted and, if an implementing partner does report interest earned, the amount is adjusted in any amounts due for the next or final disbursement.

472. The Board noted that relying only on voluntary reporting from implementing partners for interest income on the country-based pooled funds reflected weakness in the monitoring system, and there was a need for a proactive mechanism to monitor the identification and accounting of interest earned on the country-based pooled fund grants by the implementing partners in accordance with the provisions of the grant agreements.

473. **The Board recommends that the Administration monitor the interest earned on country-based pooled fund grants and ensure that such interest is accounted and adjusted for in accordance with the prescribed process.**

474. The Administration, while accepting the recommendation, stated that in a number of country-based pooled fund countries, local banking regulations do not allow implementing partners to open more than one bank account. This, along with other administrative requirements, has created the need to apply flexibility regarding this grant agreement clause. A waiver is given to partners on this clause on a case-by-case basis when requested, with the understanding that all the financial transactions linked with incoming contributions from the Office for the Coordination of Humanitarian Affairs are clearly identified, including any interest earned. It systematically tracks any interest either reported by the partner in the final financial report or by an auditor in line with the provisions laid out in the grant agreement.

Integration of various financial management systems

475. The Office for the Coordination of Humanitarian Affairs was using different financial management systems, namely, the budget implementation analysis system for budgeting and performance management, the grant management system for implementing partner management and the contribution tracking system for fundraising and donor relationships. These systems record different financial transactions which subsequently affect the recording of transactions in Umoja.

476. The Board noted that this exercise was not only prone to human error, but also led to duplication of efforts in recording transactions and monitoring and reconciling them. The Board was informed that the contribution tracking system, the grant management system and the budget implementation analysis system were highly

customized to meet the needs of donors and the Office and required constant upgrading to meet future monitoring and reporting requirements.

477. During a test check of data in the Democratic Republic of the Congo, the Board also noticed that there were significant issues in the data relating to country-based pooled fund projects in the grant management system, including discrepancies in the information on audits of projects, project approval dates and the number of projects processed. Besides, there were gaps in uploading of reports on monitoring and financial spot checks in the system. The dual management of country-based pooled funds under multi-partner trust fund administrative arrangements (the managing agent for the Democratic Republic of the Congo Humanitarian Fund was UNDP, while the Multi-Partner Trust Fund Office was the administrative agent) also potentially affected the data management issues noticed, as follows:

(a) Disbursement data for NGOs was captured in Atlas (the system used by UNDP). There was a time lag in inputting the data in the grant management system and the Board was informed about concerns on the accuracy of the data entered into the system;

(b) Disbursement to United Nations agencies was done directly by the Multi-Partner Trust Fund Office and the financial report was submitted by the agencies to that Office and not through the grant management system;

(c) Differences in data between the grant management system and the Multi-Partner Trust Fund Office in respect of contributions and allocations were noticed.

478. The Board noted that the grant management module under Umoja Extension 2 was under deployment. The Administration stated that the budget implementation analysis and contribution tracking solutions currently used were customized to the specific needs of the Office for the Coordination of Humanitarian Affairs and stressed that until Umoja Extension 2 could provide all these functionalities, it could not afford to put the business processes at risk by transitioning to it. In the meantime, it was proposed to create a bridge for an automatic feed of income data between Umoja, the contribution tracking system and the grant management system. The Administration also stated that the system had been a centralized system for all the active pooled funds since 2016 and each process was managed and validated by the business owners, including various partners. The Administration stated that it endeavoured to ensure that all the pooled fund assurance activities and interfaces with humanitarian fund stakeholders were reported in the grant management system to the extent possible.

479. The Board noted that with 6 out of 17 country-based pooled funds being under multi-partner trust fund administrative arrangements, the accuracy, completeness and timely updating of information available in the grant management system were areas of concern, especially with the system being the key system used for the management of significant amounts of pooled funds and related projects.

480. **The Board recommends that the Administration prepare a definite plan with clear timelines for migration to Umoja Extension 2 functionalities to eliminate duplication of efforts and investments in software systems.**

481. **The Board also recommends that the Administration ensure a timely updating of accurate and complete information in the grant management system and identify the requirements for inclusion in the ongoing exercise of Umoja Extension 2 to ensure that the new functionalities can cater to the requirements for the management of multi-partner pooled funds.**

482. The Administration stated that it is fully committed to migrating to Umoja when the requirements of the Office for the Coordination of Humanitarian Affairs are in place. In the meantime, and until such requirements are met, there should be data sharing between the grant management system and the Umoja Extension 2 system to eliminate duplication of effort. It also stated that the Office would consolidate all country-based pooled funds under the single management arrangement performed by the Office as of 1 January 2020.

Action on fraud cases

483. Staff rule 1.7, on financial responsibility, requests staff members to exercise reasonable care in any matter affecting the financial interest of the Organization and its physical and human resources, property and assets. In addition, staff rule 10.1 (b), on misconduct, establishes that where the staff member's failure to comply with his or her obligations or to observe the standards of conduct expected of an international civil servant is determined by the Secretary-General to constitute misconduct, such staff member may be required to reimburse the Organization, in full or in part, for any financial loss suffered as a result of the staff member's actions, if such actions are determined to be wilful, reckless or grossly negligent. Under financial rule 101.2, on responsibility and accountability, any staff member who contravenes the Financial Regulations and Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her actions.

484. The Board was informed that three fraud cases were reported in one of the duty stations under the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo regarding a safe containing administrative and other important documents found missing, missing petty cash of $3,635 and a discrepancy of $1,066 in cash advances. The Board noticed that these three fraud cases were reported during a span of one year at the same location, but no action was initiated based on applicable rules to identify the culprit and assign responsibility.

485. The Administration stated that the concerned staff member was on certified medical leave and all actions regarding control and responsibility had been taken in a timely manner.

486. The Board noted that the final report of the investigations into these fraud cases was awaited and no action on recovery of loss had been initiated.

487. **The Board recommends that the Administration strengthen anti-fraud controls, particularly in offices where recurrent fraud has been noticed, and take timely and necessary administrative action for redressal.**

K. Management of capital projects, including the strategic heritage plan

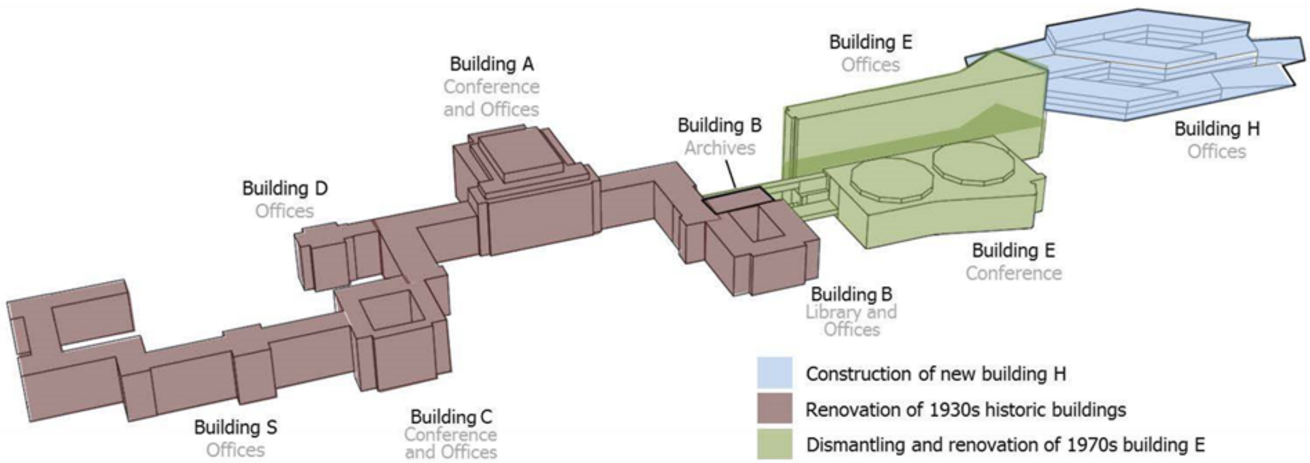
Strategic heritage plan

488. The strategic heritage plan involves the renovation of the United Nations Office at Geneva to meet the requirements of the Organization and ensure appropriate health, safety and working conditions. In its resolution 70/248 A, the General Assembly approved the proposed scope, schedule and estimated cost of the strategic heritage plan in the maximum amount of SwF 836.5 million. The project is expected to be completed in 2023.

489. According to the project schedule, the strategic heritage plan construction work consists of three main sections as shown in the figure below: the construction of the new building H, the renovation of the historic 1930s and 1950s buildings A (Assembly

Hall), B1 (historical archives), B2 (library and offices), C, D and S (mainly offices) and, eventually, work relating to the 1970s building E (renovation of the conference rooms and dismantling of the office tower).

Figure
Schematic overview of the Palais des Nations building complex and the new building



490. The schedules of these three main parts of the project are interdependent. Mainly, the project phasing needs to ensure that a minimum of both office space and conference space will be provided throughout the entire project duration.

491. In terms of office space, the strategic heritage plan team intends to use the offices of building H as swing space for the staff that will have to leave the offices in buildings C, D and S during the renovation work. The offices in buildings C, D, H and S are intended to compensate for the decrease in office space that will result from the dismantling of the building E office tower. Therefore, the renovation work for buildings C, D and S is scheduled to start after the completion of the building H work. Accordingly, the work on building E is scheduled to start after the completion of the work on buildings C, D and S.

492. In order to provide the conference space needed, the renovation of section AB of building A and the renovation of building C will not start before section A/AC of building A and the Assembly Hall are renovated.

493. In its second report on the strategic heritage plan, of July 2018 (A/73/157, para. 119), the Board noted that there was no longer any buffer time between the completion date of construction work envisaged by the strategic heritage plan team and the latest completion date according to the time schedule affirmed by the General Assembly. Hence, further delays might jeopardize the timely completion of the project. During the course of the audit, the Board reviewed the planned and actual project progress and made the observations below.

Delays in the construction of the new building H

494. As already noted in the Board's previous report (A/73/157, para. 108), the contractual completion date initially agreed for building H was 29 November 2019 and this was extended until 13 January 2020 because of ground-related issues that required building an additional retaining wall and reinforcing a crane base.

495. Subsequently, the United Nations Office at Geneva and the contractor agreed on further modifications to the contractual completion date regarding the replacement of precast concrete beams with timber beams and further ground issues that required

additional ground investigations and a redesign of the foundations. Eventually, the parties agreed on 2 March 2020 as the revised contractual completion date.

496. As expected (see the Board's report contained in document A/73/157, paras. 99 and 109 ff), there will be another extension of the contractual completion date, owing to the implementation of flexible workplace strategies in the construction contract for building H. In order to mitigate the time impact of this change, the contractor has proposed a staged handover procedure, meaning that there will be different completion dates for different parts of building H.

Delays in the design and procurement of the renovation works for the 1930s and 1950s historical buildings

497. As reported by the Board (A/73/157, para. 124), the strategic heritage plan team intended to issue the complete request for proposals for the construction contract for the 1930s and 1950s historical buildings by 3 September 2018 so as to award the contract by 3 May 2019.

498. One reason for the delayed issuance of the request for proposals was that the necessary design deliverables had been provided late by the design firm (see the Board's report (A/73/157, paras. 121 ff) on the tightness of the design schedule). Moreover, the strategic heritage plan team had chosen to address the limited response to the expression of interest process by following an innovative procurement methodology (limited competitive bidding process) and contracting strategy (open-book approach with a guaranteed maximum price and an incentive "pain/gain" arrangement). The United Nations Office at Geneva requested the approval of these strategies by an interoffice memorandum to the Assistant Secretary-General for Central Support Services dated 21 December 2018. By following these strategies, the Office wanted to ensure, among other things, the full engagement of the prequalified vendors throughout the request for proposal process so as to obtain a sufficient number of competitive proposals. Furthermore, the Office intends to further ensure the transparency of the real costs and the competitiveness of the subcontract work packages during the construction phase at the level below the main contractor. However, two of the four vendors withdrew shortly after the request for proposal process started.

Current schedule

499. The strategic heritage plan team still intends to complete the construction activities by the end of 2023, which is the completion date approved by the General Assembly. With regard to the aforementioned delays, the planned duration of some project phases was further condensed.

500. In line with the plan for phasing the project of 24 January 2019, the renovation of building S is scheduled to start in June 2020. That implies that building H can be used as a swing space as of this date at the latest. This is based on the assumption that a significant number of staff members can work in building H parallel to the ongoing construction works.

501. According to the strategic heritage plan team's most recent procurement schedule of 28 January 2019, the time period from the issuance of the request for proposals until the planned start of works has been condensed. As from January 2018, there have been five versions of the procurement schedule for the renovation work for the 1930s and 1950s historical buildings.

502. In the first version, the time period from the planned issuance of the request for proposals until the planned start of works was 301 days, whereas the current, fifth, version of 28 January 2019 shows a time period of 250 days.

503. The mobilization period (period from the contract award until the actual start of works) was scheduled to last 60 days in the first version of the procurement schedule for the renovation work. The current procurement schedule, of 28 January 2019, shows 46 days for the mobilization period.

504. In addition to the time frames for the procurement procedure and the mobilization period for the renovation of the historical buildings, the time frames for the renovation of buildings D and S and the technical design for building E were further condensed.

505. Moreover, the completion dates for the various sections of the renovation work that are shown in the project phasing plan of January 2019 differ from the completion dates that are indicated in the source selection plan which formed the basis for the request for proposals. The source selection plan indicates completion dates that are about one month later.

506. Concerning the renovation of building E, the project phasing plan of January 2019 and the procurement schedule of 28 January 2019 indicate a "design and build" approach instead of a "design, bid, build" approach. This means that, in a deviation from earlier project phasing plans, the technical design will not be tendered separately. Instead, the technical design and the construction will be tendered and ultimately provided by the same contractor.

507. The Board estimates that an overall completion of the project by the end of 2023 is hardly achievable considering that:

(a) In June 2018, the project director had informed the steering committee that it was crucial that the contract for the renovation works was awarded by the end of June 2019 in order to stay on schedule and avoid additional costs to the project. Moreover, the project director noted that, should the completion of building H be delayed by more than two to three months, this would affect the timely start of the renovation works;

(b) The contractual completion date for building H has been extended by more than six months.

508. The project phasing plan of January 2019, which still indicates an overall completion in 2023, might prove to be difficult considering that:

(a) The planned duration of the further procurement procedure for the renovation of the historical buildings appears rather short, taking into account that there will be intensive dialogue with the bidders;

(b) A staged takeover procedure for building H bears greater risks in terms of working conditions (including noise), security, unclear responsibilities and warranty.

509. In addition to the risks above, already known risks continue to exist, such as unexpected constraints related to the structure of the historic buildings, omissions or errors in the design work, conflicts with the conference schedule, business continuity and needed office space not being available on a timely basis. Without any float left, each of those risks might lead to a time overrun.

Project governance

Risk management

510. The guidelines for the management of construction projects stipulate that independent risk management is external to the United Nations but within the client/programme management. In the strategic heritage plan project, the independent risk management was outsourced to a risk management firm.

511. The risk management firm provided, inter alia, regular independent risk management quarterly reports submitted directly to the Director of Administration (who acts as the project executive) but not to the project owner.

512. The project owner is responsible for the project and the project team. The project owner is also "personally accountable" (see guidelines for the management of construction projects) for the project's success, whereas the project executive is involved in project management and is not independent of the project team.

513. In the Board's view, if it depends on the project executive when and whether at all the project owner receives the quarterly risk assessment reports, the project owner is not being informed directly by the independent risk management firm.

514. **The Board recommends that the risk management firm send the quarterly reports directly to the project owner.**

515. The United Nations Office at Geneva agreed with the recommendation and acted accordingly. The project owner now receives the reports directly from the risk management firm. In addition, the Administration noted that the quarterly risk reports were concurrently submitted to the Global Asset Management Policy Service in the Office of Programme Planning, Finance and Budget in the Department of Management Strategy, Policy and Compliance, in order to ensure that the reports are considered independently from the project team.

Lacking inclusion of stakeholders in risk management

516. The concept of having a flexible workplace requires standardized workplaces. Staff members bring their laptops and will be able to work at any of these workplaces. Consequently, current equipment will not be able to be used anymore. This unexpected cost for new equipment is estimated at SwF 3.625 million and there is a risk that this full amount could need to come from either the strategic heritage plan budget or an alternative budget source.

517. The Board learned that important stakeholders of the strategic heritage plan project, such as the Central Support Services of the United Nations Office at Geneva, had not been invited to attend risk management meetings.

518. In the Board's view, it may remain an open question as to whether or not these risks would have been identified earlier if stakeholders had been present in risk management meetings. However, important stakeholders in the United Nations Office at Geneva with their knowledge about the buildings to be renovated and the equipment in the buildings, could, in any case, make essential contributions in identifying risks and making proposals for possible actions to mitigate risks.

519. **The Board recommends that the strategic heritage plan team invite stakeholders to attend risk management meetings.**

520. The strategic heritage plan team concurred with the recommendation.

Budget

521. Donations are one of the measures used to reduce Member States' contributions to the overall scope of the renovation works of the strategic heritage plan.

522. According to the report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva dated 9 September 2013 (A/68/372), a Member State confirmed in May 2013 that it would undertake a multimillion-dollar renovation of conference room XIX. Therefore, the estimated costs for renovating conference room XIX in building E were not part of the project cost plan of 2013.

523. In October 2015, the strategic heritage plan team used the design concept document to prepare the breakdown of the maximum cost amount for the second report of the Secretary-General (A/70/394). Based on that report and the report of the Advisory Committee on Administrative and Budgetary Questions (A/70/7/Add.8), the General Assembly approved the proposed scope, schedule and estimated cost of the strategic heritage plan in the maximum cost amount of SwF 836.5 million.

524. In November 2015, the strategic heritage plan team signed directions to the cost consultants to update their cost data for a number of items, including the exclusion of the renovation costs for conference room XIX, which were expected to be covered by the specific donation from a Member State.

525. In September 2018, the latest report of the Secretary-General on the strategic heritage plan (A/73/395) mentions in paragraph 113 that during the reported period, a memorandum of understanding for the comprehensive renovation of conference room XIX in building E was signed. The donated works were already anticipated when the project scope was approved and therefore do not have an impact on the scope of the project.

526. The Board noted that in 2015, as the General Assembly approved the project scope and maximum cost amount of SwF 836.5 million, a partial renovation of conference room XIX was still included in the design concept document. Therefore, the costs related to the partial renovation of conference room XIX were implicitly included in the maximum cost estimate of the project in the 2015 report of the Secretary-General. This is in contradiction to the wording used in the 2013 report.

527. The Board calculated the costs based on the 2015 design concept document. The total of the estimated baseline costs for the construction, mechanical, electrical and plumbing works for the renovation of conference room XIX amounted to approximately SwF 3.73 million. Taking into consideration a proportional amount of the project team's fees, salaries and escalation, which are part of the calculation of the overall maximum cost of the project, the cost impact of the donation amounts to approximately SwF 5 million.

528. However, the donation was expected in 2013 but did not become an actual reality until the signing of an agreement for it in 2018. Therefore, the strategic heritage plan team should have initially adjusted the figures from the concept design correctly before including them in the breakdown of the maximum cost amount presented in the 2015 report of the Secretary-General. At the same time, the strategic heritage plan team should have included in the risk register the risk that the donation agreement may not be concluded.

529. The Board is of the view that the impact of the donation on the strategic heritage plan project scope and budget is substantial.

530. **The Board recommends that the strategic heritage plan team ensure that the cost plans are updated on a timely basis and are consistent with the figures included in the reports of the Secretary-General and other internal and external financial reports on the project.**

531. **The Board recommends that the strategic heritage plan team maintain a clear audit trail of the costs of the project, from the cost plan to the figures that are included in the reports of the Secretary-General.**

532. **The Board recommends that donations within the strategic heritage plan baseline scope should be excluded from the project costs upon the signing of a memorandum of understanding, as they will reduce the contributions of Member States to the strategic heritage plan.**

533. The Administration agreed with the recommendations and stated that process improvements had been made since 2015. The United Nations Office at Geneva considered the recommendation to be implemented at the date of the Board's audit.

Project progress

534. The Facilities Management Section is a part of the Central Support Services of the United Nations Office at Geneva. The Section is responsible for safe and reliable operation, maintenance, modification, improvement, repairs and replacements within the Palais des Nations and the related buildings. After each finalization of the construction work under the strategic heritage plan, the Section will take over the completed section (the respective building) or part thereof.

535. The construction works of the strategic heritage plan started in 2017 with building H. After the finalization of building H, the renovation of the Palais des Nations will take place in individual sections. After the completion of one section, the strategic heritage plan team hands that section over to the Facilities Management Section while other sections will still be under construction. As a result, this will lead to separated responsibilities, partially the strategic heritage plan team (for sections still under construction) and partially the Facilities Management Section (for sections already completed).

536. In September 2017, the United Nations Office at Geneva and a contractor signed the contract for the construction works for building H, consisting of three major sections: section 1: ground slab reinforcement of building E car park P10; section 2: covering of the existing spiral entrance ramp of the building E car park; and section 3: building H.

537. The contract stipulates, inter alia, the procedure on how to hand over each completed section from the contractor to the strategic heritage plan team. With this accepted delivery, the defects liability/warranty period begins, so this procedure marks the transition from construction to occupation and operation.

538. Afterwards, the strategic heritage plan team needs to hand over each finished section individually to the Facilities Management Section.

539. The contractor informed the strategic heritage plan team in November 2018 that section 1 was ready to be taken over. The substantial completion took place on 12 November. As from that date, the strategic heritage plan team has been responsible for operating and maintaining the area covered under section 1.

540. The strategic heritage plan team initiated the handover of the area covered under section 1 to the Facilities Management Section. The strategic heritage plan team prepared and signed the form for the transfer along with the associated documents.

541. The Board learned that the Facilities Management Section did not accept the handover and had not yet either signed the form or taken over the area covered in section 1. The result is that the strategic heritage plan team (contrary to its actual tasks) is responsible for maintaining and operating the P10 car park in building E.

542. In November 2018, the strategic heritage plan team established a working group comprising representatives of the team and the Facilities Management Section to draft a document reflecting a common understanding of the roles and responsibilities during and after the strategic heritage plan project.

543. The strategic heritage plan project is, by its nature, complex. For this reason, the project is divided into different construction phases, each of which is subdivided into sections. As a result, the tasks of the strategic heritage plan team are clearly defined. Once a section has been taken over from the contractor, responsibility is transferred to the Facilities Management Section as the responsible unit in charge of

operation and maintenance. In the Board's opinion, this handover procedure should be well prepared so that clear roles and responsibilities are defined well in advance and each particular side knows what to do and what the responsibilities are. That will become even more important as over the coming years many sections of the work have to be transferred. Section 1 (ground slab reinforcement of the building E car park) of the works for building H was only the first of many.

544. The Board noted that the strategic heritage plan team had not yet established comprehensive handover procedures (including sign-off sheets) in cooperation with the Facilities Management Section. Thus, it is unclear which requirements (e.g. documents, pre-handover meetings, schedule) are necessary for the handover. It is also unclear who is authorized on behalf of the Central Support Services to take over section 1 of the works.

545. **The Board recommends that the strategic heritage plan team develop, in close cooperation with the Facilities Management Section, a handover procedure manual. This would ensure that the responsibilities, procedure and expected handover documents are clear for the strategic heritage plan team and for the Facilities Management Section. The goal must be to hand over the sections of the works from the contractor to the strategic heritage plan team and the United Nations Office at Geneva/Facilities Management Section at the same time.**

546. The Administration accepted the recommendation. Currently, the strategic heritage plan team is drafting comprehensive handover procedures in close cooperation with the Facilities Management Section.

Mobility and green commuting

547. The Leadership in Energy and Environmental Design (LEED) rating system is based on accepted energy and environmental principles and strikes a balance between known established practices and emerging concepts. LEED is a programme of the United States of America Green Building Council, a non-profit organization that launched its first green building rating system in 1998. Credits may be earned in five environmental and two additional categories. Overall, the target is to reduce energy consumption and greenhouse gas emissions associated with building systems, transportation, the embodied energy of water, the embodied energy of materials and, where applicable, solid waste.

548. The lead design firm stated in the sustainability report that building H would follow the new construction track of the LEED rating system and seek to reach the equivalent of a LEED gold rating, although a formal LEED certification will not be sought (A/73/395, para. 45).

549. In the environmental category for sustainable sites under LEED, it is possible to obtain credits in the category of reducing emissions associated with transportation for public transportation access, bicycle storage and changing rooms, low-emitting and fuel-efficient vehicles and parking capacity. The intention is to reduce pollution and land development impacts from automobile use.

550. The Board noted that the lead design firm pointed out in the credit review that it was possible to obtain credits in the categories of public transportation access, low-emitting and fuel-efficient vehicles and parking capacity. However, the lead design firm did not expect to get credits for bicycle storage and changing rooms. The requirement to be able to gain credits in this category is to provide secure bicycle racks and/or storage within 180 m of the building entrance for 5 per cent of all building users and shower and changing facilities in the building, or within 180 m of a building entrance, for 0.5 per cent full-time equivalent occupants.

551. In January 2018, the mobility and green commuting working group in the Palais des Nations sent a list of suggestions to the Director of Administration which included bicycle racks near the main entrance and the entrance on the lower side of building H.

552. In August 2018, the working group sent a request for a design change to the strategic heritage plan team. The document outlined, among other things, two covered bicycle racks for building H. The recommendation was to build the bicycle racks during the construction phase. Two weeks later, the strategic heritage plan team recommended in the technical assessment that bicycle racks be built. In addition, the strategic heritage plan team stated that if no other source of funding was available for these changes, bicycle racks would need to be funded from the strategic heritage plan project contingency provision.

553. In November 2018, the Director of Administration on behalf of the project owner rejected the recommendation for the strategic heritage plan to do the work and fund the cost from the strategic heritage plan contingency provision and instead instructed that the United Nations Office at Geneva should include the recommendation in its programme of work.

554. During the audit, the Board was informed that the bicycle racks would be provided by the United Nations Office at Geneva.

555. In the Board's view, having bicycle parking spaces is a standard feature. Throughout the world, including the United Nations, more and more people are health conscious, opting in particular for changing their eating habits or commuting to work by bicycle. Bicycle parking spaces are part of the landscaping for building H and should be integrated within that concept rather than being treated as a separate activity of the United Nations Office at Geneva.

556. Moreover, in April 2018, the General Assembly emphasized that the bicycle is a symbol of sustainable transportation and conveys a positive message to foster sustainable consumption and production and has a positive impact on climate (resolution 72/272).

557. **The Board recommends that management confirm its decision to install bicycle racks in time for the opening of the new building.**

558. The United Nations Office at Geneva accepted the recommendation and responded that management across the United Nations Office at Geneva is fully and actively committed to environmental sustainability and has launched many initiatives in this regard. Management confirmed that bicycle racks for use by staff would be implemented in time for the opening of building H, while ensuring that this was done in the most cost-effective manner.

Other capital projects

Implementation of the flexible workplace project

559. A comprehensive business case for the flexible workplace project was made in January 2015 to create a modern, agile business model for the Secretariat that will improve the Organization by modernizing the staff workplace environment (A/69/749). The project was to be implemented in 26 floors in the Secretariat Building and 8 floors in the FF Building. This would create additional capacity to accommodate 950 staff (800 in the Secretariat Building and 150 in the FF Building) and simultaneously vacate three rented buildings, namely, the Albano, Daily News and Court Square buildings. The entire project was to be completed by February 2018 at a cost of $49.60 million, which included $31.37 million for the reconfiguration and renovation of the Secretariat Building. It was envisaged that the costs of the project could be recuperated by 2020.

560. The first phase of implementation started in January 2016, after the conclusion of the flexible workplace pilot project and following extensive consultations and a change in scope. The contours of the project had changed by then, to be implemented in 26 floors in the Secretariat Building, 3 floors in the FF Building and 5 floors in the DC1 Building at a cost of $65.71 million and for two rented buildings (the Daily News and Innovation buildings) to be vacated. The estimated cost of reconfiguration and renovation of the Secretariat Building was projected at $49.44 million owing to a higher cost per floor, using the latest available prices and factoring in more customization and hence more construction on each floor. It was envisaged that creating the additional capacity to accommodate of 950 staff (800 in the Secretariat Building, 75 in the DC1 Building and 75 in the FF Building) with increased flexibility and autonomy would result in greater motivation and higher productivity. The offsetting of the project cost through reductions in rent and maintenance was postponed to 2023.

561. In a report to the General Assembly at its seventy-second session (A/72/379), the Secretary-General noted that in its resolution 71/272 A, the Assembly had stated that flexible workplace strategies should be aimed at improving the overall productivity and efficiency of the Organization, with a maximum number of 140 staff per floor, and had decided that flexible workplace strategies should not be implemented in rented properties. The plan was again revised to execute the project in 26 floors in the Secretariat Building alone, with additional accommodation of 1,154[31] seats, at an estimated cost of $54.9 million by 2020, and to vacate three rental buildings (the Daily News, Court Square and Innovation buildings). This estimate included $46.92 for reconfiguration and renovation of the Secretariat Building. The offsetting of the project cost through reductions in rent and maintenance is now expected only in 2021.

562. The Board observed that the project planning underwent frequent changes concerning which buildings and how many floors would be part of the project, which buildings would be vacated and the estimated costs, leading to delays and postponement of the potential benefits of the project.

563. The Administration stated that it was not of the opinion that changes in the number of floors to be included or the buildings to be vacated was an indication of deficient project planning. It was rather that the project needed to be adapted to the requirements of departments as they learned about the project through the departmental engagement process, as well as to the Secretary-General’s reforms of the peace and security, development and management pillars.

564. The Board, however, noted that this iterative process not only postponed potential benefits, but the project costs related to planning, supervision and management together with costs for the organization of swing space, increased from $4.17 million to $8.02 million.

565. The Board observed that as of December 2018, 753 spaces had been created in 14 floors and the project had incurred a total cost of $33.34 million. Three rental buildings (the Daily News, Court Square and Innovation buildings) were vacated in April 2017, April 2018 and September 2018 respectively.

[31] It was also noted that at that stage of implementation the floors were considerably undersubscribed. While the project calls for 1.25 staff for each unassigned workstation, the floors included in the first phase in May 2017 averaged about 0.86 staff per unassigned workstation. For the plans going forward, in line with General Assembly resolution 71/272 A, sect. XVI, para. 10, the project team has adjusted floor occupancy upwards, within the maximum of 140 staff per floor, taking into account available space and departmental requirements.

566. It had been opined (A/73/370 and A/73/370/Corr.1) that as productivity remains difficult to measure, it would be reasonable to use workplace satisfaction as a proxy for productivity and that the overall score for staff satisfaction and workplace effectiveness could be used to measure the workplace performance. Some important pointers noted in the post-occupancy evaluation report[32] of August 2018 conducted by a consulting firm are as set out below:

(a) The workplace performance index showed an increasing trend among United Nations staff from 48 in 2014 (pre-project) to 57 in 2018, in comparison to the Government industry average of 60;

(b) Staff that demonstrate the most internal mobility also have the greatest workplace satisfaction; 80 per cent of the staff continued to sit in the same place most of the time;

(c) Among the respondents to the survey, 35 per cent do not use meeting spaces as their primary face-to-face collaboration space;

(d) Managers felt that productivity was slightly decreased in the open seating arrangement. Some managers are experiencing frustration with finding their teams and with increased disruptions while working in the open plan environment.

567. **The Board recommends that the Administration closely monitor and manage the remaining works to ensure completion of the flexible workspace project by 2020, within the estimated cost, and ensure overall effectiveness by addressing the issues noted in the post-occupancy evaluation report.**

568. The Administration accepted the recommendation and stated that it would ensure that the implementation of the project would be completed in 2020 without any significant deviations. The Administration also informed the Board that through ongoing engagement with users and post-occupancy surveys, lessons were continuously being gathered and incorporated into the implementation of subsequent phases to ensure the quality of work while maintaining the deadline and budget.

Africa Hall renovation project

569. The Africa Hall complex was inaugurated in February 1961 and is presently part of the United Nations compound that houses ECA and other United Nations entities. The project for the restoration of Africa Hall was launched at a ceremony held in October 2008 to mark the fiftieth anniversary of ECA.

570. The Africa Hall renovation project is grouped into five major components: structural upgrade, essential life and health safety building works; Plenary Hall and associated work; external work and landscape; heritage conservation; and Visitors Centre. The second stage was completed in 2014. In January 2016, the General Assembly approved the project scope for the third to fifth stages, the schedule of the project, which is to be completed by 2021, and the maximum overall cost of $56.90 million.

571. The execution of the third stage of the project began in May 2016 and the contract for providing architectural and engineering services for all of the three last stages for the renovation of Africa Hall was signed in October 2016. The Board observed that some of the works planned for the third stage, involving pre-construction activities (exhibition space design, tender documentation, tender action, engineering for high technology conferences), were still under progress.

[32] Work performance index survey based on 159 valid responses and a focus group of 20 persons for the 12th, 14th, 20th and 21st floors of the Secretariat Building.

572. Under the fourth stage, involving construction (implementation of the early works), the Africa Hall renovation project proposes to move all existing retail, commercial and hospitality tenancies located within the building to adjacent buildings. On 11 January 2018, the United Nations entered into a contract with a contractor for the renovation of the retail swing space at a contracted price of $1.59 million. The project work to demolish and refurbish certain areas within the Congo Building was allowed a period of 11 months from the date of access to the site.

573. On 16 May 2018, the United Nations entered into an amendment of the contract for the demolition and refurbishment work in the Nile Building interior, a new riser duct for mechanical plant and external works at an overall cost of $2.51 million. The time for completion was fixed as 20 February 2019. In a second amendment of the contract, the scheduled date of completion has been extended to 5 March 2019 with additional work at a total cost of $2.54 million. ECA stated that an additional extension was being granted up to 6 May 2019 to cope up with additional work for new tenants.

574. ECA stated that the completion schedule for the Africa Hall renovation project was now 29 August 2022, which indicated a delay of eight months from the timeline approved by the General Assembly. ECA also indicated that one of the main mitigations used to avoid delay was to split the entire work into different packages, allowing for overlapping of work and early implementation of some of the packages (e.g. a three-month overlap between early moves of tenants and the main works). However, the approval process for the main works was delayed, which, since these were identified as being on the critical path, resulted in a delay of the project by six to eight months.

575. The Board noted that the Monte Carlo simulation, as reported in the report of the Secretary-General (A/73/355), showed that there was a 75 per cent level of confidence that the project would be completed within the approved budget, against a confidence-level benchmark of 80 per cent for the Secretariat's capital construction projects. With the envisaged delay of over six months, the project bears a higher risk of cost escalation.

576. **The Board recommends that the Administration focus efforts on avoiding delays in project implementation, particularly for activities identified as being on the critical path, to avoid risk of cost escalation.**

577. The Administration accepted the recommendation and stated that it was closely monitoring the project, linking it with the risk register and focusing on actions that might mitigate delays, either in procurement processes or in actual implementation of the construction contracts.

L. Management disclosures

Write-off of losses of cash, receivables and property

578. The Administration informed the Board that it had formally written off property, plant and equipment with an original cost of $4.48 million and receivables of $1.49 million. In addition, the Administration informed the Board that write-offs related to staff members and individuals amounted to $0.01 million.

Ex gratia payments

579. The Administration reported that in accordance with financial regulation 5.11, an amount of $11,243 had been paid as an ex gratia payment to the child of an ECE staff member who died in an accident during the year ended 31 December 2018.

Cases of fraud and presumptive fraud

580. 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.

581. 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.

582. For 2018, the management reported 32 cases of fraud or presumptive fraud, with an estimated amount of $2.90 million in 12 cases. For the rest of the cases, the estimated amount was categorized as “undetermined” or “unknown” in the report provided to the Board.

583. In its report to the Board on cases of fraud and presumptive fraud during the audit of the 2017 financial statements, the Office of the Controller provided information on the incidence of such cases in the Secretariat during the past three accounting years for United Nations entities covered under volume I. Information on these three years along with the information provided for 2018 is given in table II.13.

Table II.13
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
31 December 2018	32	2.90	6 267.32	0.05

Source: Information provided by management.

584. 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 and the quarterly reports on fraud and presumptive fraud cases received from OIOS.

585. The Board noted in its previous report (A/73/5 (Vol. I)) that there were differences in the number of fraud cases in the report transmitted by the Office of the Controller and the OIOS data. The Board noticed that lack of reconciliation between these two sets of information persisted, with the numbers of cases reported by OIOS standing at 72. The specific issue regarding the difference in the number of medical insurance fraud cases as included in the report transmitted by the Office of the Controller and the data provided by the Health and Life Insurance Section has been separately flagged in section D of the present report.

586. The Board was thus not assured that the report of fraud and presumptive fraud cases prepared the Office of the Controller was complete. The Board continued to note a lack of systems 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.

M. Acknowledgement

587. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance and the management and staff of the United Nations at all the locations it visited and audited.

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

Annex I

Status of implementation of recommendations up to the year ended 31 December 2017 (volume I)

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2008–2009	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.	The system to be proposed for entity-wide roll out is gMeets. A security assessment by OICT has been conducted and the recommendations are currently being implemented. The Indico system has been selected as the meeting participant management system for Umoja Extension 2. Integration between gMeets and Indico is active for the Geneva duty station and will be extended to the other gMeets locations. Work on a data flow with Umoja for billing and reimbursement of funded participants will start in 2020.	The Board notes that the recommendation is scheduled for implementation from 2020 in conjunction with Umoja Extension 2. Hence, the recommendation is considered to be under implementation.		X		
2	2010–2011	A/67/5 (Vol. I), A/67/5 (Vol. I) /Corr.1 and A/67/5 (Vol. I) /Corr.2, 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 delegations of authority are under review in the context of the review of all delegations of procurement authority to be issued 1 January 2019.	In view of the issuance of the new delegation of authority framework, the recommendation is considered to be implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
3	2010–2011	A/67/5 (Vol. I), A/67/5 (Vol. I) /Corr.1 and A/67/5 (Vol. I) /Corr.2, 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.	In his detailed proposals for the annual programme budget (A/72/492/Add.1), the Secretary-General presented a format that aimed at increasing transparency and strengthening accountability for results and deliverables by including programme performance in proposed budget reports; by improving the link between the work of the Secretariat (deliverables) and results that measure the improvement for beneficiaries; and by providing information on actual delivery of outputs at the subcategory level, including variance analysis, over a three-year period. The General Assembly, in its resolution 72/266 A, approved the annual programme budget on a trial basis and decided that information on programme plans/performance and information on post/non-post resources should be presented separately (in parts II and III respectively) and reviewed separately (by the Committee for Programme and Coordination and the Advisory Committee on Administrative and Budgetary Questions respectively). The proposed programme budget for 2020 has been published and is being or will be reviewed by the Advisory Committee and the Fifth Committee.	The Board notes the information regarding progress made with respect to proposed improvements with the shift to the annual programme budget from 2020. The recommendation is hence considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
4	2012–2013	A/69/5 (Vol. I), chap. II, para. 29	The Board recommended that the Administration establish how and under what time frame it would be able to more closely link budget consumption with what has been delivered in terms of outputs and outcomes; and with this aim in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	In his detailed proposals for the annual programme budget (A/72/492/Add.1), the Secretary-General presented a format aimed at increasing transparency and strengthening accountability for results and deliverables by including programme performance in proposed budget reports; by improving the link between the work of the Secretariat (deliverables) and results that measure the improvement for beneficiaries; and by providing information on actual delivery of outputs at the subcategory level, including variance analysis, over a three-year period. The General Assembly, in its resolution 72/266 A, approved the annual programme budget on a trial basis and decided that information on programme plans/performance and information on post/non-post resources should be presented separately (in parts II and III respectively) and reviewed separately (by the Committee for Programme and Coordination and the Advisory Committee respectively). The proposed programme budget for 2020 has been published and is being or will be reviewed by the Advisory Committee and the Fifth Committee.	The Board notes the information regarding progress made with respect to proposed improvements with the shift to the annual programme budget from 2020. The recommendation is hence considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 44	The Board recommended that the Administration develop plans for the production of monthly management accounts and improved financial reports to management, drawing on the opportunities being provided by IPSAS and the new enterprise resource planning system.	The Administration has implemented monthly internal control dashboards. Feedback on the dashboards and suggestions for improvement are also analysed on a monthly basis.	The Board notes the Administration's response and will carry out a verification of the new dashboard during its next audit. The recommendation is hence considered to be under implementation.		X		
6	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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 replaced the Board's previous recommendation on internal control (A/67/5 (Vol. I), A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/Corr.2, chap. II, para. 171).	A statement of internal control will be in place by the first quarter of 2021. Under the statement, heads of entities will be required to sign a statement at the end of each calendar year attesting to compliance with the internal control framework under their areas of responsibility.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
7	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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).	With the implementation of the strategic programme and budget planning module in Umoja Extension 2, the envisioned solution will have a significant transformational potential for the Organization, capturing the entire cycle from strategic planning to budgeting, execution, monitoring and reporting across funding sources (i.e. regular budget, peacekeeping, extrabudgetary resources and cost recovery). The solution will replace a disparity of systems with an integrated end-to-end solution, with dashboards for strategic as well as operational	The Board notes that the recommendation is scheduled for implementation in 2019 in conjunction with Umoja Extension 2. Hence, the recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				management, and alerts triggered by milestones and key performance indicators for proactive interventions. Programme managers and the Organization will be able to: (a) compile strategic plans across funding sources; (b) link programmatic and financial information; (c) evaluate, track and adjust progress and performance; (d) cost outputs; and (e) link internal and external data sources to report on outcomes.					
8	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 77	The Board also recommended that the Administration perform a review of the budget process and implement an improved end-to-end budget process, including the information and communications technology elements of Umoja Extension 2.	Following a review, the Secretary-General made detailed proposals for an improved budget process (A/72/492/Add.1). The General Assembly approved the proposed annual budget on a trial basis. The 2020 proposed programme budget for the regular budget was prepared using the business planning and consolidation solution under Umoja Extension 2.	The Board notes the Administration's response and will carry out a verification of the new dashboard during its next audit. The recommendation is hence considered to be under implementation.		X		
9	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 114	The Board recommended that the Office for the Coordination of Humanitarian Affairs work with other United Nations entities to establish formal requirements for information-sharing on the performance of implementing partners in each country office.	The Administration informed the Board that this recommendation would be addressed comprehensively in the context of the recommendations relating to implementing partners, contained in the report of the Board in document A/71/5 (Vol. I), chap. II, paras. 264, 269 and 270, in a holistic manner, as part of the implementation of the grant management module of Umoja Extension 2. The Administration requests the closure of this recommendation.	The Board notes that the implementation of this recommendation is linked with implementation of Umoja Extension 2 and considers it to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
10	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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 Humanitarian Affairs and implementing partners.	The Office for the Coordination of Humanitarian Affairs will consolidate all country-based pooled funds under the single management arrangement performed by the Office as of 1 January 2020. The Office has undertaken a human resources review to identify the criteria for determining the number and profile of staff required for optimally managing the funds. The Office would like to reiterate its request that the current recommendation be finally closed as it has been addressed through different improved risk-based controls since its issuance.	The Board notes the response of the Administration and will verify the progress made in this respect through the work towards consolidation of all country-based pooled funds under single management during its next audit. This recommendation is considered to be under implementation.		X		

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11	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 143	The Board recommended that the Administration support the development of OIOS as a central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	OIOS is of the view that this does not fit within the purview of the Office as it goes beyond the Office's mandate of conducting internal audits, investigations, inspections and evaluations and does not represent an appropriate role for the Office, which is required to maintain its operational independence. The Administration reiterates that this is the responsibility of OIOS and confirms its willingness to cooperate with OIOS towards this end.	The Board notes the response of the Administration and OIOS and is of the view that there is a need for a coordinated approach towards putting in place a central expert resource dealing comprehensively with the risk of fraud. Hence, the Board considers this recommendation to be under implementation.		X		
12	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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 OIOS 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, as defined by the Office in document A/58/708 (para. 27). No update was provided during the present year.	The Administration did not provide an updated status for this recommendation. The Board notes the lack of agreement on the issue of a central intake mechanism, given that OIOS does not consider itself the central intake mechanism for the investigation of matters other than those involving sexual exploitation and abuse. The recommendation therefore continues to be considered as not having been implemented.			X	

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13	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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.	For reasons provided during the course of the years since the issuance of this recommendation, the Administration considers this recommendation as implemented.	The Board acknowledges the response of the Administration but notes that no update was provided on the gaps in the legal pursuit of all proven cases of fraud. In view of the actions being taken by the Administration, this recommendation is considered to be under implementation.		X		
14	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 159	The Board recommended that the Administration develop an integrated strategic approach to tackling fraud, drawing on the many practical examples of good practice being adopted across the world and adapting these to the Organization's circumstances. The first step 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 identified the risks on which immediate action is needed and the managers (corporate risk owners) responsible for developing detailed risk treatment and response plans which outline the risk treatment strategies and specific actions that management plans to introduce to further mitigate risks and implementation timelines. Updating and monitoring their implementation will be carried out in the context of the revised Secretariat-wide risk assessment.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
15	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 164	The Board recommended that the Administration develop a medium- to long-term strategic workforce strategy and operational workforce plans. These should be informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	The Administration informed the Board during its audit last year that 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 Department of Safety and	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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				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. No update was provided this year.					
16	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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 Administration informed the Board during its audit last year that 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. No update was provided this year.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
17	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, 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 Department of Operational Support has initiated an innovation and process improvement review of recruitment processes with a focus on the position specific job opening and the full job opening recruitment process. The review used global recruitment data to identify chokepoints and clients were requested to provide recommendations to decrease timelines starting in 2020.The focus is on: (a) leveraging technology to automate administrative processes; (b) providing services to make candidate assessment (screening, testing, interviewing) easier and more efficient for hiring managers; and (c) building tools in Inspira for the end-to-end process. In addition, the Department has initiated a second initiative pertaining to improving the onboarding process and the outcome of the review is expected by the end of the year.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
18	2012–2013	A/69/5 (Vol. I) and A/69/5 (Vol. I)/Corr.1, chap. II, para. 177	The Board recommended that the Administration develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps, such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management improvement and provide more strategic advisory services to the wider business.	The Administration informed the Board during its audit last year that the Office of Human Resources Management considers the recommendation to be closed, as the global learning needs assessment has been finalized and results are being implemented in the biennium 2018–2019. No update was provided this year.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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19	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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; (b) identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities.	The Umoja consolidated service catalogue has been implemented.	The Board notes the response and also noticed during the current audit that the Administration stated that it was in the process of developing a comprehensive policy document for cost recovery activities, and hence the recommendation is considered to be under implementation.		X		
20	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 is currently working closely with the Procurement Division to issue a request for proposals with the aim of formalizing its relationship with the third-party administrators.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
21	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 64	The Board recommended that arrangements be made to conduct an open-book audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations. The inspection rights under those contacts should be exercised regularly in future.	The Health and Life Insurance Section is currently working closely with the Procurement Division to issue two requests for proposals: one for the provisioning of insurance services and the second for the claims audit. At this stage, an expression of interest has been issued for the claims audit, which will be closing during the third week of July 2019.	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		

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22	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 Administration informed the Board during its audit last year that the following progress had 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. No update was provided this year.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
23	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 80	The Board recommended that the Secretariat: (a) develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning;	The Administration informed the Board that action was in progress.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

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			(b) review job profiles to ensure that 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.						
24	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 83	The Board recommended that the Administration review, update and rationalize the current delegations of authority.	The delegations of authority of Secretariat entities have been reviewed, updated and rationalized and promulgated in Secretary-General's bulletin ST/SGB/2019/2. A transition period from 1 January to 30 June 2019 has concluded and the new delegations of authority can be considered to be fully in effect as of 1 July 2019.	The Board notes the response of the Administration and will review the new delegation framework during its next audit. The recommendation is considered to be under implementation.		X		
25	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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.	The delegations of authority of Secretariat entities have been reviewed, updated and rationalized and promulgated in Secretary-General's bulletin ST/SGB/2019/2 and its associated framework and instruments.	The Board notes the response of the Administration and will review the new delegation framework during its next audit. The recommendation is considered to be under implementation.		X		
26	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 Administration informed the Board during its audit last year that the Office of Human Resources Management is currently implementing the provisions of ST/SGB/2014/3, including: • Raising awareness: through social media and other outreach channels and activities, the Office	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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				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 the United Nations Volunteers programme) and a number of international organizations of disabled professionals with the objectives of raising awareness and learning the best practices for 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					

						Status after verification			
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				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 were 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-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 portal were equipped with accessibility features making both recruitment tools accessible to persons with disabilities. No update was provided this year.					

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27	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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.	A link to Umoja approvals data has been developed and is currently being merged with EarthMed data. This will cover the 20-day gap currently experienced with the medical services data.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
28	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 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.	The Administration informed the Board during its audit last year that it 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 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. No update was provided this year.	The Board notes the Administration's response of last year and considers this recommendation to be under implementation.		X		

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29	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 informed the Board during its audit last year that it 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 an expansion would be dependent on the sharing of knowledge and capacity, as well as possibly the upgrading of the information and communications technology platform. Given those circumstances, the Administration requests that this recommendation be closed. No update was provided this year.	The Board notes the Administration's response of last year and considers this recommendation to be under implementation.		X		
30	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 122	The Board recommended that the Secretariat: (a) develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks; (b) develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required; (c) increase the level of communication and training provided to staff on enterprise risk management policies and	Detailed enterprise resource 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 have been developed and disseminated, in the form of a guide for managers and relevant tools available to all staff through iSeek. The implementation of the other elements of the recommendation is ongoing.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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			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.						
31	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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.	More actions will be implemented concerning these recommendations.	The Board notes that the fraud risk assessment and the resultant risk registers were approved by the Management Committee on 28 February 2018. However, the status of preparation of risk response and risk treatment plans was not clear and, therefore, this recommendation is considered to be under implementation.		X		
32	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 142	The Board recommended that the Administration continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals.	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 on: (a) moving procurement officers from the Management and Administration Network for the managed mobility exercise to the Logistics, Transportation and Supply Chain	The Board acknowledges the plans of the Administration to implement this recommendation and the progress made. As most of the activities are still ongoing, the recommendation remains under implementation.		X		

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				Network; and (b) establishing procurement as a distinct job network for the young professionals programme. Furthermore, the Procurement Division will complete the following: • Ensure access for staff to the latest version of the United Nations system's Procurement Practitioner's Handbook • Encourage section chiefs and chief procurement officers to discuss career opportunities in the Organization during the e-performance cycle • Apprise procurement staff of continuous professional training opportunities that are available in the United Nations common system and that may be accessed within existing resources • Promote networking of staff with United Nations system counterparts in order to be familiar with policy and best practice initiatives in the common system, so that these updated initiatives may be analysed for incorporation in the Secretariat where feasible Furthermore, the Administration has made a professional certification in the area of procurement mandatory for all staff by 1 January 2021 and will employ its best efforts in supporting such certification.					

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33	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, 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 recommendation is in two parts, the first of which is the requirement for the Administration to strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by special political missions. This has been implemented through the creation of the Business Transformation and Accountability Division and its explicit role as stated in the Secretary-General's report (A/72/492/Add.2) that the Organization will closely monitor how the delegations are used, provide guidance to managers and, where necessary, provide additional support or take corrective action. The monitoring of compliance with the 16-day advance purchase rule is also detailed in the accountability framework for monitoring the exercise of delegated decision-making authority, in which the corresponding monitoring report (key performance indicator 14) is described. The second part of the recommendation requests development of a suite of management information reports that provide key information. In this case the previous comments of the Administration of February 2019 still hold, in that there are enough business intelligence reports to support and maintain effective internal control of travel management in Umoja. The Board is requested to close this recommendation.	The Board notes the business intelligence reports developed to support travel management in Umoja for special political missions. However, compliance with the 16-day advance purchase rule has yet to be fully adhered to and hence the Board considers the recommendation to be under implementation.		X		

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34	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 197	The Board recommended that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	The Administration has been using a formal approach for the implementation of reform processes by assigning the oversight role to the Management Committee, establishing steering committees and assigning process and project owners with specific functions, responsibilities and reporting procedures. However, if the Board is referring in its recommendation to the adoption of one of the methods of continual improvement that exist in the market to improve products, services or processes (such as lean manufacturing, Lean Six Sigma and total quality management), the Secretariat believes that an organization as extensive as the United Nations, with different mandates, operations and processes, cannot adopt a single method of continuous improvement, but must establish a coherent approach based on best practice, roll it out department by department and modify it as required. As part of the management reform implemented in 2019, a Business Transformation and Accountability Division has been created within the Department of Management Strategy, Policy and Compliance. This Division will focus, among other areas, on continual improvements and will provide managers with a description of the relevant continual improvement process.	The Board will verify the status of implementation of the management reforms during future audits and considers the recommendation to be under implementation.		X		

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35	2015	A/71/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration improve scrutiny of open commitments at year-end by providing more detailed guidance on how staff should establish the need to retain them.	The Administration considered this recommendation as fully implemented for 2016–2017 and believes that it should have been closed, based on the improvement in the amount of savings with regard to prior period commitments compared with previous bienniums. Notwithstanding this, the Administration would like to highlight that this is an ongoing exercise.	The Board notes the progress made by the Administration, but holds that a significant amount was surrendered for the biennium 2016–2017 and also that commitments amounting to $3.2 million were still open. The Board therefore considers this recommendation to be under implementation		X		
36	2015	A/71/5 (Vol. I), chap. II, para. 57	The Board recommended that the Administration review open commitments during the year, in particular at year-end, to challenge any that appear to be retained unnecessarily.	The Administration considered this recommendation as fully implemented for 2016–2017 and believes that it should have been closed, based on the improvement in the amount of savings with regard to prior period commitments compared with previous bienniums. The Administration, while agreeing to review and clear the outstanding commitments after the closure of the budget period, stated that the recommendation to compulsorily cancel and fund these commitments at the end of the 12-month period may not be possible owing to operational and budgetary challenges.	The Board notes the progress made by the Administration, but holds that a significant amount was surrendered for the biennium 2016–2017 and also that commitments amounting to $3.2 million were still open. The Board therefore considers this recommendation to be under implementation.		X		
37	2015	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 what was delivered in terms of outputs and outcomes, and that it	The Administration stated that this recommendation was under implementation with a target date of December 2022.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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			set out a detailed plan embedding results-based management as part of business as usual, defining clear responsibilities and resources.						
38	2015	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 stated that this recommendation was under implementation with a target date of December 2022.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
39	2015	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, for example, training staff in standard evaluative tools and techniques.	The Administration had informed the Board in July 2017 that the Department of Management and OIOS 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		
40	2015	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 notes that, based on the initial findings of the rental working group, United Nations Headquarters, offices away from Headquarters and the regional commissions are charging current local market rates. Finalization of the rental practices report is currently in progress and expected to be completed by the end of 2019.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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41	2015	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.	Office of Programme Planning, Finance and Budget: The Administration continues to develop and maintain training materials, including videoconference training sessions. During the implementation of the real estate Umoja Extension 2 module through December 2018, an updated portfolio management training was delivered along with the new material for Extension 2 to 22 locations between May and December 2018. The establishment of adequate controls and ongoing data quality assurance is in progress. Department of Political and Peacebuilding Affairs: The recommendation is best addressed centrally as the variance in data on building sizes in Umoja and the Administration's global overview found in table II.10 and paras. 124–126 of document A/71/5 (Vol. I) addresses buildings owned and leased by duty stations.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
42	2015	A/71/5 (Vol. I), chap. II, para. 131	The Board recommended that the Administration perform utilization studies across the main locations of the Secretariat to identify the required size and composition of the estate to better support future requests for funding.	Utilization studies were performed at all six headquarters, offices away from Headquarters and the regional commissions for buildings that are owned and operated by the Organization.	The Board notes the Administration's response and will verify the utilization studies during its next audit. This recommendation is considered to be under implementation.		X		

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43	2015	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 make efforts to implement the recommendation as proposed and within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
44	2015	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 make efforts to implement the recommendation as proposed and within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
45	2015	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 make efforts to implement the recommendation as proposed and within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
46	2015	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 make efforts to implement the recommendation as proposed and within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
47	2015	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 notes that the guidelines are currently fully operational and intends to promulgate them more formally in a forthcoming update of an online policy portal, within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
48	2015	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	The Administration continues to make efforts to implement the recommendation as proposed and within the target date indicated.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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			local estate strategies, ensuring that the impacts of wider business transformation initiatives on future estate requirements are taken into account.						
49	2015	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 Administration informed the Board during its audit last year that the Office of Human Resources Management had 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. No further response has been provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
50	2015	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 outcomes. The indicators should be used to support improvements in the processes for referring and handling cases.	The Administration informed the Board during its audit last year that 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 inception to disposal. Accordingly, the Administration requests that this recommendation be closed.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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				No further response has been provided by the Administration.					
51	2015	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 Administration informed the Board during its audit last year that the recommendation was under implementation. No further response has been provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
52	2015	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; (b) identify causes for underachievement and take suitable corrective action to ensure achievement of targets for all objectives and outputs specified in the programme	The Administration informed the Board during its audit last year that to address recommendations (a) and (b), in 2017 the Administration had 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 have been adjusted accordingly. Recommendation (c) has already	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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			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.	been implemented, and recommendation (d) is implemented continuously in the context of programme reporting. No further response has been provided by the Administration.					
53	2015	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.	The Administration informed the Board that: (a) a validated client satisfaction questionnaire has been developed; (b) documentation required for clearance has been reduced to one or two forms; (c) key performance indicators have been developed that are suitable to the strategic goals of the Division of Healthcare Management and Occupational Safety and Health, although not all measures are currently technically feasible. Development work is under way to address this in the medical records.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
54	2015	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	The Office of Central Support Services is paying special attention to the cases where exceptionally low bids are accepted and will include appropriate performance security clauses and key performance indicators in contracts. With regard to increased scrutiny before payment, contract managers will be encouraged to	The Board holds that the Administration should address this matter in the Procurement Manual instead of issuing a memorandum and therefore considers it to be under implementation.		X		

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			payments under these contracts should also be subject to increased scrutiny to ensure that commensurate value has been delivered.	pay special attention to all contracts. In addition, the Procurement Division will continue to provide contract management training to requisitioning departments. In addition to the contract management training, the Office will issue a memorandum to requisitioners to request them to pay special attention and exercise due diligence with respect to these contracts. The Office of Programme Planning, Budget and Accounts is welcome to advise whether there are any additional measures that can be undertaken under its purview. In 2018, the Office of Central Support Services reiterated that it would issue a memorandum to requisitioners to request them to pay special attention and to exercise due diligence in the management of contracts arising from exceptionally low bids. After further consideration, consultation with the Office of Programme Planning, Budget and Accounts does not seem to be necessary since stringent controls need to happen prior to the release of payments. The Administration continues to make efforts to implement the recommendation as proposed and within the target date indicated. In 2019 the Administration responded that it was striving to issue the guidance by June 2019.					

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55	2015	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.	The proposed amendments to the Financial Regulations and Rules of the United Nations, including those on granting of funds to partners and grantees, were presented to the General Assembly for review and approval (A/73/717). After formal hearings in the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee, the Assembly did not consider the report of the Secretary-General or the report of the Advisory Committee concerning the proposed amendments to the Financial Rules and Regulations during the first resumed session of the seventy-third session. A new report will be prepared for the seventy-fourth session.	The Board notes the reply of the Administration and considers this recommendation to be under implementation.		X		
56	2015	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 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 Office of Programme Planning, Budget and Accounts is addressing the recommendations contained in paragraphs 264, 269 and 270 of chapter II of document A/71/5 (Vol. I) 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 Administration stated that there was no further update on the issue.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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57	2015	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 chapter II of document A/71/5 (Vol. I) 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 Administration stated that there was no further update on the issue.	The Board notes that the Administration has linked this recommendation to the implementation of Umoja Extension 2 and therefore considers this recommendation to be under implementation.		X		
58	2015	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 chapter II of document A/71/5 (Vol. I) 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	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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				standard agreement template and information-sharing, to facilitate the alignment of new Umoja processes with the policies. The Administration stated that there was no further update on the issue.					
59	2015	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 Office for the Coordination of Humanitarian Affairs had stated that the shift to Umoja Extension 2 functionality would depend on its needs being covered. Pending verification of the matter, the Board considers the recommendation to be under implementation.		X		
60	2015	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.	The Administration has been using a formal approach for the implementation of reform processes by assigning the oversight role to the Management Committee, establishing steering committees and assigning process and project owners with specific functions, responsibilities and reporting procedures. However, if the Board is referring in its recommendation to the adoption of one of the methods of continual improvement that exist in the market to improve products, services or processes (such as lean manufacturing, Lean Six Sigma and total quality management), the Secretariat believes that an organization as extensive as the United Nations, with different mandates, operations and	The Board will verify the status of implantation of the management reforms during future audits and considers the recommendation to be under implementation.		X		

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				processes, cannot adopt a single method of continual improvement, but must establish a coherent approach based on best practice, roll it out department by department and modify it as required. As part of the management reform implemented in 2019, a Business Transformation and Accountability Division has been created within the Department of Management Strategy, Policy and Compliance. This Division will focus, among other areas, on continual improvements and will provide managers with a description of the relevant continual improvement process.					
61	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 31	The Board reiterated its recommendation that the Administration improve scrutiny of open commitments at year-end by providing more guidance on identification and retention of open commitments.	The Administration considered this recommendation as fully implemented for 2016–2017 and believes that it should have been closed, based on the improvement in the amount of savings with regard to prior period commitments compared with previous bienniums. In the meantime, the Administration continues to strengthen the review and monitoring of commitments. In addition, a proposal has been submitted to the General Assembly on revisions to the Financial Regulations and Rules of the United Nations, including those governing commitments.	The Board notes the progress by the Administration, but holds that a significant amount was surrendered for the biennium 2016–2017 and also that commitments amounting to $3.2 million were still open. The Board therefore considers this recommendation as under implementation.		X		

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62	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 32	The Board reiterated that the Administration should review open commitments during the year, in particular at year-end, to challenge any commitment that appeared to be retained unnecessarily.	The Administration considered this recommendation as fully implemented for 2016–2017 and believes that it should have been closed, based on the improvement in the amount of savings with regard to prior period commitments compared with previous bienniums. In the meantime, the Administration continues to strengthen the review and monitoring of commitments. In addition, a proposal has been submitted to the General Assembly on revisions to the Financial Regulations and Rules of the United Nations, including those governing commitments.	The Board notes the progress by the Administration, but holds that a significant amount was surrendered for the biennium 2016–2017 and also that commitments amounting to $3.2 million were still open. The Board therefore considers this recommendation as under implementation		X		
63	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 41	The Board recommended that the Administration review and appropriately strengthen the system of asset capitalization in view 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.	The Administration will continue to review the discrepancies related to asset capitalization and to assess their materiality. Changes may be applied to the material master database, if required. A review of the capitalization criteria for materials classified as "ZAST" in Umoja is under way to ensure that items are treated consistently across all entities. With regard to the disposal of assets, the Administration continues to monitor performance of the action owners involved in the write-off and disposal process with the aim of identifying bottlenecks and liquidating backlogs. Business intelligence tools have been developed and promulgated for self-assessment and performance monitoring.	The Board notes the response of the Administration and considers the recommendation as under implementation.		X		

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64	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 review of useful lives of fully depreciated assets still in use has been completed by offices and missions and the initial analysis by the Office of Programme Planning, Budget and Accounts, the Office of Central Support Services and the Department of Field Support was conducted. An outcome of the meeting of the Task Force on Accounting Standards in October 2018 was that the United Nations System Chief Executives Board for Coordination would conduct a survey of all the United Nations agencies on physical assets, including collecting data on the actual lives of assets. It is expected that the data collected from the agencies across all the classes of assets will inform the system-wide policy on useful lives. In this regard, the Secretariat will await the survey outcome and decisions before taking a final decision on the treatment of fully depreciated assets still in use. In the meantime, the practice of making a top-side adjustment of 10 per cent, endorsed by the Board at that time, will continue.	The Board notes the status stated by the Administration and considers this recommendation to be under implementation.		X		
65	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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).	Galileo was decommissioned some 13 months ago and there is no further data in that system that requires conversion. Real estate assets have been recorded in Umoja since 2015, therefore all assets are being reported from the Umoja system as the official book of record. The International Court of Justice is in the process of being migrated to Umoja and all entities	Assets of the International Court of Justice continue to remain outside Umoja and therefore, the recommendation is considered to be under implementation.		X		

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				will be maintaining detailed information within the subledger for fixed asset accounting.					
66	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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.	The Administration reiterates that the implementation of assigning actual costs at the individual item level is not attainable. It conducted a detailed analysis of freight costs within specific volumes and has implemented an improved standard cost methodology as of 1 January 2019. Standards costs are applied on a location-specific basis. The Administration is committed to updating these standard costs regularly.	The Board notes that reply of the Administration and will verify the details of the study during its next audit. This recommendation is considered to be under implementation.		X		
67	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Administration is currently working on the conversion of all local retirees enrolled in a medical insurance plan into Umoja. This will translate into an additional major step taken towards consolidating all of the United Nations census into a single extraction source.	The Board notes the step taken by the Administration and considers the recommendation to be under implementation.		X		
68	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Administration reviewed its criteria for identifying conditionality and confirms that they are in line with IPSAS 23. The Administration will provide further guidelines to offices on evaluating these criteria in the IPSAS corporate guidance document.	In view of the action taken by the Administration, the Board notes that the recommendations have been implemented.	X			

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			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; and (c) recognize the inflow of resources as revenue except to the extent that a liability has been recognized for the same inflow.						
69	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 81	The Board recommended that the Administration follow a policy of reviewing agreements with implementing partners, particularly in cases 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 reviewed all conditional agreements under which funds were further transferred to implementing partners, in which cases the funds continued to be presented as assets in the statements of financial position. Furthermore, the grantor management module was deployed in three key entities in December 2018 and as part of its functionality, standard template agreements which include mandatory clauses can be created. The grantor management module is expected to be deployed to the rest of the entities by the end of 2019 and this recommendation will be fully implemented.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

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70	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 that reporting entity. In the interim, pending such transition, a suitable disclosure may be provided in the United Nations volume I financial statements.	Following further review of this matter, the Administration has revisited its decision to merge the financial results of trust funds pertaining to peacekeeping operations with the volume II financial statements and will continue to report these under volume I. The issue of the reporting entity boundary was discussed extensively with the Board and was decided during the first year of the implementation of IPSAS. Accordingly, in previous years the audited, IPSAS-compliant financial statements for both volumes I and II and for the Tribunals were prepared following the established reporting entity boundary. The same was also applied to the 2016 financial statements. From the volume II perspective, the United Nations peacekeeping operations are defined as an autonomous reporting entity with a unique governance structure. That reporting entity is under the purview of the Security Council, which is responsible for the establishment, extension, amendment or cessation of each peacekeeping operation. Furthermore, under article 25 of the Charter, all Member States of the United Nations agree to accept and carry out the decisions of the Security Council, and the Council's decisions are implemented using a unique scale of assessments against the Member States. The volume II	The Board notes that although the boundary issue had been discussed and settled at the time of IPSAS implementation, it had been left open for further refinement in the future. It further noted that the special political missions are also mandated by the Security Council but are included in the volume I financial statements. The Board notes that the scale of assessments and the voluntary contributions received through the mechanism of trust funds support the same activities. The Board further noted that in-kind voluntary contributions are reported in volume II. In view of the above, the Board is unable to appreciate the logic of ring-fencing the scale of assessments from voluntary contributions received through the mechanism of trust funds and considers this recommendation as not implemented.			X	

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				reporting entity is ring-fenced within this structure of governance. Likewise, the Tribunals are under the purview of the Council and are financed by assessments against the Member States. Obviously trust funds do not fall within this boundary, that is, the trust funds are not under the purview of the Council and receive no funding through the scale of assessments. Rather, the trust funds are established either by the Assembly or by the Secretary-General and receive voluntary contributions instead of assessed contributions. Therefore, the trust funds related to peacekeeping and the tribunals are more appropriately placed within the boundary of volume I, which captures activities that fall under the direct purview of the Assembly or the Secretary-General. This serves both key characteristics of a reporting entity. The consolidation of trust funds in volume II has been determined to be unfeasible owing to the limited nature of special assessed funds in volume II. Volume II is confined not only by the mandates of the Council but also by the special accounts established by the Council, in contrast to the General Fund or trust funds. In addition, the different reporting cycle of volume II makes the consolidation impractical. The Administration came to the conclusion that the current boundary for volume I					

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				and II should be upheld for the best interest of the legislative bodies. The Board is requested to close this recommendation.					
71	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 22 May 2019, out of the 232 indicators, 104 are tier I indicators, 88 are tier II, 34 are tier III and 6 are multiple tiers (different components of the indicator are classified into different tiers). The methodological progress for the 15 remaining tier III indicators is quite advanced and it is expected that the methodological work will be completed by the end of 2019, leaving only 19 tier III indicators. The Inter-Agency and Expert Group on Sustainable Development Goal Indicators identified proxies for some of these indicators and will review them in detail during 2019 and possibly propose replacements and/or refined indicators as part of the comprehensive review of the global indicator framework in 2020. Virtual meetings are scheduled between July and October 2019 to review tier reclassifications and proposals for the comprehensive review in 2020. The Department of Economic and Social Affairs will update the tier classification information soon after the reclassification review takes place. The latest information can be found at https://unstats.un.org/sdgs/iaeg-sdgs/tier-classification/.	The updated tier classification as at 22 May 2019 by the Statistics Division places 104 indicators in tier I, 88 indicators in tier II and 34 indicators in tier III. Furthermore, the Board noticed that the Inter-Agency and Expert Group had downgraded 18 indicators from the tier in which they were initially placed. Of these, 16 indicators had been downgraded from tier I to tier II and 2 from tier II to tier III. The recommendation is considered to be under implementation.		X		

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72	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Administration informed the Board during its audit last year that the Office of Human Resources Management had responded that the recommendation was still under implementation. No further response has been provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
73	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 better monitoring of compliance with the policy.	The Administration informed the Board during its audit last year that the Office of Human Resources Management had 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 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. No further response has been provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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74	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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.	It would not be legally appropriate to amend ST/AI/2017/1 concerning unsatisfactory conduct, investigations and the disciplinary process to accommodate the Board's recommendation that it contain indicative timelines for handling disciplinary cases. This particular recommendation, if not withdrawn by the Board, is rejected by the Administration. Such indicative timelines could create expectations by staff on the handling of individual cases, no two of which are alike and all of which are dependent on obtaining facts through investigations in order to ensure that staff members' rights to due process are fully respected. There is no way to predict how long such investigations will take in individual cases. Including indicative timelines could lead to substantial liability for the Organization if the United Nations Dispute and Appeals Tribunals were to decide to award damages for procedural irregularities when actual disciplinary processes, with all their complexities, fail to conform to such indicative timelines.	In view of the opinion given by the Office of Legal Affairs, the recommendation is considered to be implemented.	X			

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75	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 with the timelines recommended by the High-level Committee on Management in March 2015.	The United Nations System Mental Health and Well-being Strategy has been launched and implementation has commenced. Activities are directed at improving the mental health of United Nations personnel and ensuring those experiencing poor mental health seek help early. It is anticipated that these activities will reduce the workdays lost as a result of mental health disorders. It is important to note that the changes in these areas will take a number of years to show results and there may be an increase in days lost as a result of mental health disorders in the short-term, in part because of better recording of the causes of sick leave. Key occupational safety and health management system targets are being actively addressed and a small number were delayed as the Division of Healthcare Management and Occupational Safety and Health moved to the Department of Operational Support.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
76	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 module has been implemented in the electronic medical record system.	The Board notes the response of the Administration and will verify the details during its next audit. The recommendation is considered to be under implementation.		X		

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77	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 High-level Independent Panel on Peace Operations.	The Department of Operational Support has defined standards for the United Nations buddy first aid course and has conducted four trainings sessions for 59 master trainers and trainers from 19 Member States. Furthermore, the Department has defined and developed manuals on health-care quality and patient safety standards for levels I, I plus, II and III medical facilities. Training for hospital commanders from Member States have been held and 37 commanders from 12 countries have been trained. Governance and supervision over these facilities will be conducted through various tools such as the assessment module in conjunction with the manuals and key performance indicators developed for assessment by the mission senior management.	The Board notes the response of the Administration and will verify the details during its next audit. The recommendation is considered to be under implementation.		X		
78	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Administration informed the Board during its audit last year that the Office of Human Resources Management had 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. The Performance Review Group had its first meeting on 2 February 2018. This recommendation has been fully implemented. No further response has been provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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79	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 has made progress, including creating a methodology to assess capacity and needs among entities, which will determine thresholds. This exercise is concurrent with the review of the Financial Regulations and Rules, which will determine the types of authority to be delegated.	While clear criteria are being established for the entities concerned, these criteria will not be applied to separately administered and funded entities and therefore the Board considers this recommendation to be under implementation.		X		
80	2016	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 governance structure should be put in place enabling consultation with major stakeholders to ensure visibility of procurement actions and appropriate oversight.	The Administration has made progress, including by developing a preliminary template to collect information concerning capacity and needs among entities as part of the larger accountability framework. This exercise is concurrent with the review of the Financial Regulations and Rules, which will determine the types of authority to be delegated.	The Administration has made progress in developing a common framework for delegating procurement authority. In particular the area of monitoring and oversight was not fully elaborated at the time of the audit and therefore the Board considers this recommendation to be under implementation.		X		
81	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Affaires to formalize an assessment process to be followed in response to future requests for deviations from or modifications of the United Nations General Conditions of Contract. In December 2018, the Administration stated that it acknowledged the Board's concerns and accepted the Board's recommendation to ensure that a risk analysis will be included in the	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				case file that reflects the implications of significant deviations from the General Conditions of Contract, such as limitation of liability and limitations in audit rights.					
82	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 will review the recommendation with a view to strengthening the process. The Procurement Division shares the concern but wishes to note that a permanent operational support and governance structure for master data management will 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 that requests applicants to clarify their application request in the event that the system identifies a match or duplication of the name, email address or telephone number of the vendor's official company. In cases where the Global Marketplace mechanism identifies any such duplication, the pertinent applications are placed on hold until satisfactory clarification is received from the vendor(s). In addition, the master data management team in Brindisi, Italy, offers an additional layer of due diligence, in that staff members perform three levels of checking prior to synchronizing vendors in Umoja.	The Administration has established a permanent structure for master data management services. The teams carry out due diligence checks so as to avoid vendors being migrated to Umoja more than once. The recommendation is considered to be implemented.	X			

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83	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 wishes to observe that the current reform includes a workstream related to delegation. Upon receipt of the recommendations of the workstream, the approval and delegation processes will be re-examined. In addition, with a view to optimizing the use of solicitation information captured in Umoja, the Umoja team is currently assessing solicitation management systems (SAP or a compatible external system) in order to streamline the solicitation process and enhance the clarity and relevance of data. The requirement for solicitation management is planned to be brought to the Umoja team once there is capacity beyond Umoja Extension 2.	The Procurement Division did not provide the results of the stocktaking exercise to determine which data is required in addition to procurement management activities and how to remedy the situation. In addition, Umoja already provides the functionality to base roles on the delegation threshold. The Board considers the recommendation to be under implementation.		X		
84	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 243	The Board recommended that the Administration improve visibility and performance measurement with regard to internal processes and external factors.	The Administration will collaborate with the Umoja team and the Office of Information and Communications Technology to introduce new semantic layers in Umoja. The deployment of these new semantic layers is required so as to be in a position to implement key performance indicators. The sources to acquire semantic layer views have been tested and some modifications have been requested. The next steps include requirement definition, specification and building of reporting views.	The Board considers it important that performance be measured and that data be available for this purpose. The Board considers the recommendation to be under implementation.		X		

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85	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Country-based Pooled Funds Operational Handbook; 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 managing the country-based pooled funds.	The Office for the Coordination of Humanitarian Affairs will consolidate all country-based pooled funds under the single management arrangement performed by the Office as of 1 January 2020. As stated previously, the Office has completed the human resources review which currently provides country offices with guidance for determining the number and profile of staff required for optimally managing the country-based pooled funds.	Considering the reply of the Administration, the recommendation is considered to be under implementation.		X		
86	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Office for the Coordination of Humanitarian Affairs will consolidate all country-based pooled funds under the single management arrangement performed by the Office as of 1 January 2020. For the country-based pooled funds where the administrative function is performed by the Multi-Partner Trust Fund Office, this will remain in place until senior management discussions have been concluded.	Considering the reply of the Administration, the recommendation is considered to be under implementation.		X		
87	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 264	The Board recommended that the Administration review the projects where timelines for the processing of projects have been exceeded and take steps to ensure that the projects are processed in accordance with the prescribed timelines.	The Office for the Coordination of Humanitarian Affairs would like to reiterate its request that the current recommendation be closed. The recommendation relates to a finding from 2016. The relevant projects have since been closed. In 2017, the timeline for processing of projects has improved to 75 per cent being within the prescribed timelines.	The timelines for various stages of review and approval of projects is being done in the allocation strategy. These timelines are being set for standard and reserve allocations separately for each pooled fund. However, the Board noticed cases where processing exceeded		X		

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					the timelines and therefore treats this recommendation as under implementation.				
88	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 Administration takes the progress, interim and final reports into account while assessing the performance of the partners. The Partner Performance Index is the tool that tracks these indicators. The grant management system will roll out a reminder to ensure late reporting is followed up.	Considering the reply of the Administration, the recommendation is considered as under implementation.		X		
89	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 and the resulting risk register has been formally approved by the Management Committee, acting as the enterprise resource management committee for the Organization, on 28 February 2018.	Although the fraud risk registers were approved by the Management Committee on 28 February 2018, the status of the formulation of risk response and risk treatment plans was not clear. The Board therefore considers the recommendation to be under implementation.		X		
90	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 283	The Board recommended that the Administration ensure issuance of clear and detailed criteria for determining high-risk and complex investigations.	Closure was requested.	The Board has not been informed of any further action and therefore the recommendation is considered as not having been implemented.			X	

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91	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 these new procedures and will work to implement them. According to a recent update from the Office, the revised procedures are due in the second quarter of 2018. The technology standardization procedure has been finalized. In addition, in December 2017 the Administration implemented a simplified process to acquire approved software and hardware, as well as how to request additions to these standards. A separate process for these requests using the low value acquisition approach was established to accelerate the technical clearance process. The Department of Operational Support will continue to collaborate with the Office to further refine the procedures related to standardization.	The Board notes that the process to purchase standardized items has not been revised. The recommendation is considered as under implementation.		X		
92	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 accordance with the applicable rules.	In December 2017, the Administration implemented a simplified process to acquire approved software and hardware, as well as how to request additions to these standards using a low value acquisitions approach.	The recommendation is considered to be implemented. The process clearly defines how a low value acquisitions approach may be used to acquire software and hardware.	X			

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93	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 308	The Board recommended 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 United Nations Office at Nairobi Property Management Unit confirms that the contract award for auctioning services is in its final stages and will serve as the institutional mechanism of the Office to ensure timely disposal of assets.	Considering the reply of the Administration, the recommendation is considered as under implementation.		X		
94	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, 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 strategic framework and budget proposal for 2020 is now prepared based on the new budget guidelines in line with the Secretary-General's budget reform initiative. The strategic management application module in Umoja Extension 2 launched recently enables users to monitor and record actual progress made towards achieving expected accomplishments. This allows for timely monitoring of indicators of achievement and the delivery of outputs to meet targets.	The Board notes the response given by the Administration and will verify the updated status during its next audit. The recommendation is considered to be under implementation.		X		
95	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 324	The Board recommended that the budget formulation process be streamlined and based on more realistic assumptions, factoring in past trends.	The regular budget proposal for the Department of Political and Peacebuilding Affairs is now prepared on an annual basis allowing for more updated planning assumptions to be used at the time of budget preparation. The Umoja Extension 2 budget formulation module was launched in February 2019 and the 2020 budget proposals were prepared and submitted through the module.	The Board notes the response given by the Administration and will verify the updated status during its next audit. The recommendation is considered to be under implementation.		X		

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96	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr. 1, chap. II, para. 362	The Board recommended that the Administration ensure that special measures, whenever offered in special circumstances, are adhered to.	While there is no capability for the Medical Services Division of the Office of Human Resources Management to generate a separate list, the auditors are welcome to trace any name from the list of staff deployed to the United Nations Mission for Ebola Emergency Response from their medical clearances.	The response did not cater to the specific issues flagged in the previous assessment of the Board and hence the recommendation is considered as not having been implemented.			X	
97	2017	A/73/5 (Vol. I), chap. II, para. 22	The Board recommended that urgent steps be taken to strengthen the business planning and consolidation module to eliminate the need for manual adjustments and interventions.	The Administration will work with the Umoja team to implement further automation of business planning and consolidation.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
98	2017	A/73/5 (Vol. I), chap. II, para. 30	The Board recommended 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 standard cost methodology should be specified.	The Administration reiterates that the implementation of assigning actual costs at the individual item level is not attainable. It conducted a detailed analysis of freight costs within specific volumes and has implemented an improved standard cost methodology as of 1 January 2019. Standards costs are applied on a location-specific basis. The Administration is committed to updating these standard costs regularly. The Board is requested to close this recommendation.	The Board notes the reply of the Administration and will verify the details of the study during its next audit. This recommendation is considered to be under implementation.		X		

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99	2017	A/73/5 (Vol. I), chap. II, para. 49	The Board recommended 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.	The Administration considers that the recommendation was fully implemented for 2016–2017 and should be closed, based on the improvement in the amount of savings with regard to prior period commitments compared with previous bienniums. Notwithstanding this, it should be noted that the Administration will continue to strengthen review and monitoring of commitments.	The Board notes the progress by the Administration, but holds that a significant amount was surrendered for the biennium 2016–2017 and that also commitments amounting to $3.2 million were still open. The Board therefore considers this recommendation as under implementation.		X		
100	2017	A/73/5 (Vol. I), chap. II, para. 57	The Board recommended that a comprehensive and robust internal control system over heritage assets be put in place by the Administration in a time-bound manner.	The Administration stated that implementation of the recommendation was in progress.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
101	2017	A/73/5 (Vol. I), chap. II, para. 64	The Board recommended 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.	The Administrations is in the process of updating IPSAS corporate guidance to ensure that inventory recognition is consistent across all entities. Inventory valuation and reporting within volumes I and II has been strengthened by the adoption of a single global set of year-end closing instructions, which ensure that the treatment remains homogenous. Furthermore, a new field has been introduced on the material master database that will allow the identification of items held in inventory that are property, plant and equipment in nature but fall below the capitalization thresholds.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

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102	2017	A/73/5 (Vol. I), chap. II, para. 71	The Board recommended 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.	The Administration reviewed its criteria for identifying conditionality and confirms that they are in line with IPSAS 23. The Administration had provided further guidelines to offices on evaluating these criteria in the IPSAS corporate guidance document. The Board is requested to close this recommendation.	The Board notes that the review of criteria needed to be in line with the provisions of IPSAS and considers this recommendation as under implementation.		X		
103	2017	A/73/5 (Vol. I), chap. II, para. 77	The Board recommended 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.	The Health and Life Insurance Section is currently working closely with the Procurement Division to issue two requests for proposals: one for the provisioning of insurance services and the second for the claims audit. At this stage, a request for expressions of interest has been issued for the claims audit, which will be closing during the third week of July 2019.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
104	2017	A/73/5 (Vol. I), chap. II, para. 81	The Board recommended that the United Nations Treasury formalize the participation of different entities in the main cash pool by way of written agreements with them.	The Treasury is working with the Office of Legal Affairs on this matter.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
105	2017	A/73/5 (Vol. I), chap. II, para. 82	The Board recommended that the United Nations reconcile with Pension Fund the treatment of the balance of the fund 64PFN in their financial statements.	The Administration considers this recommendation to have been implemented with the preparation of the volume I financial statements as at 31 December 2018, and therefore requests that this recommendation be closed. The Administration addressed the 2017 recommendation by including the 64PFN cash pool balance in the volume I financial statements with the corresponding amount reflected as a liability for the Pension Fund.	The Board notes the reply of the Administration and the changes carried out in the accounting system. However, as the nature of the transaction is related to payment by the United Nations Joint Staff Pension Fund for administrative services, there would be a need to review the		X		

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					need for having a separate fund for these transactions and considering the accounting of these transactions as part of the cost recovery activities in the volume I financial statements. Therefore, the Board considers this recommendation to be under implementation.				
106	2017	A/73/5 (Vol. I), chap. II, para. 88	The Board recommended 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.	The United Nations Office at Geneva reviewed the charging mechanism with respect to the inclusion of non-staff costs for several services relating to administrative and security services. Following the results of the assessment, the Office applied specific charges for non-staff costs and conducts further monitoring of the situation. The Office will continue to review and update cost calculations for services annually.	The Board reviewed the actions of the United Nations Office at Geneva and holds that the recommendation has been implemented.	X			
107	2017	A/73/5 (Vol. I), chap. II, para. 89	The Board recommended that the United Nations Office at Geneva liaise with Headquarters to develop a common approach for calculations and transparent recovery of costs for services within the United Nations.	The United Nations Office at Geneva continues to engage with the Department of Operational Support, the Department of Management Strategy, Policy and Compliance and other offices away from Headquarters to develop a global approach to service costing and cost recovery. The group is currently in the process of finalizing the terms of reference for such work.	The Board notes the response given by the Administration. However, a common approach within the United Nations was yet to be developed (see above, chap. II, paras. 65–73). Therefore, the recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
108	2017	A/73/5 (Vol. I), chap. II, para. 98	The Board recommended 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
109	2017	A/73/5 (Vol. I), chap. II, para. 111	The Board recommended 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
110	2017	A/73/5 (Vol. I), chap. II, para. 112	The Board recommended that the access management of Inspira be suitably modified to provide roles which can view the consultant engagements across the Secretariat, factoring in the relevant data security and privacy needs.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
111	2017	A/73/5 (Vol. I), chap. II, para. 116	The Board recommended that the Department work with the Office of Human Resources Management and the Office of Information and Communications Technology for the early deployment of Inspira in Department. In the interim, the Department should maintain a roster of consultants that is accessible to all divisions for future selections.	The Department of Economic and Social Affairs has deployed Inspira and the first consultancy job opening (number 113374) was posted in March 2019 with the process being successfully completed in April 2019. Three other job openings (numbers 118550, 118556 and 118557) are also currently posted in Inspira. In support of training efforts, the Office of Information and Communications Technology Inspira team prepared online training videos for the consultant selection module. This online	The Board notes the information provided by the Administration and will verify the status during its future audits. The recommendation is considered to be under implementation.		X		

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				training video provides a detailed, step-by-step guide on how to use the consultant selection module in order to support the quick deployment of the system and knowledge-sharing for new staff members and to reduce the cost and effort associated with training. The Inspira team is on standby to provide consultant selection system training videos, conduct live system demonstrations and assist with role and access provisioning for New York-based entities when requested by the Office of Human Resources and other entities.					
112	2017	A/73/5 (Vol. I), chap. II, para. 124	The Board recommended 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.	The Department of Economic and Social Affairs informed the Board that whenever justified and highly specialized skills are required, the Department will exceptionally request for the hiring of a specific consultant or individual contractor, if the candidate is the only available candidate who meets the requirements. The Department carefully assesses the need for this exception according to the provision of para. 4.7 of ST/AI/2013/4. The Administration further informed the Board in July 2019 that the Department had granted exceptions to the competitive selection process for the hiring of some specific consultants and individual contractors based on paragraph 4.7 of ST/AI/2013/4. The exceptions had also been reported to the Business Transformation and Accountability Division of the	The Department had not provided any evidence of resorting to paragraph 4.7 of the administrative instruction for the hiring of a specific consultant or individual contractor or the extent of its use of the provision. The Board notes the revised response and will verify the same during its future audits. Until such verification, the recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Department of Management Strategy, Policy and Compliance as required by the new monitoring framework for the delegation of authority.					
113	2017	A/73/5 (Vol. I), chap. II, para. 125	The Board recommended that the Administration expand the roster of candidates to widen the sphere of competition for the selection of the consultants and individual contractors.	As mentioned above, the Department of Economic and Social Affairs has deployed Inspira and the first consultancy job opening (number 113374) was posted in March 2019, with the process being successfully completed in April 2019. Three other job openings (numbers 118550, 118556 and 118557) are also currently posted in Inspira. Prior to that, starting in October 2018, the Department had also implemented mandatory use of the personal history profile in Inspira, and hence had started building and expanding the roster to widen the sphere of competition.	The Board notes the information provided by the Administration and will verify the status during its future audits. The recommendation is considered to be under implementation.		X		
114	2017	A/73/5 (Vol. I), chap. II, para. 131	The Board recommended that ECA management ensure that the evaluation of the work of consultants factors in the views of senior management and that the defects noted, if any, be rectified through extensions of the contract at no additional cost.	As previously intended, a relevant inter-office memorandum was issued and distributed accordingly.	In view of the action taken by the Administration, this recommendation is treated as having been implemented.	X			
115	2017	A/73/5 (Vol. I), chap. II, para. 136	The Board recommended 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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116	2017	A/73/5 (Vol. I), chap. II, para. 144	The Board recommended 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.	The Department for General Assembly and Conference Management is unable to implement the recommendation as it falls under the purview of the Office of Human Resources. The Department noted 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. Despite this, the Board responded that while noting the response of the Department, the Board holds that the responsibility to implement the business rules of the United Nations rests with the Department. Hence, it is important for the Department to have a mechanism in the contractor management application to flag cases of non-compliance with business rules. The Department then noted that it would be difficult to devise suitable measures for sharing employment information across United Nations entities so as to flag possible instances of violation of the applicable business rules, in particular the earnings ceiling for retirees. The Department still strongly holds the position that it is not in a position to implement the recommendation.	The Board notes that the mechanism would need to be developed by identifying the responsible department to carry out the exercise. The recommendation is considered to be under implementation.		X		
117	2017	A/73/5 (Vol. I), chap. II, para. 150	The Board recommended that the Administration assess how best to encourage equitable burden-sharing as part of its review of the managed mobility programme.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
118	2017	A/73/5 (Vol. I), chap. II, para. 156	The Board recommended that the Office of Human Resources Management review the recruitment process in order to address the reasons for delays at all the critical stages.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
119	2017	A/73/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration ensure adequate support to the implementation of the system-wide strategy on gender parity to achieve the desired goals.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
120	2017	A/73/5 (Vol. I), chap. II, para. 166	The Board reiterates its previous recommendations (see A/72/5 (Vol. I) and A/72/5 (Vol. I) /Corr. 1, 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
121	2017	A/73/5 (Vol. I), chap. II, para. 167	The Board recommended 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
122	2017	A/73/5 (Vol. I), chap. II, para. 173	The Board recommended that the Administration conduct a cost-benefit analysis of the advance purchase policy and the use of alternative methods.	The Administration continues to monitor industry trends in this area of travel policy and maintains the opinion, consistent with the industry, that, in general, the advance purchase of airline tickets	The Board notes the action taken by the Administration and considers this recommendation to have been implemented.	X			

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				yields savings for the Organization. It is important to note that the practice of advance purchase of air tickets remains an overall industry best practice, with a majority of organizations that have significant travel maintaining such policies. In addition, recent cost-benefit analysis supports the general approach of an advance purchase policy in the Secretariat. At United Nations Headquarters, an analysis of ticketing data for the first half of 2018 and reported advance purchase of tickets demonstrated an average savings of $290 per ticket (14.1 per cent). Given that Headquarters is one of the largest travel processing offices in the Secretariat, issuing approximately 20,000 tickets annually, this analysis is considered to be a representative analysis of overall potential savings for the advance purchase policy. Furthermore, the United Nations Office at Geneva also conducted a cost-benefit analysis in 2017, which demonstrated that the advance purchase policy had a significant impact on air ticket costs. According to this study, when tickets were purchased less than 16 days prior to departure the average fares increased by 7 per cent in business class and 27 per cent in economy class.					

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123	2017	A/73/5 (Vol. I), chap. II, para. 179	The Board recommended 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.	The Administration accepted this recommendation with a focus on the future mandate of the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance. The frameworks of delegation of authority and the corresponding regulations are currently under review, with the objective of simplifying, streamlining and standardizing them, which would facilitate the subsequent compliance mechanism.	In January 2019, the governance structure for the delegation of procurement authority changed. A transition period is in place until 31 March 2019. The Board did not receive details on the compliance and oversight mechanism envisaged and considers the recommendation to be under implementation.		X		
124	2017	A/73/5 (Vol. I), chap. II, para. 183	The Board recommended 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.	The recommendation is implemented. The creation of the Department of Management Strategy, Policy and Compliance ensures that compliance functions are separated from operations. An administrative instruction on procurement containing policy provisions will be issued in this regard. The Procurement Manual is an operational guidance document that is separate from such an administrative instruction and will continue to be updated and issued by the Procurement Division, since operational guidance to practitioners requires proximity to operations.	The Administration had neither revised the Procurement Manual nor promulgated the new administrative instruction. Furthermore, no information was received as to whether a mechanism was installed to regularly review the procurement framework. Therefore, the recommendation is considered to be under implementation.		X		

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125	2017	A/73/5 (Vol. I), chap. II, para. 191	The Board recommended 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.	The Procurement Division accepts the recommendation in spirit and considers it partially implemented. Active market research and knowledge of the market was an integral part of the solicitation. The development of technical evaluation criteria was the responsibility of the requisitioner in close consultation with the procurement officer. The Procurement Division agrees that the procurement officer has an oversight role to ensure that the technical criteria are generic and transparent. The Division will encourage procurement officers to make notes to file when they push back on statements of work if they limit competition. The Division will examine the issue in order to ascertain what improvements can be made. With the implementation of category management, the Procurement Division will continue its research of the supply market and share such analysis with technical experts. The requisitioners remain responsible for drafting the requirements, which is a critical element of the segregation of duties. However, requisitioners will be better informed as a result of such increased exchanges and cooperation.	The sample review showed that technical specifications still deviated significantly from the market. This resulted in a low number of bids. The recommendation is considered to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
126	2017	A/73/5 (Vol. I), chap. II, para. 192	The Board recommended 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.	The updated Procurement Manual provides details on the responsibilities for technical and commercial evaluation criteria and their incorporation into tenders. The Manual is expected to be published by mid-2019 at the latest.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
127	2017	A/73/5 (Vol. I), chap. II, para. 199	The Board recommended 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.	Management considers the recommendation implemented as follows: the Procurement Division does analyse the reason for contract extensions on a case-by-case basis, as evidenced by the individual comments provided. With regard to the recommendation to develop measures to remedy the repeated extensions, primarily because of late submission of statements of work and high workload, the Division has various measures in place for alerting requisitioners of upcoming contract expiration dates and communicates extensively to prevent instances where extensions become necessary. It should be noted that the submission of statements of work is outside of the Division's direct control.	The sample reviewed showed that the case files did not analyse in detail why the new solicitation was delayed and the contract had to be extended. The Board carried out an analysis, which showed that in none of the cases had the Administration managed to establish a contract in time. Therefore, the Board holds that a more comprehensive analysis is needed to avoid repeated contract extensions and the recommendation is considered to be under implementation.		X		

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128	2017	A/73/5 (Vol. I), chap. II, para. 205	The Board recommended that the Administration establish a clear timeline for the decommissioning of CATS and migrating its functionalities and data to Umoja.	The Department of Management Strategy, Policy and Compliance has included in its 2019 workplan the development of reporting functionalities currently used through the contract administration tracking system in Umoja. All stakeholders are currently being consulted to identify requirements for the reporting functionalities for Umoja. Upon confirmation of such requirements, the Administration will be able to estimate the necessary effort for implementation.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
129	2017	A/73/5 (Vol. I), chap. II, para. 215	The Board recommended that the Administration ensure that all disbursements are made within 10 working days, as prescribed in the operational handbook for country-based pooled funds.	The Office for the Coordination of Humanitarian Affairs will consolidate all country-based pooled funds under the single management arrangement to be performed by the Office as of 1 January 2020. For the funds where the administrative function is performed by the Multi-Partner Trust Fund Office, this will remain in place until discussions at the senior management level have been concluded.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
130	2017	A/73/5 (Vol. I), chap. II, para. 216	The Board recommended 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.	The Office for the Coordination of Humanitarian Affairs will consolidate all country-based pooled funds under the single management arrangement to be performed by the Office as of 1 January 2020.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

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131	2017	A/73/5 (Vol. I), chap. II, para. 225	The Board recommended 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 audit has not yet been triggered.	In line with the applicable operational modalities, the Administration continuously reviews all projects where monitoring and financial spot checks are overdue and carries these out within the project cycle and before the audit is triggered unless field circumstances prevent this. The Administration requests that the current recommendation be closed.	The Board notes the response given by the Administration. However, gaps in performing these visits and spot checks were continued to be noticed during 2018 and therefore the recommendation is considered to be under implementation.		X		
132	2017	A/73/5 (Vol. I), chap. II, para. 234	The Board recommended that the implementation of the use of the partner performance tool be closely monitored to ensure strengthened monitoring and control.	The Administration is actively using the partner performance tool to closely follow up performance and adjust risk scores on a real-time basis. The Administration requests that the current recommendation be closed.	The Board notes the response given by the Administration. However, gaps in monitoring were continued to be noticed during 2018 and therefore the recommendation is considered to be under implementation.		X		
133	2017	A/73/5 (Vol. I), chap. II, para. 241	The Board recommended 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.	The Administration confirms that the grant management system refund module has been rolled out and the Administration is systematically tracking the refunds due from implementing partners. The Administration requests that the current recommendation be closed.	The Board notes the response given by the Administration. However, the issue of pending refunds continued to be noticed during 2018 and therefore the recommendation is considered to be under implementation.		X		

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134	2017	A/73/5 (Vol. I), chap. II, para. 242	The Board recommended 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.	The long-term agreement in place with audit companies has assisted in addressing the audit backlog and the Administration has made significant progress in recovery of outstanding refunds due from implementing partners.	The Board notes the response given by the Administration. However, the issues of pending audits and refunds were noticed during 2018 and the recommendation is considered to be under implementation.		X		
135	2017	A/73/5 (Vol. I), chap. II, para. 248	The Board recommended that the Administration draw up a time-bound programme for the review of all overdue guidance documents and ensure its implementation.	During the first quarter of 2019, the Office for the Coordination of Humanitarian Affairs undertook a review of its internal guidance system. Follow-up work is beginning this year and will focus on updating existing guidance materials which are still found to be relevant and developing new guidance materials which address identified gaps.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
136	2017	A/73/5 (Vol. I), chap. II, para. 259	The Board recommended 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.	The Administration is updating the Secretariat-wide risk register and will present the results to management in November 2019. In the context of that exercise, the risk owners for the prevention of fraud will be presented to the Management Committee for approval.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
137	2017	A/73/5 (Vol. I), chap. II, para. 260	The Board recommended 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.	Implementation is in progress.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

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138	2017	A/73/5 (Vol. I), chap. II, para. 261	The Board recommended 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.	Implementation is in progress.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
139	2017	A/73/5 (Vol. I), chap. II, para. 267	The Board recommended 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.	The Administration reiterates its previous comment that an anti-fraud and anti-corruption strategy, along with a detailed action plan, will be defined in the context of the implementation of the risk treatment and response plans, under the strategic guidance of the Management Committee.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
140	2017	A/73/5 (Vol. I), chap. II, para. 273	The Board recommended 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.	The first line of defence is responsible for the implementation of the risk assessment exercises at the entity level. The Business Transformation and Accountability Division will support these entities in the implementation of their risk assessment exercises.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
141	2017	A/73/5 (Vol. I), chap. II, para. 274	The Board recommended 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.	The Administration is going to conduct fraud detection and prevention training for staff. A similar training course was held in June 2018 on fighting bid rigging in public procurement. The Procurement Manual is currently being updated and will include appropriate guidance and processes for mitigating risks related to violating the segregation of duties and other proscribed practices. The Administration trusts that the	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Business Transformation and Accountability Division will provide additional comments on the recommendation.					
142	2017	A/73/5 (Vol. I), chap. II, para. 275	The Board recommended that the Administration ensure that the United Nations Office at Nairobi performs risk assessment and prepares risk registers at entity level and at the level of each division.	The United Nations Office at Nairobi confirms that the risk register for the Division of Administrative Services is now established. The Office requests closure of this recommendation. A copy of the register is available for the Board's information.	The Board notes the response given by the Administration and will verify the register during its next audit. The recommendation is considered to be under implementation.		X		
143	2017	A/73/5 (Vol. I), chap. II, para. 290	The Board reiterated 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.	The grantor management module was deployed in three key entities in December 2018 and as part of its functionality, template agreements with implementing partners which include mandatory clauses can be created. The module will continue to be deployed in a phased manner in 2019.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
144	2017	A/73/5 (Vol. I), chap. II, para. 291	The Board recommended 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.	The Secretary-General has submitted to the General Assembly the eighth progress report on the accountability system. That report outlined the "three lines of defence" model and the new delegation of authority framework that will be supported by the Business Transformation and Accountability Division. A statement of internal control will be in place by the first quarter of 2021. Under the statement, heads of entities will be required to sign a statement at the end of each calendar year attesting to compliance with the internal control framework under their areas of responsibility.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

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145	2017	A/73/5 (Vol. I), chap. II, para. 303	The Board recommended 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.	The Administration stated that OIOS has a formal mechanism in place whereby the Internal Audit Division requests information from the Investigations Division which is used to support the planning of risk-based workplans and ongoing audits.	The Board notes the response given by the Administration and will verify the status during its next audit. The recommendation is considered to be under implementation.		X		
146	2017	A/73/5 (Vol. I), chap. II, para. 311	The Board recommended 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.	The Investigations Division of OIOS has implemented a streamlined and expedited process to deal with retaliation matters referred to it from the Ethics Office. The completion time has been driven down from an average of 240 days to around 60 days against a target of 120 days. The Ethics Office has already dealt with any of its previous delays and is within the suggested time frames of the policy for its preliminary reviews.	The Board notes the response given by the Administration and will verify the status during its next audit. The recommendation is considered to be under implementation.		X		
147	2017	A/73/5 (Vol. I), chap. II, para. 323	The Board recommended 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.	OIOS tracks key performance indicators quarterly, including case completion time. These indicators are published in OIOS quarterly reports which are shared with senior management. The average completion time of a case by the Investigations Division is approximately 11 months, down from 14 months in 2016. It is also important to note that within this time frame, the investigation caseload has doubled.	The Board notes that there is a need to take an Organization-wide view of the issue rather than from the point of view of a single office or division and considers this recommendation to be under implementation.		X		

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148	2017	A/73/5 (Vol. I), chap. II, para. 324	The Board recommended 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.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
149	2017	A/73/5 (Vol. I), chap. II, para. 332	The Board recommended that the Secretariat assess the capacity available in various entities to conduct investigations which measure up to the United Nations professionalized system of administration of justice, and, wherever needed, initiate steps for building and enhancing such capacity.	No update was provided by the Administration.	The Board awaits a response from the Administration on this recommendation and considers it to be under implementation.		X		
150	2017	A/73/5 (Vol. I), chap. II, para. 338	The Board recommended 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.	Various Secretariat offices have taken concrete steps in the past few years to speed up the process of making referrals to national authorities. These steps include streamlined communication processes between the Office of Legal Affairs, OIOS and the substantive offices concerned, aimed at being in a position to make referrals as expeditiously as possible once the threshold of credible allegations of criminal conduct is reached. Furthermore, the Secretariat has been engaging with all relevant departments and offices in this regard on an annual basis and continues to evaluate its practices regularly with a view to identifying further possibilities for improvements in the process. In the meantime, and given the steps already taken, the Administration considers that this recommendation has been implemented.	The Board notes the various measures adopted by the Administration and will verify the status of the time taken in referring cases to national authorities during its next audit. The recommendation is considered to be under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
151	2017	A/73/5 (Vol. I), chap. II, para. 347	The Board recommended 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.	With the approval of the inter-agency compliance monitoring, evaluation and best practices policy, the Department of Safety and Security developed an internal mechanism to monitor the implementation of and compliance with the United Nations security management system policies. The framework includes a compliance matrix that captures the level of implementation of security management system policies and procedures.	Taking the reply of the Administration into consideration, the recommendation is considered as having been implemented.	X			
152	2017	A/73/5 (Vol. I), chap. II, para. 348	The Board recommended that, as an interim measure, the Department issue guidelines/ templates to promote uniformity in the preparation and monitoring of internal self-assessments.	The initial guidance by the Department of Safety and Security on this issue has been developed and is currently being reviewed.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
153	2017	A/73/5 (Vol. I), chap. II, para. 351	The Board recommended 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.	The United Nations Security and Safety Services Network meeting will be held in Bangkok in October 2019 and will include a review of headquarters minimum operating security standards.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
154	2017	A/73/5 (Vol. I), chap. II, para. 357	The Board recommended that the Department of Safety and Security allocate specific funds for the conduct of peer reviews in accordance with the decided calendar.	Owing to the budget constraints, this recommendation will not be implemented.	The Board notes the response given by the Administration and considers the recommendation to be overtaken by events.				X

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
155	2017	A/73/5 (Vol. I), chap. II, para. 358	The Board recommended that the Department review all pending recommendations related to the peer review of United Nations Headquarters and fix timelines for implementation.	A comprehensive review was conducted and included in the 2018 annual report of the Division of Headquarters Security and Safety Services.	Taking the reply of the Administration into consideration, the recommendation is considered as having been implemented.	X			
156	2017	A/73/5 (Vol. I), chap. II, para. 364	The Board recommended 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.	The Department of Safety and Security issues a monthly status update on compliance with the security risk management process, including multiple monitoring dashboards.	The Board notes the action taken by the Administration, but is of the view that a formal compliance matrix would be needed to improve the quality of monitoring, and therefore considers this recommendation to be under implementation.		X		
157	2017	A/73/5 (Vol. I), chap. II, para. 368	The Board recommended 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.	The Department of Safety and Security issued guidance to all designated officials taking part in security management system training on 27 November 2018.	Taking the reply of the Administration into consideration, the recommendation is considered as having been implemented.	X			
158	2017	A/73/5 (Vol. I), chap. II, para. 371	The Board recommended that UNSMIL promptly draft and operationalize an internal framework of accountability for the Mission in compliance to the Security Policy Manual.	A new security plan for Libya was approved by the Designated Official on 2 February and by the Department of Safety and Security on 25 February 2018. The plan delineates the roles and responsibilities of personnel at all levels according to the terms of reference and relevant provisions of the United Nations security management system framework of accountability. The plan will be reviewed annually at a minimum,	Taking the reply of the Administration into consideration, the recommendation is considered as having been implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				or as needed because of a change in the security situation on the ground.					
159	2017	A/73/5 (Vol. I), chap. II, para. 377	The Board recommended 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.	All analysts in the Threat and Risk Service have been given direction, through official correspondence, on restrictions with regard to their use of social media. The use of social media for research purposes is allowed, as long as the Security Information Analyst is not exposed to online scrutiny and does not engage in activity that would embarrass United Nations staff or expose confidential United Nations information. Analysts may not post information on social media concerning their work or their products.	The status of the establishment of a confidentiality agreement was awaited and the recommendation in considered to be under implementation.		X		
160	2017	A/73/5 (Vol. I), chap. II, para. 385	The Board recommended that the Department of 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.	With the approval of the inter-agency security policy on compliance monitoring, evaluation and best practices, the Department of Safety and Security developed a proposal for an internal mechanism to monitor the implementation of and compliance with the United Nations security management system policies.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
161	2017	A/73/5 (Vol. I), chap. II, para. 386	The Board recommended 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.	The Inter-Agency Security Management Network reviewed and endorsed the proposed recommendation from the Board at its 29th meeting, in January 2019. In line with the United Nations security management system policy on compliance monitoring, evaluation and best practices, the Network agreed that the Department of Safety and Security will submit an annual report to the	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Network on the results and impact of the compliance monitoring and security management programme review functions. This does not require the involvement of the Office of Information and Communications Technology at this point.					
162	2017	A/73/5 (Vol. I), chap. II, para. 392	The Board recommended 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 safety and security incident recording system figures to ensure that no critical incidents warranting intervention go unnoticed.	The Critical Incident Stress Management Unit counsellors manually reviewed 13,132 critical incidents in the safety and security incident recording system and reconciled 716 of the incidents involving United Nations staff where counselling might be indicated. A consultant was hired and came on board in September 2018 because of delayed resourcing. The monitoring and evaluation reporting platform and assessment tools are being designed. A Delphi process was conducted. The first version of the platform has been completed and is being revised.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
163	2017	A/73/5 (Vol. I), chap. II, para. 393	The Board recommended that the Critical Incident Stress Management Unit, in coordination with the designated officials and 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.	The Critical Incident Stress Management Unit is continuing to advocate creating and maintaining stress counselling positions in the field. No new position has yet been created.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
164	2017	A/73/5 (Vol. I), chap. II, para. 400	The Board recommended 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.	The Department of Safety and Security established a learning coordination group in August 2018 for this purpose, and its first task was to coordinate all inputs for the Department's 2019 learning calendar. The calendar was completed in consultation with the Network and has been posted on the United Nations Security Managers Information Network for all security personnel to use in their planning.	Taking the reply of the Administration into consideration, the recommendation is considered as having been implemented.	X			
165	2017	A/73/5 (Vol. I), chap. II, para. 401	The Board recommended that the Training and Development Section maintain a consolidated database containing details on all trainees and training courses conducted by the Department.	The Department of Safety and Security is working with the Office of Information and Communications Technology on identifying appropriate data management and reporting tools for the Department and the security management system training. This is in progress.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
166	2017	A/73/5 (Vol. I), chap. II, para. 411	The Board recommended that the Department of Safety and Security review the existing biennial programme plan and programme budget to consider inclusion of the non-mapped critical parameters indicated above.	Following the adoption of General Assembly resolution 72/266 A, the results framework in the biennial programme plan that outlined expected accomplishments, indicators of achievement and performance measures has been replaced with a streamlined presentation with a focus on performance reporting in the new budget format. The programmatic narrative for the Department of Safety and Security reflects the strategy and the planned results for the implementation of these two parameters at the departmental level in the proposed programme budget (A/74/6 (Sect. 34) with the main deliverables or outputs	The Board notes the response given by the Administration and will verify the status during its future audits. The recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				planned for the budget period. This recommendation should be considered as implemented.					
167	2017	A/73/5 (Vol. I), chap. II, para. 425	The Board recommended that the Secretariat devise a suitable mechanism to ensure better coordination between the Office of the Controller, OIOS and other Secretariat offices for a complete and comprehensive reporting of cases of fraud and presumptive fraud.	OIOS has been requested to provide updated quarterly reports on a regular basis to facilitate complete and comprehensive reporting of fraud and presumptive fraud to the Board. OIOS stated that it provides quarterly fraud and presumptive fraud reports to the Office of the Controller and the Board.	The Board continued to notice differences in the fraud and presumptive fraud cases maintained and reported by different offices and therefore considers this recommendation as under implementation.		X		
Total						**13**	**149**	**4**	**1**
Percentage						**8**	**89**	**2**	**1**

Annex II

Status of implementation of recommendations up to the year ended 31 December 2017 on the strategic heritage plan

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2017	A/73/157, para. 36	The Board recommended that management update the risk management strategy of the strategic heritage plan to align it more closely with the guidelines for the management of construction projects; risk reports should be prepared accordingly.	Document on the established contingency process prepared and included in progress report (A/73/395).	The recommendation is considered to be implemented.	X			
2	2017	A/73/157, para. 37	The Board recommended that the additional cafeteria budget remain separate from the initial budget, since it is not part of the strategic heritage plan budget, in order to ensure full transparency.	Management agreed with the recommendation to separate risk reporting for the additional cafeteria budget from risk reporting for the approved strategic heritage plan budget.	The recommendation is considered to be implemented.	X			
3	2017	A/73/157, para. 50	The Board recommended that management present the budgeted contingency and the contingency amount with a confidence level of 80 per cent and an estimated budget overrun in a more transparent way.	Reported in the report to the General Assembly.	The recommendation is considered to be implemented.	X			
4	2017	A/73/157, para. 51	The Board recommended that management establish a process with additional mitigation strategies in the event that the confidence level of completing the strategic heritage plan within the budget falls below 50 per cent.	Emerging cost pressures and programme changes are tracked and managed on a continuous basis. A system to track and manage claims and change orders has been established. Value-engineering exercises have been undertaken, which successfully mitigated the temporarily predicted budget overrun. P50-level has never been breached. An additional graph was included in the report to General Assembly (A/73/395).	The recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	2017	A/73/157, para. 67	The Board recommended that management establish a process for the use of general contingency allowances which aligns more closely with the guidelines for the management of construction projects.	Management prepared a contingency tracking process document. Additional expenditure committed using contingency funding is disclosed in the report to the General Assembly. Forecast changes to core project costs that would result in use of the contingency, if realized, are tracked on a monthly basis and approved by the appropriate authority at the end of each design stage.	The Board acknowledges the progress that has been made, but considers implementation to be work in progress. The contingency tracking process document is not yet aligned closely enough with the guidelines for the management of construction projects. For example, the contingency tracking process document does not consider information on the expected risk event.		X		
6	2017	A/73/157, para. 68	The Board recommended that management ensure reconciliation of occurred risks and the corresponding contingency usage.	Additional language has been added to the report to the General Assembly (A/73/395). Movements in base costs are described in detail in that report. Additional disclosure is given where expenses funded from the contingency have been committed. Until a commitment is made, the contingency is not "used".	The Board acknowledges the progress that has been made but considers implementation to be work in progress. The contingency tracking process document is not yet aligned closely enough with the guidelines for the management of construction projects. For example, the contingency tracking process document does not consider information on the expected risk event.		X		
7	2017	A/73/157, para. 69	The Board recommended that management track the accrued cost against the initial baseline costs.	See explanation concerning recommendation number 6.	The Board acknowledges the progress that has been made but considers implementation to be work in progress. The contingency tracking process document is not		X		

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					yet aligned closely enough with the guidelines for the management of construction projects. For example, the contingency tracking process document does not consider information on the expected risk event.				
8	2017	A/73/157, para. 82	The Board recommended that management underline the importance of a decision to be taken by the General Assembly at its seventy-third session regarding the scheme and currency of appropriation and assessment for the strategic heritage plan to secure the financing of the project.	Paragraph 98 of the report to the General Assembly (A/73/395) states that the Secretary-General recommends option 3, i.e. a one-time, upfront appropriation with a mix of one-time and multi-year assessments. The General Assembly decided to revert to the establishment of an assessment scheme and the currency of appropriation and assessment at its seventy-fourth session and requested the Secretary-General to provide updated detailed information on these issues.	The recommendation is considered to be under implementation.		X		
9	2017	A/73/157, para. 83	The Board recommended that special attention be given to the importance of the decision on the modalities for appropriation and assessment of the funds required for the repayment of the Swiss loan.	Management stated that there was no decision or agreement on the modalities for appropriation and assessment of the funds required for the repayment of the Swiss loan or indeed where this should be located in the overall United Nations budget, bearing in mind that any missed loan repayments may lead to the loan becoming repayable in its entirety immediately.	Following the presentation in the report to the General Assembly (A/73/395, para. 76), the Board considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
10	2017	A/73/157, para. 102	The Board recommended that management enforce the stipulated delay damages of section 1 (finalization of slab strengthening above and below ground in parking structure P10, with a deadline of 15 December 2017) and section 2 (finalization of covering of the existing spiral car ramp, with a deadline of 16 February 2018) of SwF 1,500 and SwF 1,300 per day, respectively, to avoid any financial damage to the project.	Management accepted the first recommendation and stated that it would enforce delay damages in accordance with the contract when appropriate, taking into account site conditions and design issues beyond the control of the contractor. The first and second sections of the work are in the process of reaching substantial completion. Management will then determine the application of delay damages for which the contractor is responsible.	This recommendation is considered to be implemented.	X			
11	2017	A/73/157, para. 103	The Board recommended that management take appropriate action to accelerate the construction work on Building H to mitigate the current delay and to finalize the drafted technical variations to the contract with the construction firm working on Building H.	It was agreed to establish a monthly senior management meeting to continuously resolve all pending issues that could not be resolved at a working level between the strategic heritage plan team and the construction firm's management. At the first senior management meeting, nearly all pending claims were settled, thus mitigating potential delays in the construction works.	This recommendation is considered to be implemented.	X			
12	2017	A/73/157, para. 130	The Board recommended that management consider fallback options in the event of delays in design for Buildings B2, C, D and S and in construction work for Building A.	Separately from the design issues, it was found during the expressions of interest process that the market response was muted. As such it was necessary to consider fallback options for the contracting strategy, incorporating the latest schedule situation for the technical design. Currently, the proposed option is a revised contracting strategy with more dialogue with potential vendors during the tender process. This would naturally incorporate a phased delivery of key design documents, which provides mitigation for the delay in the completion of the technical design.	It was decided to procure a temporary infrastructure for the conference building in order to avoid the renovation works affecting the conferencing schedule. The recommendation is considered to be implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
13	2017	A/73/157, para. 144	With regard to upcoming procurement procedures, the Board recommended that management review whether it is inevitable that all bidders will need to contact a designated subcontractor during the bidding stage.	Management addresses the requirement to bring bidders in contact with subcontractors for specific services and/or goods by concluding non-disclosure agreements with those designated subcontractors as well as with pre-qualified vendors.	The recommendation is considered to be implemented.	X			
14	2017	A/73/157, para. 145	The Board recommended that management ensure that sensitive information on the procurement procedure is kept confidential by designated subcontractors, e.g. by concluding non-disclosure agreements that explicitly cover information connected to the procurement process.	The United Nations Office at Geneva agreed with the recommendation and will conclude non-disclosure agreements with the designated subcontractors as part of the tender process for the renovation. In addition, the Office has concluded non-disclosure agreements with the pre-qualified vendors following the completion of the pre-qualification for the renovation tender.	The recommendation is considered to be implemented.	X			
15	2017	A/73/157, para. 151	The Board recommended that, with regard to the upcoming construction contracts for the renovation, management review whether the conditions of contract on time limitation periods should indicate that further specific warranty periods exist apart from the time limitation period for intentionally hidden defects.	Management concurred with the recommendation. Management has added provisions in the draft conditions of contract to cover the case of specific warranties as listed under schedule 3.	The recommendation is considered to be implemented.	X			
16	2017	A/73/157, para. 167	The Board recommended that, with regard to the solicitation of renovation work, management review the conditions of contract, taking into account the experiences from the solicitation of Building H work and contract implementation.	A lesson-learned presentation summarizes all of the lessons that have been taken into account.	The recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17	2017	A/73/157, para. 168	The Board recommended that management consider whether, if the conditions of contract shall be subject to negotiation at all, the scoring of acceptance of the conditions of contract should be more flexible and differentiate between minor and major modifications requested by bidders.	A more sophisticated evaluation methodology for proposed amendments to the draft contract, broken down by topic, has been included in the request for proposals for the renovation works.	The recommendation is considered to be implemented.	X			
18	2017	A/73/157, para. 184	The Board recommended that management ensure that specified allowances within a not-to-exceed amount for a contract not be used for other purposes without involving the designated procurement staff.	Management has committed to consulting the appropriate authority should this situation arise.	The recommendation is considered to be implemented.	X			
19	2017	A/73/157, para. 200	The Board recommended that management conclude future consultancy contracts in a results-based and time-bound manner and with fixed deliverables. For evaluating the performance of consultants, milestones should be established. Existing long-term contracts should be updated accordingly.	Contracts have been updated as required and management remains of the view that consultancy contracts are results-based and time-bound.	The recommendation is considered to be implemented.	X			
20	2017	A/73/157, para. 203	The Board recommended that management mitigate the risk of currency exchange by concluding contracts only in Swiss francs.	Management noted the risk associated with contracts in currencies other than Swiss francs and highlighted that the acceptance of such risk had so far been beneficial to the project. Furthermore, management stated that changing the currency of the contracts would have commercial implications; some vendors had less ability to manage exchange risk than the United Nations, which already transacted large volumes in multiple currencies, and therefore the increase in the rates that they would charge to accept the currency risk could outweigh the probable value of the risk avoided.	The recommendation is considered to be implemented. Currency risk is fully factored into commercial negotiations with international vendors. Management notes that the project has gained financially from exchange movements.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
21	2017	A/73/157, para. 206	The Board recommended that the cost for travel be revised with regard to contract-based services and limited to the most economical and reasonable airfare.	Management agreed with the intent of the recommendation in so far as the cost for travel of consultants for contract-based services should be limited to the most economical and reasonable airfare. Management also reported that annex C-3 of the contract already stated that the cost of international and national transportation and terminal expenses would be reimbursed for travel (in economy class) at the least expensive airfare.	The recommendation is considered to be implemented.	X			
22	2017	A/73/157, para. 222	The Board recommended that management urgently decide on how to implement flexible workplace strategies on all floors of the new building to avoid any further risk of amendments, delays and extra costs for the general contractor.	Flexible workplace strategies have now been fully incorporated into the design on all levels of the new building and shared with the construction firm. Management is in the process of negotiating the costs for implementation with the construction firm to be signed as variation 3.	The recommendation is considered to be implemented.	X			
23	2017	A/73/157, para. 232	The Board recommended that management consider an optimized orientation of photovoltaic panels on the top of the new building.	Management stated that the orientation will be optimized upon installation after the top of the new permanent building has been completed.	The recommendation is considered to be implemented.	X			
24	2017	A/73/157, para. 238	The Board recommended that management decide on the necessity of mechanical ventilation and cooling systems in the Palais des Nations only on the basis of thermal comfort simulations. These simulations are to be documented.	In section XIII, paragraph 10, of its resolution 73/279, the General Assembly decided not to approve the installation of ventilation and cooling at the Palais des Nations in the strategic heritage plan project.	The recommendation is considered to be overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
25	2017	A/73/157, para. 259	The Board recommended that management consider the beginning of the implementation of the strategic heritage plan as the baseline for the reduction of energy consumption. Management should thereby take into account the energy savings already achieved through other energy saving measures outside of the scope of the strategic heritage plan since the benchmark of 25 per cent has been stipulated, and define a clear, adapted benchmark as the objective for the energy savings envisaged with the implementation of the strategic heritage plan.	Management pointed out that the 25 per cent figure had always been in comparison with the situation before the replacement of the windows by means of the Swiss donation, since it had been planned that the main savings available would come from replacing the windows. Therefore, the target energy reduction would also need to be reset, by deducting the savings contributed by the window replacement.	The Board acknowledges the progress that has been made, but as the project team has not yet updated the calculation of the energy savings, the Board considers the implementation to be work in progress.		X		
26	2017	A/73/157, para. 261	The Board recommended that management base the calculation of energy savings on sound and reliable data on the energy consumption at the Palais des Nations before the implementation of the strategic heritage plan started, namely, before the start of the construction work on the new building.	Management stated that it remained of the view that the baseline should not be solely based on the Palais des Nations but should also include Palais Wilson.	The Board acknowledges the progress that has been made, but as the project team has not yet updated the calculation of the energy savings, the Board considers the implementation to be work in progress.		X		
27	2017	A/73/157, para. 262	The Board recommended that management consider solely the energy consumption at the Palais des Nations for the baseline for the reduction of energy consumption.	See response above for paragraph 261 of A/73/157.	The Board acknowledges the progress that has been made, but as the project team has not yet updated the calculation of the energy savings, the Board considers the implementation to be work in progress.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
28	2017	A/73/157, para. 271	The Board recommended that the strategic heritage plan project team develop a sound and clear maintenance and operational strategy for the period during which sections of the Palais des Nations will have already been renovated while other connected sections will still be under construction. The experience of the Facilities Management Section should be considered in the development of this strategy.	Management stated that it would continue to define and develop, together with the Facilities Management Section, a sound and clear maintenance and operational strategy for the period during which sections of the Palais des Nations were being renovated.	The Board acknowledges the progress that has been made, but considers the implementation to be work in progress. The project team has not yet drafted a maintenance and operational strategy.		X		
29	2017	A/73/157, para. 272	The Board recommended that the strategic heritage plan project team calculate the expected maintenance and operational costs in close cooperation with the Facilities Management Section as a basis for consideration of funding strategies. Availability of adequate funding for maintenance and operation during and after the implementation of such projects as the strategic heritage plan is crucial for avoiding the need for such programmes of work in the future.	Management stated that several rooms with critical equipment that would be under renovation across more than one section of the work would need to be clearly documented in order to define the roles and responsibilities of the project team, contractor(s) and the Facilities Management Section during the renovation work. Management also agreed that expected maintenance and operational costs should be calculated. The strategic heritage plan team has shared with the Facilities Management Section technical data for Building H in order that the long-term costs can be estimated by adjusting the calculations in the existing budget for the new requirements pertaining to Building H.	The Board acknowledges the progress that has been made, but considers implementation to be work in progress as the project team has not yet developed expected maintenance and operational costs.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
30	2017	A/73/157, para. 282	The Board recommended that management enhance its efforts to mitigate the impact of its buildings on the natural environment through sustainable design and ensure that the contractor for the new building performs its work with the objective of fulfilling all environmental categories from the LEED green building certification systems, as stipulated in the contract.	Management stated that this will be assessed upon completion of the new permanent building.	The Board considers this recommendation to be under implementation.		X		
31	2017	A/73/157, para. 297	The Board recommended that the strategic heritage plan team strengthen its approach to cost forecasting by including a robustly calculated estimate of the forecast costs up to project completion, taking into account that there are still significant uncertainties about the structure of the historic buildings.	Monthly review of cost tracker and forecast to the end of the project is conducted with the Project Director and senior management as well as the cost consultants.	The recommendation is considered to be implemented.	X			
32	2017	A/73/157, para. 316	The Board recommended that management update and calculate the applicable and potential rental income of premises based on current contracts, data and realistic assumptions, taking into account the number of relocating staff, appropriate rental cost (using the arm's length principle) and an updated funding key for OHCHR.	The rental working group continues to study possible billing methodologies on how to charge rental income to United Nations entities in a flexible working environment. Management prefers the solution of a fully serviced office, wherein all equipment is owned by the United Nations and entities are cross-charged for using it.	The recommendation is considered to be under implementation.		X		
33	2017	A/73/157, para. 317	The Board recommended that the updated rental income and costs be reported to the General Assembly in a clear and transparent way.	In section XIII, paragraph 10, of resolution 73/279 A, the General Assembly decided not to approve the installation of ventilation and cooling at the Palais des Nations in the strategic heritage plan project.	The recommendation is considered to be overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
34	2017	A/73/157, para. 318	The Board recommended that management charge the cost for maintenance and for safety and security for the new building proportionally to all potential users in accordance with their individual needs.	A rental working group was established and continued to study possible billing methodologies on how to charge rent to United Nations entities in a flexible working environment.	The recommendation is considered to be under implementation.		X		
35	2017	A/73/157, para. 344	The Board recommended that management develop a detailed valorization strategy for all parcels with valorization potential.	The agreements to valorize the Villa and Parc de Feuillantines are likely to be finalized in 2019. To this end, the Canton and Ville de Genève will need to sign their own agreements with the Fondation pour la Cité de la Musique before the United Nations can complete its agreement. Management has commissioned a study of the best valorization options for the remaining suitable plots of land.	The Board acknowledges the progress that has been made but considers implementation to be work in progress since a detailed strategy is still lacking.		X		
36	2017	A/73/157, para. 345	The Board recommended that management consider establishing an experienced internal team responsible for the valorization of United Nations-owned land in Geneva.	Management highlighted that the lack of dedicated resources in that regard would limit progress on the initiative, so management has recruited external consultancy services for the valorization of United Nations-owned land in Geneva. The contract manager for the external valorization consultants is located within Central Support Services.	The recommendation is considered to be under implementation.		X		
37	2017	A/73/157, para. 346	The Board recommended that management verify the legal assessments and the earnings and cost regarding parcel 2100 (United Nations port), estimate a realistic value of the parcel and report the reviewed valuation, the proposals for the future use of the United Nations port and the possible income to the General Assembly.	Management stated that there was no further development for the land plot 2100 due to its location in a green zone on which construction is prohibited unless it serves public interest.	The recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
38	2017	A/73/157, para. 347	The Board recommended that management record the costs and earnings regarding valorization and report these to the General Assembly.	Reported in the report to the General Assembly and the supplementary report.	The recommendation is considered to be implemented.	X			
39	2017	A/73/157, para. 348	The Board recommended that management plan the upcoming valorization steps with a realistic timeline, scheduled cost and expected income.	Reported in the report to the General Assembly and the supplementary report.	The recommendation is considered to be implemented.	X			
40	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/ Corr.1, chap. II, para. 387	The Board recommended that the project owner seek a framework for staff continuity within the strategic heritage plan project.	The six contracts referred to that ended in 2018 have been extended for durations consistent with those applied to fixed-term contracts in the rest of the Division of Administration. The issue has not become pressing during 2018 because the maximum contract extension is for five years and in 2018 the strategic heritage plan has more than five years to run. The strategic heritage plan team will continue discussions with the Human Resources Management Service in Geneva and the Office of Human Resources in New York on this topic in 2019, noting that the United Nations has little flexibility in this regard under existing regulations.	The recommendation is considered to be implemented.	X			
41	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/ Corr.1, chap. II, para. 391	The Board recommended that: (a) the strategic heritage plan team finalize the parts of the programme manual related to the construction phase; and (b) the project owner approve and implement the programme manual.	With regard to recommendation (a), the strategic heritage plan project manual has been finalized and has been operationalized and is being implemented by the strategic heritage plan team. Regarding recommendation (b), the final approval of the strategic heritage plan project manual by the project executive and the project owner is pending.	The Board acknowledges the progress that has been made, but considers implementation to be work in progress as the final approval is still pending.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
42	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/ Corr.1, chap. II, para. 397	The Board recommended that, with regard to future strategic heritage plan solicitations, the United Nations Office at Geneva review as to whether impacts of acceptance and non-acceptance of substantial contract clauses are appropriately reflected in the evaluation methodology and criteria.	Based on the lessons learned from the new building tender, a revised process is currently being prepared for the forthcoming request for proposals process related to the renovation contract.	The recommendation is considered to be implemented.	X			
43	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/ Corr.1, chap. II, para. 404	Concerning future contract drafting, the Board recommended that the Office ensure that general contract terms and specifications are aligned more closely.	The United Nations Office at Geneva has implemented this in all subsequent contracts and has begun the process of aligning the contract terms and specifications related to the forthcoming renovation contract.	The recommendation is considered to be implemented.	X			
Total			**43**			**26**	**15**	**–**	**2**
Percentage			**100**			**60**	**35**	**–**	**5**

Annex III

Status of implementation of recommendations up to the year ended 31 December 2017 on the capital master plan

						Status after verification			
No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2011–2012	A/68/5 (Vol. V), para. 77	The Board recommended that the Administration adopt a whole life cycle asset investment strategy and assess costed options for the through-life maintenance of the Headquarters buildings.	Pursuant to section VI of the General Assembly resolution 70/248 B, the Secretary-General submitted an updated version of the report on the strategic capital review (A/72/393), which proposed employing an incremental recapitalization approach to capital maintenance and provided an update on the governance structure for capital construction projects, on near-term proposed capital projects, as well as information on other considerations such as accessibility, global long-term accommodation requirements and flexible workplace strategies. The Administration continues to work towards presenting a whole lifecycle asset investment strategy as part of the strategic capital review. Following a slight delay owing to the workload associated with five major capital projects currently ongoing, the Administration is planning to submit the next such report to the General Assembly at its seventy-fourth session.	As stated by the Administration, the recommendation is under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		A/68/5 (Vol. V), para. 82	The Board recommended that the Office of Central Support Services review its ongoing maintenance contracts, based on an assessment of the total scope of facilities management requirements after completion of the capital master plan, and assess the possibilities for obtaining better value from any future strategic commercial relationship.	The Administration has retained an independent expert to carry out an assessment of its maintenance approach. Work commenced in January 2019 and a final report is expected by October 2019. This recommendation is under implementation.	As stated by the Administration, the recommendation is under implementation.		X		
3	2013–2014	A/70/5 (Vol. V), para. 17 (c)	The Board recommended that the Administration accelerate closure of the remaining capital master plan contracts to increase certainty regarding final project costs and to release any potential savings.	Leases in the Daily News Building were vacated in 2017 and the United Nations Federal Credit Union Building and the Innovation Building were vacated in April and September 2018, respectively. Further efficiencies will be achieved as implementation of the project continues.	This recommendation is considered to be under implementation.		X		
4	2013–2014	A/70/5 (Vol. V), para. 17 (d)	The Board recommended that the Administration report the full amount of any savings arising from contract closure and introducing appropriate governance mechanisms to determine the use that can be made of such savings, including specific consideration of returning savings to Member States.	Information on savings from the cancellation of obligations from prior years and their utilization is provided on a routine basis and will be included in the fifteenth annual progress report on the capital master plan. Savings can be realized only after all of the work and related operations have been fully completed, the contracts have been closed and all accounts have been fully reconciled. If any uncommitted balances remain after closure of all contracts, they will be returned to the Member States. The contractual litigation is still in progress.	This recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	2015	A/71/5 (Vol. V), para. 17 (c)	The Board recommended that the Administration focus on realizing the full potential benefits from the investment made in the capital master plan and ensure that optimal use is made of the new modern working environment to reduce the use of costly rented accommodation.	The Daily News Building was vacated in 2017 and the United Nations Federal Credit Union Building and the Innovation Building were vacated in April and September 2018, respectively. Milestone targets of the flexible workplace project are being met but the project is still under implementation. All office leases associated with capital master plan funding have now ended and actions to close remaining capital master plan construction and consultancy contracts to release savings have been completed. A new lease on the Albano Building was negotiated, which is not part of the capital master plan funding. The Department of Operational Support therefore requests that the recommendation be closed as implemented.	All three buildings planned to be vacated have been vacated. The recommendation is considered to be fully implemented.	X			
6	2015	A/71/5 (Vol. V), para. 17 (d)	The Board recommended that the Administration perform a detailed analysis of operational data and building malfunctions to help it develop a strong business case for submission to the General Assembly in support of its proposed annual and longer-term maintenance budgets.	The Administration has retained an independent expert to execute an assessment of its maintenance approach. Work commenced in January 2019 and a final report is expected by October 2019. This recommendation is under implementation.	As stated by the Administration, the recommendation is under implementation.		X		
7	2016	A/72/5 (Vol. V), para. 62	The Board recommended that the Administration make efforts to operationalize the Umoja plant maintenance module to enable an early review of its maintenance practices. This would enable the Administration to prepare a long-term maintenance plan covering any gaps in its maintenance efforts.	The Umoja plant maintenance module was implemented in October 2017. Data have been collected, which are being considered in the context of the independent assessment of the overall maintenance approach in 2019.	The independent assessment is expected to be completed by late October 2019. This recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8	2016	A/72/5 (Vol. V), para. 69	The Board recommended that the Administration take steps to strengthen the internal control for protection of assets, and for their proper recording and monitoring.	The recommendation is under implementation. The Office of Central Support Services continues to work on strengthening internal controls in the area of property management.	This recommendation is considered to be under implementation.		X		
9	2016	A/72/5 (Vol. V), para. 78	The Board recommended that the Administration resolve issues associated with the Energy Dashboard and Reporting Tool as related to recording and reporting on usage of steam, gas and water to enable real-time monitoring of all utilities.	It was previously noted that the errors in reporting were due to an incorrect conversion factor in the programming. Since the conversion factor error was discovered and corrected in February 2018, the energy dashboard has been accurate and in agreement with utility invoices for steam and electricity usage. The Board had noted a discrepancy in the resolution date since in the report of the Secretary-General the implementation of this recommendation was still in progress. The Administration needed time to collect data and ensure that the incorrect conversion factor error had been resolved before reporting that the recommendation had been fully implemented. As a result, the Administration did not provide this resolution update in time for the publication of the report of the Secretary-General. This recommendation should now be considered as fully implemented.	The Administration has ensured that the problem of the incorrect conversion factor is resolved. This recommendation is fully implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
10	2016	A/72/5 (Vol. V), para. 79	The Board recommended that the Administration carry out a feasibility analysis on the parameters set in the consultant's report of April 2015 to identify areas for improving energy efficiency, after taking into consideration the enhanced flexibility offered by the implementation of the capital master plan.	The Administration is continually making efforts to improve the energy efficiency of the campus. Recent efforts such as light emitting diode (LED) retrofits of lighting fixtures and changes to the chiller plant operations have resulted in a reduction in electrical consumption from 42,618,400 kwh after the end of the capital master plan in 2015 to 36,674,400 kwh in 2018, a savings of 14 per cent, despite an increase of over 500 occupants due to flexible workplace arrangements. The planned addition of solar panels on the roof of the Conference Building is another significant project to reduce energy usage. It is anticipated that the solar panels will be tied into the Energy Dashboard and Reporting Tool to track and monitor generated energy savings. The current estimated completion date for the solar panel project is September 2019 with integration with the Dashboard by the end of December 2019.	The solar panel project is under implementation and expected to be completed by September 2019 and integrated into the Energy Dashboard and Reporting Tool by December 2019. This recommendation is considered to be under implementation.		X		
11	2016	A/72/5 (Vol. V), para. 83	The Board recommended that the Administration conduct a user survey on the effectiveness of the accessibility features in order to identify gaps, if any, in the infrastructure created as part of the capital master plan.	The user survey was carried out. While work on ensuring that action is taken to address the issues that are highlighted will be ongoing (and will feed into the recommendation related to paragraph 67 of A/73/5 (Vol. V)), the Administration is of the view that this prior-period recommendation has been implemented and should be closed.	The survey was conducted and action was being taken on the same, which is tracked through the subsequent recommendation. This recommendation is considered to be fully implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
12		A/72/5 (Vol. V), para. 95	The Board recommended that the Administration regularly monitor productivity gains while ensuring reduction in space requirements.	In paragraph 5 of section XI of resolution 72/262 A, the General Assembly reiterates its request that the Office of Human Resources Management assess in detail the impact of the flexible workplace on productivity and provide reliable qualitative and quantitative benefit indicators as well as other factors for the improvement of overall productivity and staff well-being. The Department of Operational Support will provide any support required by the Department of Management Strategy, Policy and Compliance to implement the recommendation. The Department of Operational Support also notes that the project has been regularly using workplace satisfaction as a proxy for productivity. Though not a direct measure, workplace satisfaction can have a direct relationship with productivity as staff tend to develop positive attitudes and behaviours when their environment facilitates their ability to do well. Through the post-occupancy evaluation survey and focus group discussion the project continues to gather information on workplace satisfaction and its connection to productivity on the floors where flexible workspace arrangements have newly implemented.	As the flexible workspace project is not completed, this recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
13	2017	A/73/5 (Vol. V), para. 15	The Board recommended that the Administration review the methodology followed for the preparation of estimates to establish norms for the common/ general nature of expenses in order to ensure that the estimates for projects are realistic.	The Administration notes that the guidelines on the management of construction projects, issued in 2016, contain standardized guidance on the development of cost estimates for projects. The Administration aims to refine this methodology in line with the current recommendation and confirms the target implementation date of December 19.	This recommendation is considered to be under implementation.		X		
14	2017	A/73/5 (Vol. V), para. 40	The Board recommended that the Administration develop a business intelligence report for maintenance actions in the Umoja plant maintenance module.	The Administration has developed and in February 2019 implemented a business intelligence report for the Umoja plant maintenance module and is using it to monitor required monthly maintenance actions. It is requested that this recommendation be considered as fully implemented.	As the Administration has developed the business intelligence report, the recommendation is fully implemented.	X			
15	2017	A/73/5 (Vol. V), para. 56	The Board recommended that the Administration maintain an updated registry of works of art and gifts and carry out their physical verification annually to assure their existence.	Physical verification was completed in August 2018. The integration of the inventory in the computer aided gifts module is in progress and is expected to be completed in the fourth quarter of 2019.	Taking the response of the Administration into consideration, the recommendation is considered to be under implementation.		X		
16	2017	A/73/5 (Vol. V), para. 65	The Board recommended that the Administration explore the utility of the Energy Dashboard and Reporting Tool with regard to monitoring the energy consumption of floors and buildings so as to further reduce energy consumption wherever possible. The Board further recommends that the Administration report on reductions in consumption of water as well.	The Administration is continually making efforts to improve the energy efficiency of the campus. Recent efforts such as LED retrofits of lighting fixtures and changes to the chiller plant operations, as confirmed by the Energy Dashboard, have resulted in a reduction in electrical consumption from 42,618,400 kwh after the end of the capital master plan in 2015 to 36,674,400 kwh in 2018, a savings of 14 per cent, despite an increase of over 500 occupants due to flexible workplace arrangements. The work	The solar panel project is under implementation and is to be completed by September 2019 and integrated into the Energy Dashboard by December 2019. This recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				of the capital master plan resulted in a reduction of water use by approximately 56 per cent. It is noted that the increased population of United Nations Headquarters as a result of flexible workplace arrangements is expected to increase the consumption of water while eliminating it in formerly leased premises. The current estimated completion date for the solar panel project is September 2019 with integration with the Energy Dashboard by the end of December 2019.					
17	2017	A/73/5 (Vol. V), para. 70	The Board recommended that the Administration analyse the responses to the survey on iSeek and take remedial measures.	The Administration engaged the services of accessibility experts to undertake a review of the United Nations Headquarters premises and shared the results of the accessibility survey. As a result of the review and informed by the survey results, the experts recommended a number of improvements to meet local code requirements. It is requested that this recommendation be considered as fully implemented.	The job will be implemented in the 2020–2022 budget. This recommendation is considered to be under implementation.		X		
18	2017	A/73/5 (Vol. V), para. 71	The Board recommended that the Administration examine the requirements of the 2010 ADA Standards for Accessible Design and take necessary steps on a progressive basis towards compliance with those standards to ensure accessibility to all individuals with disabilities.	The Administration engaged the services of accessibility experts to undertake a review of the United Nations Headquarters premises. The Administration also shared the results of the accessibility survey with the experts. As a result of the review, the experts recommended a number of improvements to meet local code requirements. The Administration is planning to include provisions for the works under the regular budget	The job will be implemented in the 2020–2022 budget. This recommendation is considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				submissions in 2020–2022. It is requested that this recommendation be considered as fully implemented.					
19	2017	A/73/5 (Vol. V), para. 83	The Board recommended that the Administration conduct a comprehensive assessment of the maintenance costs, taking into account all subcomponents of maintenance, such as repair and upkeep of the recreational facilities.	The Administration has concluded its assessment and determined that the funds provided by the donor are adequate to ensure that the recreational facilities and equipment can be properly maintained through the end of their useful life (seven years). Alternate funding or a further donation will be required to continue to operate the recreational facilities after that time. It is requested that this recommendation be considered as fully implemented.	The Administration has done a comprehensive assessment of the upkeep and maintenance requirements. This recommendation is fully implemented.	X			
20	2017	A/73/5 (Vol. V), para. 84	The Board recommended that the Administration make adequate arrangements for funding the operational and maintenance costs of assets created as a result of the donation from the International Olympic Committee.	The Administration has concluded its assessment and determined that the funds provided by the donor are adequate to ensure that the recreational facilities and equipment can be properly maintained through the end of their useful life (seven years). Discussions with the United Nations Staff Union and the United Nations Staff Recreation Council are ongoing, but the intended membership fee will only supplement the current donation for the maintenance and replacement of the equipment. Alternate funding or a further donation will be required to continue to operate the recreational facilities beyond seven years. It is requested that this recommendation be considered as fully implemented.	The outcome of such discussions with the United Nations Staff Union and the United Nations Staff Recreation Council is yet to be established. This recommendation is considered to be under implementation.		X		
	Total		**20**			**5**	**15**	–	–
	Percentage					**25**	**75**	–	–

Chapter III
Certification of the financial statements

Letter dated 22 March 2019 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 2018 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*) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2018

A. Introduction

1. The Secretary-General has the honour to submit the financial report on the Volume I set of accounts of the United Nations for the year ended 31 December 2018.

2. The financial situation of the Organization is presented in five financial statements and the accompanying 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 funds, end-of-service/post-employment benefits funds, insurance/workers' compensation and other funds.

3. The financial statements presented herein do not include 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.

4. The present financial report is designed to be read in conjunction with these financial statements.[33] It presents an overview of the consolidated position and performance of the Organization, highlighting trends and significant movements. In 2018, at the consolidated level, there was a surplus of revenue over expenses, and net assets further increased, while liabilities decreased primarily owing to actuarial gains related to employee benefits. At the consolidated level, cash assets exceeded current liabilities; however, the regular budget segment was affected by increased liquidity risk relating to the sufficiency of cash assets to settle short-term financial demands.

B. Liquidity

5. Liquidity ratios are presented at the fund group level in table IV.1 below. The current ratio is that of current assets to current liabilities. As at 31 December 2018, the current ratio at the level of the consolidated total was 4.2. The ratio of consolidated cash assets to current liabilities was 3.1. However, those high liquidity ratios at the consolidated level primarily reflect the impact of the cash assets of the trust funds group, which are earmarked for specific activities of trust funds and not available to other fund groups, and the operational reserves of insurance funds. When the evaluation is performed separately for the regular budget and related funds, the liquidity result is much tighter.

6. The regular budget started 2018 with poor liquidity, reflected by a cash assets-to-current liabilities ratio of 0.2. The liquidity of the regular budget rebounded in the first quarter of 2018, enabling the repayment of borrowings in 2017 from the Working Capital Fund and Special Account. However, by year-end, the situation had worsened. At 31 December 2018, the liquidity of the regular budget was very low, with a cash assets-to-current liabilities ratio of 0.1. At that date, the regular budget had a current ratio of 1.1, which also reflected a decline compared with the ratio of 1.3 at the end of 2017.

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[33] Supplementary information previously provided in annexes to the present report has now been included, as relevant, in the notes to the financial statements.

Table IV.1
Liquidity ratio by fund group
(Millions of United States dollars)

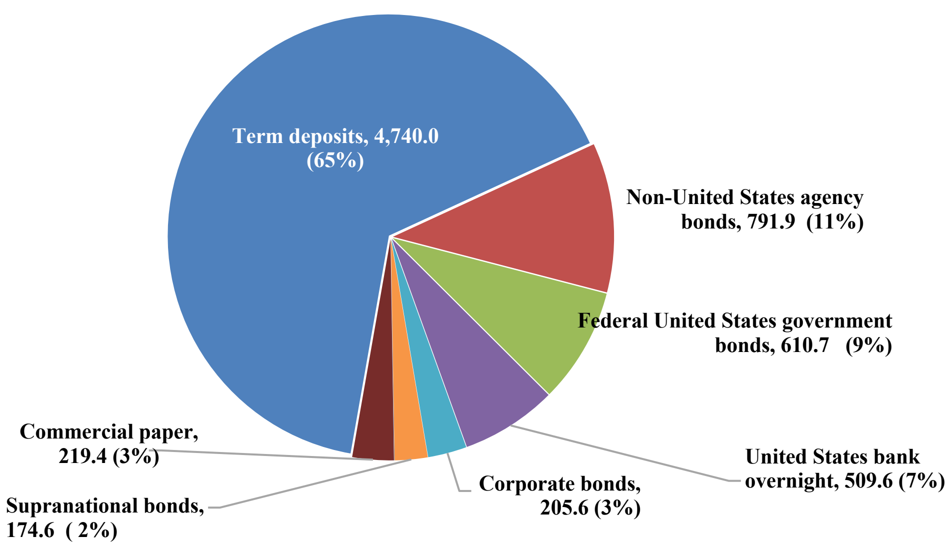
	31 December 2018					31 December 2017	
	Cash assets	*Total current assets*	*Current liabilities*	*Cash assets to current liabilities*	*Current ratio*	*Cash assets to current liabilities*	*Current ratio*
Fund group	*A*	*B*	*C*	*A/C*	*B/C*	*A′/C′*	*B′/C′*
Regular budget and related funds	33.9	495.1	447.1	0.1	1.1	0.2	1.3
Trust funds	2 093.3	2 984.7	220.8	9.5	13.5	9.2	12.0
Capital assets and construction-in-progress	87.3	82.0	27.3	3.2	3.0	6.8	5.5
Common support services	351.0	405.9	32.7	10.7	12.4	8.5	8.9
Long-term employee benefits	129.0	120.7	144.3	0.9	0.8	0.8	0.6
Insurance/workers’ compensation	664.7	626.3	128.5	5.2	4.9	4.9	4.0
Other	194.5	214.0	163.5	1.2	1.3	1.5	1.3
Consolidated total	**3 553.6**	**4 894.3**	**1 156.2**	**3.1**	**4.2**	**3.1**	**3.9**

C. Overview of assets and liabilities

Cash and cash pool investments

7. As at 31 December 2018, the Organization held cash and cash pool investments of $3,553.6 million (2017: $3,134.7 million). Cash and cash pool investments were the biggest asset group, representing 38.7 per cent of total assets. Cash pools consist largely of investments in liquid bonds (issued by Governments and government agencies), commercial papers and term deposits (see figure IV.I below).

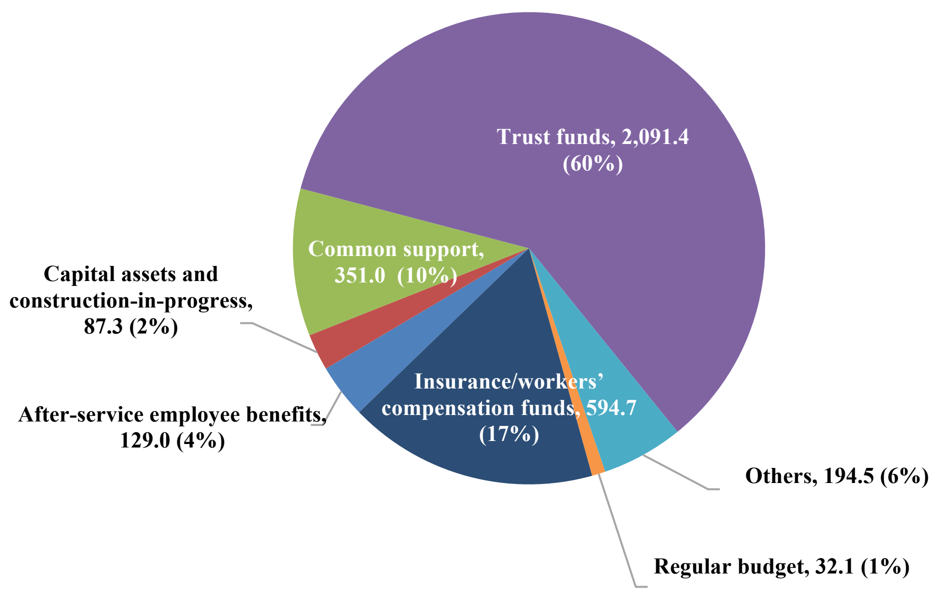
Figure IV.I
Cash pool cash equivalents and investments by instrument type
(Millions of United States dollars and percentage)



8. In 2018 the net investment income from cash pools was $66.2 million (2017: $37.6 million). The rate of return in cash pools was 1.94 per cent (2017: 1.24 per cent).

9. The trust funds group accounted for 60 per cent of the cash pool, while 17 per cent was held by insurance/workers' compensation funds (see figure IV.II).

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



Assessed contributions receivable

10. Outstanding assessed contributions receivable as at 31 December 2018 was $378.4. million ($693.7 million, less allowance for doubtful receivables of $315.3 million). Assessed contributions receivable increased from prior year by $63.4 million (a 20 per cent increase).

Table IV.2
Assessed contributions: receivables from non-exchange transactions
(Millions of United States dollars)

	2018	*2017*	*Change*	*Percentage change*
Assessed contributions receivables	693.7	570.6	123.1	22
Allowance for doubtful receivables	(315.3)	(255.6)	59.7	23
Total assessed contributions receivable	**378.4**	**315.0**	**63.4**	**20**

Voluntary contributions receivable

11. Voluntary contributions receivable as at 31 December 2018 amounted to $1,541.6 million. The balance increased in 2018 by $373 million, primarily owing to the agreements entered with the Government of Sweden for $152.0 million and with the Government of the United Kingdom of Great Britain and Northern Ireland for $114.8 million.

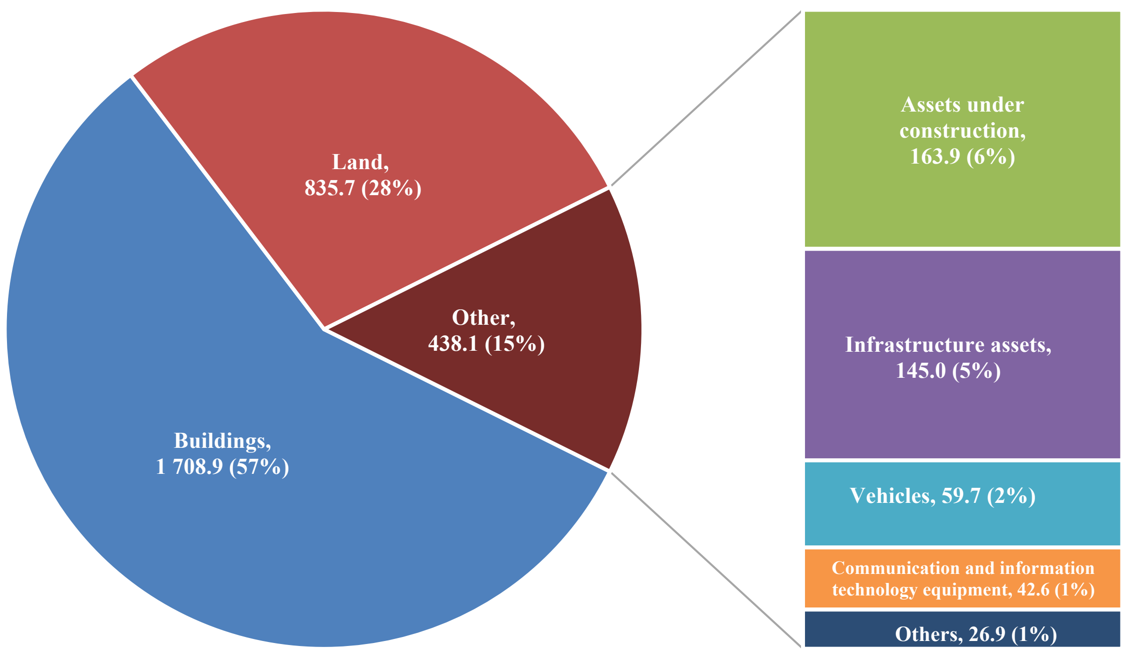
12. The voluntary contributions receivable was mainly related to the human rights and humanitarian affairs segment ($1,042.0 million, or 67.6 per cent), which largely comprised the receivables of the Central Emergency Response Fund ($484.3 million) and the Office for the Coordination of Humanitarian Affairs ($316.3 million).

Property, plant and equipment

13. There was no significant change in the carrying value of property, plant and equipment during 2018. The decline in the net book value was $66.0 million, or a 2 per cent decrease, from the opening balance of $3,048.7 million to the ending balance of $2,982.7 million.

14. Property, plant and equipment was the second biggest asset category, representing 32.4 per cent of total assets. The composition of property, plant and equipment is shown in figure IV.III below.

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



15. Buildings largely comprised those at United Nations Headquarters in New York, at the United Nations Office at Geneva and at the Economic Commission for Africa, valued at $1,246.6 million, $85.2 million and $68.8 million, respectively. The Vienna International Centre is classified as a finance lease. Each occupant of the Centre recognizes a portion of the buildings. The Organization's share is 22.76 per cent with a recognized value of $65.9 million.

16. Land largely included those 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 the Economic Commission for Africa and at the United Nations Office at Nairobi are not recognized as they are not deemed to be under the control of the Organization.

17. A summary of major additions during the year and balances as at 31 December 2018 for assets under construction is presented in table IV.3.

Table IV.3
Assets under construction: major additions

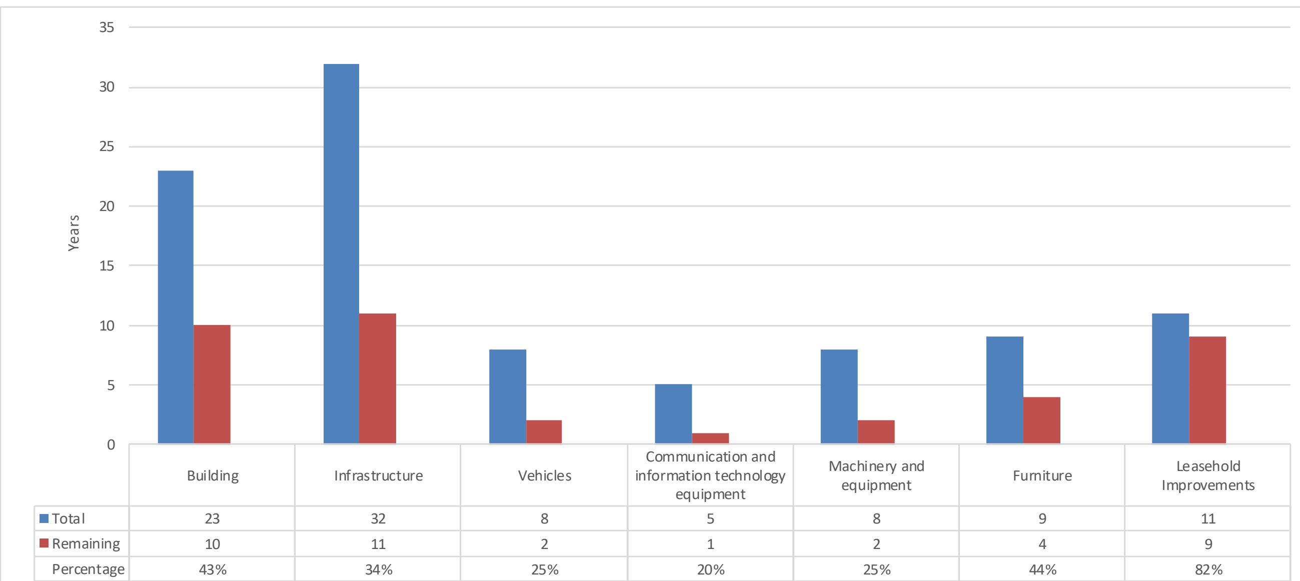
(Millions of United States dollars)

Project	*Additions in 2018*	*Construction-in-progress at 31 December 2018*
United Nations Office at Geneva – strategic heritage plan	40.2	123.9
United Nations Headquarters – flexible workspace	12.5	14.5
Special political missions – buildings and infrastructure	10.7	10.3
Economic Commission for Africa – Africa Hall	3.2	7.7
Economic and Social Commission for Western Asia – blast mitigation	4.8	3.3

18. The average remaining years of useful life compared with original average useful life of various categories of property, plant and equipment are shown in figure IV.IV. Long-lived assets are presented in the leasehold improvements category.

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

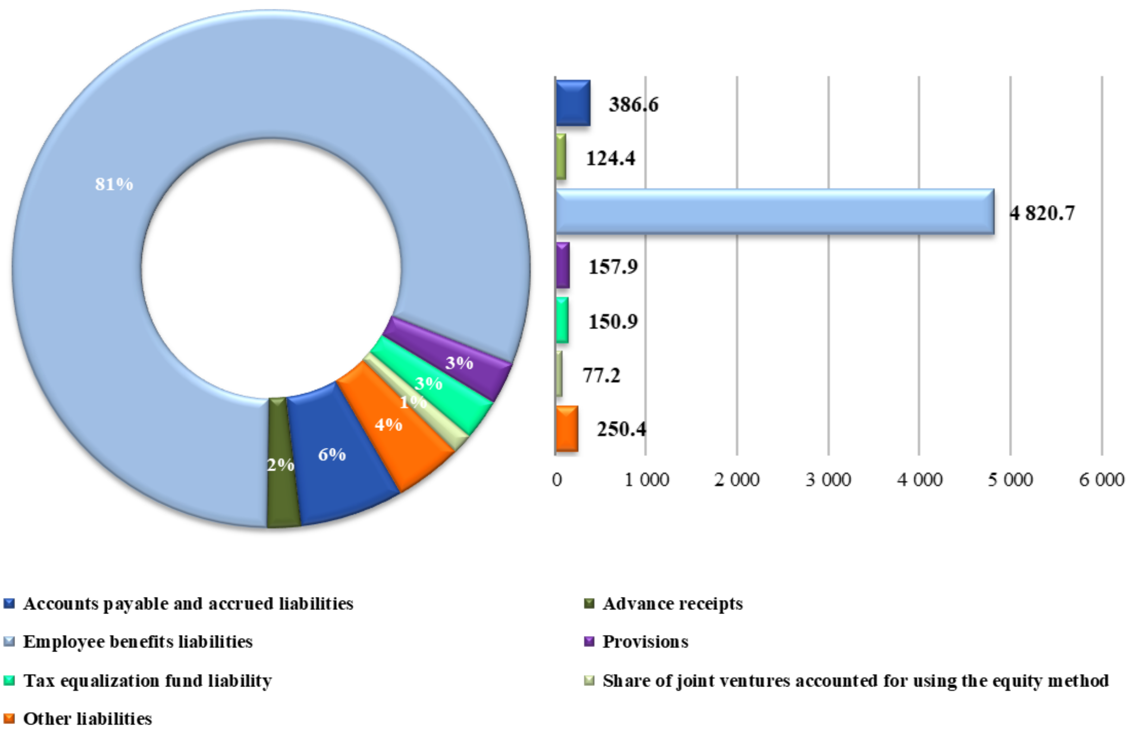
(Years and percentage)



Liabilities

19. The total liabilities decreased by $209.2 million (a 3 per cent decrease) during 2018, from $6,177.4 million to $5,968.2 million. The most notable decrease took place in employee benefits liabilities, which accounted for 81 per cent of the total liabilities. Figure IV.V below presents the composition of the liabilities as at 31 December 2018.

Figure IV.V
Liabilities as at 31 December 2018
(Millions of United States dollars and percentage)

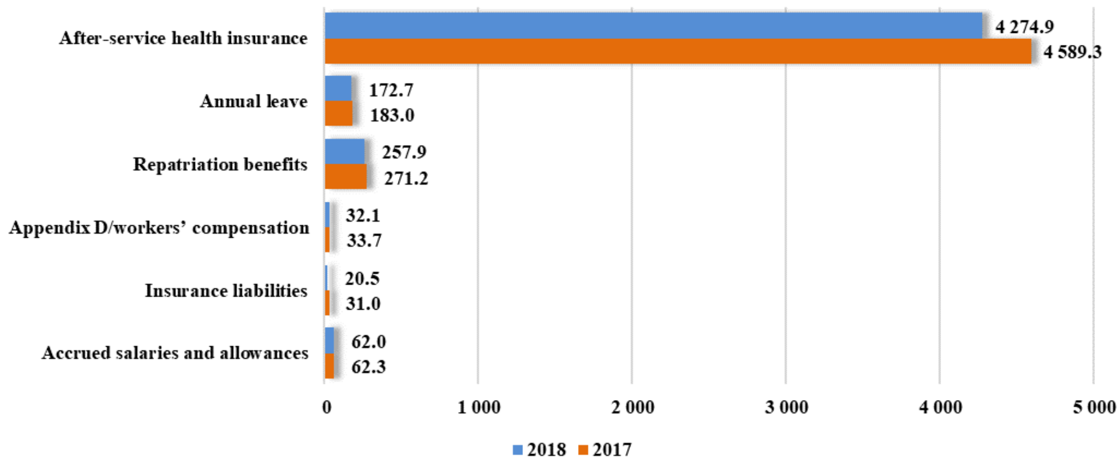


Employee benefits liabilities

20. The total employee benefits liabilities decreased by $349.4 million in 2018, of which $338.0 million related to the liabilities of after-service health insurance, annual leave and repatriation grants. The decrease was largely due to the increase in discount rates used for actuarial valuation. The changes in employee benefits liabilities are shown in figure IV.VI below.

21. Defined benefits liabilities of the regular budget remain unfunded and the pay-as-you-go approach continues for the present time, posing a long-term risk. For extrabudgetary funds, the funding of after-service health insurance liabilities began in 2017 with monthly accruals at 3 per cent on employee salaries. The total related funding in two years, including investment income, was $26.8 million.

Figure IV.VI
Employee benefits liabilities
(Millions of United States dollars)



D. Overview of financial performance

Revenue

22. The total revenue for 2018 was $6,790.4 million (2017: $6,081.2 million). The overall increase of $709.2 million was mainly due to increases in voluntary contributions by $736.0 million.

23. Several agreements concluded during the year contributed to the increase in the voluntary contributions, including the following: an agreement with the Government of Sweden of $242.4 million over a period of four years for the Central Emergency Response Fund; an agreement with the Government of the United Kingdom of $114.8 million for the Office of the Emergency Relief Coordinator; an agreement with Qatar of $75.0 million for the trust fund for counter-terrorism; an agreement with the Government of Norway of $58.9 million for the support to the activities of the Office of the United Nations High Commissioner for Human Rights; and an agreement with the Government of Japan of $40.9 million for trust fund in support of the Department of Peacekeeping Operations. Furthermore, a special purpose trust fund was established in 2018 to support the re-invigorated resident coordinator system, which also contributed to the increase in voluntary contributions by $78.0 million. The full amount of those agreements was recognized as revenue in 2018 in accordance with International Public Sector Accounting Standards (IPSAS). Figures IV.VII and IV.VIII below provide analyses of revenue by nature and by segment.

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

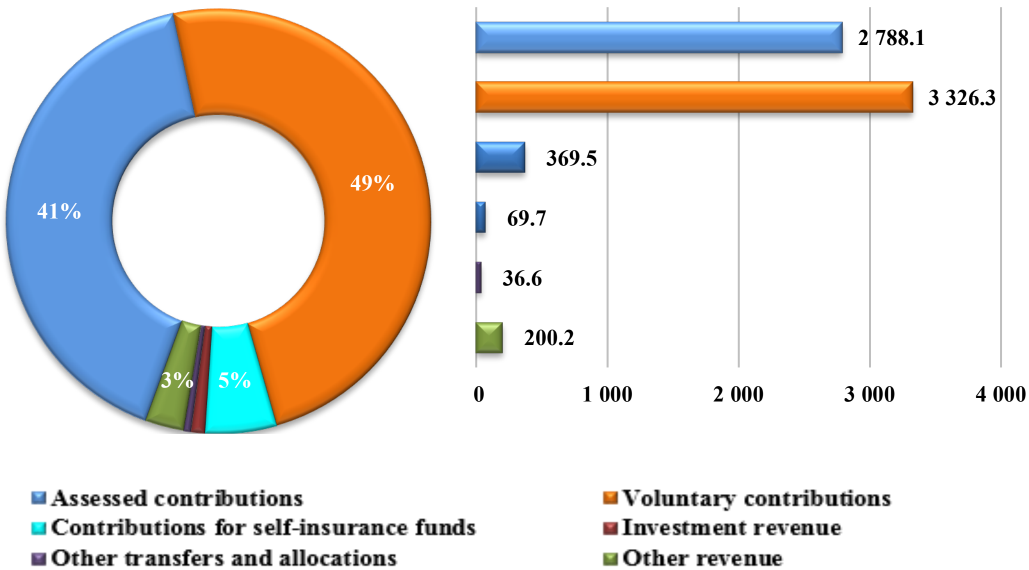
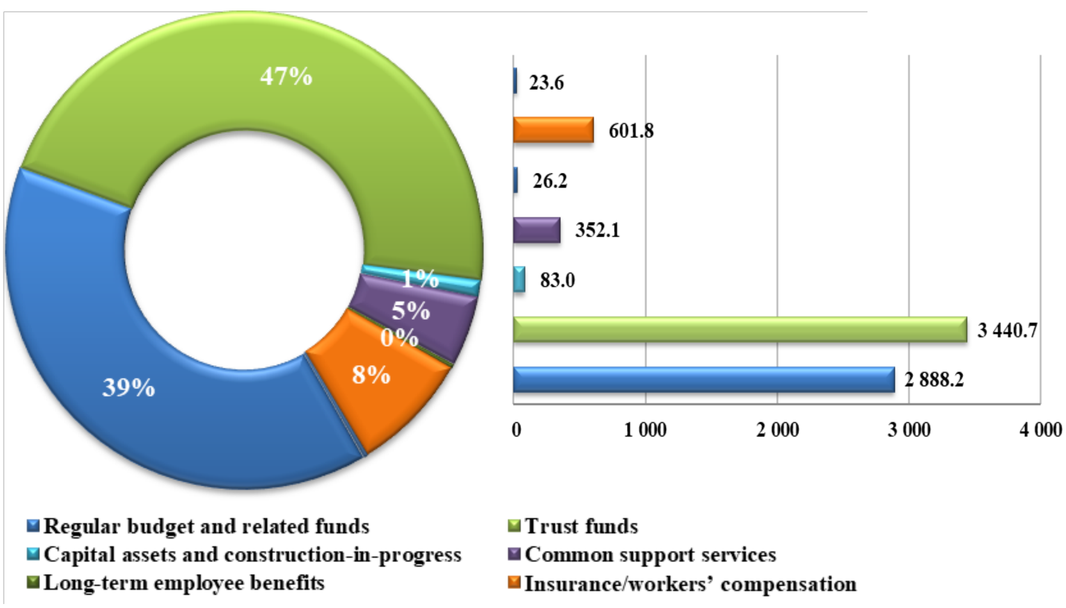


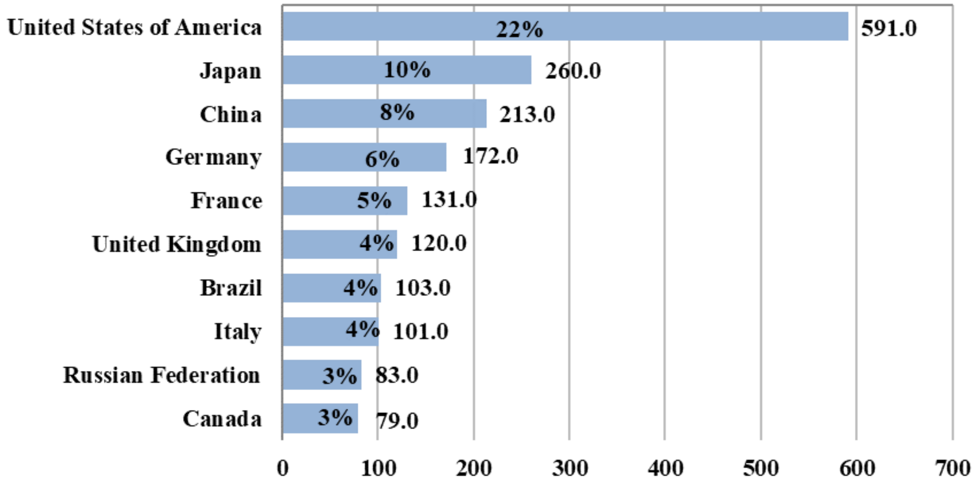
Figure IV.VIII
Revenue by segment[a]
(Millions of United States dollars and percentage)



[a] The figures above do not include inter-segment elimination revenue of $625.1 million.

24. Assessed contributions revenue of $2,788.1 million comprised 41 per cent of the total revenue. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.IX indicates the Member States with the largest assessments for 2018.

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



25. Voluntary contributions revenue of $3,326.3 million comprised 49 per cent of total revenue. Figure IV.X shows the major contributors for 2018. Figure IV.XI highlights voluntary contributions by programme segment. The voluntary contributions were directed largely to the pillar of human rights and humanitarian affairs.

Figure IV.X
Major voluntary contributors
(Millions of United States dollars)

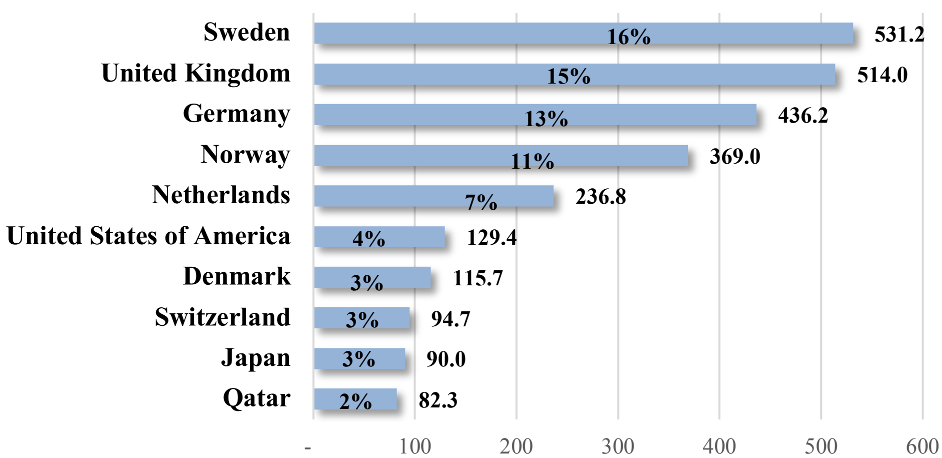
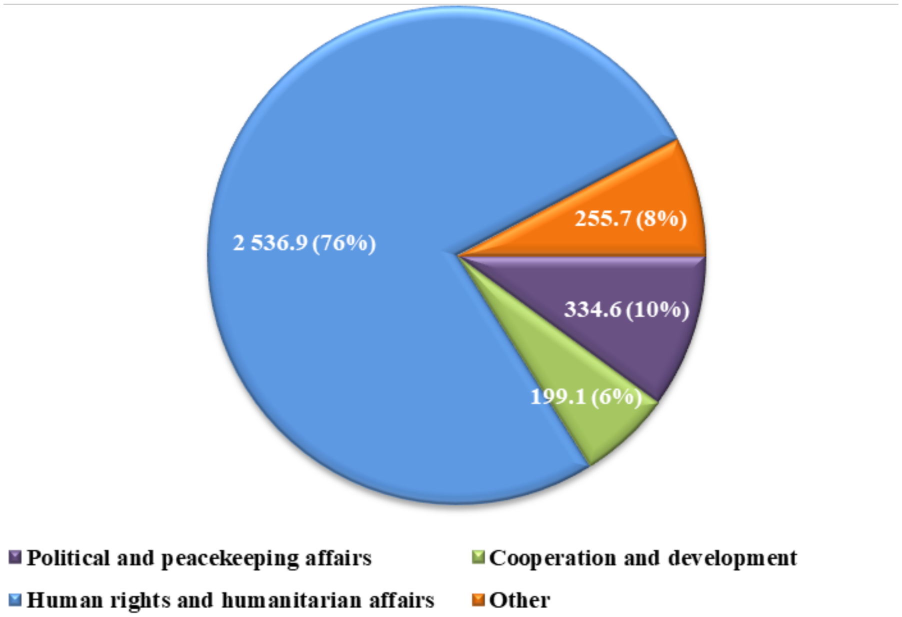


Figure IV.XI
Voluntary contributions by major work pillar
(Millions of United States dollars and percentage)

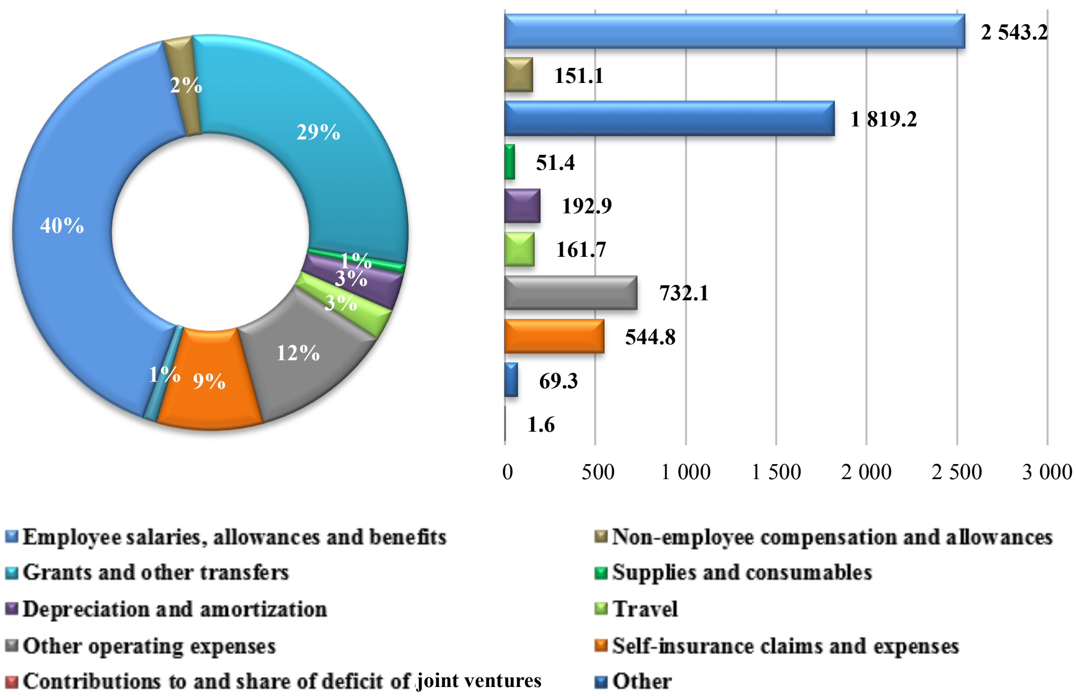


Expenses

26. Total expenses of 2018 were $6,267.3 million (2017: $5,788.9 million). The increase of $478.4 million (or 8 per cent) was mostly attributable to grants and other transfers of $290.9 million (a 19 per cent increase), corresponding to the increases in voluntary contributions revenue of trust funds. Other notable increases were incurred in employee salaries and allowances by $106.0 million and other operating expenses of $64.5 million.

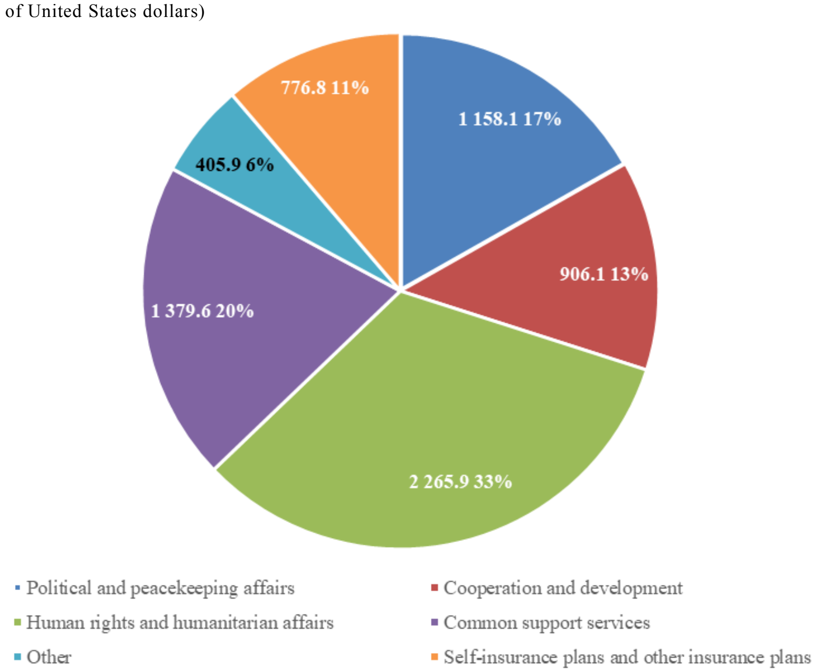
27. Figure IV.XII highlights expenses by nature. The largest classes were employee salaries, allowances and benefits in the amount of $2,543.2 million, or 40 per cent, and grants and transfers to end beneficiaries and implementing partners of $1,819.2 million, or 29 per cent. Other operating expenses of $732.1 million was also a significant class (12 per cent) and was composed largely of contracted services, acquisition of expensed goods and rental of office space.

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



28. Figure IV.XIII highlights expenses by work pillar. Human rights and humanitarian affairs, common support services and cooperation and development were the major pillars of expense.

Figure IV.XIII
Expenses by work pillar
(Millions of United States dollars)



E. Net assets

29. Net assets of $3,213.9 million as at 31 December 2018 consisted of accumulated surplus of $3,169.2 million and reserves of $44.6 million. The increase in net assets in 2018 was $1,070.7 million and was attributable primarily to actuarial gains on employee benefits liabilities ($530.5 million) and to the surplus for the year ($523.1 million).

F. Budgetary performance of the regular budget

30. The regular budget continues to be prepared on a modified cash basis. The original budget was $5,396.9 million for the biennium 2018–2019. The final budget, which represents the original budget with revisions thereafter, was $5,811.8 million for the biennium 2018–2019 and $2,875.7 million for the year 2018.

31. The budget utilized during 2018 was $2,815.3 million, which was 97.9 per cent of the final 2018 annual budget.

Figure IV.XIV
Budget under-utilization by budget part
(Millions of United States dollars)

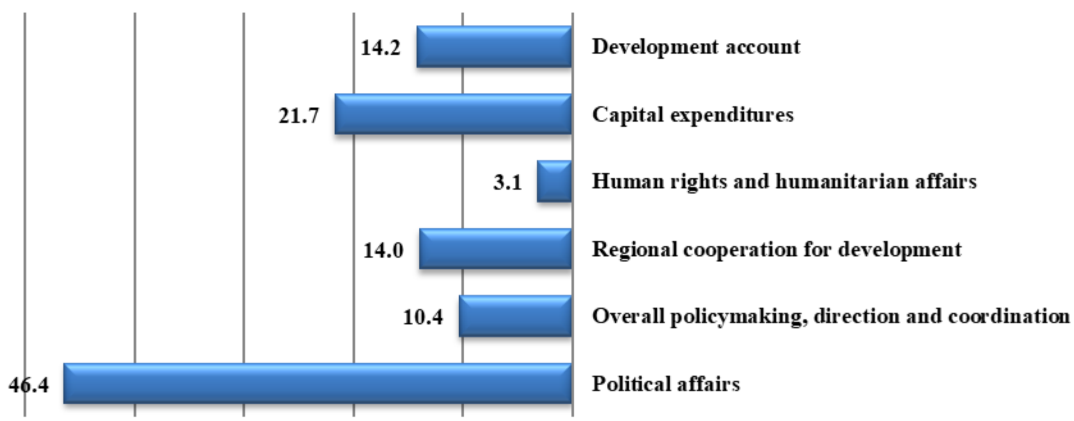
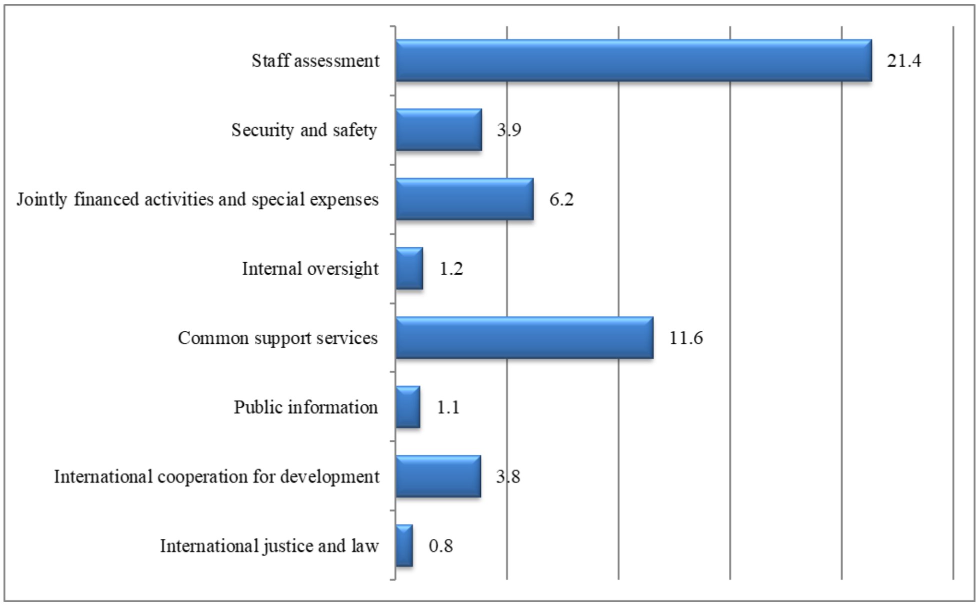


Figure IV.XV
Budget over-utilization by budget part
(Millions of United States dollars)



32. Underspending or overspending greater than 5 per cent is considered material. Three budget parts fell short by more than 5 per cent and three parts exceeded 5 per cent.

33. Political affairs underspent the budget by 6.0 per cent, primarily owing to curtailment or deferral related to liquidity constraints. For the United Nations Development Account, the underspending by 50.0 per cent for 2018 reflects the phased transfer of funds from the regular budget over two years (half in 2018 and half in 2019, instead of entirely in 2018). Capital expenditures did not spend 37.7 per cent of the budget owing to slow progress in construction as well as liquidity constraints.

34. Staff assessment and internal oversight spent 9.0 per cent and 6.2 per cent more than the budget, respectively, owing to lower vacancy rates. Jointly financed administrative activities overspent by 8.0 per cent owing to increases in after-service health insurance costs. Although those budget parts were also affected by liquidity constraints, costs related to employee salaries and benefits could not be deferred.

Chapter V

Financial statements for the year ended 31 December 2018

Operations of the United Nations as reported in Volume I

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Assets			
Current assets			
Cash and cash equivalents	Note 7	366 242	272 239
Investments	Note 8	2 913 517	2 140 326
Assessed contributions receivable	Note 9	378 402	314 993
Voluntary contributions receivable	Note 10	661 626	606 697
Other receivables	Note 11	123 088	156 941
Inventories	Note 12	28 933	34 481
Other assets	Note 13	422 486	341 299
Total current assets		**4 894 294**	**3 866 976**
Non-current assets			
Investments	Note 8	273 874	722 162
Voluntary contributions receivable	Note 10	880 008	561 900
Property, plant and equipment	Note 15	2 982 666	3 048 699
Intangible assets	Note 16	130 523	113 158
Share of joint arrangements accounted for using the equity method	Note 24	20 743	7 716
Total non-current assets		**4 287 814**	**4 453 635**
Total assets		**9 182 108**	**8 320 611**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 17	386 637	373 308
Advance receipts	Note 18	124 377	72 580
Employee benefits liabilities	Note 19	225 839	229 883
Provisions	Note 20	157 661	114 003
Tax equalization liability	Note 21	150 873	88 653
Other liabilities	Note 22	110 856	117 490
Total current liabilities		**1 156 243**	**995 917**

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2018 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Non-current liabilities			
Employee benefits liabilities	Note 19	4 594 909	4 940 304
Provisions	Note 20	261	392
Share of joint arrangements accounted for using the equity method	Note 24	77 238	83 051
Other liabilities	Note 22	139 562	157 709
Total non-current liabilities		**4 811 970**	**5 181 456**
Total liabilities		**5 968 213**	**6 177 373**
Net of total assets and total liabilities		**3 213 895**	**2 143 238**
Net assets			
Accumulated surplus	Note 25	3 169 225	2 082 989
Reserves	Note 25	44 670	60 249
Total net assets		**3 213 895**	**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

II. Statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	Reference	*2018*	*2017*
Revenue			
Assessed contributions	Note 26	2 788 097	2 822 835
Voluntary contributions	Note 26	3 326 306	2 590 289
Contributions for self-insurance funds	Note 28	369 536	337 221
Other revenue	Note 27	200 155	240 998
Other transfers and allocations	Note 26	36 638	45 097
Investment revenue	Note 30	69 694	44 794
Total revenue		**6 790 426**	**6 081 234**
Expenses			
Employee salaries, allowances and benefits	Note 29	2 543 154	2 437 107
Non-employee compensation and allowances		151 116	178 816
Grants and other transfers	Note 29	1 819 227	1 528 328
Supplies and consumables		51 367	48 741
Depreciation and amortization	Notes 15,16	192 932	190 904
Impairment	Notes 15,16	355	310
Travel		161 740	148 631
Other operating expenses	Note 29	732 068	667 553
Self-insurance claims and expenses	Note 28	544 773	525 880
Finance costs	Note 33	–	55
Contributions to and share of deficit of joint arrangements accounted for on the equity method	Note 24	69 343	60 435
Other expenses	Note 29	1 241	2 112
Total expenses		**6 267 316**	**5 788 872**
Surplus for the year		**523 110**	**292 362**

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 2018

(Thousands of United States dollars)

	Reference	*Accumulated surplus*	*Reserves*	*Total net assets*
Net assets as at 1 January 2017		**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 (from)/to 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**
Changes in net assets				
Actuarial gains on employee benefits liabilities	Note 25	530 520	–	530 520
Share of changes recognized by joint arrangements directly in net assets	Note 24	11 148	–	11 148
Transfers (from)/to reserves		15 579	(15 579)	–
Consolidation of the African Institute for Economic Development and Planning	Note 4	5 879	–	5 879
Surplus for the year		523 110	–	523 110
Total changes in net assets		**1 086 236**	**(15 579)**	**1 070 657**
Net assets as at 31 December 2018	**Note 25**	**3 169 225**	**44 670**	**3 213 895**

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 2018

(Thousands of United States dollars)

	Reference	*2018*	*2017*
Cash flows from operating activities			
Surplus for the year		**523 110**	**292 362**
Non-cash movements			
Depreciation and amortization	Notes 15,16	192 932	190 904
Impairment of property, plant and equipment	Notes 15,16	355	310
Actuarial gain/(loss) on employee benefits liabilities		530 520	(535 477)
Consolidation of the African Institute for Economic Development and Planning		5 879	–
Share of changes in net assets recognized by joint arrangements	Note 24	11 148	5 921
Net loss on disposal of property, plant and equipment and inventory		4 016	2 393
Transfers, donations of assets and other additions	Note 15,16	(12 273)	(1 965)
Changes in assets			
(Increase)/decrease in assessed contributions receivable	Note 9	(63 409)	(38 848)
(Increase)/decrease in voluntary contributions receivable	Note 10	(373 037)	(338 898)
(Increase)/decrease in other receivables	Note 11	33 853	(12 164)
(Increase)/decrease in inventories	Note 12	5 548	(14 795)
(Increase)/decrease in other assets	Note 13	(81 187)	(60 931)
(Increase)/decrease in share of joint arrangements assets accounted for using the equity method	Note 24	(13 027)	(4 537)
Changes in liabilities			
Increase/(decrease) in share of joint arrangements liabilities accounted for using the equity method	Note 24	(5 813)	(19 000)
Increase/(decrease) in accounts payable and accrued liabilities	Note 17	13 329	790
Increase/(decrease) in advance receipts	Note 18	51 797	30 919
Increase/(decrease) in employee benefits liabilities	Note 19	(349 439)	720 023
Increase/(decrease) in provisions	Note 20	43 527	(92 216)
Increase/(decrease) in Tax Equalization Fund liability	Note 21	62 220	13 858
Increase/(decrease) in other liabilities	Note 22	(44 954)	111 624
Investment revenue presented as investing activities	Note 30	(69 694)	(44 794)
Net cash flows from operating activities		**465 401**	**205 479**

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2018 (continued)

(Thousands of United States dollars)

	Reference	*2018*	*2017*
Cash flows from investing activities			
Pro rata share of net decrease/(increase) in cash pool	Note 30	(324 903)	(692 482)
Investment revenue presented as investing activities	Note 30	69 694	44 794
Acquisitions of property, plant and equipment	Notes 15, 26	(110 610)	(96 773)
Proceeds from disposal of plant and equipment		485	647
Acquisitions of intangibles	Notes 16, 26	(26 237)	(23 682)
Net cash flows from/(used in) investing activities		**(391 571)**	**(767 496)**
Cash flows from financing activities			
Proceeds from borrowings	Note 22	20 173	13 913
Net cash flows from/(used in) financing activities		**20 173**	**13 913**
Net increase/(decrease) in cash and cash equivalents		94 003	(548 104)
Cash and cash equivalents – beginning of year		272 239	820 343
Cash and cash equivalents – end of year	**Note 7**	**366 242**	**272 239**

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 2018

(Thousands of United States dollars)

	Publicly available budget[a]						
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*	*Actual annual revenue and expenditure (budget basis)*	*Difference-original and final annual budget (percentage)*	*Difference-final annual budget and actual revenue/ expenditure (percentage)*
Revenue							
Assessed contributions (net of staff assessment)	4 844 595	5 249 311	2 422 298	2 612 377	2 430 804	7.8	-7.0
Staff assessment	498 970	522 102	249 485	239 639	257 421	-3.9	7.4
General income	49 172	43 674	24 586	21,837	29 217	-11.2	33.8
Services to the public	4 170	(3 289)	2 085	(1 645)	1 047	-178.9	163.6
Total revenue	**5 396 907**	**5 811 798**	**2 698 454**	**2 872 208**	**2 718 489**	**6.4**	**-5.4**
Expenditure							
Regular budget							
Overall policymaking, direction and coordination	745 489	778 776	372 281	379 286	368 914	1.9	-2.7
Political affairs	1 368 737	1 558 203	683 821	775 779	729 345	13.4	-6.0
International justice and law	98 104	122 617	49 165	60 896	61 678	23.9	1.3
International cooperation for development	471 029	482 842	234 276	239 556	243 377	2.3	1.6
Regional cooperation for development	570 558	589 244	284 205	292 113	278 147	2.8	-4.8
Human rights and humanitarian affairs	378 804	404 664	198 288	206 602	203 453	4.2	-1.5
Public information	177 360	182 177	88 056	90 284	91 401	2.5	1.2
Common support services	564 729	588 937	279 450	284 482	296 035	1.8	4.1
Internal oversight	39 972	40 749	19 810	20 180	21 429	1.9	6.2
Jointly financed administrative activities and special expenses	144 241	144 261	78 095	78 105	84 315	0.0	8.0
Capital expenditures	80 616	130 057	57 489	57 489	35 806	0.0	-37.7
Security and safety	233 966	242 913	117 127	121 488	125 352	3.7	3.2
Development Account	28 399	28 399	28 399	28 399	14 199	0.0	-50.0
Staff assessment	494 903	517 959	233 854	237 549	258 900	1.6	9.0
Subtotal, regular budget	**5 396 907**	**5 811 798**	**2 724 316**	**2 872 208**	**2 812 351**	**5.4**	**-2.1**
Other publicly available budgets							
Capital master plan	Not applicable		3 500	3 500	2 919	–	-16.6
Total expenditure	**5 396 907**	**5 811 798**	**2 727 816**	**2 875 708**	**2 815 270**	**5.4**	**-2.1**
Net total	**–**	**–**	**(29 362)**	**(3 500)**	**(96 781)**	**–**	**–**

[a] See note 6, paragraph 105.

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 2018 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 administrative 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) **Trust funds**. 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 2018 to the Board of Auditors by 31 March 2019. 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 2019.

Measurement basis

12. These financial statements are prepared using the historical-cost convention, except for some real estate assets under construction (other than prefabricated buildings) in special political missions that are recorded at 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.

Future accounting pronouncements

19. 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 (i) to issue amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) to 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) to 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

20. The IPSAS Board issued the following standards: IPSAS 39 in 2016 effective 1 January 2018; IPSAS 40 in 2017 effective 1 January 2019; and IPSAS 41 issued August 2018 effective 1 January 2022. 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 39	There is 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.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29, Financial Instruments: Recognition and Measurement, and improves that Standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.

Note 3
Significant accounting policies

Financial assets classification

21. 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

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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

28. 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.

29. 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

30. 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

31. 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

32. 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

33. 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

34. 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

35. 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.

36. 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.

37. 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.

38. 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

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

Property, plant and equipment

40. 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.

41. 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

42. 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. The useful lives applied for the Vienna International Centre buildings are based on the valuation report, which was agreed upon by the Vienna-based organizations with some components' lives extending up to 100 years.

43. 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.

44. 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.

45. 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.

46. 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

47. 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.

48. 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

49. 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

50. 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

51. 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

52. 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"

53. 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.

54. 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"

55. 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

56. 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.

57. 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.

58. 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.

59. 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

60. 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

61. 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

62. 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

63. 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 39: Employee benefits.

64. 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.

65. **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 5 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.

66. **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.

67. **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 39: 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

68. The Organization is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the 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.

69. 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 39: 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

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

Other long-term employee benefits

71. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in

which employees provide the related service. Accumulated annual leave is an example of long-term employee benefits.

72. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. These liabilities are valued by actuaries.

Provisions

73. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

74. Uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

75. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

76. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

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

Contingent assets

78. 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

79. 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

80. 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

81. 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.

82. 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.

83. 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.

84. 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

85. 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.

86. 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

87. 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

88. 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.

89. 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.

90. 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.

91. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

92. 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.

93. 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

94. 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 of the following:

(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;

(b) A 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

95. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities.

96. They are assessed to determine the existence of control and whether the Organization is considered to be the principal of the programme or activity. Where control exists and the Organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the Organization’s operations and are therefore reported in full in the financial statements.

97. Where joint control exists but the Organization is not considered to be the principal, the activities are considered joint operations and accounted for as described above.

Note 4
Adjustment to net assets

98. The Organization has consolidated the financial statements of the African Institute for Economic Development and Planning into volume I financial statements, with effect from 1 January 2018. This has resulted into an adjustment in the opening balance of net assets of $5.8 million, being the accumulated surplus of the Institute as at 1 January 2018.

99. The Institute is a subsidiary body of the Economic Commission for Africa and provides training for mid-to-senior level government officials in African countries who are responsible for economic policy design and development planning. The Institute is financed by grants from the Organization, of $1.4 million in 2018, and African countries. It is also financed by contributions from United Nations agencies, Governments and non-governmental organizations. The total assets and liabilities of the Institute at 31 December 2018 were $4.5 million and $0.5 million, respectively, and the total revenue and expense of 2018 were $2.9 million and $4.8 million, respectively. They were consolidated into the trust funds segment and the cooperation and development pillar (see note 5, segment reporting).

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. Inter-segment transactions are priced at cost-recovery under normal operating policies and are eliminated for the purposes of consolidated financial statements.

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 the segments below.

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 the pillars below.

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	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, as well as finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Other	Consists of other activities not specifically mapped to other pillar segments, such as library endowment, international partnership, special projects, etc.
Self-insurance plans and other insurance plans	Accounts for activities concerning the various health, dental and life insurance plans, as well as 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.

All funds

Statement of financial position by fund group as at 31 December 2018

(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	4 902	206 114	8 522	34 284	12 600	80 825	18 995	–	366 242
Investments	26 884	1751 480	73 082	293 954	108 049	497 177	162 891	–	2 913 517
Assessed contributions receivable	378 392	–	10	–	–	–	–	–	378 402
Voluntary contributions receivable	206	658 670	–	26	–	–	2 724	–	661 626
Other receivables	13 121	15 843	–	73 592	–	26 068	28 803	(34 339)[a]	123 088
Inventories	28 780	–	–	153	–	–	–	–	28 933
Other assets	42 849	352 577	389	3 876	7	22 188	600	–	422 486
Total current assets	**495 134**	**2 984 684**	**82 003**	**405 885**	**120 656**	**626 258**	**214 013**	**(34 339)**	**4 894 294**
Non-current assets									
Investments	2 082	135 662	5 661	22 768	8 369	86 715	12 617	–	273 874
Voluntary contributions receivable	–	880 008	–	–	–	–	–	–	880 008
Property, plant and equipment	279 347	41 457	2654 179	7 683	–	–	–	–	2 982 666
Intangible assets	8 501	13 955	104 125	3 655	–	287	–	–	130 523
Share of joint ventures accounted for using the equity method	19 268	–	1 475	–	–	–	–	–	20 743
Total non-current assets	**309 198**	**1 071 082**	**2 765 440**	**34 106**	**8 369**	**87 002**	**12 617**	**–**	**4 287 814**
Total assets	**804 332**	**4 055 766**	**2 847 443**	**439 991**	**129 025**	**713 260**	**226 630**	**(34 339)**	**9 182 108**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	263 495	67 170	23 103	26 366	–	4 085	2 418	–	386 637
Advance receipts	71 164	46 728	38	1 819	–	1 026	3 602	–	124 377
Employee benefits liabilities	43 572	11 748	489	4 347	144 297	21 234	152	–	225 839
Provisions	55 357	197	–	–	–	102 107	–	–	157 661

	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	–	–	–	–	–	–	150 873	–	150 873
Other liabilities	13 536	94 984	3 657	180	–	–	6 499	(8 000)[a]	110 856
Total current liabilities	**447 124**	**220 827**	**27 287**	**32 712**	**144 297**	**128 452**	**163 544**	**(8 000)**	**1 156 243**
Non-current liabilities									
Employee benefits liabilities	18 576	–	–	–	4564 604	11 729	–	–	4 594 909
Provisions	261	–	–	–	–	–	–	–	261
Share of joint ventures accounted for using the equity method	77 238	–	–	–	–	–	–	–	77 238
Other liabilities	26 546	42 809	96 514	32	–	–	–	(26 339)[a]	139 562
Total non-current liabilities	**122 621**	**42 809**	**96 514**	**32**	**4 564 604**	**11 729**	**–**	**(26 339)**	**4 811 970**
Total liabilities	**569 745**	**263 636**	**123 801**	**32 744**	**4 708 901**	**140 181**	**163 544**	**(34 339)**	**5 968 213**
Net of total assets and total liabilities	**234 587**	**3 792 130**	**2 723 642**	**407 247**	**(4 579 876)**	**573 079**	**63 086**	**–**	**3 213 895**
Net assets									
Accumulated surplus/(deficit)	234 587	3 792 130	2 723 642	407 247	(4 579 876)	528 409	63 086	–	3 169 225
Reserves	–	–	–	–	–	44 670	–	–	44 670
Total net assets	**234 587**	**3 792 130**	**2 723 642**	**407 247**	**(4 579 876)**	**573 079**	**63 086**	**–**	**3 213 895**

[a] Cross-borrowings of $26.3 million between regular budget and other funds group and $8.0 million between regular budget and common support services.

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**

Statement of financial performance by fund group for the period ended 31 December 2018

(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	2 788 097	–	–	–	–	–	–	–	2 788 097
Voluntary contributions	46 217	3 249 894	21 143	4 733	–	–	4 319	–	3 326 306
Contributions for self-insurance funds	–	–	–	–	–	584 847	–	(215 311)[a]	369 536
Other revenue	42 516	1 496	12 205	340 426	23 853	7 124	3 309	(230 774)[b]	200 155
Other transfers and allocations	4 144	147 539	47 553	2 206	–	–	14 199	(179 003)[c]	36 638
Investment revenue	7 193	41 780	2 053	4 757	2 346	9 822	1 743	–	69 694
Total revenue	**2 888 167**	**3 440 709**	**82 954**	**352 122**	**26 199**	**601 793**	**23 570**	**(625 088)**	**6 790 426**
Expenses									
Employee salaries, allowances and benefits	1 992 000	427 165	5 028	142 580	191 482	19 673	1 442	(236 216)	2 543 154
Non-employee compensation/allowances	84 992	56 877	75	4 337	–	–	5 168	(333)	151 116
Grants and other transfers	225 789	1 752 176	–	18 784	–	–	3 030	(180 552)	1 819 227
Supplies and consumables	32 698	14 207	55	4 586	–	16	2	(197)	51 367
Depreciation and amortization	39 846	5 799	144 778	2 452	–	37	20	–	192 932
Impairment	–	–	349	–	–	–	6	–	355
Travel	71 614	82 340	115	4 070	–	7	5 767	(2 173)	161 740
Other operating expenses	470 062	272 234	33 025	131 898	(14)	22 218	8 262	(205 617)	732 068
Self-insurance claims and expenses	1 429	–	–	3	–	543 341	–	–	544 773
Contributions to and share of deficit of joint ventures on an equity basis	69 454	–	(111)	–	–	–	–	–	69 343
Other expenses	841	224	–	165	–	–	11	–	1 241
Total expenses	**2 988 725**	**2 611 022**	**183 314**	**308 875**	**191 468**	**585 292**	**23 708**	**(625 088)**	**6 267 316**
Surplus/(deficit) for the year	**(100 558)**	**829 687**	**(100 360)**	**43 247**	**(165 269)**	**16 501**	**(138)**	**–**	**523 110**

(Footnotes on following page)

(Footnotes to Statement of financial performance by fund group for the period ended 31 December 2018 table)

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[a] Contributions for health insurance of $215.3 million from the insurance/workers' compensation segment against employee salaries of $215.0 million and non-employee compensation of $0.3 million.

[b] Internal cost recovery of $192.2 million ($190.6 million from the common support services segment and $1.6 million from the regular budget and related funds segment); internal transfer of property, plant and equipment of $16.4 million ($12.2 million from the capital assets and construction-in-progress segment, $3.3 million from the regular budget and related funds segment and $0.9 million from the trust funds segment); funding of long-term employee benefits (after-service health insurance and repatriation grant) of $20.3 million from the long-term employee benefits segment; and travel fee allocation of $1.9 million from the other segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses and other expenses.

[c] Internal cross-funding of $70.1 million ($4.0 million from the regular budget and related funds segment, $17.4 million from the trust funds segment, $0.6 million from the common support services segment, $33.9 million from the capital assets and construction-in-progress segment and $14.2 million from the other segment) and internal cost recovery of $108.9 million from the trust fund segment.

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)[a]	337 221
Other revenue	39 931	1 317	6 612	321 171	23 388	5 910	3 770	(161 101)[b]	240 998
Other transfers and allocations	63	115 200	59 606	7 413	–	–	–	(137 185)[c]	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**

(Footnotes on following page)

(Footnotes to Statement of financial performance by fund group for the period ended 31 December 2017 table)

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[a] Contributions for health insurance of $261.7 million from the insurance/workers' compensation segment against employee salaries of $261.2 million and non-employee compensation of $0.5 million.

[b] Internal cost recovery of $181.2 million ($181.1 million from the common support services segment and $0.1 million from the regular budget and related segment); funding of long-term employee benefits (after-service health insurance and repatriation grant) of $19.3 million from the long-term employee benefits segment; internal transfer of property, plant and equipment of $10.1 million ($0.7 million from the regular budget and related funds segment, $0.5 million from the trust funds segment, $2.3 million from the common support services segment and $6.6 million from the capital assets and construction-in-progress segment) and travel fee allocation of $1.9 million from the other segment, offset by foreign exchange gain of $51.2 million. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses, and other expenses.

[c] Internal cross-funding of $48.9 million ($10.0 million from the trust funds segment, $6.1 million from the common support services segment and $32.8 million from the capital assets and construction-in-progress segment) and internal cost recovery of $88.3 million from the trust fund segment.

Statement of financial performance by pillar for the period ended 31 December 2018

(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	764 282	62 489	618 985	198 932	92 434	–	124 529	30 275	896 171	–	–	–	2 788 097
Voluntary contributions	334 617	5 528	199 056	2 536 862	12 941	(214)	–	94 445	109 455	33 616	–	–	3 326 306
Contributions for self-insurance funds	–	–	–	–	–	–	–	–	–	–	584 847	(215 311)[a]	369 536
Other revenue	3 734	7	2 308	1 303	59	–	45	–	392 425	71	30 977	(230 774)[b]	200 155
Other transfers and allocations	2 852	162	38 231	117 952	214	(578)	–	307	53 821	2 680	–	(179 003)[c]	36 638
Investment revenue	8 853	201	13 932	23 779	239	25	–	1 781	7 627	1 089	12 168	–	69 694
Total revenue	**1 114 338**	**68 387**	**872 512**	**2 878 828**	**105 887**	**(767)**	**124 574**	**126 808**	**1 459 499**	**37 456**	**627 992**	**(625 088)**	**6 790 426**
Expenses													
Employee salaries, allowances and benefits	552 805	43 706	606 986	418 415	93 426	291	102 078	7 003	734 430	9 075	211 155	(236 216)	2 543 154
Non-employee compensation/ allowances	61 684	7 489	46 385	20 217	810	4	171	1 752	11 805	1 132	–	(333)	151 116
Grants and other transfers	180 280	10 943	99 570	1597 774	1	–	3 615	36 711	56 331	14 554	–	(180 552)	1 819 227
Supplies and consumables	34 641	195	2 842	3 869	340	–	945	19	8 636	61	16	(197)	51 367
Depreciation and amortization	27 139	80	2 152	4 798	165	–	262	427	157 792	80	37	–	192 932
Impairment	–	–	6	–	–	–	–	–	349	–	–	–	355
Travel	37 855	4 180	52 566	46 596	959	3	2 120	2 460	14 683	2 484	7	(2 173)	161 740

	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*
Other operating expenses	263 489	6 738	79 518	174 092	11 384	151	3 303	4 109	366 465	6 230	22 206	(205 617)	732 068
Self-insurance claims and expenses	–	–	1 425	–	–	–	–	–	–	–	543 348	–	544 773
Contributions to and share of deficit of joint ventures on an equity basis	67	–	14 226	–	–	–	26 325	–	28 725	–	–	–	69 343
Other expenses	185	30	426	174	31	–	3	10	358	24	–	–	1 241
Total expenses	**1 158 145**	**73 361**	**906 102**	**2 265 935**	**107 116**	**449**	**138 822**	**52 491**	**1 379 574**	**33 640**	**776 769**	**(625 088)**	**6 267 316**
Surplus/(deficit) for the year	**(43 807)**	**(4 974)**	**(33 590)**	**612 893**	**(1 229)**	**(1 216)**	**(14 248)**	**74 317**	**79 925**	**3 816**	**(148 777)**	**–**	**523 110**

[a] Contributions for health insurance of $215.3 million from the self-insurance plans and other insurance plans segment against employee salaries of $215.0 million and non-employee compensation of $0.3 million.

[b] Internal cost recovery of $192.2 million from the common support services segment; internal transfer of property, plant and equipment of $16.3 million ($15.3 million from the common support services segment, $0.9 million from the human rights and humanitarian affairs segment and $0.1 million from the cooperation and development segment); funding of long-term employee benefits (after-service health insurance and repatriation grant) of $20.3 million from the self-insurance plans and other insurance plans segment; and travel fee allocation of $1.9 million from the common support services segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses, and other expenses.

[c] Internal cross-funding of $70.1 million ($0.6 million from the political and peacekeeping affairs segment, $27.8 million from the cooperation and development segment, $1.6 million from the human rights and humanitarian affairs segment, $0.2 million from the public information and communications segment, $38.5 million from the common support services segment and $1.4 million from the other segment) and internal cost recovery of $108.9 million ($102.7 million from the human rights and humanitarian affairs segment and $6.2 million from the political and peacekeeping affairs segment).

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)[a]	337 221
Other revenue	2 111	–	2 441	1 296	95	–	17	–	366 841	–	29 298	(161 101)[b]	240 998
Other transfers and allocations	10 192	138	13 767	91 072	20	–	–	–	67 019	74	–	(137 185)[c]	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

	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*
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**

[a] Contributions for health insurance of $261.7 million from the self-insurance plans and other insurance plans segment against employee salaries of $261.2 million and non-employee compensation of $0.5 million.

[b] Internal cost recovery of $181.2 million from the common support services segment; funding of long-term employee benefits (after-service health insurance and repatriation grant) of $19.3 million from the self-insurance plans and other insurance plans segment; internal transfer of property, plant and equipment of $10.1 million ($9.5 million from the common support services segment and $0.6 million from the human rights and humanitarian affairs segment); and travel fee allocation of $1.7 million from the other segment, offset by foreign exchange gain of $51.2 million. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses, and other expenses.

[c] Internal cross-funding of $48.9 million ($38.9 million from the common support services segment, $8.1 million from the cooperation and development segment, $1.0 million from the human rights and humanitarian affairs segment and $0.9 million from the political and peacekeeping affairs segment) and internal cost recovery of $88.3 million ($83.0 million from the human rights and humanitarian affairs segment and $5.3 million from the political and peacekeeping affairs segment).

Note 6
Comparison to budget

103. 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.

104. 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.

105. The original budget for the biennium 2018–2019 is the budget approved by the General Assembly for the biennium on 24 December 2017 in resolutions 72/263 A to C. The revised budget represents revised amounts authorized for the biennium 2018–2019, after incorporating all changes arising from Assembly resolutions 72/262 C, 72/266 B, and 73/280 A–C. The original 2018 annual budget is the portion of the initial appropriations and income estimates allocated to 2018, as indicated by the programme managers who have the authority and responsibility to do so in the budget process. The final 2018 annual budget reflects the original budget plus any adjustments reflected in the revised appropriations and income estimates approved by the Assembly for the biennium 2018–2019. Actual revenue and expenditure amounts are all commitments and actuals incurred in the period on the budget basis.

106. 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 5 per cent, are considered below.

Budget part	*Material differences greater than 5 per cent*
Revenue:	
Assessed contributions	**Final budget 7.8 per cent more than original budget**
	Revenue 7.0 per cent less than final budget
	The difference is attributable primarily to the upward revision of the 2018 requirements in December 2018 which was not part of the initial assessment in January 2018 per General Assembly resolutions 72/263 A-C
Staff assessment	**Revenue 7.4 per cent more than final budget**
	The difference is attributable primarily to the vacancy rate being lower than the budgeted vacancy rate, and to a lower portion of the biennial staff assessment resources for general temporary staff being allocated to 2018 than to 2019.
General income	**Final budget 11.2 per cent less than original budget**
	The difference is primarily attributable to the lower estimate for refund by the United Nations Office for Project Services (UNOPS) for a portion of the cumulative indirect costs paid by the Secretariat for services provided by UNOPS.

Budget part	*Material differences greater than 5 per cent*
	Revenue 33.8 per cent more than final budget
	The difference is primarily attributable to higher than anticipated revenues from bank interest resulting from a higher average account balance and an increase in the interest rate in the United States of America from 1.24 per cent to 1.94 per cent in 2018.
Services to the public	**Final budget 178.9 per cent less than original budget**
	The difference is primarily attributable to lower estimated net revenue from: (a) sales of stamps; (b) sales of publications; and (c) bookings of guided tours at Headquarters.
	Revenue is 163.6 per cent more than final budget
	The difference is primarily attributable to lower actual expenditure for: (a) sale of publications; and (b) visitor services at Headquarters.
Expenditure:	
Political affairs	**Final budget 13.4 per cent more than original budget**
	The difference is primarily attributable to the approval of a six-month commitment authority for 2018 for the United Nations Assistance Mission in Afghanistan (UNAMA) and the United Nations Assistance Mission for Iraq (UNAMI) in December 2017 (General Assembly resolution 72/262 A), while the full year budget for 2018 for UNAMA and UNAMI were approved in July 2018 (Assembly resolution 72/262 C).
	Expenditure 6.0 per cent less than final budget
	The difference is primarily attributable to curtailment or deferral of expenditures for the year 2018 due to the prevailing cash flow constraints.
International justice and law	**Final budget 23.9 per cent more than original budget**
	The difference is primarily attributable to the General Assembly approval of appropriations for the subvention for the international component of the Extraordinary Chambers in the Courts of Cambodia and the Residual Special Court for Sierra Leone (General Assembly resolution 73/280 A–C).
Internal oversight	**Expenditure 6.2 per cent more than final budget**
	The difference is primarily attributable to lower-than-budgeted vacancy rates.

Budget part	*Material differences greater than 5 per cent*
Jointly financed administrative activities and special expenses	**Expenditure 8.0 per cent more than final budget** The difference is primarily attributable to higher than budgeted costs relating to after-service health insurance. It should be noted that the approved budget for special expenses was reduced by 15.6 per cent compared to the proposal made by the Secretary-General.
Capital expenditures	**Expenditure 37.7 per cent less than final budget** The difference is primarily attributable to lower than anticipated expenditures for the following projects: Africa Hall at the Economic Commission for Africa, seismic mitigation at the Economic and Social Commission for Asia and the Pacific, the strategic heritage plan at the United Nations Office at Geneva, and the replacement of blocks A to J at the United Nations Office at Nairobi, as elaborated in the reports submitted to the General Assembly (A/73/355, A/73/327, A/73/395 and A/73/344); and the need to curtail or defer the expenditures due to the prevailing cash flow constraints.
Development Account	**Expenditure 50.0 per cent less than final budget** The difference for 2018 reflects the phased transfer of funds from the regular budget over 2 years (half in 2018 and half in 2019, instead of entirely in 2018).
Staff assessment	**Expenditure 9.0 per cent more than final budget** The difference is primarily attributable to lower-than-budgeted vacancy rates experienced than budgeted and the lower distribution of staff assessment resources for general temporary staff between 2018 and 2019.
Capital master plan	**Expenditure 16.6 per cent less than final budget** The difference is primarily attributable to less project management consultancy and fewer legal services.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

107. 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, 2018

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(2 815 270)**	**–**	**–**	**(2 815 270)**
Basis differences	(217 216)	(136 362)	–	(353 578)
Entity differences	(3 292 539)	–	20 173	(3 272 366)
Presentation differences	6 790 426	(255 209)	–	6 535 217
Actual amounts in statement of cash flows (statement IV)	**465 401**	**(391 571)**	**20 173**	**94 003**

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)**

108. 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.

109. 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.

110. 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.

111. 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 2018 proportion of the biennium.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Main pool (notes 30 and 31)	339 296	248 774
Euro pool (notes 30 and 31)	5 706	8 474
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	7 254	10 225
Other cash and cash equivalents	13 986	4 766
Total	**366 242**	**272 239**

112. Cash and cash equivalents include trust fund moneys totalling $206.1 million (2017: $136.5 million) held for the specific purposes of the respective trust funds. Similarly, an amount of $80.8 million in insurance funds (2017: $66.3 million); and $12.6 million in long-term employee benefits funds (2017: $8.2 million) are restricted to the specific purposes.

Note 8
Investments

(Thousands of United States dollars)

	Trust fund investments	*Insurance/ workers' compensation funds*	*Long-term employee benefits*	*Other investments*	*Total 31 December 2018*
Current					
Main pool (notes 30 and 31)	1 751 480	493 230	108 049	556 811	2 909 570
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	3 947	–	–	3 947
Derivative instruments: currency forwards	–	–	–	–	–
Subtotal	**1 751 480**	**497 177**	**108 049**	**556 811**	**2 913 517**
Non-current					
Main pool (notes 30 and 31)	135 662	38 203	8 369	43 128	225 362
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	48 512	–	–	48 512
Subtotal	**135 662**	**86 715**	**8 369**	**43 128**	**273 874**
Total	**1 887 142**	**583 892**	**116 418**	**599 939**	**3 187 391**

(Thousands of United States dollars)

	Trust fund investments	*Insurance/ workers' compensation funds*	*Long-term employee benefits*	*Other investments*	*Total 31 December 2017*
Current					
Main pool (notes 30 and 31)	1 213 330	401 937	73 005	439 999	2 128 271
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**	**73 005**	**443 250**	**2 140 326**
Non-current					
Main pool (notes 30 and 31)	380 845	126 161	22 915	138 109	668 030
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	54 132	–	–	54 132
Subtotal	**380 845**	**180 293**	**22 915**	**138 109**	**722 162**
Total	**1 594 175**	**591 034**	**95 920**	**581 359**	**2 862 488**

113. 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 $5.0 million (2017: $4.4 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 2018	*31 December 2017*
Member States	693 496	570 362
Non-member States	224	239
Allowance for doubtful assessed contributions receivable	(315 318)	(255 608)
Total assessed contributions receivable	**378 402**	**314 993**

Note 10
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
Voluntary contributions	680 803	880 008	1 560 811
Allowance for doubtful voluntary contributions receivable	(19 177)	–	(19 177)
Total voluntary contributions receivable	**661 626**	**880 008**	**1 541 634**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2017*
Voluntary contributions	608 094	561 900	1 169 994
Allowance for doubtful voluntary contributions receivable	(1 397)	–	(1 397)
Total voluntary contributions receivable	**606 697**	**561 900**	**1 168 597**

114. The non-current voluntary contributions receivable of $880.0 million (2017: $561.9 million) as at 31 December 2018 represents the discounted value of future year receivables. The current voluntary contributions receivable includes $65.2 million (2017: $62.2 million) of consolidated voluntary contributions receivable of the United Nations Development Programme multi-partner trust fund. The non-current voluntary contributions receivable also includes $11.9 million (2017: $42.9 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 2018	*31 December 2017*
Loans receivable – loans provided by the Central Emergency Response Fund	15 000	24 000
Receivables due from peacekeeping operations (note 32)	47 376	47 376
Receivables due from jointly financed administrative activities fund	30 000	50 074
Other accounts receivable	84 264	88 370
Subtotal	**176 640**	**209 820**
Allowance for doubtful receivables due from peacekeeping operations (note 32)	(47 376)	(47 376)
Allowance for doubtful other receivables	(6 176)	(5 503)
Total other receivables	**123 088**	**156 941**

Loans provided by the Central Emergency Response Fund

115. During 2018, Central Emergency Response Fund granted two loans of $8.0 million and $15.0 million to the United Nations Children's Fund (UNICEF) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), respectively. The loan to UNICEF was fully repaid in 2018 and the

$15.0 million loan to UNRWA was outstanding as at 31 December 2018 and repaid on 28 February 2019, before the due date.

Note 12
Inventories

(Thousands of United States dollars)

	Held for sale	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory as at 1 January 2017	2 018	85	294	17 289	19 686
Purchase	903	173	378	26 572	28 026
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**
Purchase	982	94	84	8 787	9 947
Consumption	(1 075)	(100)	(121)	(14 183)	(15 479)
Impairment and write-offs	(16)	–	–	–	(16)
Total inventory as at 31 December 2018	**1 944**	**64**	**635**	**26 290**	**28 933**

Note 13
Other assets

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Advances to United Nations Development Programme and other United Nations agencies[a]	50 984	20 533
Advances to vendors	2 771	1 399
Advances to staff	30 790	34 302
Advances to military and other personnel	3 028	5 080
Deferred charges	34 560	15 203
United Nations Development Programme multi-partner trust fund advances (note 23)	282 810	260 307
Other	17 543	4 475
Total other assets	**422 486**	**341 299**

[a] Includes amount advanced to the United Nations Development Programme for the resident coordinator system (2017: nil).

Note 14
Heritage assets

116. 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 2018.

117. 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

118. 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 information and communications technology equipment were valued using historical cost. Subsequently, all valuations of property, plant and equipment were measured using historical cost, with the exception of real estate assets (other than prefabricated buildings) in the special political missions where the valuation continued to be on the basis of the depreciated replacement cost until 31 December 2017. Commencing 1 January 2018, all valuations of property, plant and equipment were measured using actual historical cost, with the exception of real estate asset projects, which were ongoing as of 31 December 2017 in the special political missions where the valuation continues to be on the basis of the depreciated replacement cost until their completion. 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.

119. The net book value of property, plant and equipment as at 31 December 2018 was $2,982.7 million (2017: $3,048.7 million). The total cost of acquisitions and transfers during 2018 was $111.3 million (2017:101.9 million).

120. During the year, the Organization disposed of assets in the amount of $4.5 million at net book value (2017: $3.0 million). Equipment was written down by $1.1 million (2017: $0.4 million), mainly owing to damages from accidents and hostile actions ($0.6 million) and losses due to obsolescence and normal wear and tear ($0.4 million). Buildings and infrastructure were written down by $3.4 million (2017: Nil), mainly owing to the closure of sites by hostile actions and to downsizing in UNAMA ($3.3 million).

121. An impairment review was conducted and no significant impairment was identified.

Assets under construction

122. During the year, additions of $80.7 million (2017: $74.3 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 ($40.2 million), construction and configuration of flexible workspace at Headquarters in New York ($12.5 million), construction of buildings and infrastructure assets in the special political missions ($10.7 million), renovation of Africa Hall at the Economic Commission for Africa ($3.2 million) and leasehold improvements of the Economic and Social Commission for Western Asia building in Beirut ($4.8 million).

123. The strategic heritage plan of the United Nations Office at Geneva has a total projected cost of SwF 836.5 million (equivalent to $847.5 million). Construction work is expected to continue until 2023 and the project is co-financed by an interest-free refundable loan from the Government of Switzerland for the maximum amount of SwF 400 million. (See note 6, paragraph 167) The Africa Hall project was established with a maximum cost of $56.9 million. The project is expected to be completed in 2021.

124. Assets under construction amounting to $21.8 million (2017: $45.8 million) were completed and became operational, including the renovation of buildings and parking areas in Geneva ($6.2 million) and the construction of buildings and infrastructure in special political missions ($8.5 million).

125. Assets under construction at year end in the amount of $163.9 million (2017: $105.0 million) primarily comprise $123.9 million for the refurbishment and renovation of the Palais des Nations, the construction of buildings and infrastructure assets in special political missions of $10.3 million, the renovation of Africa Hall at the Economic Commission for Africa of $7.7 million, the construction of flexible workspace at Headquarters of $14.5 million and leasehold improvements of $3.3 million for the Economic and Social Commission for Western Asia building.

Finance lease assets

126. As at 31 December 2018, the cost of assets under finance leases amounted to $145.5 million ($66.5 million net book value), comprising donated right-to-use assets of $139.9 million at replacement cost ($66.5 million net book value) and commercial lease costing $5.6 million (nil net book value). The donated-right-to-use mainly represents the cost of the Vienna International Centre ($137.6 million at cost, $65.9 million at book value). The commercial lease represents network equipment.

127. The Vienna International Centre were established in 1979 for 99 years for four United Nations system entities (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). As at 1 January 2015, the cost and net book value of the Centre was valued at €489.2 million ($596.6 million) and €288.0 million ($351.2 million), respectively. The Organization's share was determined to be 22.76 per cent, that is, a cost of $135.8 million and net book value of $79.9 million.

128. In 2018, the share of leasehold improvements made to the Vienna International Centre buildings in the amount of $1.0 million was capitalized.

129. The land of the Centre is treated as an operating lease. The Organization's share of the fair rental value of the land is recognized as a contribution in kind.

Property, plant and equipment: 2018

(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 2017	**835 698**	**3 756 826**	**314 403**	**171 323**	**171 237**	**52 320**	**5 008**	**104 971**	**4 307**	**5 416 093**
Additions	–	4 714	–	11 543	8 901	5 240	87	80 727	–	111 212
Disposals	–	(4 314)	(2 290)	(9 184)	(9 778)	(2 178)	(703)	–	–	(28 447)
Completed assets under construction	–	9 439	7 145	–	150	–	–	(21 791)	5 057	–
Transfers	–	–	–	–	339	(264)	–	–	–	75
Cost as at 31 December 2018	**835 698**	**3 766 665**	**319 258**	**173 682**	**170 849**	**55 118**	**4 392**	**163 907**	**9 364**	**5 498 933**
Accumulated depreciation as at 31 December 2017	–	1 935 324	158 123	110 128	122 939	37 009	3 325	–	546	2 367 394
Depreciation	–	124 112	17 197	12 476	14 596	3 267	329	–	453	172 430
Disposals	–	(1 863)	(1 262)	(8 577)	(9 640)	(1 901)	(703)	–	–	(23 946)
Transfers	–	–	–	–	335	(296)	–	–	–	39
Impairment losses	–	143	207	–	–	–	–	–	–	350
Accumulated depreciation as at 31 December 2018	**–**	**2 057 716**	**174 265**	**114 027**	**128 230**	**38 079**	**2 951**	**–**	**999**	**2 516 267**
Net carrying amount										
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
31 December 2018	**835 698**	**1 708 949**	**144 993**	**59 655**	**42 619**	**17 039**	**1 441**	**163 907**	**8 365**	**2 982 666**

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**

Note 16
Intangible assets

130. All intangible assets acquired before 1 January 2014, with the exception of Umoja, which is the enterprise resource planning system of the Organization, are subject to IPSAS transitional provisions and were not recognized. All subsequent acquisitions have been recognized in accordance with the established recognition criteria.

131. The net book value of intangible assets as at 31 December 2018 was $130.5 million (2017: $113.2 million). The total costs of acquisitions and amortization during 2018 were $37.9 million and $20.5 million, respectively.

132. The total carrying value of the Umoja project as at year-end was $94.7 million (2017: $72.3 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.

133. During the year, additions of $26.2 million (2017: $10.5 million) were capitalized to assets under development, relating primarily to Umoja software ($24.6 million), and assets under development of $38.2 million were completed and became operational.

134. Assets under development at year-end amounting to $11.5 million (2017: $23.4 million) relate primarily to the development of Umoja software ($9.5 million).

Intangible assets: 2018

(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 2017	**171 129**	**18 228**	**4 447**	**154**	**23 037**	**401**	**217 396**
Additions	–	–	11 635	–	24 634	1 603	37 872
Completed assets under development	38 213	–	–	–	(38 213)[a]	–	–
Cost as at 31 December 2018	**209 342**	**18 228**	**16 082**	**154**	**9 458**	**2 004**	**255 268**
Accumulated amortization as at 31 December 2017	**98 784**	**4 380**	**1 001**	**73**	**–**	**–**	**104 238**
Amortization	15 891	3 574	1 011	26	–	–	20 502
Impairment	–	–	5	–	–	–	5
Accumulated amortization as at 31 December 2018	**114 675**	**7 954**	**2 017**	**99**	**–**	**–**	**124 745**
Net carrying amount							
31 December 2017	72 345	13 848	3 446	81	23 037	401	113 158
31 December 2018	**94 667**	**10 274**	**14 065**	**55**	**9 458**	**2 004**	**130 523**

[a] Includes $18.1 million of Umoja integration enhancements, which were completed in prior years.

Intangible assets: 2017

(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 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 $0.5 million and amortization of acquired software in the amount of $0.3 million.

Note 17
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Payable to vendors	45 278	72 179
Transfers payable	13 541	15 606
Payable to other United Nations entities	31 728	15 997
Accruals for goods and services	102 255	96 308
Accounts payable – other	42 023	21 313
Subtotal	**234 825**	**221 403**
Payable to Member States	1 812	1 905
Working Capital Fund payable to Member States[a]	150 000	150 000
Subtotal	**151 812**	**151 905**
Total accounts payable and accrued liabilities	**386 637**	**373 308**

[a] The Working Capital Fund represents advances from Member States to finance budgeted or extraordinary expenses and for other purposes as authorized by the General Assembly.

Note 18
Advance receipts

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Deferred revenue	122 497	68 427
Advance receipts from Member States	1 880	4 153
Total advance receipts	**124 377**	**72 580**

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
After-service health insurance	105 373	4 169 522	4 274 895
Annual leave	13 910	158 789	172 699
Repatriation benefits	21 590	236 280	257 870
Defined end-of-service/post-employment benefits liabilities	**140 873**	**4 564 591**	**4 705 464**
Appendix D/workers' compensation	1 826	30 283	32 109
Pension contributions liabilities	622	–	622
Insurance liabilities	20 520	–	20 520
Accrued salaries and allowances	61 998	35	62 033
Total employee benefits liabilities	**225 839**	**4 594 909**	**4 820 748**

(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**

135. 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. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation, which was conducted as at 31 December 2017, was rolled forward to 31 December 2018 in accordance with IPSAS 39: Employee benefits.

Defined end-of-service/post-employment benefits liabilities

Actuarial valuation: assumptions

136. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2018 and 31 December 2017 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2017	3.34	3.50	3.53
Discount rates 31 December 2018	3.93	4.18	4.22
Inflation 31 December 2017	4.00–5.70	2.20	–
Inflation 31 December 2018	3.89–5.57	2.20	–

137. 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, consistent with the decision of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system.

138. Other financial and demographic assumptions used for the 31 December 2017 valuation were maintained for the roll-forward. The salary increase assumptions for the Professional staff category were 8.5 per cent for the age of 23 years, grading down to 4.0 per cent for the age of 70 years. The salaries of the General Service staff category were assumed to increase by 6.8 per cent for the age of 19 years, grading down to 4.0 per cent at the age of 65 years.

139. 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 2018 were updated to include escalation rates for future years. As at 31 December 2018, these escalation rates were at 3.91 per cent (2017: 4.0 per cent), 3.89 per cent (2017: 4.0 per cent) and 5.57 per cent (2017: 5.7 per cent) for Eurozone, Swiss and all other medical plans, respectively, except 5.38 per cent (2017: 5.5 per cent) for the United States Medicare plan and 4.73 per cent (2017: 4.8 per cent) for the United States dental plan, grading down to 3.65 per cent (2017: 3.65 per cent) and 3.05 per cent (2017: 3.05 per cent) over 4 to 9 years for Eurozone and Swiss health-care cost and to 3.85 per cent (2017: 3.85 per cent) over 14 years for United States health-care cost.

140. With regard to the valuation of repatriation benefits as at 31 December 2018, inflation in travel costs was assumed to be 2.20 per cent (2017: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

141. 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.

142. 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.

Actuarial valuation: movement in post-employment benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	2018	*2017*
Net defined-benefits liability as at 1 January	**5 043 449**	**4 336 852**
Current service cost	162 785	162 610
Interest cost	166 864	147 428
Total costs recognized in the statement of financial performance	**329 649**	**310 038**
Benefits paid	(139 725)	(137 726)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets[a]	(527 909)	534 285
Net defined-benefits liability as at 31 December	**4 705 464**	**5 043 449**

[a] The net cumulative amount of actuarial losses recognized in the statement of changes in net assets is $239.2 million (2017: $767.1 million).

Actuarial valuation: discount rate sensitivity analysis

143. 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 2018	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(729 549)	(22 076)	(15 316)
As a percentage of year-end liability	(17.07)	(8.56)	(8.87)
Decrease of discount rate by 1 per cent	970 428	25 641	17 866
As a percentage of year-end liability	22.70	9.94	10.35

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

Actuarial valuation: medical costs sensitivity analysis

144. 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)

2018	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	22.79%	974 076	(17.45%)	(745 993)
Effect on the aggregate of the current service cost and interest cost	1.81%	77 529	(1.33%)	(56 805)
Total effect		**1 051 605**		**(802 798)**

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)**

145. With effect from 1 January 2017, the Organization began to accrue 3 per cent on gross salary plus post adjustment for staff funded from extrabudgetary resources as a reserve to cover the Organization’s after-service health insurance obligation in respect of staff retiring from positions funded from extrabudgetary resources. The rate was subsequently increased to 6 per cent on 1 January 2019.

146. The Organization accrues 8 per cent on gross salary less staff assessment for staff funded from extrabudgetary resources as a reserve to cover the Organization's repatriation grant obligation. The net asset of the repatriation grant extrabudgetary fund amounts to $44.7 million as at 31 December 2018, including accrual of $11.3 million in 2018.

Other defined-benefit plan information

147. Benefits paid for 2018 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***
2019	108 540	22 346	14 401	**145 287**
2018	98 859	23 668	17 198	**139 725**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Millions of United States dollars)

	2017	*2016*	*2015*	*2014*	*2013*
Present value of the defined-benefit obligations	5 043	4 337	4 135	4 680	3 537

Other employee benefit liabilities

Fund for compensation payments: Appendix D/workers' compensation

148. 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.

Appendix D/workers' compensation costs actuarial valuation: assumptions

149. The workers' compensation liability is actuarially valued. The liabilities are determined from the projected benefits, which are increased for cost-of-living allowance, decreased for mortality and then discounted to the present value. Obligations as at 31 December 2018, estimated at $32.1 million, are based on a roll-forward of the 31 December 2017 figures.

150. The cost-of-living adjustment is the same as that which has been used in the 31 December 2017 actuarial valuation of the United Nations Joint Staff Pension Fund, which is 2.20 per cent. The discount rate is adjusted to 4.44 per cent in the 31 December 2018 valuation, from 3.83 per cent in the 31 December 2017 valuation. Like defined-benefit liabilities, the Aon Hewitt yield curves were used in determining

the 31 December 2018 obligation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Appendix D/workers' compensation costs actuarial valuation: sensitivity analysis

151. 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 2018	*31 December 2017*
Increase of cost-of-living adjustment by 1 per cent	4 030	4 612
As a percentage of year-end liability	12.55	13.68
Decrease of cost-of-living adjustment by 1 per cent	(3 353)	(3 753)
As a percentage of year-end liability	(10.44)	(11.13)

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 2018	*31 December 2017*
Increase of discount rate by 1 per cent	(3 507)	(3 539)
As a percentage of year-end liability	(10.92)	(10.50)
Decrease of discount rate by 1 per cent	4 332	4 410
As a percentage of year-end liability	13.49	13.08

Accrued salaries and allowances

152. Accrued salaries and allowances comprise $21.3 million (2017: $23.0 million) in accrued salaries, home leave benefits of $33.4 million (2017: $33.0 million) and $7.0 million (2017: $6.0 million) relating to other payables and accruals for repatriation grant payables and other allowances.

United Nations Joint Staff Pension Fund

153. 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.

154. The Organization's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial

sufficiency of the 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.

155. 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 biennial cycle, a roll-forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

156. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll-forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll-forward) when the current system of pension adjustments was taken into account.

157. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, 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 plan. 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.

158. Should Article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2015, 2016 and 2017) amounted to $6,931.39 million, of which 18.1 per cent was contributed by the Organization.

159. During 2018, the Organization's contributions, including the staff portion, paid to the Pension Fund amounted to $440.4 million (2017: $416.9 million). Expected contributions due in 2019 are approximately $456.3 million.

160. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

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

Impact of General Assembly resolutions on staff benefits

162. 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 Organization on or after 1 January 2014 is 65 years. For those that joined before 1 January 2014, the mandatory age of separation has been raised from 60 or 62 years to 65 years as from 1 January 2018. This change is expected to have an impact on future calculations of employee benefits liabilities.
Unified salary structure	A unified salary scale for internationally recruited staff (Professional and Field Service categories) took effect on 1 January 2017. Previously, the salary scales were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The unified salary scale resulted in the elimination of single and dependency rates, and the dependency rate was replaced with allowances for staff members who have recognized dependants in accordance with the Staff Regulations and Rules of the United Nations. A revised staff assessment scale and pensionable remuneration scale was implemented together with the unified salary structure. The change in salary scale did not result in reduced payments for staff members. However, it is expected that the change will affect the future valuation of the repatriation benefit and the commuted annual leave benefit.
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 2017/18 school year and at the time of settlements.

163. 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	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2017	**28 571**	**858**	**572**	**84 394**	**114 395**
Additional provisions made	25 192[a]	1 369	197	102 107	128 865
Amounts reversed	–	(554)	(312)	–	(866)
Amounts used	–	(78)	–	(84 394)	(84 472)
Provisions as at 31 December 2018	**53 763**	**1 595**	**457**	**102 107**	**157 922**
Current	53 763	1 595	196	102 107	157 661
Non-current	–	–	261	–	261
Total	**53 763**	**1 595**	**457**	**102 107**	**157 922**

[a] Relates to the cancellation of biennium 2016–2017 commitments (see note 26)

(Thousands of United States dollars)

	Credits to Member States	*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**

164. The provisions for credits to Member States for unencumbered balances of appropriations, in the amount of $53.8 million, comprise $28.6 million established previously in 2017 and $25.2 million newly established in 2018. Provisions for $1.6 million (2017: $0.9 million) were set up 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 during the year for which claims were not yet filed.

Note 21
Tax Equalization Fund liability

165. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed

peacekeeping operations, the international tribunals for Rwanda and the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

166. 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.

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

(Thousands of United States dollars)

	United States of America	*Other Member States*	*31 December 2018*	*31 December 2017*
Staff assessment receipts from:				
United Nations regular budget	57 385	203 457	260 842	258 177
Peacekeeping operations	52 503	132 143	184 646	189 597
International tribunals	2 229	6 610	8 839	13 182
Interest revenue split	409	1 248	1 657	1 776
Total staff assessment revenue	**112 526**	**343 458**	**455 984**	**462 732**
Staff costs and other	95 466	–	95 466	104 576
Contractual services	252	–	252	72
Credits given to other Member States for:				
United Nations regular budget	–	200 788	200 788	198 307
Peacekeeping operations	–	120 662	120 662	130 989
International tribunals	–	9 446	9 446	8 336
Total expenses	**95 718**	**330 896**	**426 614**	**442 280**
Net excess of revenue over	**16 808**	**12 562**	**29 370**	**20 452**

[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. An amount of $29.3 million representing excess of revenues over expenses has been added to cumulative surplus balances during 2018 and transferred to the tax equalization liability financial statement line.

167. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2018 was $96.7 million (2017: $67.3 million), consisting of amounts payable to the United States of America at year-end of $39.8 million (2017: $23.03 million) and to other Member States of $56.9 million (2017: $44.3 million). The overall amount payable of the Fund is $150.9 million (2017: $88.6 million), which includes an estimated tax liability of $54.1 million relating to the 2018 and prior tax years (2017: $21.3 million), of which approximately $29.2 million was disbursed in January 2019 and approximately $24.9 million was expected to be settled in April 2019.

Note 22
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
Liabilities for conditional arrangements	94 955	42 457	137 412
Liabilities under donated right-to-use arrangements	3 698	62 816	66 514
Straight-lining of operating lease	6 525	–	6 525
Borrowings	–	34 086	34 086
Other liabilities	5 678	203	5 881
Total other liabilities	**110 856**	**139 562**	**250 418**

(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**

Borrowings

168. 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. A loan contract was signed in April 2017 between the Organization and the Fondation des immeubles pour les organisations internationales (FIPOI) (a public entity under the Government of Switzerland). The maximum loan amount is SwF 400 million. The Organization withdraws funds available under the loan in several tranches each year. The loan is measured at amortized cost using the interest rate of a 30-year Swiss federal government bond. As at 31 December 2018, the nominal loan amount withdrawn was $37.5 million (equivalent to SwF 37.0 million). Its corresponding fair value at amortized cost is $34.1 million.

Note 23
Controlled multi-partner trust funds

169. 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

170. Common humanitarian funds have been established as partnerships between the United Nations agencies for humanitarian activities in a number of countries. 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 those multi-partner trust funds.

171. The Peacebuilding Fund has financed approximately 500 projects in 40 countries by delivering fast and flexible funding for peacebuilding initiatives in post-conflict countries. Given that the Fund is controlled and managed by the Peacebuilding Support Office, the Organization is the principal in the programme.

172. Following the adoption of General Assembly resolution 71/1, entitled "New York Declaration for Refugees and Migrants", the Organization launched in 2017 the United Nations multi-partner trust fund to support the global compact for safe, orderly and regular migration. The Advisory Committee of the fund is chaired by the Special Representative of the Secretary-General for International Migration.

173. In 2016, the Organization launched the United Nations Haiti cholera response multi-partner trust fund. The fund provides a rapid, flexible and accountable platform to support a coordinated response from the United Nations system and partners. The Special Adviser to the Secretary-General on the 2030 Agenda for Sustainable Development and Climate Change acts as the Chair of the Advisory Committee of the fund. Accordingly, the Organization is considered as the principal in the fund.

174. The multi-partner trust funds where the Organization has control and is the principal are therefore consolidated in full 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 2018				
	Common humanitarian funds	*Peacebuilding funds*	*Multi-partner trust fund on migration*	*Haiti cholera response fund*	*Total*
Revenue	333 683	132 206	612	3 010	469 511
Expenses	(323 081)	(156 953)	(259)	(2 033)	(482 326)
Net surplus/(deficit)	**10 602**	**(24 747)**	**353**	**977**	**(12 815)**
Net assets as at 31 December 2017	201 570	166 195	23	5 027	372 815
Net assets as at 31 December 2018	**212 172**	**141 448**	**376**	**6 004**	**360 000**

(Thousands of United States dollars)

	Year ended 31 December 2017				
	Common humanitarian funds	*Peacebuilding funds*	*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**

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 2018

(Thousands of United States dollars)

	Net assets/ (liability) as at 1 January 2018	Statement of changes in net assets: Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	Statement of changes in net assets: Other changes	Statement of financial performance: surplus/(deficit) for the year	Net assets/ (liability) as at 31 December 2018
Interest in joint arrangements: non-current assets					
International Trade Centre (ITC)	3 669	2 050	(3)	10 712	16 428
United Nations System Staff College	2 559	77	–	204	2 840
Vienna International Centre Major Repair and Replacement Fund	1 488	–	(124)	111	1 475
Total non-current assets	**7 716**	**2 127**	**(127)**	**11 027**	**20 743**
Interest in joint arrangements: non-current liabilities					
United Nations Office at Vienna	(51 720)	5 236	–	(1 805)	(48 289)
Other joint ventures	(31 331)	3 912	–	(1 530)	(28 949)
Total non-current liabilities	**(83 051)**	**9 148**	**–**	**(3 335)**	**(77 238)**
Net interest in joint arrangements	**(75 335)**	**11 275**	**(127)**	**7 692**	**(56 495)**
Net contribution to joint arrangements[a]				(77 035)	
Statement II: contributions to and share of deficit of joint arrangements accounted for using the equity method				**(69 343)**	

[a] Represents the 2018 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $57.6 million to joint financing arrangements, $18.7 million to ITC, $0.2 million to the United Nations System Staff College and $0.5 million to the Vienna International Centre Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method, as at 31 December 2017

(Thousands of United States dollars)

	Net assets/ (liability) as at 1 January 2017	Statement of changes in net assets: Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	Statement of changes in net assets: 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**

	Net assets/ (liability) as at 1 January 2017	*Statement of changes in net assets*		Statement of financial performance: surplus/(deficit) for the year	Net assets/ (liability) as at 31 December 2017
		Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	*Other changes*		
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 the equity method				**(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 to joint financing arrangements, $17.8 million to ITC, $0.2 million to the United Nations System Staff College and $0.5 million to the Vienna International Centre Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method: non-current assets

175. ITC is a joint venture between the Organization and the World Trade Organization. Accordingly, the Organization’s 50.0 per cent interest, based on its regular budget contribution of $18.7 million in 2018 (2017: $17.8 million), is accounted for using the equity method. A summary of the financial performance and net assets position of ITC is provided below.

176. 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. For the 2018 core contribution, the Organization’s share is 29.61 per cent (2017: 29.61 per cent). A summary of the financial performance and net assets position of the College is shown below.

177. The Major Repair and Replacement Fund is a jointly financed administrative 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 2018 (2017: $0.5 million), which represents 11.32 per cent of the total revenue received by the Fund in 2018 (2017: 11.38 per cent). A summary of the financial performance and net assets position of the Fund are presented below.

178. 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 2018.

Joint arrangements accounted for using the equity method: non-current liabilities

179. The jointly financed administrative activities are established under binding agreements as follows:

(a) **United Nations Office at Vienna**: jointly financed administrative 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.

180. These jointly financed administrative 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 reflect key factors, such as the number of employees and the total space occupied and 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 2018

(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	161 637	14 534	15 176	11 937	39 571	242 855
Non-current assets	111 925	5 176	–	532	7 569	125 202
Total assets	**273 562**	**19 710**	**15 176**	**12 469**	**47 140**	**368 057**
Current liabilities	(45 982)	(1 910)	(2 146)	(14 317)	(26 607)	(90 962)
Non-current liabilities	(194 724)	(8 209)	–	(76 807)	(151 520)	(431 260)
Total liabilities	**(240 706)**	**(10 119)**	**(2 146)**	**(91 124)**	**(178 127)**	**(522 222)**
Net of total assets and total liabilities	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**
Net assets: accumulated surplus/(deficit)	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**

Joint arrangements accounted for using the equity method: statement of financial performance as at 31 December 2018

(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	120 111	11 755	5 500	45 406	139 889	322 661
Expenses	(98 687)	(9 742)	(4 521)	(47 603)	(145 443)	(305 996)
Surplus/(deficit) for the year	**21 424**	**2 013**[a]	**979**	**(2 197)**	**(5 554)**	**16 665**
Net assets/(liabilities) at beginning of year	**7 337**	**8 644**	**13 144**	**(84 987)**	**(143 130)**	**(198 992)**
Surplus/(deficit) for the year	21 424	688[a]	979	(2 197)	(5 554)	15 340
Actuarial gains/(losses) on employee benefits liabilities	4 100	259	–	8 529	17 697	30 585
Other changes in net assets	(5)	–	(1 093)	–	–	(1 098)
Net assets/(liabilities) at year-end	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**
Organization's interest in the joint arrangements (percentage)	**50.00**	**29.61**	**11.32**	**61.39**	**22.10**	
Share of surplus/(deficit) for the year	10 712	204	111	(1 805)[b]	(1 5302)[c]	7 692
Share of actuarial gains/(losses) recognized directly in net assets	2 050	77	–	5 236	3 912	11 275
Share of other changes in net assets	(3)	–	(124)	–	–	(127)
Share of net assets/(liabilities) at year end	**16 428**	**2 840**	**1 475**	**(48 289)**	**(28 949)**	**(56 495)**

[a] Surplus includes an adjustment of $1.3 million related to the prior year.
[b] Adjusted to reflect change in the interest of the Organization from 60.85 per cent in 2017 to 61.39 per cent in 2018.
[c] Adjusted to reflect change in the interest of the Organization from 21.89 per cent in 2017 to 22.10 per cent in 2018.

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.

Note 25
Net assets

Net assets as at 31 December

(Thousands of United States dollars)

	General Fund and related funds	*Trust funds*	*Long-term employee benefits funds*	*Insurance/workers' compensation funds*	*Other funds*	*Total*
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**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 19)	2 353	–	527 909	258	–	530 520
Share of changes recognized by joint ventures directly in net assets (note 24)	11 272	–	–	–	(124)	11 148
Consolidation of the financial statements of the African Institute for Economic Development and Planning (note 4)	–	5 879	–	–	–	5 879
Surplus/(deficit) for the year	(100 558)	829 687	(165 269)	16 501	(57 251)	523 110
Total changes in net assets	**(86 933)**	**835 566**	**362 640**	**16 759**	**(57 375)**	**1 070 657**
Net assets as at 31 December 2018	**234 587**	**3 792 130**	**(4 579 876)**	**573 079**	**3 193 975**	**3 213 895**

Net assets as at 31 December 2018

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	234 587	–	234 587
Trust funds	3 792 130	–	3 792 130
Long-term employee benefits funds	(4 579 876)	–	(4 579 876)
Insurance/workers' compensation funds	528 409	44 670	573 079
Other funds	3 193 975	–	3 193 975
Total net assets	**3 169 225**	**44 670**	**3 213 895**

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
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**

Accumulated surplus

181. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, 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

182. Reserves comprise a premium stabilization reserve amounting to $1.4 million (2017: $1.4 million) with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $43.3 million (2017: $58.8 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

183. 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 $202.7 million (2017: $202.1 million), of which $48.7 million (2017: $48.7 million) relates to the Fund principal from contributions and $154.0 million (2017: $153.4 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

184. Assessed contributions of $2,788.1 million (2017: $2,822.8 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)

	2018	*2017*
Gross amount assessed to Member States[a]	2 688 128	2 776 530
Additional assessment[b]	(61 588)	(61 600)
Additional appropriation approved for the year[c]	141 410	61 588
Cancellation of prior-period obligations for the biennium 2014–2015 recorded in 2017 and utilized in 2018[d]	45 243	(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)
Cancellation of biennium 2016–2017 commitments	(25 192)	–
Non-member States assessments	97	101
Amount reported in statement II: assessed contributions	**2 788 097**	**2 822 835**

[a] In accordance with General Assembly resolution 72/263 C and ST/ADM/SER.B/973 for 2018 and General Assembly resolution 71/273 C and ST/ADM/SER.B/955 for 2017.
[b] 2018 adjustment pertains to the year 2017 and 2017 adjustment pertains to the year 2016.
[c] In accordance with General Assembly resolutions 72/262 C, 72/266 B and 73/280 A–C for 2018 and General Assembly resolutions 71/272 B, 71/280 and 72/253 A and B for 2017.
[d] Utilized in 2018 in accordance with General Assembly resolution 72/263 C.
[e] Utilized in 2019 in accordance with General Assembly resolution 73/280 C.

Voluntary contributions

(Thousands of United States dollars)

	2018	*2017*
Voluntary monetary contributions	3 276 355	2 539 222
Voluntary in-kind contributions	83 606	72 211
Total voluntary contributions	**3 359 961**	**2 611 433**
Refunds	(33 655)	(21 144)
Net voluntary contributions	**3 326 306**	**2 590 289**

185. During 2018, the total amount of voluntary contributions in kind recognized for right-to-use arrangements was $72.0 million (2017: $72.1 million) and voluntary contributions in kind recognized for donated assets was $11.5 million (2017: $23.2 million).

186. The total amount of donor pledges or agreements which have not been formalized or which were subject to fundraising activities as at 31 December 2018 is $62.7 million (2017: $50.7 million).

187. Saudi Arabia and the United Arab Emirates contributed equally a total of $930.0 million to the Office for the Coordination of Humanitarian Affairs to support the United Nations Yemen humanitarian response plan through a pass-through arrangement. Of the $930.0 million received, $863.2 million was transferred to implementing partners in accordance with the arrangement (see note 29, para. 200). A support cost of $8.2 million was recorded as non-exchange revenue of the Organization. In addition, $58.6 million was allocated to the Office for the Coordination of Humanitarian Affairs and the Department of Safety and Security. Under the arrangement, the Organization is acting as an agent; therefore, only the support cost and the allocation to the Office and the Department are reported as voluntary contribution revenue (a total of $66.8 million).

188. Voluntary monetary contributions include $4.1 million (2017: $4.1 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 $465.2 million (2017: $444.3 million) in consolidated voluntary contributions of the United Nations Development Programme multi-partner trust fund.

189. All voluntary contributions under binding agreements signed during 2018 are recognized as revenue in 2018, including the future portion of multi-year agreements. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

(Thousands of United States dollars)

	Voluntary contribution
2018	2 359 468
2019	465 328
2020	267 614
2021	214 767
2022	37 734
Beyond 2022	15 050
Total voluntary contribution	**3 359 961**

Other transfers and allocations

(Thousands of United States dollars)

	2018	*2017*
Inter-organizational arrangements	36 638	45 092
Other transfers and allocations	–	5
Total other transfers and allocations	**36 638**	**45 097**

Services in kind

190. 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 $9.01 million (2017: $8.01 million).

Note 27
Other revenue

	2018	*2017*
Revenue from services rendered	144 498	134 466
Rental income	29 245	28 843
Revenue-producing activities and other miscellaneous revenue	26 412	77 689
Total other transfers and allocations	**200 155**	**240 998**

191. 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

192. 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.

193. 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.

194. In the case of self-insurance plans, the Organization and the participating subscribers assume the financial risk of providing health insurance to members. These health insurance plans include:

(a) United States-based medical plans, comprising Empire Blue Cross and Aetna, and the Cigna dental plan;

(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.

195. The plans are administered by third-party administrators on behalf of the Organization or, as in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accident, are self-administered.

196. The Organization is responsible for administering or appointing the administrators of the plans and acts as the principal for the self-insurance arrangements. External entities and agencies that participate in the Organization's health and dental insurance plans contribute only premiums and have no control over the plans. 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. The statement of financial performance and statement of financial position for the self-insurance funds are shown below.

Self-insurance funds: statement of financial position as at 31 December 2018

(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	27 937	4 078	33 458	65 473
Investments	258 123	37 678	146 247	442 048
Other receivables	16 166	–	2 941	19 107
Other assets	19 494	1 212	346	21 052
Total assets	**321 720**	**42 968**	**182 992**	**547 680**
Liabilities				
Accounts payable and accrued liabilities	1 993	877	184	3 054
Employee benefits liabilities	16 101	3	4 372	20 476
Advance receipts	2	–	1 024	1 026
Provisions	56 490	10 157	35 460	102 107
Total liabilities	**74 586**	**11 037**	**41 040**	**126 663**
Net of total assets and total liabilities	**247 134**	**31 931**	**141 952**	**421 017**
Net assets				
Accumulated surplus	247 134	31 931	98 682	377 747
Reserves	–	–	43 270	43 270
Total net assets	**247 134**	**31 931**	**141 952**	**421 017**

Self-insurance funds: statement of financial performance for the year ended 31 December 2018

(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	5 470	993	267	6 730
Contributions for self-insurance funds	424 087	32 315	118 919	575 321
Total revenue	**429 557**	**33 308**	**119 186**	**582 051**
Expenses				
Self-insurance claims and expenses	389 239	42 926	110 369	542 534
Employee salaries, allowances and benefits	8 633	569	4 160	13 362
Supplies and consumables	–	–	16	16
Depreciation and amortization	–	–	37	37
Travel	–	–	7	7
Other operating expenses	18 892	2 070	1 154	22 116
Total expenses	**416 764**	**45 565**	**115 743**	**578 072**
Surplus/(deficit) for the year	**12 793**	**(12 257)**	**3 443**	**3 979**

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	**234 341**	**44 188**	**138 508**	**417 037**

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	443 286	32 087	114 263	589 636
Total revenue	**445 854**	**32 832**	**119 377**	**598 063**
Expenses				
Self-insurance claims and expenses	387 549	35 996	100 349	523 894
Employee salaries, allowances and benefits	7 540	514	3 974	12 028
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**

Note 29
Expenses

Employee salaries, allowances and benefits

197. 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)

	2018	*2017*
Salary and wages	2 077 421	2 043 777
Pension and insurance benefits	442 857	360 087
Other benefits	22 876	33 243
Total employee salaries, allowances and benefits	**2 543 154**	**2 437 107**

Grants and other transfers

198. 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)

	2018	*2017*
Trust fund for strengthening the Office of the Emergency Relief Coordinator[a]	809 275	686 066
Central Emergency Response Fund	491 949	409 673
United Nations General Fund[b]	221 725	173 538
Trust fund for the Peacebuilding Support Office[a]	146 487	84 727
Voluntary trust fund for assistance in mine action	95 294	64 470
United Nations Voluntary Fund for Victims of Torture	12 028	7 924
Trust fund for the Junior Professional Officers programme of the Department of Economic and Social Affairs	8 386	6 229
Trust fund in support of peace and security in Mali	7 761	4 208
Total major funds that incurred expenses of grants and other transfers	**1 792 905**	**1 436 835**
Other funds	26 322	91 493
Total grants and other transfers[a]	**1 819 227**	**1 528 328**

[a] Includes grants and transfers to implementing partners through the multi-partner trust funds of $362.0 million (2016: $266.0 million).
[b] Includes grants provided to related party entities (note 32).

199. 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.

200. The Office for the Coordination of Humanitarian Affairs entered into a pass-through arrangement with Saudi Arabia and the United Arab Emirates to support the United Nations Yemen humanitarian response plan for a total of $930.0 million. Of that amount, $863.2 million was transferred to implementing partners in accordance with the arrangement. The Organization is acting as an agent under the arrangement; therefore, the transfer of funds to implementing partners is not recorded as an expense.

Transfers to implementing partners from the voluntary contributions from Saudi Arabia and the United Arab Emirates

(Thousands of United States dollars)

	2018
Food and Agriculture Organization of the United Nations	20 565
International Labour Organization	297
International Organization for Migration	46 083
Office of the United Nations High Commissioner for Refugees	61 522
United Nations Development Programme	13 733
United Nations International Children’s Fund	151 482
United Nations Office for Project Services	13 420
United Nations Population Fund	11 042
World Food Programme	442 797
World Health Organization	102 298
Total transfers	**863 239**

	2018
Amount allocated to the Organization (note 26)	58 600
Support costs charged by the Organization (note 26)	8 161
Total voluntary contributions	**930 000**

Other operating expenses

201. 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)

	2018	2017
Rent – offices and premises[a]	163 415	177 241
Rental – other	4 962	7 669
Bad debt/doubtful debt expenses	64 683	28 626
Net foreign exchange losses	41 138	–
Other[b]	457 870	454 017
Total other operating expenses	**732 068**	**667 553**

[a] Includes contributions in kind for donated right-to-use arrangements.
[b] Includes contracted services, acquisition of goods relating to items not meeting the capitalization thresholds, maintenance expenses and other expenses.

Other expenses

202. Other expenses relate to ex gratia and compensation claims and other miscellaneous expenses.

(Thousands of United States dollars)

	2018	2017
Ex gratia and compensation claims	525	1 273
Other/miscellaneous expenses	716	839
Total other expenses	**1 241**	**2 112**

Note 30
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: main pool[a]	Notes 8 and 31	2 909 570	2 128 271
Short-term investments: euro pool	Notes 8 and 31	–	–
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	3 947	8 804
Derivative instruments: currency forward contracts	Note 8	–	3 251
Total short-term investments		**2 913 517**	**2 140 326**
Long-term investments: main pool	Notes 8 and 31	225 362	668 030
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	48 512	54 132
Total long-term investments		**273 874**	**722 162**
Total fair value through the surplus or deficit investments		**3 187 391**	**2 862 488**
Cash and cash equivalents			
Cash and cash equivalents: main pool	Notes 7 and 31	339 296	248 774
Cash and cash equivalents: euro pool	Notes 7 and 31	5 706	8 474
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 7	7 254	10 225
Cash and cash equivalents – other	Note 7	13 986	4 766
Total cash and cash equivalents		**366 242**	**272 239**
Receivables from exchange and non-exchange transactions and loans			
Assessed contributions	Note 9	378 402	314 993
Voluntary contributions	Note 10	1 541 634	1 168 597
Other receivables	Note 11	123 088	156 941
Other assets (excluding advances and deferred charges)	Note 13	281	588
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**2 409 647**	**1 913 358**
Total carrying amount of financial assets		**5 597 038**	**4 775 846**
Of which relates to financial assets held in main pool	Note 31	3 474 228	3 045 075
Of which relates to financial assets held in euro pool	Note 31	5 706	8 474
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 31	59 713	73 161

	Reference	*31 December 2018*	*31 December 2017*
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	Note 17	386 637	373 308
Tax Equalization Fund liability	Note 21	150 873	88 653
Other liabilities	Note 22	46 492	22 038
Total carrying amount of financial liabilities		**584 002**	**483 999**
Summary of net revenue from financial assets			
Net cash pool revenue		66 195	37 599
Net United Nations Staff Mutual Insurance Society against Sickness and Accident gain/(loss)		(1 603)	4 376
Other investment revenue		5 102	2 819
Total net revenue from financial assets		**69 694**	**44 794**

[a] Short-term investments include accrued investment revenue of $13.7 million (2017: $9.1 million) and $0.166 million (2017: $0.268 million) for the main pool and the United Nations Staff Mutual Insurance Society against Sickness and Accident, respectively.

Financial risk management

Overview

203. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

204. 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

205. 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

206. 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.

207. 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

208. 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

209. 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 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**
Bad debt/doubtful debt expenses	59 710	2 368	2 158	64 236
Amounts written off	–	–	(1 485)	(1 485)
Other adjustments	–	15 412	–	15 412
As at 31 December 2018	**315 318**	**19 177**	**53 552**	**388 047**

Amounts written-off

(Thousands of United States dollars)

Fund/activity	*2018*	*2017*
United Nations General Fund and related funds	927	1 069
Trust funds	3	43
Other funds	555	–
Total	**1 485**	**1 112**

210. 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 2018		*31 December 2017*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	425 011	59 578	309 518	19 024
One to two years	31 961	19 024	43 522	19 041
More than two years	236 748	236 716	217 561	217 543
Total	**693 720**	**315 318**	**570 601**	**255 608**

211. 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 2018		*31 December 2017*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	1 349 102	–	1 026 777	–
Less than one year	304 599	–	293 023	–
One to two years	11 794	2 948	5 969	1 492
Two to three years	5 437	3 262	3 149	1 890
More than three years	66 519	66 519	50 895	50 895
Total	**1 737 451**	**72 729**	**1 379 813**	**54 277**

Credit risk: cash and cash equivalents

212. At year-end, the Organization had cash and cash equivalents of $366.2 million (2017: $272.2 million), which is the maximum credit exposure on those assets.

Credit risk: currency forward contracts

213. 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

214. 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 307,030 shares (2017: 285,930 shares) of iShares SMI (Switzerland).

215. The credit ratings used are those determined by major credit-rating agencies; S&P Global Ratings, 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 2018				*Ratings as at 31 December 2017*			
Bonds (long-term ratings)								
	AAA	*AA/AA+/AA-*	*A*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+/A*	*Not rated*
S&P Global Ratings		83.6	16.4		18.9	68.9	12.2	
Fitch	4.1	43.6	26.6	25.7	3.1	46.6	12.2	38.1
	Aaa	*Aa1/Aa3*	*A1*	*Not rated*	*Aaa*	*Aa1/Aa3*	*A1*	*Not rated*
Moody's	6.2	93.8			23.6	70.4	6	

Financial risk management: liquidity risk

216. 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.

217. 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.

218. 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

219. 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 six years (2017: less than seven years). The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

220. 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 (2017: 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 2018

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	386 637	–	–	386 637
Tax Equalization Fund liability	150 873	–	–	150 873
Other liabilities	12 418	–	34 289	46 707
Total	**549 928**	**–**	**34 289**	**584 217**

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**

Financial risk management: market risk

221. 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

222. 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 1.52 years (2017: 1.23 years), which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Market risk: currency risk

223. 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.

224. 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.

225. 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 2018

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Pound sterling*	*Other*	*Total*
Main cash pool	3 395 855	56 945	7 585	4 232	9 611	3 474 228
Euro cash pool	–	5 706	–	–	–	5 706
Subtotal	**3 395 855**	**62 651**	**7 585**	**4 232**	**9 611**	**3 479 934**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	59 713	–	–	59 713
Total	**3 395 855**	**62 651**	**67 298**	**4 232**	**9 611**	**3 539 647**

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 risk: sensitivity analysis

226. 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 2018		*As at 31 December 2017*	
	Effect on net assets/surplus or deficit		*Effect on net assets/surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	6 265	(6 265)	1 298	(1 298)
Colombian peso (10 per cent movement)	–	–	1 543	(1 543)
Swiss franc (10 per cent movement)	6 758	(6 758)	8 016	(8 016)
Pound sterling (10 per cent movement	423	(423)	–	–

Currency risk: forward contracts

227. In 2018, 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 $3.8 million (gains in 2017: $9.7 million) for the year. The losses were recorded against staff costs, resulting in an increase in employee benefits expenses. There were 24 (2017: 24) forward contracts outstanding as at 31 December 2018 with a notional amount of SwF 397.8 million and €59 million with an unrealized gain of $10.4 million, maturing in 2019.

Other market price risk

228. 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 alter cash flows only by an immaterial amount.

Accounting classifications and fair value

229. 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 2018.

Fair value hierarchy

230. 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).

231. 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.

232. 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.

233. 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 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Exchange – traded fund	27 162	–	27 162	25 526	–	25 526
Bonds – corporate	20 948	–	20 948	7 615	–	7 615
Bonds – non-United States agencies	3 092	–	3 092	1 135	–	1 135
Bonds – supranationals	1 091	–	1 091	28 391	–	28 391
Total[a]	**52 293**	**–**	**52 293**	**62 667**	**–**	**62 667**

[a] The total amount does not include accrued investment revenue of $0.165 million (2017: $0.262 million).

Note 31
Financial instruments: cash pools

234. 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.

235. 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.

236. As at 31 December 2018, the cash pools held total assets of $7,510.5 million (2017: $8,100.2 million), of which $3,480.1 million (2017: $3,053.6 million) was due

to the Organization, and its share of revenue from cash pools was $66.2 million (2017: $37.6 million).

Summary of assets and liabilities of the cash pools as at 31 December 2018

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	6 255 379	–	6 255 379
Long-term investments	486 813	–	486 813
Total fair value through surplus or deficit investments	**6 742 192**	–	**6 742 192**
Loans and receivables			
Cash and cash equivalents	732 926	5 706	738 632
Accrued investment revenue	29 696	–	29 696
Total loans and receivables	**762 622**	**5 706**	**768 328**
Total carrying amount of financial assets	**7 504 814**	**5 706**	**7 510 520**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	3 474 228	5 706	3 479 934
Payable to other cash pool participants	4 030 586	–	4 030 586
Total liabilities	**7 504 814**	**5 706**	**7 510 520**
Net assets	**–**	**–**	**–**

Summary of revenue and expenses of the cash pools for the year ended 31 December 2018

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	152 805	(6)	152 799
Unrealized gains/(losses)	3 852	–	3 852
Investment revenue from cash pools	**156 657**	**(6)**	**156 651**
Foreign exchange gains/(losses)	854	(354)	500
Bank fees	(805)	–	(805)
Operating expenses of cash pools	**49**	**(354)**	**(305)**
Total revenue from and expenses of cash pools	**156 706**	**(360)**	**156 346**

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 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**

Financial risk management

237. 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.

238. 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.

239. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

240. 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.

241. 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.

242. The credit ratings used for the cash pools are those determined by major credit-rating agencies; S&P Global Ratings, 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 2018*				*Ratings as at 31 December 2017*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
S&P Global Ratings	15.4	79.0	5.6	–	30.5	65.5	4.0	–
Fitch	55.1	39.3	–	5.6	61.3	30.6	–	8.1
	Aaa	*Aa1/Aa2/Aa3*	*A1*		*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	49.7	50.0	0.3		55.3	44.7		
Commercial papers (short-term ratings)								
	A-1+				*A-1+/A-1*			
S&P Global Ratings	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+*			
S&P Global Ratings	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/a-*	
Fitch	–	53.5	46.5		–	44.2	55.8	

[a] No investments were held as at 31 December 2018 in the euro pool.

243. 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

244. 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

245. 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 three years (2017: four years). The average duration of the main pool was 0.33 years (2017: 0.61 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

246. 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 2018

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	**22.43**	**16.82**	**11.22**	**5.61**	**–**	**(6.89)**	**(11.21)**	**(16.82)**	**(22.43)**
Total, euro pool	–	–	–	–	–	–	–	–	–
Total	**22.43**	**16.82**	**11.22**	**5.61**	**–**	**(6.89)**	**(11.21)**	**(16.82)**	**(22.43)**

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)**

Other market price risk

247. 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

248. 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 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	205 566	–	205 566	355 262	–	355 262
Bonds – non-United States agencies	791 922	–	791 922	1 190 050	–	1 190 050
Bonds – non-United States sovereigns	–	–	–	124 892	–	124 892
Bonds – supranational	174 592	–	174 592	173 275	–	173 275
Bonds – United States treasuries	610 746	–	610 746	610 267	–	610 267
Main pool – commercial papers	219 366	–	219 366	671 945	–	671 945
Main pool – term deposits	–	4 740 000	4 740 000	–	4 300 000	4 300 000
Total	**2 002 192**	**4 740 000**	**6 742 192**	**3 125 691**	**4 300 000**	**7 425 691**

Note 32
Related parties

Key management personnel

249. 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.

250. The aggregate remuneration paid to 12 (full-time equivalent) (2017: 11) 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)

	2018	*2017*
Salary and post adjustment	3 540	3 012
Other monetary entitlements	869	892
Non-monetary benefits	1 200	1 200
Total remuneration for the year	**5 609**	**5 104**

251. A residence, with an annual rental fair value equivalent of $1.2 million (2017: $1.2 million), is provided to the Secretary-General free of charge. 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

252. The Organization provides grants to related party entities as shown below.

Grants provided to related party entities
(Thousands of United States dollars)

	2018	*2017*
United Nations Office on Drugs and Crime	34 294	30 638
United Nations Environment Programme	24 252	25 389
United Nations Human Settlements Programme	14 430	13 564
International Trade Centre	18 680	17 885
United Nations Entity for Gender Equality and the Empowerment of Women	8 807	8 009
United Nations Relief and Works Agency for Palestine Refugees in the Near East	28 571	30 430
Office of the United Nations High Commissioner for Refugees	42 954	43 326
Total	**171 988**	**169 241**

Trust fund activities related to peacekeeping and tribunal operations

253. 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

(Thousands of United States dollars)

	2018				*2017*			
Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*	*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	1 463	32	–	1 495	1 440	23	–	1 463
Trust fund for Somalia – unified command	404	9	–	413	398	6	–	404
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	8	–	–	8
Trust fund for the police assistance programme in Bosnia and Herzegovina	318	7	–	325	313	5	–	318
Trust fund in support of United Nations peacemaking and peacekeeping activities	2 333	49	176	2 206	3 549	(1 010)	206	2 333
Trust fund in support of the Department of Peacekeeping Operations	58 672	57 342	19 609	96 405	65 347	8 921	15 596	58 672
Trust fund to support the peace process in the Democratic Republic of the Congo	2 555	(58)	259	2 238	2 666	33	144	2 555
Trust fund to support the United Nations Interim Administration in Kosovo	1 086	24	–	1 110	1 069	17	–	1 086
Trust fund to support the Ituri Pacification Commission	7	–	–	7	7	–	–	7
Trust fund in support of the peace process in the Sudan	711	16	–	727	700	11	–	711
Trust fund for the African Union-United Nations Joint Mediation Support Team for Darfur	6 756	635	1 183	6 208	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	1 733	38	–	1 771	1 706	27	–	1 733
Subfund of the trust fund in support of the African Union Mission in Somalia	19 475	26 813	18 888	27 400	34 147	10 053	24 726	19 475
Trust fund to support lasting peace in Darfur	385	8	–	393	383	4	2	385
Trust fund in support of the African-led International Support Mission in Mali	601	12	–	613	1 023	9	431	601
Trust fund in support of peace and security in Mali	53 311	13 292	26 999	39 604	24 663	39 298	10 650	53 311
Trust fund for the United Nations Operation in Côte d'Ivoire	167	4	–	171	171	3	6	167
Trust fund in support of the political transition in Haiti	738	14	262	490	849	9	120	738

Trust fund	*2018* Net assets at the beginning of the period	*2018* Income	*2018* Expenses	*2018* Net assets at the end of the period	*2017* Net assets at the beginning of the period	*2017* Income	*2017* Expenses	*2017* Net assets at the end of the period
Trust fund in support of the African-led International Support Mission in the Central African Republic	201	4	–	205	248	(47)	–	201
Trust fund in support of peace and security in Libya	45	(45)	–	–	44	1	–	45
Trust fund in support of the elimination of Syrian chemical weapons	442	9	–	451	819	(377)	–	442
Total	**151 414**	**98 205**	**67 376**	**182 240**	**146 122**	**57 217**	**51 926**	**151 414**

Financial results for activities related to tribunal operations funded by trust funds for the fiscal year ended 31 December

(Thousands of United States dollars)

	2018				*2017*			
Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*	*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)	578	253	6	825	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	1	–	–	1	130	(129)	–	1
Trust fund to support the activities of the International Residual Mechanism for Criminal Tribunals	206	51	85	172	101	131	26	206
Total	**785**	**304**	**91**	**998**	**674**	**987**	**876**	**785**

Receivables due from peacekeeping operations

254. The Organization has receivables in the amount of $37.4 million (2017: $37.4 million) and $10.0 million (2017: $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

255. 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 in 2017. The carrying value of donated right-to-use arrangements meeting the finance lease recognition criteria totalled $66.5 million (2017: $69.8 million). The major portion of the donated right-to-use amount relates to the $65.9 million (2017: $69.2 million) interest in the Vienna International Centre, with the remaining amount relating to the Asian and Pacific Centre for Transfer of Technology of the 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 $0.003 million (2017: $0.055 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*	*Total*
As at 31 December 2018	65 946	569	**66 515**
As at 31 December 2017	69 192	610	**69 802**

256. 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 2018	*As at 31 December 2017*
Due in less than 1 year	–	474
Due in 1 to 5 years	–	–
Total present value of minimum finance lease payments	**–**	**474**
Future finance charges	–	3
Total minimum finance lease payments	**–**	**477**

Operating leases

257. 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 $168.4 million (2017: $184.9 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 2018	*As at 31 December 2017*
Due in less than 1 year	66 772	68 850
Due in 1 to 5 years	155 642	177 015
Due after 5 years	78 319	56 301
Total minimum operating lease obligations	**300 733**	**302 166**

258. 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

259. 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 2018	*As at 31 December 2017*
Receipts due in less than 1 year	14 454	7 813
Receipts due in 1 to 5 years	36 319	22 436
Receipts due after 5 years	3 377	3 568
Total minimum operating lease receipts (undiscounted)	**54 150**	**33 817**

260. As at 31 December 2018, the total of future minimum sublease payments expected to be received under subleases was $2.3 million (2017: $9.1 million).

Contractual commitments

261. 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 2018	*As at 31 December 2017*
Transfer of moneys to implementing partners	267 872	216 036
Property, plant and equipment	112 276	149 016
Intangibles	131	5 317
Goods and services	417 410	332 913
Total open contractual commitments	**797 689**	**703 282**

Note 34
Contingent liabilities and contingent assets

Contingent liabilities

262. 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.

263. 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 2018, there were no contingent liabilities relating to commercial claims and other claims of a private law nature (2017: none). Contingent liabilities relating to administration of justice claims as at 31 December 2018 were estimated at $1.74 million (2017: $0.40 million).

264. 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

265. 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 2018, there were $0.29 million (2017: none) in 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

266. 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.

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